HOUSE OF COMMONS

International Development Committee

Oral evidence: The UK's international climate finance, HC 1561

Tuesday 3 March 2026

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Watch the meeting

Members present: Sarah Champion (Chair); Janet Daby; Tracy Gilbert; Monica Harding; Noah Law; Brian Mathew; David Mundell; James Naish; Sam Rushworth.

Questions 1 - 44

Witnesses

I: Elizabeth Wathuti, Founder and Executive Director, Green Generation Initiative; Zahid Shashoto, Head of Programme, Uttaran; Lionel Dishon Murage, Technical Advisor, Oceans Alive Foundation.

II: Professor Avinash Persaud, Special Advisor on Climate Change, Inter-American Development Bank; May Thazin Aung, Senior Researcher, Institute for Environmental Development.

Examination of witnesses

Witnesses: Elizabeth Wathuti, Zahid Shashoto and Lionel Dishon Murage.

Q1 **Chair:** This is our first session of the International Development Committee's inquiry on the UK's commitment and spend on international climate finance. We have two panels today. Could I ask the first panel to introduce themselves?

Elizabeth Wathuti: Hello, everyone. My name is Elizabeth Wathuti. I am calling in from Nairobi, Kenya. I am an environmentalist and founder of the Green Generation Initiative, working directly with local communities to restore degraded ecosystems and on source water protection, while building climate resilience for communities on the frontline of the impact of the climate crisis.

Zahid Shashoto: Hi, everyone. My name is Zahid Shashoto. I work for a grassroots organisation called Uttaran. I live in the south-west coastal part of Bangladesh and work on climate change, land rights and water governance. My organisation has been working with the British Government, with support from the FCDO, for the past two and a half decades.

Lionel Dishon Murage: Good evening, Chair, and honourable Members of the International Development Committee. My name is Lionel Dishon Murage. I would like to thank you sincerely for the opportunity to participate in this evidence session. I am a Kenyan coastal marine structural engineer working in the Kenyan coastal region, covering Kenya as well as Tanzania. With over 25 years' experience, I work for a local organisation called the Oceans Alive Foundation as its technical adviser on core management, monitoring and evaluation. I am also the East African representative for an international organisation called the Seacology Foundation.

I am glad of this opportunity to give evidence to the Committee's inquiry on the effectiveness of funding received from the UK, as it is something I personally have been a beneficiary of through various initiatives the UK has supported along the Kenyan coast. I am glad of this opportunity to share what that funding has been able to do, particularly within the local communities I have worked with over the last 25 years. Thank you so much for this opportunity.

Chair: Thank you so much for being with us. Should I call you Lionel, Dishon, or both?

Lionel Dishon Murage: Both.

Chair: We will do both from this point forward then.

Q2 **Brian Mathew:** I am going to start with Elizabeth, if I may? How has climate change affected your local community or the communities your organisation supports?

Elizabeth Wathuti: Climate change is a daily reality for the communities we work with. We are seeing extreme impacts, especially when it comes to prolonged droughts that are then followed by the intense flooding that continues to affect lives and livelihoods. We have also seen crops fail, livestock lost, and water sources dry up. We know that when rivers dry up everything else dries with them, including the livelihoods and nutrition that depend on those rivers because we need water to be able to grow our food. It also affects education and stability because children are unable to access their institutions, especially when there are extreme weather patterns.

To share a recent example that really illustrates the lived reality of the climate crisis, about three weeks ago pastoralists in northern Kenya were forced to sell their cattle for as low as 500 Kenyan shillings. That is approximately £3. This was due to a prolonged drought that led to the collapse of the grazing systems because when it is very dry livestock cannot survive within these communities. At the same time, these communities depend heavily on livestock as their primary source of income and livelihoods.

Following the unusually heavy rains in February, just outside our normal seasonal pattern, the farmers are now also facing crop losses because the produce is rotting in the fields while they wait for it to dry before harvesting. On the other hand, pastoralists are also facing renewed risks of flooding. This is what climate change means for frontline communities affected by different patterns; it is not business as usual. Lives and livelihoods are actually at risk.

The main impact continues to be on women and children in the communities. The Green Generation Initiative works with farmers who are especially close to critical water catchment areas. This network of farmers has been greatly impacted by the extreme change in weather patterns, which are almost unpredictable right now. This calls for urgent action on how we address the climate impact on the communities that are most affected and, at the same time, how we accelerate locally led solutions. These communities are not just standing by; they are using locally led information to build their own resilience to the climate crisis. It is an aspect of economic stability. It is also an aspect of us being able to protect lives and livelihoods to ensure that our ecosystems are stable.

Q3 **Brian Mathew:** Very briefly, what is your perception of how the climate and its effects have changed over the last five years?

Elizabeth Wathuti: Each year we are faced with different challenges. A few years ago, when I spoke about a prolonged drought situation at the World Leaders Summit in Glasgow, more than 2 million Kenyans were facing climate-related starvation. There has been a repeat this year with a similar number of people facing a hunger crisis, which shows that we are still far away in terms of how we are addressing the crisis and getting communities ready for disaster. It is a big aspect when it comes to disaster preparedness and being able to build on locally led solutions, where communities can deal with disasters and the rising impacts of climate change on their own. It is also a matter of decentralising resources so that communities can address the aspects and impacts affecting them from their background.

Q4 **Brian Mathew:** Zahid, perhaps you can talk a little about how climate change is affecting your communities.

Zahid Shashoto: There are similarities in my community to Elizabeth's. I can list a lot of examples, and I will add two more points. First, in my community, even though the IPCC report said that cyclones in countries such as Bangladesh would intensify and the frequency would remain the same, we have seen the frequency increase. In the last six years, we have had five major cyclones. Last year, the monsoon was supposed to end by July/August. It rained so much in September/October that farmers could not do a dry season crop in some of the floodplains. That is another example. This year, after the dry season we used irrigation water to do another crop, but the heat became so extreme that, as soon as the winter stopped, viruses damaged the paddy tops. It burned and turned reddish.

I can give loads of examples of such climate change events. The house where I live was underwater in 2014 and 2015. The office I work in at the moment was underwater. We used to take a boat to go to our office. We had to leave it for two years and then come back. I can list many examples. There is a gap in countries such as ours; we lack evidence of what is actually climate change and what is something else.

I want to take this opportunity to say that climate change builds on the existing vulnerabilities we have. I was in a village yesterday where, from 2017 until now, agricultural land has reduced by 35%. It was not converted to something else; it was basically taken away by the river or the sea. They had to push the embankment back more and more inside. This is just one village of 500 to 600 families. It used to be 600 but now it is about 480; about 120 have migrated permanently.

I want to give this thought to the Committee: one reason people from my community live at the farthest edge of the land near the sea or river is not because of economic poverty but because of structural poverty. We have landless people because of the Colonial Land Reformation Act. Land became a commodity and was taken by rich people in the community and the poorest were left with nothing. They were pushed back to the edge of the embankment where it is Government land and live on the dikes or very close to the dikes where the land is low. Whenever there is a breach of the dike or embankment, they are the ones getting pushed away. Climate change is making us more and more vulnerable because there are more cyclones and tidal surges but the question is: why are people living in a place where no one should live?

That was in the 1700s to 1800s. Later, we had maldevelopment. We introduced systems such as the polder system from the Dutch, which made the delta formation practically stop in some parts of the country. In some parts it was good; in other parts it was bad. Some parts initially saw a good, green revolution but then all the rivers started to die. When we now have more tidal surges, the river does not have the capacity to hold that much water. It overtops the embankments and dikes. At the same time, the water from the monsoon cannot escape the floodplain because the riverbed is now higher than the floodplain. People have converted their land to shrimp farms because you cannot take the water out to let the saltwater in. The saltwater used to come six hours every day because of high tide and then go away. For the past two decades, we have had permanent saltwater streams on the land. Of course, I can blame climate change because it is giving erratic rainfall but I also have to blame the fact that because of that maldevelopment people started with shrimp. That is one of the reasons why groundwater salinity is increasing.

Climate change is to blame because now the rain pattern is not for three, four or five months. It is not distributed evenly. It is very intense for a few days and then it is gone. Of course that has an impact, but it also started because of maldevelopment. The question is: what are the impacts of climate change in my community and why are there impacts of climate change in my community? That is also related to maldevelopment and our colonial past. These questions need to be asked. Finances should be moulded in a way that addresses all three: climate change, structural marginalisation, and the maldevelopment that we have had. How can we correct those courses to reduce the impact of climate change that is happening now and is aggravating?

Q5 **Brian Mathew:** Thank you, we get the picture. Lionel, can you tell us how your communities are being affected by climate change?

Lionel Dishon Murage: As I mentioned earlier, I work within the coastal and marine sector, mostly with artisanal communities and fishermen. As background to our community, most of our fisheries are artisanal with most of it taken from within the coastal areas. Our fishermen rarely venture three nautical miles from the shore. A key feature of our fishery sources is that they are mainly dependent on coral reefs. They are very closely linked with coral reefs and seagrass. The most unfortunate thing that has happened over the last 20 years that has had a huge impact on these coastal communities is the negative impact of climate change, especially the rising sea level temperatures as well as the rise in sea level.

Looking back historically, especially before the 1980s, we did not have coral bleaching events. Coral bleaching is a phenomenon that we started experiencing in the late 1990s. We actually experienced the first major coral bleaching event within our coastal and marine water in 1998. The most unfortunate thing is that, from 1998 until 2025, we have experienced a total of five major coral bleaching events, four of those coming within the period from 2016 to 2024. Coral bleaching is something that negatively affects our coral reefs. In 2024, a coral bleaching event affected nearly 60% of our coral count. As a result, most of our coral reefs have not yet recovered. The latest report that we have received as we head towards what we consider the monsoon period, which is essentially the hottest period of the year, is that there is already an indication that sea surface temperatures are rising meaning there is a likelihood that we are going to encounter another coral bleaching event soon. This means that we are expecting a major bleaching event within a very short period of time from the last one in 2024.

Once coral bleaching occurs, most of the coral reefs do not recover and die. The result of them dying off is associated with reduced fishing catches and population. This is something that has been taking place, as I mentioned, over the last 20 years. The severity and frequency have increased and are coming at a time when most of the coastal communities are considered to be living below the poverty line. I will give you a good example. The average poverty rate in Kenya is about 36%. For the five coastal communities living along the Kenyan coast the actual poverty rates are between 46% and 49%. These are communities solely dependent on nature for their livelihood. They are either subsistence farmers or fishermen. So we are facing a situation that is becoming direr every day. Those who depend on the resources are actually relying on resources that are being negatively affected by factors beyond their control. For those who rely on subsistence farming, the most unfortunate thing is the other aspect of unpredictable rainfall.

For the last five years subsistence farmers, particularly in Kenya, have had a major challenge in terms of the predictability, frequency and volume of rainfall they are facing. I will give you a good example. In October/November/December of last year, most of the coastal regions did not receive short rains. Most farmers rely on short rains to grow short-term crops, such as maize, sorghum, millet, or any other food crops that do not require a long growing period. Those rains failed. As we speak right now, we have communities that are relying on a resource that is no longer able to provide them with a reliable source of food or a source of income.

The other major impact we have along the Kenyan coast as a result of climate change is sea level rise. As has already been indicated from our own and other studies, on average the sea level is rising within our coastal region between 3 mm to 5 mm every year. It might seem very negligible but an aspect of that rise is that it has led to increased beach erosions. In cases where you have mangroves, where the land beside them has already been developed, you are unable to adapt to the sea level rise because there are no other areas to migrate to.

This is very unfortunate for Kenya because tourism is one of the key sectors the country relies on. One of the biggest sources of income along the Kenyan coast is beach tourism. Most people travel from within the country as well as from outside the country to come and enjoy the beaches. Key things you will find if you come to most of our beaches, which did not exist 20 years ago, are beach walls. These are being constructed because most beaches are now experiencing increased rates of erosion. Some may also be driven by other factors such as the result of unplanned development and the rise in sea level. It might seem minuscule but it is having a huge impact within our local communities as well as our national economy.

Kenya essentially has two major rivers: the Athi River and the Tana River. The most unfortunate thing is that because of the unpredictability and lower rainfall, for some rivers, in the areas where they drain into the sea—the Tana River in the delta and the Athi River—because of the low volumes of freshwater draining into the sea we are increasingly observing saltwater intrusion inland. We have a situation whereby some lakes that were previously freshwater have now turned brackish because refreshment or renewal from freshwater is no longer taking place.

It is actually a major driver because some communities, and particularly those I have indicated, have relied on this freshwater input. There is a huge shrimp and prawn fishery within this delta. We are now seeing a situation, because of the reduced inflow of freshwater, where the catches that were being experienced previously have reduced drastically. As I speak, the number of licences being issued has also reduced. Another aspect is that even the catches associated with those areas, such as trawling for prawn and shrimp, have also reduced drastically.

The unfortunate thing is that these occurrences are increasing at a higher rate and frequency, and some drivers to these occurrences are beyond the local community and even beyond what the Government of Kenya can do. The only way to drive some of the changes that are necessary is to call for the global community to work together. Essentially, that is it. Climate change is having a huge negative impact.

Q6 **Brian Mathew:** Lionel, have there been any attempts to re-seed or re-grow the coral?

Lionel Dishon Murage: Yes, there have actually been quite a number of attempts. The first coral reef restoration attempt was started in 2014 in a place called Wasini. I was a member of the coral reef restoration team. We undertook that exercise with the Kenya Marine and Fisheries Research Institute. Since then there have been other attempts to restore corals along the Kenyan coast. Attempts are currently ongoing here at the Oceans Alive Foundation. Other attempts have continued in Wasini, extending to other neighbouring communities in Mkwiro and Diani, Lamu, as well as other parts of the Kenyan coast.

The coral bleaching event that took place in 2014 affected, to a large extent, some restoration projects that were being attempted. For some projects that were privately funded by donors, after observing the major effect on those restored corals, some withdrew their support from these initiatives.

Q7 **Brian Mathew:** Are you saying these attempts have not worked? Have you had any success with them?

Lionel Dishon Murage: Yes, we have. I am just highlighting. The ones we are attempting here at Oceans Alive have experienced some success and are ongoing. We are currently scaling up. The coral bleaching event that took place in 2024 was a big lesson for us particularly in terms of the species and sites that are selected for restoration and the engagement of other communities. Restoration by itself is a very expensive affair. When you engage local communities, it has a huge impact.

The other thing was species. The bleaching event that we experienced in 2024 did not affect all coral species in the same way. We observed that, after the bleaching effect, some coral species were able to recover quickly but unfortunately some coral species that are considered massive have not been able to recover as quickly. So actually what—

Chair: Lionel, I am going to stop you there. I am obsessed with corals so I could listen to you all day but we do have some other questions. You and I need to have a very large cup of coffee and talk about corals off the screen.

Q8 **Brian Mathew:** Quickly back to you, Elizabeth. Which groups of people are most vulnerable to the impacts of climate change and why?

Elizabeth Wathuti: First, from the communities we have been working with, we have mostly seen that women and children are the most vulnerable to the impacts of the climate crisis. Children are the ones who have to go a day without food within their institutions because, when we have a prolonged drought situation, the crops fail and the farmers are not able to grow enough food to feed the families. This means that the children have difficulties when trying to access their education and it is very difficult for them to carry on within a conducive environment when they are facing a hunger crisis. Secondly, especially in arid and semi-arid areas, we see a lot of malnutrition especially in children and young mothers. This is a big challenge that continues to accelerate through the impact of the climate crisis.

When we have extreme flood situations, the children are not able to access their institutions or even basic care services because these institutions become almost inaccessible. When we have flooding situations, there are instances where schools are completely covered in water, which means they have to wait until the water subsides for them to be able to go back to school. On the other hand, the women are the ones in a normal setting who are tasked with the responsibility of looking for food and water for their families. It means that, when they are unable to provide due to the impacts of the climate crisis, domestic conflicts and violence arise. There are a lot of ripple impacts that continue to affect the communities, especially the children and women who are most impacted by this crisis.

Q9 **James Naish:** Zahid, you talked earlier about climate finance and said that as an organisation you had been accessing it for many years. Can you describe the type of UK climate finance that you have been accessing, the process by which you secured that money and how that process worked?

Zahid Shashoto: I would not be able to distinguish between climate finance and general finance. One of the first times we had FCDO funding was during a flood in my community. It was not a flood. It is called waterlogging. Homes, crop fields and everything remained waterlogged for six months back in 2000. We also had an education fund but I will not bring that in as climate change, so let us start with the disaster in 2000. There was a DFID programme in 2010 called Shiree, which was set up in Bangladesh. It was a property graduation programme with climate change adaptation elements and we worked on land rights and extreme poverty reduction. We supported 33,000 extremely poor households and from that about 73% of people received land from the Government; the same land problem I was telling you about with people living in the farthest edge.

At the same time, the project's evaluation came out at about 92% graduation. From that there was an open call; INGOs, local NGOs, and everyone could have applied. We applied and it was the first time we received FCDO or DFID funding directly. That project went on for seven years until 2017, Brexit, or something else. Following covid, there was a discussion that it could come again but somehow it never did. That was one of the brilliant programmes by FCDO or DFID in Bangladesh. There was later funding called CLARE, one of the flagship climate change programmes funded by FCDO with IDRC. There was a global open call so we competed.

All the money we gathered from FCDO was through open and fair competition. We write proposals, we hopefully come up with brilliant ideas, and then we get the financing. We also get financing through our INGO partners and networks such as the Start Network and other British INGOs such as Save the Children because we were mostly treated as implementing organisations.

Since 2010, we have changed the narrative. We can do more meaningful work if we write the proposals and can compete. Of course, most funding is closed off for international NGOs. Local NGOs have very limited access to open calls when they are not registered under the British or European system. For the limited funding that is open to global or local organisations, we write and take part in those competitions.

Q10 **James Naish:** You have obviously been successful in a number of instances where you have received money from the FCDO. In comparison, how often are you applying to programmes that you are not successful for?

Zahid Shashoto: It is weird that in the last eight years, 10 years with Uttaran, all the open calls we have applied to we received. There are basically two. One was the CLARE funding and the other was called the OCEAN funding by DEFRA. We have the DEFRA and CLARE funding at the moment. There were a few instances where we were denied probably because of poorly written projects. Before that, the last funding was in 2010 for the DFID Shiree project. Later on, we received it through other INGO partners and NGO bodies such as the Manusher Jonno Foundation.

Q11 **James Naish:** Can I put the same question to Dishon in terms of your organisation and your access to finance through the UK? Has your experience been similar, with open calls for applications, or have you had other routes to UK finance?

Lionel Dishon Murage: I will speak for Oceans Alive first. We have been fortunate because UK funding is naturally very competitive. We have received funding from the UK through DEFRA under the Darwin Initiative. In 2024-25, we received funding for one year from Darwin to build the capacity and capability for beach management units within Kilifi County. This was essentially a one-year project with funding of approximately £100,000. We worked with 17 beach management units, bringing together about 3,430 fishermen.

The other funding we received from the UK was the most recent funding under the Ocean Community. It is a three-year funding directly to Oceans Alive. Within this project, we will work to support a framework that has only recently been established by the Government and is referred to as the joint co-management areas. We will work within one specific JCMA—Kamamkuki—which will bring together five beach management units. The funding we have received is about £250,000. Essentially, the project will work to build capacity and address the use of illegal fishing gear and enforcement within the JCMA. The JCMA is around 30,000 hectares.

About 18 years ago, I worked with an organisation called South Coral Life Society and we also received funding from the Darwin Initiative to initiate a process that has now been fully adopted by the Government, which is the one that I just mentioned called a JCMA. When we received that funding, we did not have JCMAs and we worked within a framework called a CCA, community conserved areas. It was simply to create the pilot of these community conservation areas where local communities could establish areas within the ocean that they could manage. Since then, the framework has been adopted and incorporated within what is part of the collaborative fisheries management. Now local communities can establish this area working collaboratively with the Government.

The UK Government, through Darwin, was very instrumental because it was the first funding that piloted the approach back in 2009. What I can say about UK funding is that it is very competitive. I would say that on average the success rate in terms of when you apply is about 30%. That is my personal experience. Other people have had a lower rate because the funding is usually very competitive and many entities apply for it.

One thing that has been key in terms of success is that, in all the applications I have mentioned except the latest to the Ocean Community, the application was also done in partnership with a UK-funded NGO. One key partner that we work with when trying to access that funding is Fauna and Flora International. The UK is interested in seeing initiatives that are either innovative or clearly align with UK strategy or address global commitments and conservation.

In all those areas I have mentioned where we have been successful, much of the work has been to see how Kenya can increase either a commitment or a global framework for conservation based on the convention on biological diversity or the Kunming-Montreal protocol 2030.

Q12 **Noah Law:** Dishon, I was wondering about the challenges you face at grassroots when trying to access this funding. You mentioned direct funding from FCDO but how is it in terms of getting access? What barriers do you face in terms of getting access to that funding?

Lionel Dishon Murage: It is not exactly a barrier but the funding, as I mentioned earlier, is very competitive. The other thing is that even the process of evaluation is very intensive. I will give you a good example; the Ocean Community funding that we were recently able to access. I do not know if it is worldwide. I came to understand that only about 14 organisations were funded worldwide. In Kenya, we were the only ones who were successful in accessing this funding. The key thing is that it is very competitive. It is not actually a barrier; I would not consider it a barrier. It is usually key to focus on the area that it targets. A key aspect is who they consider can qualify for funding, particularly if there is a need to engage local communities. We have been able to successfully access funding because most of it is usually earmarked for organisations or locally based organisations that are directly working with the beneficiaries.

Q13 **Chair:** I am going to pause you there; we are running out of time. Zahid, do you want to come in quickly?

Zahid Shashoto: There are certain barriers. Historically, the types of organisations we have had were implementing organisations. The partnerships we had with any institutions, development partners, or INGOs were to implement the projects they had designed. There was never the support for institution building in general. Save the Children or other INGOs have a humanity and disaster team throughout the year, even if there are no disasters. For Uttaran, there is no humanity and disaster team if there are no disasters.

First, you have of course been funding us. There are a few projects we competed for funds on but we never had a grants team that could write and compete in such projects, which means the institutions are based on project financing. Secondly, there are limitations as to what is open to a local NGO and an INGO. There are certain projects that are sealed off to

UN and INGOs and there are only a few drops when it comes to local grants. As you can see, even the current funding that you have in Bangladesh is led by big NGOs. I know that you want to do things at scale but there is that gap.

I want to take this opportunity to mention one thing. You have at least seven or eight different funds at this moment in Bangladesh to different INGOs, NGOs and local NGOs. These funds are in silos so there is no co-ordination mechanism that says this project can support that project, and that project can support this project.

The best person to know how many projects there are through the UK Government, Dutch Government, European Government, and the German Government is my field colleague or field staff at the village. He sees this as raindrops. All this water is falling on his face and he is there with a bowl, catching whatever he can for a single household. This is not to overlap activities; this is to complement. For example, the SURFEIT project fund. You fund us to forecast a tidal surge and take action but other funding is needed to help us to take action once we have made the forecast. My forecast can say that we will get a tidal surge but there is no water in a range of 4km. How does one store water? Other funding of yours might be for a water project, or a Dutch fund, where you sit through a development partners co-ordination committee at the national level but none of us are co-ordinating in that level. It is only my field staff, or the field staff on other projects, who are trying to say, "Hey, there are certain needs here, so can you come?"

There are challenges and certain barriers. Local NGOs have never been supported in building institutions and similar goes for local communities. There is a lack of co-ordination. For example, the European Union and FCDO spent about 500 crore taka, which is about £50 million, on relief and recovery efforts for waterlogging from 1998 until 2010. From 2010 until 2015, the Bangladeshi Government spent about £20 million pounds on tidal river management, which was an indigenous idea to revive the rivers and reduce waterlogging. That worked for the next 12 years. However, one reason why a lot of FCDO funding did not target that area was because it was a grey area. It was indigenous knowledge. There was a lack of evidence so you could not finance it. At that time, there was more humanitarian finance than nature-based solutions. Of course, a lot of things have changed now.

Chair: Can I pause you there? Janet wants to ask you more about this exact area.

Q14 **Janet Daby:** Thank you for everything you have said already. You have answered the question I am about to ask you but anything more you want to say on it would be really helpful. It is about how grassroots organisations influence how climate finance should be used, and it will be asked to Dishon as well. The full question is: in your experience how much leadership and ownership do local and grassroots organisations have in deciding how climate finance is used?

Zahid Shashoto: As a basic stat, in my organisation about 80% of the finances are not decided by me and I am a grassroots actor. There is then the decision of the community and only 2% to 3% is decided by them. Not even 20% is decided by me; I am over-exaggerating. Maybe 10% is decided by me and the rest is decided either by my partners who write well, report well, and maintain compliance much better than myself. I do not know. There are certain barriers to whatever I say. If you talk about ownership then that is about leadership and we cannot lead on how climate finance works. If we are asked about ownership then we own about 80% to 90% of the projects because we say if it is not right. If a project gives me a hand pump to drill for drinking water, I can say that it will not work because the groundwater is saline. You need reverse osmosis to treat the water.

Q15 **Janet Daby:** If you felt there was more opportunity for leadership, do you think you would be able to progress more and do better with the climate financing?

Zahid Shashoto: If we had leadership, we would at least be able to design meaningful finances for the communities better. I do not know how much my organisation would progress but as a whole I know south-west Bangladesh or south-west coastal Bangladesh much better than a global NGO. I grew up here; I was born here; I lived here. I studied at Oxford and I came back to my village. You gave me a scholarship and then I came back because I know more and I want to share more. Let us start with finances. What I am basically trying to say is that we need to have more meaningful funds. There are already a lot of meaningful funds. There are opportunities and there is evolution, such as the CLARE and OCEAN financing, where you can set a global framework objective and not dictate the activity or approach. Of course, there is more we can do. I just wanted to say that.

Q16 **Janet Daby:** Thank you very much. Dishon, can I ask you the same question?

Chair: A brief answer, please.

Lionel Dishon Murage: I will be brief. The picture is changing. When I came to this world, the communities were mere beneficiaries. They did not decide how much money and someone else defined their needs and wants. When they developed a proposal, they submitted it to a donor. They received the funding and came to implement it within the community. Things have changed. I can say right now that the communities have established networks. Their frameworks exist right now on the ground and communities determine what work they need, how much they need, and who implements it. There are already structures on the ground where communities have received funding and implemented those projects.

A lot of UK funding, as well as funding from many other donors, has already been put into the capacity of local entities that represent local communities. What am I talking about? Who are these local communities? These are the beach management units, the community forest associations, and the water resource users associations. Essentially, the picture is now changing. That was not the situation; this change has only recently been taking place. The JCMAs and CMAs that I am talking about, where communities collaboratively engage with the Government to drive conservation and sustainable use of marine resources, were only established as recently as 2024. The picture is changing because it is not working the same as it had been over the last 20 years. There has been huge promise as well as indications regarding where we are headed.

Q17 **Chair:** Why did that change happen in 2024?

Lionel Dishon Murage: This is essentially what has been happening: in 2007, the Government came up with regulations to establish and govern beach management units. In 2010, the Government came up with the Kenyan constitution that entrenched aspects of devolved governance as well as the participation of communities in any decisions the Government are making, particularly in the use of their marine, coastal and forest resources. It has been a long process.

Fortunately, a project funded by the World Bank is coming to an end in June of this year. It supported the establishment of JCMAs. The law to establish the JCMA was established in 2007 but the first JCMA was created in 2010. It is the one I was talking about with the Darwin funding. Since then, no other JCMAs have been established. It is only now, with the funding the Kenyan Government received from the World Bank, that the JCMA concept framework has been rolled across all the marine waters from the border at Kenya and Tanzania to the border at Kenya and Somalia. That is the one that has been rolled out, which should have been rolled out 19 years ago. Now the situation is changing.

Q18 **David Mundell:** To continue on a similar theme, in your view what policy or funding changes could the UK Government make to climate change finance that would make it more accessible, effective, and impactful to your communities, Zahid?

Zahid Shashoto: A very short answer is to take leadership and give out leadership, which basically means that there are some spaces where you should act as more than a funder. Of course, you are a funder for my country but you can play a much bigger role in a country where you have a high commission as you will have staff, colleagues and policy advisers. For example, at this moment Uttaran hosts two UK funds. I know at least 10 other NGOs that host different UK funds. I meet them through personal requirements not because the British system asks me to. Through funding programmes, I meet all the CLARE colleagues across Bangladesh and the world. If there is separate financing, let us say OCEAN financing, I do not meet an OCEAN grantee in Bangladesh or across the world through CLARE financing. Co-ordination happens within every fund that you set up.

First, you take leadership and ask for policy change or a change of approach. Secondly, you give out leadership. What is giving out leadership? There is a strange but nice subsidy grant from the Dutch Government called Reversing the Flow. You get a certain amount of financing but do not decide what the financing is at that moment. You set larger protocols or larger principles and then go out to communities and, after six months, state what that community needs. This allows one community, one organisation, or the fund to address climate change problems including its root causes and its contextual and intersectional vulnerabilities. Every community is different and every landscape is unique. One problem intersects with others. That is another approach. Of course, it might be challenging to give out public finance or taxpayers' money without knowing what it is being given to.

Thirdly, a simple mechanism is to have countrywide or regional representation in larger committees as OCEAN financing did when they had communities of activists, researchers and practitioners to assist the financing mechanism to decide who gets the finances. Fourthly, keep it open and competitive. We love it being competitive but do not limit it to a certain size, expertise or region. You never know—someone could come up with amazing ideas and have very good implementation skills for the right kind of work. Being small and working in a certain region should not be a limiting factor for that organisation to lead. Those are the four things.

David Mundell: Elizabeth, do you have any thoughts on what changes would make a difference?

Elizabeth Wathuti: Yes, I have some recommendations. First, I believe the most effective climate finance is the one that is supposed to reach the communities before the crisis reaches them, so putting more resources into preparing communities for disaster. This also means investing in solutions where communities already lead on the ground vis-à-vis only putting resources into responding to a disaster. We also need more finance going into disaster preparedness so that the communities can build their resilience, which will also reduce the resources needed to recover from disasters.

Secondly, the African continent is a youthful continent. We need to build and accelerate ecosystems that are youth-focused, which will be effective in driving mass action when it comes to addressing the climate crisis among the young people and communities. We also need to increase the investment of stakeholders who are building pro-youth ecosystems because, without this, we are not ready for the future of the African continent. We cannot say that we are building an Africa that is going to be climate resilient if the majority of the population is not part and parcel of the financing ecosystems that exist. Most of these youth-led entities are within the grassroots and need systems that allow them to access resources without having to compete with big entities within the space. We need an ecosystem that allows the UK to trust credible grassroots institutions to continue spearheading their work.

Thirdly, we should allow communities to define what works for them. A good example is restoration and conservation. With funding allocations, there are sometimes specifics where people define an amount of allocation needed for restoration. However, people working in the communities on the ground then realise that there is much more to restoration, which also comes with ensuring that these communities can improve their lives because they are the ones who will be the custodians of the ecosystem we are restoring today. If we are unable to provide financing that also ensures communities can thrive then it is going to be difficult. For instance, a lot of resources are required to bring back a specific species but if you go to the same communities there are no resources to build a hospital within the community that is actually living with this ecosystem, restoring and protecting it each and every day. We need to redefine how we finance conservation.

Fourthly, we should put more resources into ecosystem services. We have a lot of declining critical ecosystem services, which have been accelerated by the climate crisis. Our water catchments right now are under great pressure, which means that it is also going to cost us more to grow food. It is going to cost us more in terms of health. It is also going to affect our economic development as a country. We need to see a lot of resources being channelled towards improving the ecosystem services. It has to be a holistic approach that works with the communities and ensures that, as the communities are supported to restore the ecosystems, their lives and livelihoods are also improving each and every time.

Chair: I know that you have your hand up, Zahid, but Sam wants to ask some questions that might cover it, or we will come to you at the very end if it does not.

Q19 **Sam Rushworth:** What Elizabeth has been talking about is quite a good segue. Thinking about long-term sustainability, can you give some tangible examples from your work on what you have seen of effective capacity and capability building at grassroots in how climate finance is delivered?

Elizabeth Wathuti: Part of the work that we are doing at the Green Generation Initiative is focusing on the conservation, protection and restoration of ecosystems. We work directly with communities and implement water funds to ensure that different stakeholders—including water utility companies, the private sector, the beverage companies that depend on water for their businesses, and the Government—come together to support upstream communities directly with resources to enable them to adopt certain land conservation measures so that those ecosystems are healthy and people downstream do not have issues with water. This model has worked. We have seen water yields increase by up to 15%. We have also seen communities generate a lot of income from the sale of their produce because, when the ecosystems are healthy, they have a lot of productivity within their farmlands.

This model also ensures that we are able to introduce indigenous trees into the degraded ecosystems and at the same time farmers can grow fruit trees within their farmlands. They can harvest water through ponds and generate economic activity through fish production and beekeeping. All these land conservation measures are incentives for communities to continue to restore their ecosystems. This has really supported people downstream because, when this happens, communities are happy. They are able to continue living their lives, promote their work in a big way and, at the same time, access water. This is a model that shows how improving livelihoods, building community climate resilience, and entrusting communities directly with resources can empower them and yield results for so many other people.

We intentionally deploy nature-based solutions and appropriate technologies to strengthen community resilience. A lot of times we have seen that when climate finance is allocated, there is an aspect that misses communities because they are the ones who are responding to these impacts each and every day. This is a model that actually works and these case studies should be out there to showcase what can change within communities when we trust them with resources directly.

Q20 **Sam Rushworth:** Zahid, I will ask the same question to you on the benefits of locally led bottom-up approaches to climate action. It would be helpful if you are able to give tangible examples from your work that we could understand and relate to.

Zahid Shashoto: There are many. Some of the most amazing work in Bangladesh, with FCDO financing, was the Shiree financing that we had from 2010 to 2017. Your finance facilitated the process of giving Government land to about 20,000 to 25,000 households. The value of the land compared with the value of the project was 10 times higher. For a farmer who had never had land to work and had always worked as a peasant or slave it changed their whole life. In 2015, some Members of Parliament visited the project and saw how those lands were changing lives. If MPs came to see those same households who had never had anything and used to live on Government land, embankments or dikes, they would see that they are now the head of local governments. They are now owners of businesses and have rights for the whole year. Thousands of households, not just through Shiree but through other financing, were supported by the land rights programme of Uttaran from the early 2000s until the end of 2017. You supported huge amounts of work.

One that you did not directly finance was entitled river management. You provided relief money for waterlogging and at the same time Uttaran was supporting and advocating to the Government that indigenous ideas—

Chair: Zahid, I am afraid we are losing your signal.

Zahid Shashoto: Yes, can I just—

Chair: We will come back to you in a minute; let your signal stabilise.

Q21 **Sam Rushworth:** I am conscious of the time for the next panel. Elizabeth, I am interested to know how locally led approaches contribute to gender equality around the inclusion of women and girls.

Elizabeth Wathuti: I would love to give practical examples of how we are working with women. I mentioned the initiatives we are leading with women in the communities located adjacent to the critical water catchment areas. We mostly work with women, including those who are part of households and young mothers, especially within the critical catchment areas that are degraded. What we have seen is that these women, especially with the rising impacts of the climate crisis, have limited economic opportunities to continue to support their livelihoods. When we came in with this approach, which not only enabled them to come to the catchment and restore the degraded ecosystems but also go back to their lands and introduce land conservation measures to enable them to generate income, we saw a reduction in the domestic violence that would sometimes occur when there was no food to consume within a household. They were able to generate extra revenue, enabling them to take their children to school as usual compared to not having any support to even do their day-to-day engagements. The women are now able to come together, organise themselves, and build co-operatives because, within the water funds model, they can sell some produce—for instance, the golden Hass avocados. They are very nutritious and a golden asset when it comes to exports for sale. These women are coming together and generating revenue collectively by putting their produce together.

Another aspect is that it is also influencing policy in a big way. When systems begin to work at a local level, when systems begin to work in a community setting, then it also influences leaders within other regions who want to replicate what is working within that community. I am a strong believer in policy being influenced by what is working down at the grassroots in the community. This is what gets the leaders to want to see the same replicated in their regions and so this has—

Chair: Elizabeth, I do not know how you have spoken so long without pausing. We agree with you on your analysis of what is important but we have run out of time for this session. Both you and the Committee could talk about this all day. It is very much the start of our inquiry; this is literally the first session.

Zahid, I know you are desperate to get in but I am afraid you are going to have to write to us. Thank you all very much. This is the beginning of the conversation that we are having so keep on giving us your thoughts. I have to say that your comments, particularly about local leadership, resonated very strongly with me and there were lots of members around the table whose heads were nodding when you were saying that. Thank you very much for your time, and keep in touch.

Examination of witnesses

Witnesses: Professor Avinash Persaud and May Thazin Aung.

Q22 **Chair:** Apologies to you both that we are running a little late, but if you were listening to the last session you will realise what excellent witnesses we had, so it seemed only fair to take first-hand testimony from them. I will start by asking you both to introduce yourselves.

May Thazin Aung: Thank you very much for having me. My name is May Thazin Aung. I have been working at the International Institute for Environment and Development for about five years. I work on promoting the locally led adaptation agenda and am fortunate enough to work with a lot of the organisations in the previous panel, like Uttaran. I am originally from Myanmar, so I very much care about the perspectives of LDCs and the voices of communities. IIED is an institution that puts people at the centre. We care about fairness, human-centred approaches and sustainability, and we work very much in partnership with partners from the Global South to generate evidence that can influence policy.

Professor Persaud: Hi, my name is Avinash Persaud. Please call me Avinash or Avi. I am currently in Washington DC as the special adviser to the president of the Inter-American Development Bank, one of the largest regional development banks. As you know, our region—Latin America and the Caribbean—is the most vulnerable region to climate shocks. Before that I was working for the Barbados Government and was the architect of the Bridgetown Initiative, negotiator of the IMF programme and debt restructuring World Bank loans and IDB loans, which gave me a fair bit of experience relevant to this space. Before that, I grew up in London in the United Kingdom, as you can hear from my accent. I was in international finance, and for my sins I ended up in financial regulation where I was one of the architects of Basel III banking regulation.

Q23 **Chair:** Avi, in *The Guardian* today there was a powerful article suggesting quite strongly that the Government were looking to drop their commitment to climate finance. You will know that over the last Government and this Government £11.6 billion for climate finance has been committed to, and apparently we are now looking at cutting £2.6 billion off that. If that cut were made, what would be the consequence?

Professor Persaud: The financing gaps for resilience and development that are climate sensitive are enormous; the independent high-level expert group led by Lord Stern, Amar Bhattacharya and Vera Songwe has estimated them at $2.4 trillion a year, of which $1.3 trillion needs to come from international finance. The total amount of international finance ODA dedicated to climate—UK and others included—was around $100 billion if you include what they did through the multilateral development banks. That is one twelfth of what is needed. These climate finance gaps are big and we really need to have more climate finance rather than less.

Given that this is a battle of scarce resources, it is very important how we strategically structure this finance. It is possible that the UK can have greater impact than it did in the past, even with a less aggregate figure, if it fully utilises London as a green hub for those things that can be funded by the private sector, as it is trying to do. I am no blind private-sector zealot who believes they can do everything, but there are some things they can do, now that renewable energies are the cheapest form of energy for 90% of the world.

The UK could use its leadership position in the multilateral development banks without putting in much new money where it could leverage its dollars by up to tenfold. If it encouraged the MDBs to be focused on public infrastructure resilience, that is where the big multiples are—a dollar spent on a new seawall saves you $10—and then focused its remaining cash on responding to climate-related loss and damage, it could be a leader in international climate loss and damage. It could remain a leader on resilience and on loss and damage, but it requires a more structured, strategic approach. Spreading a thinner and thinner amount of money across more and more things is going to have an exponentially worse impact.

Q24 **Chair:** Loss and damage is one of those phrases that seems to make people's hackles rise. Can you give us an example of what that would look like in practice?

Professor Persaud: Yes. I came late to climate finance. I was very much focused on development and international business before, and then I was asked to help support Dominica after Hurricane Maria during the 2017 Atlantic hurricane season, when it lost 226% of GDP in four hours. I had to do a crash course in learning. People combine all these terms together on climate, but they mean very different things and they are financed very differently. Mitigation is about reducing the emissions; renewable energy and sustainable agriculture will do that. We have not done enough mitigation, so now we need to adapt and build resilience. Adaptation is dealing with the climate change that is already here. Then finally, we have not done enough adaptation and resilience, so we need to respond to loss and damage. In our region we have had the recent horrific Hurricane Melissa that destroyed almost $10 billion of Jamaican GDP. We have had enormous flooding in Brazil, which has also cost a lot of lives. Responding to loss and damage is responding to the disasters that we have not adapted for and have not mitigated for.

Q25 **Chair:** May, there is a principle of polluter pays. Thinking specifically about low-income countries, many with quite heavy, dirty colonial boots on them, what message will it send if we step back from our commitments?

May Thazin Aung: If we set the commitment that the polluter pays, it is a principle that should be followed. I would take a step back and think about the polluter pays principle as a whole. Within the UNFCCC it is based on the polluter pays principle: historical emissions from the past are why developed countries are now responsible for supporting developing countries in achieving their climate goals. This principle has already been agreed on at the global level by both developed and developing countries; it would not be a signal in another direction, or a mis-signal, if you choose the principle of polluter pays as being foundational to climate action in the future.

If we look at impact from the community level and what this inquiry is about, is it effective at the community level? A lot of communities are suffering from very tangible everyday things: polluted rivers, not being able to fetch water because waterways are polluted, and their land being filled with rubbish from other countries. Those communities would be happy to hear about the polluter pays principle and its implementation.

Q26 **Tracy Gilbert:** Coming to Avinash first, what are the common challenges facing climate-vulnerable countries such as SIDS and LDCs?

Professor Persaud: SIDS are dealing with rising sea levels. The ice caps do not melt at the poles; that water ends up at the equator. Tropical small island developing states are facing increased sea levels, and the coast is often where their GDP is, so it has a big impact.

Storms and hydrological disasters have massive impacts on flooding. We are not seeing more category five hurricanes, but we are seeing more disastrous hurricanes because they carry more water as they come over the Atlantic through warmer seas, so they end up being more destructive.

We have learned that we can build resilience to these disasters. As I said before, a dollar spent on heavy, unglamorous public infrastructure—better seawalls, stronger seawalls, more resilient flood defences, drainage systems—can save $10 for every dollar that it costs. I believe one of the key priorities of multilateral development banks is to lend low-cost long-term for countries to become resilient today.

May Thazin Aung: In addition to the impacts of climate change, the SIDS and LDCs are consistently facing the lack of recognition and a voice at the negotiating table to have their perspectives heard in UNFCCC and other global negotiation spaces, and actually being able to push their positions forward against corporations that are still consistently emitting and contributing to climate change. At the same time they are dealing with the very real day-to-day impacts of climate change in people’s lives. They are also facing issues around rising debt in trying to meet the development needs of their countries: basic things such as having 100% electrification, food security, and education for all citizens, but also being in debt and taking on more and more debt in order to meet the basic needs of society.

Q27 **Tracy Gilbert:** Do you have anything to add to the points you raised in answer to my first question about the climate-related impacts on such countries?

May Thazin Aung: Without developed industry there are threats to basic livelihoods for people who are very dependent on ecosystems and ecosystem services. In Myanmar there are a lot of agrarian livelihoods, for example, and agriculture is very susceptible to the impacts of climate change. Compounded with that is the ongoing conflict, and people are unable to make ends meet. With ecosystem decline, being able to forage for food does not even become an option any more. These are the kinds of things that countries are facing.

Going back to an earlier conversation, coral reefs are essential for fisheries and particularly for the livelihoods of women who are gleaners and collect mussels; they are unable to meet their livelihood needs because of the decline of the ecosystem of coral reefs. Yes, there are everyday impacts that people are unable to adapt to.

Professor Persaud: May and others have touched on this but the intersectionality of all these things—debt, development and climate—means they compound each other. They are not separate issues. SIDS are highly vulnerable; they are the canaries in the mine. When I was helping to lead the Bridgetown Initiative we used to say, "We are the canaries in the mine, but our conclusion is not that we need an air supply for ourselves, but to fix the mine." We need to think about vulnerability across the board.

One of the things that SIDS suffer from is that they have become very fragile. Their GDP per capita—their national income per head—still looks quite high but they suffer wipe-out risk and it can be wiped away in four hours. The current international financial architecture does not take that into account and does not make them eligible for concessional funding because their national income is high. They then spend; the evidence is that countries that suffer from climate impacts—not just SIDS, across Latin America and the Caribbean, mountainous and landlocked states—suffer increased debt as they are using debt to absorb these losses. They have now become fiscally unsustainable, or at least they have less fiscal space to respond, and so we need new instruments to help the fiscally challenged build up resilience straightaway.

Q28 **Monica Harding:** To Avinash first, what does UK climate finance do least and most effectively, relative to its international counterparts?

Professor Persaud: The UK has intentionally played a very important role in the multilateral system. It has political challenges; you could imagine local and national Governments quite like bilateral funding. Supporting the multilateral system where money goes into a system and other people decide how it is spent is not always politically popular but it is very powerful and has the greatest leverage. I hope the UK continues to be a leader in the multilateral system and that means continuing to invest in but also reforming that system. Bridgetown and others helped to increase the lending headroom by multilateral banks by about $700 billion, but that is only halfway there. We need to double that.

We have to make a distinction between climate loss and damage money and humanitarian assistance. The UK and other donors have quite a good system of humanitarian assistance. It can always do with more money, but when a disaster hits the humanitarian sector is pretty good in terms of its organisation: food and water are being flown in within 24 hours.

What we are very bad at is what happens afterwards. It is fine when you have your communities under blue tarpaulin—I do not know why it is always blue—and you have them sheltering, fed, and watered, but who is going to rebuild the homes? Who is going to rebuild the communities? That is where the international system is poor and that should be the focus of the new fund for responding to loss and damage. I am not sure it is, but it could do with more money and more focus.

Q29 **Monica Harding:** You say that that is an area that the UK could lead but you seem to be also saying that it is something we are bad at. Are we starting from a low base, but could make great strides because there is nobody else doing it? What is the thinking behind that?

Professor Persaud: The UK supported the creation of the fund for responding to loss and damage, which has around $800 million, but just remember that loss and damage is about $250 billion every year. It would not take a lot to make that fund bigger and more responsive and it would not take a big proportion of UK funding to do so. The sad reality is the UK could lead in that area partly because there is not enough action there. It would be wrong to say the UK is poor in that area; it is just that it could do a lot more, and a lot more is needed.

Q30 **Monica Harding:** Compared with other countries on that loss and damage, where does the UK sit? Are you seeing it in terms of multilateral assistance that the UK could lead?

Professor Persaud: That is a good question. Germany, France and Italy put in around $100 million each and the UK committed to up to £60 million. We do not really know what "up to" means but it certainly puts money into the fund and you can see how it would not require a significant chunk of the climate finance in the UK to be a leader in loss and damage financing.

Q31 **Monica Harding:** I understand. May, we have already heard from Avinash about the implications of the suggested cuts in climate finance allocation. Given the UK's constrained resources, how can it maximise the impact, quality and effectiveness of its climate finance in climate-vulnerable country settings?

May Thazin Aung: It would be great if there was more financing available, of course, so that more money can go to SIDS, LDCs, groups of women, children, indigenous people, and LGBTQI+ individuals. But we all know that this is a resource-constrained world, and it is important to focus on a couple of effective and transformative changes that can be implemented with the lesser amount of money that we are going to have.

First is investing in transformative, not just gender-responsive but gender-just initiatives. What I mean by that is putting money into gender justice, which is addressing the root causes of inequality faced by marginalised people, recognising the different groups that are at risk because of climate change, and making sure that they have direct access to funding that they can reach and decide on their own terms: "This is important for us. These are the initiatives that we want to see in adapting to climate change." Those kinds of initiatives are important, transformative and have a long-term impact beyond just a programme itself.

It is important to invest in nature-based solutions as well because ecosystems are foundational to our survival. There was an investment in forest and in nature under ICF3. We want to see some ringfenced funding going forward to make sure that this is protected because local communities—especially indigenous people—really rely on ecosystem services. As Elizabeth—the previous speaker—mentioned, they are vital to communities to maintain their livelihoods.

Secondly, even with a limited budget there can be greater efforts made towards enhancing transparency in financing. One of the things is around making sure that trust is maintained in relationships with partners. As Avi was saying before, the UK has been very effective in working in partnerships with a lot of different types of intermediaries, sitting on boards of the GCF, and promoting initiatives such as locally led adaptation. Those are important, but it is also important to make sure there is transparency about where the money is going and who it is going to.

For example, there was recently a change in the accounting around international climate finance—which made it a little interesting in accounting—to double-count ODA and international climate finance together. The UK could be better at making sure that the accounting is transparent so that we can understand how much is going to international climate finance and how much to ODA. This makes us accountable to the UK taxpayers who are interested in seeing where the UK is spending money now that there is limited financing.

We also need to take a different approach to accountability to make sure that transparency is open for the communities that we work with. It is impossible for local communities to see how much UK financing is currently reaching them because there are so many streams of finance. As Zahid mentioned previously, "How can I say that this money was funding the water pump, as we have so many different projects working in this community?"

There could be improved transparency around climate finance and a greater focus on adaptation to align with the Paris agreement. The Paris agreement said there should be equal attention paid to mitigation and adaptation, with a particular focus on SIDS and LDCs. The UK has not been committing 50% equally to adaptation over time. It is important to make sure that we step that up because adaptation deals with the impacts of climate change that affect people's lives. We would need to see at least 50% more commitment to adaptation, maybe even setting a floor of how much of the limited climate finance we have is going to it. That would make a very strong signal to the world that this is how much the UK cares about adaptation.

Q32 **Noah Law:** To segue this question back to Avinash, it seems that there is some agreement that our very immediate focus and immediate use of resources should be on adaptation and response, as you mentioned earlier, Avinash, just to check that that is agreed on. Are you then saying that actually for that longer-term mitigation work, ultimately it is large-scale and private capital that is needed? Could you perhaps just talk a bit more about some of the barriers to that? You mentioned a lot of the issue comes from debt and presumably debt capacity, both publicly and in the private sector, in some of the countries that we are focused on. What efforts are you seeing towards unlocking more capacity for that financing to go in? It seems that debt is a pretty hard limit on some of that.

Professor Persaud: This is a really important question and drives at the issue of managing the scarcity of resources. Too often I see Ministers thinking of this as a stack of financing, with a bit of public finance, a bit of multilateral—the World Bank and development banks—lending, and the private sector. As the public finance bit is shrinking they are going to expand these other things in this horizontal way. Unfortunately that does not work because the private sector cannot do everything. It cannot do things that generate no revenues. There is a tremendous amount of public infrastructure that is hugely impactful for adaptation, which does not generate a revenue. You cannot charge for a seawall because everyone benefits from it; it is a classic public good. Equally, debt does not work for everybody. You cannot tell a country to borrow for loss and damage because every time it gets hit, its debt goes up to the point it becomes completely unsustainable.

We need a vertical approach where the different financing goes to the things most suited; that is a way we can hit the $1.3 trillion international finance number. Renewable energy is today the cheapest form of energy in most countries, and there is $3 trillion of investment in energy every year. Some $2 trillion is now in renewables but it is not going to developing countries because developing countries do not have micro problems but macro issues: exchange rate volatility, credit ratings, and the credit ceilings which people lend to. The multilateral development banks and others need to manage the macro issues such as FX and credit issues, which private sector companies cannot do, to unblock the flow of private money.

There is a lot of work to be done, and the UK and London could be a hub in which that work gets done, but the private sector is not funding adaptation. There is lots of talk of it doing it but because there are no revenues only 3% of adaptation is being funded by them. That is where the MDBs need to fit in; they have the capacity to address the entire adaptation problem if the shareholders—led by the UK and others—want it to be so. If they make it a priority and make these MDBs expand their lending headroom using reforms such as more guarantees, more special drawing rights, and more callable capital. I know these are technical terms but the point is they can do so without hard dollars. They can expand lending headroom, and if they focus on it, the UK can capture adaptation, which is when you would put the rest of your money into loss and damage.

In summary: private sector to mitigation and MDBs to adaptation but it has to be low-cost, long-term instruments including debt swaps, which is another technical term I am happy to unpack. The UK is supporting the expansion of debt swaps, where basically a country gets released some money that it can use for resilience. The IDB is leading something called the first multi-guarantor debt for resilience swap facility. That is where a country has the same amount of debt and the same amount of interest payments but because it has a guarantee from a multilateral development bank, money is released that they can devote to resilience because, as May was saying, it does not have the fiscal space for that. It then frees up resources to spend on things that cannot be funded any other way except by grants. If something can be funded in any other way than grants we need to fund it in that other way because we do not have enough grants.

Q33 **David Mundell:** Thank you, Avinash, you have answered one of the questions I was going to ask you, which was about the risks and challenges associated with private finance. What more could the Government do to leverage in private finance and particularly to identify new and additional sources of climate finance?

Professor Persaud: The UK Government are funding the development of something called ReInvest+, which will hopefully launch its first initiative and security of, say, $500 million in London at the end of the year. This is to answer the problem of institutional investors. Who has all the money? People talk about the private sector having trillions of dollars of money but where is that? It is actually held in pension funds and insurance companies; it is institutional money. We teach in finance that if something makes money, people will finance it but that is not so. Pension funds and insurance companies cannot invest in everything. They have external regulation, but they ought to have internal regulation familiarity with things they do. Only 2% of institutional money goes to developing countries at the moment. That is a weird number: 2% of institutional money goes to where there is 60% of the world’s growth.

We have looked into what the obstacle is. It is that they want things that have the same credit rating as they invest in at home and in the same currency. At ReInvest+ we are buying existing and performing assets in developing countries and converting them into sterling or euros at the credit rating institutional investors want. When the institutional investors buy that and give us the cash, we do it again and again. But when we buy these assets from the developing countries we do so on the condition that they reinvest the money in those sectors aligned to the national development priorities, including the nationally determined contribution of each nation's reduction and national adaptation plans. It is a way of converting the trillions into projects they do not invest in. For the people who have the experience on the ground, we give them cash to go and do it again. For the people who only want safe assets, we give them the safe assets. In this way the UK can play a catalytic role in supporting these kinds of initiatives without hard dollars but potentially unleashing billions and billions of dollars.

Q34 **David Mundell:** When you say we, are you referring to your Inter-American Development Bank?

Professor Persaud: We are playing a convening and co-ordinating role with other partners. One of the things about finance and private finance is there is a real lack of trust, so there is a role for public institutions to play not necessarily a subsidised but a trusting role: a neutral platform, an independent buyer and seller of assets.

Q35 **David Mundell:** What would the UK Government do? We have an institution called BII, for example, which is our development finance organisation, or would there have to be some other entity? How would we actually do it?

Professor Persaud: The interesting aspect is that it is about co-ordinating and convening something that would not happen otherwise. It is about aligning institutional investors and their regulations with the national development plans of Governments and local banks that have assets: bringing these three groups together that do not normally work together and then issuing the security in a place that understands it. The UK is playing a critical role in developing that and convening these three parties. It does not involve continuing money; it involves being the catalyst to start it and pulling it together in a trusted way. I hope that makes sense.

Chair: It makes sense. Colleagues, we have 10 minutes, six questions, two witnesses, and most of you want to come in. So, to both the witnesses and the Members, please make it short, tight and snappy going forwards.

Q36 **Noah Law:** To both of you: taking stock of what you have said about the UK's current climate finance approach, how well aligned is it to the needs and priorities of climate-vulnerable countries?

Professor Persaud: I know it is a big focus of the UK Government. The three things the UK could do more of are having a greater focus on loss and damage, greater support of multilateral development banks to make sure they are giving these vulnerable countries access and instruments that are appropriate to them, and then focusing on breaking down the barriers of getting private finance to those countries.

May Thazin Aung: Improving access to climate finance by promoting institutional reform is necessary. It is very difficult for national Governments, and even more so for local community organisations, to access finance through some of these institutions, such as the GCF and the Adaptation Fund. The UK can play an instrumental role in streamlining some of the criteria in due diligence and the different standards imposed to access climate finance. Many of these institutions have signed up to the locally led adaptation principles that call for institutional reform, so they are already on the right side; they just need this convening power and a push.

Q37 **Noah Law:** I guess that also links to the capacity building needs that we heard about in our earlier session. Avinash, very briefly, do you have anything to add on the barriers to accessing the UK's climate finance currently?

Professor Persaud: Having been a borrower, it sometimes feels like there are hoops and loops to stop us getting any cash. May is absolutely correct: we need to streamline and ease, although I would be wary of too much standardisation. We do not want a monolithic multilateral system, which either lends to you or does not lend to you. Different institutions such as the Green Climate Fund, the Adaptation Fund, and the MDBs have different areas of focus, but there must be greater streamlining and a greater commitment to getting money out the door quickly.

Q38 **Noah Law:** May, do you have anything to add on how the UK can better adapt its policies to support climate-vulnerable countries to access finance?

May Thazin Aung: There could be a greater emphasis on ringfencing money for particular target groups such as women, children, and some of the more vulnerable groups, and making sure that there is funding towards SIDS and LDCs. Going back to transparency, if you look at the markers it is actually very difficult to tell how much money is going to gender and how much to particular disaggregated groups within these target groups. Having ringfenced funding, maybe with criteria that are easier for different groups of organisations to access, would be an approach. In addition to working with MDBs and the funds, working with good intermediary organisations is needed. There are majority world philanthropies and organisations such as IIED and many others that work in partnership with grassroots organisations that know how to manage risk but also be credible. Making sure that there is funding set aside that can reach good intermediaries is important.

Q39 **Noah Law:** Very briefly, would you describe the ringfencing concept you have just described as a top-down approach?

May Thazin Aung: It does not need to be a top-down approach. Ringfencing just makes sure that there is funding that can be accessed by certain target groups. But whichever institution manages this fund would be responsible for making it flexible. For example, maybe that fund can ensure that there is a local committee or governance structure that includes different marginalised groups so that the decision can be made based on the needs of communities. Ringfencing does not translate to top-down.

Q40 **Sam Rushworth:** The UK is increasingly using multilaterals to deliver its climate finance. Avinash, could you first comment on the benefits and risks of this approach, and on any opportunities for the UK to influence reforms to the global climate finance architecture?

Professor Persaud: Let me try to be brief and answer that in two ways. First, the huge benefit is leverage. A limited amount of existing capital put in a long time ago or guarantees to these multilateral development banks can lead to a multiple of dollars lent at the lowest borrowing cost. Multilateral development banks are AAA-rated, they borrow the cheapest rate possible and because they are not-for-profit, they can on-lend that. The benefit is leverage. If you have fewer dollars you can multiply it by seven, eight, nine, or 10 times, but that only applies for things such as adaptation and resilience, which is where they should be.

Finally on the architecture, the UK has championed something that is really quite transformative but not very glamorous and very hard for the public to understand called pause clauses. The vast amount of the debt that developing countries have is private creditor debt, not official debt lent by countries or by multilateral development banks. They issued a bond, and private investors borrowed, resulting in a vast amount of debt. Cancelling or restructuring that debt is very difficult, especially if you need to borrow again.

The small island states champion pause clauses. Whenever a disaster hits, debt service, interest, and principal are suspended for two years, but are then added back on to the end of the term, which means the creditor is no worse off. But what the borrower hit by a disaster has is essential breathing space. For example, in the small island states it instantly frees up 20% of national income as a disaster hits. No other instrument comes close. The development banks lend 1%, 2% in a disaster; no one lends 20%, and that 20% is coming at non-emergency rates. Expanding pause clauses to all debt instruments would transform the debt architecture and make the world much more shock-absorbing.

Sam Rushworth: Thank you. That was a great answer.

Q41 **Noah Law:** Very briefly, Avinash, what do you think of the work of the London Coalition? How looped into that are you, and does it address some of these points that you have raised?

Professor Persaud: Is this the London Coalition on regulatory matters? There are a few coalitions.

Noah Law: Debt reform. I believe there are some climate aspects to those discussions.

Professor Persaud: They are making some headway. I would focus on the regulatory changes that stop investors from investing in developing countries. The UK has a committee on that, which is doing some good work that will hopefully come to a conclusion shortly. There is more work to be done to standardise the pause clauses.

Q42 **Chair:** May, what does localisation mean when it comes to climate finance?

May Thazin Aung: Localisation is going back to gender justice and making sure that the systemic barriers of inequality are addressed: making sure that marginalised people have a seat at the decision-making table and that they have the agency to make decisions around making sure that they are able to adapt to climate change on their own terms. But localisation is also complex because it can be national Government if we are thinking from the perspective of MDBs, but if you go to a slum community, localisation could be the community within which the slum resides. Localisation means different things to different people depending on the scale at which we are all operating, so I cannot give an easy answer to what localisation means.

Chair: Perhaps that is part of the problem—that if you cannot give an easy answer, it does not get funded.

Q43 **Janet Daby:** Is gender given enough consideration in the UK climate finance programme design planning and implementation? You have touched on this already but it would be helpful if there is anything more you can say on it.

May Thazin Aung: One of the things I mentioned is there could be more concerted monitoring of gender initiatives. The UK is doing great partnerships. FCDO partners with—I always get the name wrong—GAGGA, Global Alliance for Green and Gender Action, which is a group of good intermediaries that makes sure funding is channelled to the local level. It works with grassroots activists and is not just a funder that channels to the local level but an advocate for women's groups, feminist organisations and different groups that it works with. These kinds of partnerships should be explored and encouraged more. Going back to the example of good intermediaries, there needs to be more flexible funding in the budget to make sure that the UK can explore more of these partnerships.

Q44 **Chair:** Avinash, throughout this session I keep getting frustrated because it does not seem as though anybody actually asks the people on the ground what the problems are, what the solutions are, and what they need to achieve them. Can you see any way that we could shift either on a country or a multilateral level to get to that point?

Professor Persaud: I do not think that the perspective of local communities is ignored or unheard. The institutional structure is focused top-down rather than bottom-up, and your Committee’s hearings have been important in emphasising that we need to consider bottom-up. It would not be new to any institution that we need to consider that, but how you do that is not that easy. At COP30, the Brazilians had one of the biggest exercises in bringing the indigenous peoples of the Amazon into the process and yet we still had protests by the indigenous people saying that they were left out.

Voice, whose voice matters and how we incorporate the voice of the local community are easy to say and hard to do. The other important thing is that it is very important to listen to the community, as the effectiveness of anything we do is undermined if the community is against it and it does not make sense for the community. But these are big issues that require a national plan and national public infrastructure. We need a combination of listening, engaging and understanding, and thinking at a national level about what we are doing. Adaptation and resilience are systemic.

Chair: That is a great point to end on, and that is probably what our inquiry is going to pick away at and try to come up with some solutions. Thank you both very much. We really appreciate your engagement with us today. It has been a great session and we may well need to come back to you for further guidance and clarification.