

International Development Committee

Oral evidence: The UK's International Climate Finance, HC 206

Tuesday 30 June 2026

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[Watch the meeting](#)

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

David Mundell took the Chair.

Questions 102-182

Witnesses

[I](#): Baroness Chapman of Darlington, Minister of State for International Development and Africa, Foreign, Commonwealth & Development Office; Matt Toombs, Director, International Climate Finance and Strategy, Foreign, Commonwealth & Development Office; and Ros Eales, Director of the Energy and Climate Directorate, Foreign, Commonwealth & Development Office.

[II](#): Anouschka Rajah, Research and Analysis Manager, More in Common, and Ian Mitchell, Co-Director, Europe and Senior Fellow, Centre for Global Development.

Examination of witnesses

Witnesses: Baroness Chapman of Darlington, Matt Toombs and Ros Eales.

Q102 Chair: This session is part of the Committee's international climate finance inquiry. We are pleased to welcome Baroness Chapman, Minister of State for International Development and Africa at the Foreign, Commonwealth and Development Office. Minister, please introduce yourself and the officials attending with you.

Baroness Chapman: I am Jenny Chapman, the Development Minister. Job titles always escape me, so I am going to let Ros describe her own role.

Ros Eales: Hi. I am Ros Eales, director for energy and climate.

Matt Toombs: I am Matt Toombs, director for international climate finance and strategy at the Department for Energy Security and Net Zero.

Chair: Excellent. We understand, Minister, that you have time constraints. We will move straight into questions, with the first from Janet.

Q103 Janet Daby: Minister, when does the FCDO plan to announce its five-year climate finance commitment up to 2030-31?

Baroness Chapman: We are doing this over three years this time: £6 billion over three years, plus an additional £6.7 billion, which we will mobilise. That is different from the previous ICF, which was over five years. That does make direct comparisons a little more complicated. I am pretty sure we have already announced it. If not, I just have. We will publish the detail in the usual way.

Q104 Janet Daby: Can you say why it is changing from five years to three years?

Baroness Chapman: I believe it was part of our negotiation with the Treasury about how long we could commit for. Ros can give more detail on that.

Ros Eales: The three years is in line with the spending review period.

Q105 Janet Daby: Thank you. We have heard that climate change impact is linked to instability, poverty and conflict. How will the FCDO ensure that cuts to climate finance do not worsen existing or future humanitarian crises?

Baroness Chapman: You are completely right that all development and humanitarian crises are very—and, I would say, increasingly—connected to climate. Yesterday, I talked to a Minister from Somalia whose primary concern is around drought and the impact of El Niño this year, and how it will affect their ability to feed the population. This is real, it is happening now and it is having a devastating impact.



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As the FCDO—obviously, DESNZ will come at this from its perspective, although we do work together closely—it is about making sure that everything we do has a climate focus and that we are mindful of the impact of climate change. We are also looking at how we work with the insurance industry, how we build more resilience into what we do and, as we have discussed on many occasions, how we support countries to be able to really drive some of this themselves—we are working very much in line with their priorities. But I could not agree more with your initial point; you are completely right.

Q106 Janet Daby: Did anyone else want to contribute on that, from the DESNZ side of it?

Matt Toombs: From the DESNZ side, we take a similar approach; we work incredibly closely with FCDO so that there is an integrated approach across both Departments. Our focus is very much on how we can mobilise and catalyse much larger volumes of finance from the wider international finance system and from private finance, so really focusing on the use of public finance for that transformative effect.

Q107 Monica Harding: Hello. The written evidence that we received—particularly that from the NGO sector—is clear that the shrinking ODA budget will require trade-offs around climate intervention and other humanitarian interventions. How will you navigate those trade-offs? What do they look like?

Baroness Chapman: You should know what they look like, because we have been publishing the trade-offs and the decisions that we have been making. We have stuck to the priorities that we set around a year ago: climate, humanitarian and health are the priorities for the ODA budget. There are trade-offs. If we had more money, we could do more—that is just a fact. But when you have less money, there is a real onus on you to make sure that you can leverage as much in addition to that as you can.

Helpfully, the demand from partner countries for this is growing massively—you could say that the demand is growing faster than the system's ability to meet it. They desperately want to invest in their energy sovereignty now, which increasingly means renewables. That was accelerated even more by the closure of the strait and the impact of that on fuel prices. We are seeing a dramatic shift in the way that countries want to approach this.

Yes, our job is to provide the grant finance and the work that we do bilaterally, but it is also, I think, to work more and more closely across Government—not only with DESNZ but with DEFRA—on how we get those investments, build those projects to get them to a bankable stage and get the MDBs to really stretch their balance sheets so that they can do more. This is about having a real change in the pace and scale of what we are doing to meet the demand from countries.

Q108 David Taylor: Minister, we have just come back from a delegation visit to Indonesia, where we saw many interesting projects. Given that the bilateral ODA in Indonesia and other G20 countries is coming to an end,

how do the Government plan to sustain their engagement on climate, nature and the energy environment in a post-ODA world?

Baroness Chapman: It is great that you went to Indonesia: it is a really good place to go to look at forests and the energy transition more generally. You are right that our bilateral ODA funding in Indonesia is going to come to an end. That is because we took the decision to stop doing that kind of support with G20 partners, with the exception of Türkiye, recognising the refugee work that it does. That is right, because what South Africa, Indonesia and India are saying to us is that they want the technical assistance, for sure. They want investment, and we can do that via BII, the MDBs and the bank. What they no longer need from us in the same way that they did previously is programme delivery. It is about recognising the shift in their ambition to take more control and deliver at a scale that you never could through a bilateral ODA situation.

Q109 **David Taylor:** Turning to the strategic partnership agreement agreed with Indonesia in January, what are the implications for that partnership agreement, given the G20 decision?

Baroness Chapman: The agreement stands and we should be able to deliver on it. I don't see why we can't. This is about providing the kind of support that Indonesia now says it wants, and I think we can do that and be a good partner to Indonesia. It is a priority country for us on energy and, I think, for DEFRA as well—

Ros Eales: On nature.

Baroness Chapman: Yes, on nature. This is a natural evolution, recognising the change in our partner country and responding to that. Even if we had not cut the ODA budget, it may have taken a bit longer, but we would have got to the same place.

Q110 **Monica Harding:** The Government's spending review identified climate and nature as a top three ODA priority, as you have just said, yet the FCDO is not committed to a nature and forests sub-pledge for ICF4. What is the justification for that decision?

Baroness Chapman: This is a gamble, but because we are trying to be consistent in our approach to all those things, we have asked our teams to work on a portfolio basis, and we have discussed this in previous hearings. That means that teams in-country will work out their suite of programming. They should be complementary and looked at as a coherent offer to a country. We need to look carefully at what teams are proposing to do, and we are just starting to get the portfolios back. I have Nigeria, one of our bigger ones, waiting for me on my desk.

We will monitor consistently, as we always have, the climate and nature element of those programmes and portfolios. If we feel that that is going off track and is not going to meet the target we would have liked to see, we will have to intervene and do something about it. I think we are going to find that more posts are focusing on climate and nature specifically because there is demand from partner countries, and that they will

integrate nature into other programming types. I am quite confident that that is the case. If I am wrong, I will have to account for that, but at the moment I am seeing teams responding very positively to that.

Monica Harding: You say it is a gamble.

Baroness Chapman: Because it is a change.

Q111 **Monica Harding:** What is the timeline for assessing whether it is working?

Baroness Chapman: We are getting the portfolios in now, and I imagine that by September we will have a very good idea of what is happening. By then we will know whether we need to recalibrate or pivot some of what we are doing—so not long.

Q112 **Monica Harding:** If you need to recalibrate, does that mean you may have a sub-pledge on ICF4?

Baroness Chapman: We could, but I am much more interested in outcomes. We see in every area of public policy that targets can be a very effective tool, particularly at the start of a journey when you want to dramatically shift attitudes in an organisation. That is not where we are any more. We have a great deal of expertise, and people who are intrinsically committed to this agenda, working in all of our teams, and we should not need to do it. It can have a distorted impact, where it seems almost a ceiling rather than something that ought to thread itself through everything you do.

If I am wrong, I will have to account for that, but I also have an opportunity in the way we are doing this to course-correct, should we need to. I think I am right, and I have confidence that our teams will deliver this and do so very strongly. That is where we are as of now.

Q113 **Monica Harding:** Thank you for being frank. The ICF is in the Government's national security assessment in January 2026—well, it does not say that there should be a sub-pledge, but it is in the security assessment—but then, as you suggest, to gamble on it does not fill me with confidence.

Baroness Chapman: It depends what odds you would give it, I suppose, but as I say, there is an opportunity to course-correct, so it is not a gamble that you are stuck with. Just looking at how the organisation works and at the people that we have—we can talk about people in FCDO 2030 as well—I think this is going to achieve a better outcome than putting a target on at this point. I understand the desire to have a target. I understand the scepticism that there is, and that if you do not have a target, people think you are no longer committed, but that is not true, and we are absolutely committed to this. I think we achieve better outcomes by doing it in the way that I have described.

Should I be wrong about that, we have an opportunity, and we can intervene and say to teams, "No, you have to do it this other way", but I do not want to get to that, because I respect the people we have working



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on this—frankly, they have been doing this, and many of them care passionately about this agenda and want the UK to be leaders. I have confidence that they can deliver. That is why we have given them the freedom and flexibility. That is why we have given them three years-worth of funding, so that they can plan and develop things well. That is why we are asking them to do this in a holistic way, but I am not just saying that, so it is hands off and see where we are in three years' time: it is constant monitoring that we need to do.

Q114 Monica Harding: May I ask you about the TFFF? Why was the decision made not to fund it?

Baroness Chapman: It is a new fund, a big chunk of money— public money—and we have to be absolutely confident that every penny we invest, in whatever fund, is going to deliver what it says it is going to deliver. At the point of COP in Belém, we were not at the stage where we could confidently invest at that point. We did a lot of work with the Brazilians and with the World Bank to do the technical work to try to get this to a place where it was a fund that we felt was investable for the UK taxpayer. I think that we are at, or about at, that place now, and decisions need to be made about whether and when the UK might want to invest.

This is a DESNZ lead, so I will resist the temptation to give my—we work closely together, but we respect each other's expertise, and this would not be mine. Clearly, the fund has had a lot of attention and I know that people very much want to see the UK invest, but as I say, a sizeable amount of money is needed to get the fund to the scale at which it becomes able to have the impact that it is designed to have. Matt, do you have a more developed view?

Matt Toombs: No, I think that is right, Minister. As you said, we are not in a position now to be able to commit financially to the scheme, but the UK has been there supporting and working with Brazil right from the beginning. We provided some technical assistance support right from the beginning to support the development of the programme.

Q115 Monica Harding: Sorry—you say that you are not in a position now, but Minister, you say that you think it is ready to be.

Baroness Chapman: If we had £1 billion floating around Whitehall, looking for somewhere to go, there would be an argument that we might want to invest, but we are not in that situation.

Q116 Monica Harding: It is a loan facility—just to be clear. Also, Norway, France, Germany, Brazil, Luxembourg and Indonesia thought it was good enough to invest in, and yet, even though we were the architects—

Baroness Chapman: Largely because of the work that we did to get the fund ready—but we do not have large sums of money like that available to invest in new things at the moment. We all understand why that is. There is no point me pretending otherwise; that is the situation we are in. We have made a lot of big bets multilaterally with our ODA budget, in the Global Fund, Gavi and the IDA. To make another, we need to have the

funds available to invest. DESNZ has its own portfolio and could choose to reprioritise some of the choices it has already made, but then you would be holding them to account for some of those choices, too. As you said earlier about trade-offs, this is a new thing that we would have to embark on, and we have to be mindful of what we could not then do if we chose it.

Q117 **Monica Harding:** With a smaller aid budget, the Government want to be, apparently, more strategic and to be an investor rather than a donor, and yet this is an investor model, which is still not being funded.

Baroness Chapman: Lots of things are investor models that we could choose to invest in, and I am not saying that we never will, but I am saying that as of today, we do not have the available funds to mean that we can invest at scale in a new fund. I am not saying that that will remain the case. As we get to make new and different choices in the coming months and years, we might well choose to involve ourselves to a greater degree, but the reason that some of those other countries are able to invest is—not only because of the work that we did—that we were instrumental in getting the fund to the place where it is now.

Q118 **Monica Harding:** I have one final question. Was that a joined-up decision across Departments?

Baroness Chapman: Yes, essentially. DESNZ has the lead on this, as it does with COP, but when it comes to our ODA budget, I am responsible, so we work together. We meet Minister White and Minister Creagh to discuss the issues—I do not know how often, but it is very often. I do not want to speak for Minister White, but I do not think that she would embark on something like this without talking to us. It would be something that we would definitely want to do across Departments. Obviously, the Treasury would have a view as well—if I may put it that way.

Q119 **James Naish:** May I come back on ICF4? Minister, you described quite rightly that we have a lot of staff who want the UK to be world leading and to be seen as world leading on nature and forest commitments. In your view, without those kinds of headline metrics that we are pushing towards and meeting, how could our staff define themselves as being world leading?

Baroness Chapman: Because they know that they are being measured. We can measure what we are doing without it being said, “You must meet 35%”, because the problem with saying that 35% must be met is that they will meet 35%, thanks very much, and will go and do the next thing. What we want to do is to encourage more and more of our programming to be multifunctional—for example, it will be a climate project, but it will do climate using nature, while also thinking, “What does this mean for women?” All our programming will be better quality, I believe, because we do it this way and it is less about ticking boxes and meeting targets.

Q120 **James Naish:** If I said, “I am world leading in my job, in what I do, because”—what is the next part of that sentence? What would you point to? What is the UK is world leading in for the future?



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Baroness Chapman: My answer to that would be our expertise and access in the UK to things like the Met Office, Kew Gardens, our agritech businesses, the John Innes Centre and new seed technology. On all these things, countries recognise that the UK has a long track record in being leaders and innovators. Our teams take enormous pride in that and really want to promote it. One of the ways that they do that—not the only way—is through the programming that they devise.

Q121 **Tracy Gilbert:** How much of the new climate finance allocation is genuinely new, and how much of it is just existent ODA relabelled?

Baroness Chapman: I don't know what you mean really, Tracy.

Tracy Gilbert: Carbon Brief has estimated that roughly £1.7 billion of the Government's new allocation over the next three years would not have counted as climate finance before. Does that figure ring true? Is that where you think it is at?

Baroness Chapman: When we initially discussed our approach to this, David Lammy was really firm about making sure it did not look like we were playing fast and loose with the numbers. We were very careful about that. There are internationally agreed ways of calculating ICF. I hope Ros can go into the detail of exactly how that is done, but we are consistent with our international partners on that. If we are not, our credibility will be absolutely shot, and we will no longer be able to call ourselves leaders because we will have undermined ourselves. I would rather come out with a lower figure that is accurate and honest than artificially bump something up using methods that France or Japan would not use. We have to be consistent internationally.

Tracy Gilbert: Ros, did you want to add anything?

Ros Eales: I would just add that our definition of climate finance is guided by the OECD definition, so we have been very careful to ensure that what we are counting is in line with that and with what other partners are doing. That is the approach that we have taken in the past, and that is the approach that we will take in the future.

Q122 **Brian Mathew:** Written evidence suggests that the 2023 climate finance strategy has not sufficiently provided direction on prioritisation decisions, criteria for resource allocation or programme selection across the portfolio. In what way does the latest iteration of the strategy address those past concerns?

Baroness Chapman: We inherited a situation in which different Government Departments basically got their chunk of ODA. I am not saying that there was no strategic alignment at all across Government—that would not be fair—but it was insufficient. Even two weeks ago, we moved forests across to DEFRA and gave them the money too, because they are better at it and have the expertise. We have been working across Departments, but let's have it in one place. That would be much more impactful. Even though you could say that that comes at a cost to my Department, I think it is the right thing to have done.



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There is the ODA board process, which is the formal cross-Whitehall place where we have the high-level, strategic, “What are we going to do?” discussions. Then we have a very lively trilateral discussion—we meet very frequently—between the FCDO, DEZNZ and DEFRA, and we go into detail about which geographies we are looking at, what the priorities are for the spend, what the governance needs to look like and what reporting we want. We discussed the issue of monitoring the nature target at great length.

We want to get regular reporting so that if we need to correct, we can. Believe me, Mary Creagh will absolutely make sure that happens. I think the governance is much, much better. The proof of all this will be whether we get better outcomes, and I am as confident as you can be that we will, but I can say that the alignment across Whitehall is much stronger now.

Q123 Brian Mathew: What specific risks has FCDO identified on the potential loss of capability and capacity that FCDO 2030 poses to the climate finance programming effectiveness and value for money?

Baroness Chapman: Because FCDO 2030 is downsizing the Department, it is potentially a risk to everything we do. Done without any care or any mindfulness of capability, it would be a real problem, but because we have been able to say that climate and nature and humanitarian health are priorities within the development portfolio, when FCDO 2030 is complete—we are still quite a way from that—those capabilities should be there. If they are not, we may need to discuss with whoever the new permanent under-secretary is what we should do about that, but I am not overly concerned about that at the moment. The Foreign Office has what it does on nature and climate, but because we work cross-departmentally, there is probably less of a risk with team UK’s expertise in this area because we work in the way that we do.

Q124 Monica Harding: I wanted to come back to accounting and your answer to Tracy. The Centre for Global Development believes that “The UK should be clearer in its statistics which ICF projects create assets for the UK and which are pure expenditure.” Sorry if I seem slightly obsessed with the TFFF, but this comes back to that again because, as you said, the public perception is that it is just £1 billion here, but that could create an asset—it is a loan and it is not a cash transfer. Dividing that up when explaining what ICF is would be better for public perceptions and public support for this stuff, so why would you not do that or think of doing that?

Baroness Chapman: You might be right about that; I do not know. This is not an in-principle objection to doing this; it is just that I do not have £0.5 billion that is looking for a home. If I did, TFFF might be something that we would want to do. I take your point about it being a loan, but we would still have to account for it. I do not know how to be more straightforward about it, really.

Q125 Monica Harding: It is recoupable, so it therefore could be an asset. Saying that is very different from saying, “There’s a cash transfer of a billion pounds going over here to this fund”. This is a loan that we will



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recoup so it therefore could be seen as an asset. TFFF aside, that seems a much better way of measuring and accounting for the money that we spend, but it has the added benefit, which is very important, of taxpayers being clearer on where their money is going.

Baroness Chapman: There are many more good things about moving towards more investment than being a donor. I do not think of the things we invest in—for example, the shares we have at the African Development Bank—as buying an asset for the UK, if I am completely honest about it; technically it is, but it is actually us enabling leverage and investment in other countries.

I had not really thought about trying to explain to the public that this is us buying an asset. That is quite an interesting suggestion, and I will take it away and give it more thought, but I still come back to the point with TFFF that we do not have the money available today that would allow us to do that. That can change very quickly, because other priorities could change. If the war in Ukraine ends, things could suddenly become possible that are not today. In Ukraine, we are spending £240 million a year in ODA, as well as everything else we are doing, and I am glad that we are. We are also spending a lot in Lebanon, Gaza, Sudan and other places that are being completely wrecked by conflict. It would be much better to spend that money on things that are more positive and that secure a global future, but it is sad that conflict determines to a very great extent where our money goes right now.

Q126 **Monica Harding:** Some people would say it is actually preventing the conflict in the first place because climate change is a creator of conflict.

Baroness Chapman: Completely. I would absolutely agree with that, but these are conflicts that are happening now. We cannot wish them away. You would want us to be active in those places, supporting people in the most desperate need. It would be great to be able to do everything but we just cannot.

Q127 **Noah Law:** Minister, coming back to Monica Harding's point about the UK's assets at work in developing countries, does it not concern you that it is not more front of mind for the FCDO during this shift from donor to investor that those are the British public's assets at work, and they will not just disappear off into the ether—with, yes, some lovely social and developmental effects along the way—but will ultimately remain at work and be recycled time and time again? If your Department is not thinking about the recycling and reinvestment of those assets as the British public's money at work for years and years to come—such that you do not have to then commit future investment because you have taught a person to fish, as the old adage goes—then how on earth can we expect the British public to understand that our money is there at work for years and years to come and not just being thrown into a big black hole?

Baroness Chapman: That is absolutely fair. We had some reflows from investments into India last year. We did communicate that, and it got reasonable pick-up in the media. We need to do more of that. I absolutely take your point. The truth is, though, that the reason that the money that



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we put into the World Bank through IDA, a lot of the money we put into BII, and a lot of the money that we put into the African Development Fund needs replenishing is because you are not actually buying an asset for the UK. It is not like we are building a solar farm somewhere and that is an asset and you will get a reflow from it. That can happen, but a lot of places that we are focusing on are the poorest, most fragile economies and it is a lot, lot harder to convincingly say that we have bought the UK taxpayer an asset. The reason they need replenishing is we do not get the return on those investments.

So yes, we are being an investor and we are getting leverage and money into those economies, but in a lot of cases it is not quite as straightforward as us just buying an asset. However, when that does happen and we get the reflows—I take your point completely—I think we need to give that much more prominence. Before, traditionally, our communications have been much more about, “We’re spending x amount of pounds in this place feeding people.” Great, we should continue to do that, but we also need to explain what else the ODA budget does. I would agree that we have not been particularly successful at that.

Q128 Noah Law: Very briefly, if we are doing that and communicating it better, even if we are not recouping the capital, if it does remain in place, remains at work and grows over time, is there not a case that that potentially reduces our obligation to spend in future years? Do you find that a compelling argument to make to the public?

Baroness Chapman: Yes. I absolutely do. I try to do that. I am sure that I could do more, but I think we need Members of Parliament and the sector’s interested voices more generally to be making similar points. Then, gradually, we may have some success. I do agree. There are some brilliant examples around the world. South Korea is the one that always gets pointed to: a country that was a recipient of aid and is now a real economic powerhouse because of investments by many other countries and most of all, I suppose, by the World Bank.

Q129 James Naish: You mentioned earlier, Minister, that the four Departments are working on climate finance. From your description, one would assume that everything is top dollar.

Baroness Chapman: Never a cross word.

James Naish: But if you look at ICAI’s report, it persistently highlights a blurring of responsibilities and an element of siloing. Do you recognise that as an issue? If so, what is being done to make sure that it is addressed? We are talking about splitting responsibilities in multiple directions here.

Baroness Chapman: When I was first appointed, I started off by thinking, “Right, we have a lot less money. Let’s get it all back into the FCDO. Let’s run it all from one Department”—[*Interruption.*] Matt’s having a fit here—“so we can be properly in charge of it and it can be really focused.” Although there is an argument for that, we would lose all the expertise that DESNZ brings and all the amazing working experience that DEFRA has. I thought that it was better to try to resolve the issues that

ICAI identified, which we would all recognise, by working in a different way.

Fortunately, I have fellow Ministers who want to do that too and who have enormous expertise in what they are doing. Katie White and Mary Creagh bring an enormous amount of personal passion and knowledge, and the officials likewise. We are making it work. Is it all sweetness and light? Not always. We have disagreements, discussions and frustrations, but the right way to resolve them is not by retreating into Departments, working out how to undermine each other and saying, "We'll go back to the Treasury and get them to agree this." That would be a disaster. We have to be coherent and have a shared understanding.

We are all behind the strategy that we have nussed out between us. We now have to work to that. It was a problem that you had programming going on—I always point the finger at DEFRA, but it is not just DEFRA; that is not completely fair—but you would turn up in a country and stumble across a programme they had been running, which you and your head of mission knew nothing about and had questionable outcomes. There is a lot less risk of that now, because there should be absolute open book, which goes for the FCDO as much as it does for other Departments. They can come and say, "We're not happy with what you're doing in this place. We think you should have included mangroves" or whatever.

Q130 **James Naish:** If ICAI looked at this now, 18 months since you have been in post, do you think that it would have a different impression?

Baroness Chapman: I really would be very disappointed if it did not. I am sure that it would still find room for improvement, being humble about it, but we have done a lot of work to make this better.

Q131 **James Naish:** Is that dependent on the individuals that you described?

Baroness Chapman: That is an interesting question. I think the reason it has worked so well today is because you have had three Ministers who are determined to make this work. Were that not to be the case, we now have the institutional way of working that would secure it and safeguard that process, but I do think political leadership matters. I would say that—officials might have a different view. If you did not have Ministers who wanted to work in that way, it may not work quite so well, but I like to think that we have got it institutionally embedded sufficiently that it could withstand that.

Q132 **Sam Rushworth:** Moving the conversation on to the use of multilaterals, we have heard evidence that they can play a crucial role in aggregating climate investments. We have also heard that they can be overly bureaucratic, very centralised and sometimes unresponsive to local needs. How will you ensure that what we are spending through multilaterals is nimble enough to have impact?

Baroness Chapman: I would not necessarily disagree with the criticisms of the multilateral system. Part of what we have to do is change that, because they are often the right way, especially on climate and energy, to

deliver at scale. We have been successful in changing their capital adequacy rules, which has enabled their balance sheets to grow massively. We have to get them lending £100 billion by 2030. That is our target. They are on about £85 billion at the moment, so well on their way. They are definitely the right vehicle.

The discussions we had at the global partnerships conference, a lot of which were about the impact of the closure of the straits, were really interesting. The MDBs were saying, "We've got these toolkits and we are working to respond to country need." The Finance Ministers from partner countries were going, "We're not going to access that because it's too bureaucratic. You're telling us we can have this, but we need it now. You're going to make us do all this work and it's too slow." There is a push now from partner countries and from us as board members and investors. I was having this conversation with Germany yesterday.

The MDBs want to get this right because they know this is how they are going to be judged. There is evidence already that they have started to adapt and become more responsive. We just have to keep pushing on this and into fragile contexts and least-developed countries as well. It is really easy to be an MDB lending money to middle-income countries.

Q133 Sam Rushworth: Is there a concerted effort by the UK and allies to do that? How does that work? Do we as the United Kingdom engage with like-minded countries and then take a joint approach to the multilaterals? Can you talk to us about how that works?

Baroness Chapman: Multilateral politics is a thing. In each of these institutions, the dynamics are slightly different. The World Bank is quite a good example. Yesterday, it agreed to extend its climate change action plan, which was not a given. We had to work really closely with our partners, principally Europeans, Canadians and others, on making the case. The art to this is to make the case for what you believe without making it difficult for people who do not agree with you to compromise. That was achieved yesterday. We have this action plan. It is not as it would be if we had written it ourselves, but that is the world. These things are contested and there is a need to be pragmatic. We achieved that. It was not clear that we were going to get a climate change action plan at all. A bank without an action plan on climate is a problem for us. That was a good outcome.

The African Development Bank is slightly different because you have a different set of investor countries. The US is a very small player in that room. The UK is the biggest investor in the African Development Fund. There is lots of African ownership. It is a very different conversation. I really enjoy that institution. It is a bit smaller. It is more dynamic. It is Africa-led.

They are all slightly different. We do not get in there, wave the Union Jack and say, "Everybody follow us." That would be a disaster. You have to be mindful of who you are working with. You have to listen really hard. You have to make sure that the people we appoint to be executive directors in



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these institutions are first class and can navigate all this. I am sure we do not get it right every time, but I am very impressed with our ED in Washington on the World Bank, for instance, or Juliette John, our ED. The AfDB is good at what it does. The reason I am so impressed is that I can see how hard it is.

Q134 Sam Rushworth: To an extent, the UK's influence depends on the changing shape of alliances, particularly with other European countries. Is there a mechanism for scrutiny and oversight from the UK's perspective to ensure that the finance is reaching the people most in need?

Baroness Chapman: I cannot remember the name of it now, but there is something that assesses the impact of multilateral institutions. That is one thing. We agree positions with our EDs that we want them to take when contentious decisions are taken. We agree the strategy for each institution. We get to influence that. My job is to build up a relationship with the people in charge of those institutions—the president of the World Bank, the president of the AfDB, the president of the Inter-American Development bank and others in the Caribbean. I think the UK is seen as an honest broker and people know where we stand. They know that we do not just go along with what the loudest voices want. We have clear, well-established and consistent views on gender and on climate. Those are the two things causing most of the controversy at the moment—

Sam Rushworth: Yes, as Trump's Administration has shown.

Baroness Chapman: Yes, you know this. We are clear about it. That is the right way to conduct ourselves, and we want to see more investment in fragility.

Q135 Sam Rushworth: Are there any frustrations? Are there things that we are pushing for and just cannot get?

Baroness Chapman: Yes, there are tons of frustrations every day. As I say, if we had written the climate change action plan for the World Bank, it would not look like it does. But that is not life, is it? It has to be agreed. The US could block it.

Q136 Sam Rushworth: I do sometimes wonder whether, when there are those frustrations, we do not wish that we had a bit more of a bilateral budget in some of those relationships.

Baroness Chapman: Yes, but we never would have been able to replace the scale of any of the banks—that has never been the case. We could never have substituted for bilateral programming. It has always been additional. Those two things ought to be complementary. Now our bilateral programme is much, much smaller. Is that good? No, but it is right, given that we had to make these choices, to invest more where we can achieve scale and get development outcomes. The multilateral system gives us that.

Q137 Noah Law: Can I push you a bit further? Speaking candidly, I think you are probably the first person I have ever heard describe the African Development bank as dynamic, but that is very heartening to hear. On



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that trade-off between multilateral and bilateral investment, I totally hear what you are saying about our negotiating leverage. Again, it is heartening to hear that we have been able to exercise that in certain ways relating to climate.

I totally hear as well what you are saying about scale. Earlier, you gave an example of our bilateral investments. I believe you were referring to Ayana at BII and our successful disposal and recycling of that stake into future investments. Does that not prove that you can get an awful lot done at scale through the bilateral channel? Do you not think that that is perhaps a more direct, efficient and certainly more British development policy-aligned way of getting capital out of the door?

Baroness Chapman: There was a discussion about whether we should just put it all into BII. We could have done that, but it is still only going to be so big. If you think that the development gap runs into trillions, the world has to come together and invest collectively in order to achieve anything like what is needed to meet the ambitions of our partner countries.

BII is a bit more adventurous than the MDBs, because we allow it to be and we replenish it so that it can be. It can take a little more risk and be in markets that others shy away from, and it can take first risk. It can then get the IFC to come in and supplement what it is doing. When it works well, it can be catalytic in its own right, and on MDB balance sheets as well. That is a strength.

Where it can really work well, I think, is if we can get private sector investment alongside it. That is the next thing I would like to see us do much more of. The work we are doing with our taskforce, with pension funds and fund managers in London, will, I hope, enable BII to get more of this money—it does not matter whose money it is, to be honest—into emerging markets, because that is where the big money globally is. Too much of it is in Europe and North America. Less than 1% goes into Africa.

Q138 **Sarah Champion:** We have always been very impressed with our teams at the World Bank and in other multilaterals. With the staffing changes going on, what are you doing to protect and maybe even increase those teams so that they have more influence? Can you give us an example where we have been able to amplify the voice of a low-income country that does not have a seat on the board?

Baroness Chapman: That issue of the seats on the board and voice is a real problem, and it is complicated to resolve. Our teams at the bank are really small. When you talk to the people, a lot of them come from the Treasury, not from FCDO. It is quite a good mix of skills and experience, and I see it as our chance to indoctrinate Treasury officials into the right way of thinking about the world.

Those are sought-after roles because you are in a small, exciting, politically very challenging team. You do not have all the headaches of big HR, and all of that, that others have to deal with. They are really impactful

roles, so we put great people into them. I am glad that you have been impressed with them as well.

Part of the work that we do is deliberately to amplify the voices of our partner countries because, like you say, often they do not have the opportunity to sit on the boards. They do not even have the opportunity to speak like other people. Canada speaks for the Caribbean. There is nothing wrong with Canada, and they do an amazing job at it. It is a historical quirk from when the institutions were set up after the war. That was the world as it was at that time. We are in 2026 and it is no longer okay for there to be such little representation. On the last two occasions that I have spoken at the bank, I have made specific cause of that problem.

The issue is around the fact that your number of seats at the board is determined by your shareholding. The shares are held by big donor countries. There is a whole politics between the US and China that means that this does not get opened up and reset in the way that may be more conducive to sorting that out.

That is where we are, but we have enabled, I think, an additional representation for Africa. We make this case frequently. We just have to keep pushing on this.

Q139 Sarah Champion: Would expanding the team help?

Baroness Chapman: I do not know if we need to expand the team. I will speak to our ED about this and see what he thinks. I would be very happy to do that. They are impactful, and I think that they are probably the right size.

The thing we need to think about is how we connect our in-country teams with the bank's in-country reps and our team in Washington so that it is more joined up. I think our ED gets a bit fed up with me WhatsApping him saying, "I've just seen this thing in Mozambique. What's the bank doing?"

That is not an efficient way of resolving things. It is for us to consider our system and how we get our teams to be more familiar with what the MDBs do and to really feel that MDBs are part of their toolkit. That is an important next step for us to think about.

Q140 Tracy Gilbert: Moving on from donor to investment and mobilising the private sector, is it realistic to expect the private sector to fill the UK's climate finance gap against its equitable share?

Baroness Chapman: We are not expecting them to be charities. These are good investments, and if they do not want to make them, they will not. There are good returns to be had, especially in emerging markets. These are exciting opportunities. The private sector has a desire to do this. This is not a corporate social responsibility initiative; this is them making sound investments on behalf of their members. They will not do it if they do not want to.

Q141 Tracy Gilbert: Has the FCDO quantified exactly how much private finance

it intends to mobilise? What does that target look like?

Baroness Chapman: We think £6.7 billion, but I would not be surprised if we did more than that. There is a desire to do it on the private sector side, and the market is massively growing. Also, investors do not want to be the first to go into a new market or to do something new, but neither do they want to be the third, fourth or fifth. I am learning about the big peer influence among fund managers, but that is starting to happen. What we can do through BII, among other vehicles—but BII is really good at this—is to get hybrid investments, being the first to say, “We will take the first loss”, or, “Do you want to be part of this stack?” That is how we are going to make this work. BII is good at that, and it has become better and better at it. I think that BII is really delivering. We have a target, so let us see, but at the risk of sounding overconfident, I think we are well placed.

I need to be in the Lords to answer a question soon—

Chair: Yes, we understand that—

Baroness Chapman: If I am late, I will be in massive trouble.

Chair: We would not want to get you into trouble, not in these turbulent times. Thank you for giving evidence to the Committee. I understand that the officials will remain for another half hour or so.

Baroness Chapman: Thank you very much.

Chair: As we move into further questions, Matt and Ros, answer as you think appropriate between you, relative to the questions.

Q142 **Noah Law:** Perhaps a clarification from officials is best on this question anyway. The figure of £6.7 billion of mobilisation was mentioned. Is that aligned with our £11.6 billion climate finance commitment? Are those two equivalent? If so, it strikes me as a rather low mobilisation ratio.

Ros Eales: The £6.7 billion is actually the amount of public finance that is non-ODA, which includes BII, as the Minister outlined. That includes UK Export Finance and the guarantees that we provide to the MDBs to underwrite their activity. That scores as non-ODA, but it does score as climate finance, as recognised by the OECD. As a result of our collective impact, the commitments set out in the ICF4 announcement were to mobilise billions more from pure private sector. We have high ambition to do that.

Q143 **Noah Law:** In the light of the ODA cuts, have there been any attempts to shift that proportion even further so that even more non-ODA sources contribute to the £11.6 billion, to free up ODA for other uses?

Ros Eales: The £6.7 billion is the first time we have set out a target for non-ODA public finance. We will track and monitor that very carefully, as we will what private finance mobilises, notwithstanding the scale of the challenge.

Q144 **Noah Law:** Thank you for the clarification. We have heard that private

finance is not a panacea, obviously, so what is the FCDO's assessment of the risks of depending on that private capital to meet the UK's climate finance needs?

Ros Eales: The scale and volume of the climate finance needed runs into the trillions, and therefore there is no pathway that does not involve private sector investment. What we need to do is to ensure that that investment is targeted at the right places, that we are using our public finance to create the conditions and the right environment into which that finance can flow. That, I think, is part of the risk.

One of the areas where we are seeing that being done very successfully is the mitigation space, where we are seeing significant volumes of finance flow into mitigation. One of the harder-to-crack areas is the resilience space, where it is harder to incentivise and get private finance to recognise the value of investments in resilience, so that absolutely needs to be a focus going forward.

Q145 **Noah Law:** That is something we have heard from a lot of witnesses in this inquiry. You mentioned that you try to manage that risk, but are there any guardrails that you use to ensure that you get sufficient private capital mobilisation? For instance, there will be a mobilisation ratio required at the BII level, but how much do those sorts of guardrails pass through the entire FCDO commitment?

Ros Eales: You are right to single out the BII as an area that has particular targets and a strategy that looks at that. We are very closely in touch with our colleagues in UK Export Finance to encourage and create greater knowledge and awareness. I think there is something around joining up on the ground, as the Minister talked about, and this connection between our teams at post. They can see at first hand the needs in the countries, where the opportunities may lie and some of the work that may need to be done—for example, in the regulatory environment—where we might be able to use a small amount of ODA to support that. That flows through to opportunities for MDBs or multilateral climate funds to come in and do specific projects. That then leads on to creating the wider opportunities for private sector finance to flow in at scale. It is a multi-pronged approach, looking at all different stages of the investment cycle.

Q146 **Noah Law:** You have sort of answered my next question, which was about how we get better collaboration among some of those climate finance tools, but could you give a few more practical examples? We know that BII and UKEF will be delivering the lion's share of climate finance—I do not know if you would call it that. Could you give some more concrete examples of how you get some of those tools to work together, beyond the DFIs?

Ros Eales: I cannot name particular projects, but let me talk through how it might work. It might start with a problem with access to climate finance in a particular country. For example, in Ethiopia, we have done quite a lot of work thinking about how that country can access climate finance from multilateral climate funds. If we are able to unlock and speed up that process, that will enable finance to flow from the multilateral climate funds

into that country, where on the ground we want to ensure that the multilateral climate funds are very joined up with IFIs.

That is a big part of our reform agenda for the MCFs, which is to ensure that they are working in collaboration with and are closely in touch with other financial institutions on the ground. That is happening from the London end, in terms of using our seats on the boards of, for example, the Green Climate Fund and the GEF, and the Minister talked about our ED in the World Bank and our position in other IFIs. There is that strategic reform effort to make sure that collaboration is happening across the financial system. And then we have our teams on the ground, headed by ambassadors at post, trying to bring the join-up and ensure that it happens at a local level, so that specific projects are identified and all sources of funding are considered for that. Where some British expertise may be needed and we can draw on, for example, the Met Office, or we have had projects that look at infrastructure using the five case model, that can be brought through as well.

- Q147 **Noah Law:** We would certainly like to hear more about the Ethiopian example, if you would be able to write to us. Coming to the ethics of this, private finance is not subject to the same safeguards as public spending—we have very strong safeguards in place for a lot of our development finance institutions—which can worsen inequality in the worst-case scenario. What specific plans does the FCDO have to mitigate that?

Ros Eales: In terms of the investments that BII makes, and certainly across all the ICF, we have implemented a GEDSI—gender equality, disability and social inclusion—framework across the whole piece. We will continue to monitor and hold ourselves to account to it.

- Q148 **Sam Rushworth:** My question is about the size of the organisations. We often find that smaller organisations are saying that they struggle to get the finance. What is the FCDO doing to address that problem?

Ros Eales: Access to climate finance is a perennial issue. We hear that not only in terms of the smaller organisations but in terms of the speed, time taken and bureaucracy in accessing climate finance. We are very aware and conscious of that access point in terms of the multilateral climate fund. For example, we have worked through our board seat at the Green Climate Fund to speed up access and to make progress on that.

We are also trying to harmonise standards, such as harmonising the accreditation of entities that can receive finance. For example, the fund for responding to loss and damage is a fairly new fund that has recently come into establishment and is beginning to operationalise. Rather than create its own standards for accreditation, it has taken on the accredited entities for the GCF so that countries, institutions or locally led organisations do not have to do that again.

For us, it is about listening to the concerns of partners, including at the very local level, about some of the issues that they face, and then using our position on boards and through the projects and programmes that we

run, including a number of programmes on access, to seek to address those.

Q149 Sam Rushworth: It is not just smaller organisations and local communities. Women and girls and other marginalised groups face particular barriers to accessing climate finance. What is the FCDO doing to make sure that they are not excluded?

Ros Eales: I mentioned the publication of the GEDSI guidance. That runs across not just ourselves but our delivery partners as well. We will be looking for all new ICF programmes to include that focus on gender equality and wider social inclusion. We have programmes that do lean into the women and girls space, recognising that the poorest and most marginalised—who are often women and girls—are disproportionately impacted by climate change.

Q150 Sam Rushworth: Have you considered ringfencing funds specifically for women and girls, marginalised groups and smaller countries?

Ros Eales: I do not think we have decided to put any ringfences in place. I would draw on the same arguments that the Minister used about the nature target. If we set expectations and are really clear on them, which we have done through the GEDSI guidance, it is about holding ourselves to account, being transparent and reporting on that.

Q151 Sarah Champion: Ros, apologies if I missed this. On women and girls specifically, how much conversation, co-ordination and leverage do you have over the other FCDO programmes? The climate impact does not happen in isolation.

Ros Eales: As you will know, our Foreign Secretary is very committed to the women and girls agenda. That has been mainstreamed and bled into the DNA of the Department. It was there already and she has given it a significant boost. It is at different levels. At the post level you have GEDSI advisers who operate in an embassy, looking across its work. That includes not just the programming but the wider levers that we have, the policy development and the diplomatic levers.

At the London level there are advisers, both geographic and thematic, sitting across the Department, and they often have a great deal of experience in how best to ensure that our programming—be it on climate, health or education—matches up to, takes account of and, in some cases, is very specifically focused at women and girls. I think it is an ongoing process of using the deep expertise that we have in the Department to inform and constantly improve, or sharpen up, our programming.

Q152 Sarah Champion: When it comes to climate finance, how do you capture data on women and girls, and on how we are helping, supporting and mitigating?

Ros Eales: I will have to get back to you with further detail, but we certainly have gender and equality markers—I think they are across all our ODA programming. I am happy to take that away and provide further detail.



Q153 Brian Mathew: For many of the poorest in the developing world—I speak from some experience, having worked for a long time in Africa and elsewhere—what is happening with the climate is that the rainfall pattern is changing. For example, if you plant your crop, you might find that you then have a dry spell and you have to replant it, if you do not do the right thing. That is really expensive for poorer people, and it may be impossible for them because any seed that they kept was used up the first time around.

The point I am trying to get at is that a system that I have seen work very well in Malawi and elsewhere is ecological sanitation, where a family basically composts its own poop, with leaves and what have you. It means that they can have between two months' and four months' extra food supply a year. At the moment, it is quite common for food to run out for a couple of months, so a family may literally have nothing left for a month or two.

If more effort was put into those sorts of simple things, the aid money that we have and the finance that we are able to offer could go a lot further and help a lot more people who are really at the bottom of the heap. You might be talking about money to buy concrete tops for latrines, for example—those sorts of things will not happen if the money is not there. To what extent has thought gone into some of those really small-scale initiatives, which, if done at a large enough scale, will affect millions?

Ros Eales: You are absolutely right to highlight water as a critical issue. The climate crisis is not just a climate crisis; it is a water crisis, a humanitarian crisis and a livelihoods crisis. I have a stat here demonstrating that around 90% of climate-related disasters are actually water-related disasters. We are seeing that water-related insecurity is a driver of economic loss, migration and instability, so it is an absolutely critical area to focus on.

We are thinking about the programming and support we provide on the ground in terms of resilience. We have the Just Transitions for Water Security programme, which I believe works in Malawi—I will have to double-check that—and other countries. It supports around 40 million people in low-income countries to manage water security, and to think about how they use their water resources more efficiently and effectively. That is not only important for climate but absolutely critical for livelihoods and poverty.

Q154 Sarah Champion: Matt, I think these questions are for you, but if not, please pass them over. What discussions has the FCDO had around ringfencing grant funding for low-income countries? There seems to be an assumption that private investment will flood in, but for low-income countries and the projects that they are likely to host, that might not be the case.

Matt Toombs: As the Minister and Ros have described, we have very regular and extensive discussions about our portfolio planning alongside the FCDO. A lot of that comes to the question of what the priority countries should be for each of the Departments. In DESNZ, we have more



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of a focus on investments in countries that are likely to have the greatest impact on emissions reductions. That necessarily brings you towards countries either with the highest level of emissions now or where emissions are increasing fastest, which are places where the impact on reducing that growth will be the largest.

Q155 Sarah Champion: Does that pull you away from African countries, which historically have had the lowest impact?

Matt Toombs: DESNZ does invest in various African countries, depending on the different programmes and different areas. We certainly have investments within Nigeria, Egypt and Ethiopia, as three among our top 10. That partly reflects on the level of emissions, as we said.

Ros Eales: Where DESNZ has a lead on mitigation, we certainly have a lead on resilience and adaptation. That is where you see an impact on the poorest and the most vulnerable. Our ICF4 strategy states explicitly that we are both targeting transformation, which may include action in the mitigation space and in research and analysis to think about how we leapfrog forward, and focusing on the vulnerable and the poorest. Some of the work on the resilience side is very much targeted in that space, given that, for example, we are seeing climate shocks impact very poor people in the Global South. Some of the work we are doing is in supporting their resilience to be able to anticipate those shocks and to strengthen systems when those shocks happen.

Q156 Sarah Champion: You have made me more nervous about this. It sounds as though your bit of the money is going to the lower middle. Ros, is there a specific ringfence for the lowest income countries?

Ros Eales: There is not a specific ringfence. There is absolutely a focus on resilience and adaptation, and we have committed, through the ICF4 strategy, to a balance between mitigation and adaptation.

Q157 Sarah Champion: We already know about the large gaps in funding for climate adaptation. How do you plan to rebalance to the climate finance spending for ICF4?

Ros Eales: First, having a commitment to a balance is a really important thing. That is effectively something that we will need to hold ourselves to account for. As the Minister described, we will continue to track to see if we are meeting it—that is the driving factor—as well as tracking very carefully what we are doing through our posts and thinking about the work that our humanitarian colleagues, for example, are doing to strengthen systems for the medium and long term, which is often climate work rather than pure humanitarian work.

Q158 Sarah Champion: Thinking about what you said about humanitarian work, that tends to be work with local people on the ground, while we have seen that climate money tends work more with Governments, businesses and larger groups. Is there a less bureaucratic way in which you are trying to get some of that money down to the local people?

Ros Eales: I would say that some of the resilience programming is definitely targeted at that. I am happy to follow up and give you some examples of where that is happening.

Sarah Champion: Matt, you were nodding.

Matt Toombs: Yes. Similarly, we have programming in forests, which also has significant local and indigenous people and local community components. It depends on the area and the type of programme, but we certainly do look to focus on that.

Q159 **Sarah Champion:** One of my frustrations as we have been doing this inquiry is that the Government seem—understandably—to go where Governments say there are the worst areas or the worst need, but that might not always match up to where local people think the money would be best spent. Do you have a way, in your two Departments, of getting that local voice embedded? In the countries you are going into, sometimes the Governments' views might be very different from the reality that you experience on the ground.

Ros Eales: We have a network of climate attachés and advisers who sit out in post. Their role is to engage in post and with their colleagues in the embassy, but also to face outward, not only to host Governments but to the wider diaspora and community there. Many of our staff are country-based and have deep networks. They have an understanding of the political economy in those countries, where the needs and opportunities are, and where UK money can be best spent.

Q160 **Sarah Champion:** We have been told that the FCDO had plans to complete a learning synthesis of the previous round of climate finance, which would be due by April 2026. Did that happen, and if so, can we have a copy?

Ros Eales: Let me double check on that and get back to you.

Chair: We thank both our witnesses for your additional evidence and for remaining with us to conclude our questions. We will bring this panel to a close and move to our second panel.

Examination of witnesses

Witnesses: Ian Mitchell and Anouschka Rajah.

Chair: Our second panel is Anouschka Rajah and Ian Mitchell. Could you formally introduce yourselves for the record?

Anouschka Rajah: I am Anouschka Rajah. I am the research and analysis manager at More in Common.

Ian Mitchell: I am Ian Mitchell. I am the co-director of the Europe programme at the Centre for Global Development.

Q161 Brian Mathew: Ian, what impact did the change in the accounting methodology used to calculate the UK's climate finance spend have on the integrity of its commitments and confidence in the UK as a donor?

Ian Mitchell: Some of the changes were sensible, including multilateral contributions, which made good sense from an analytical perspective. Others, like counting a chunk of humanitarian spend, are difficult to defend. I heard the Minister say just now that she thought it would undermine credibility if the UK stepped out of international practice, but other countries are not counting a share of humanitarian spend. That was set by the last Government, but it has been continued by this one. In a context where trust with other countries on climate is so important, that has undermined the UK's reputation significantly.

Q162 Brian Mathew: What are the transparency, governance and accountability risks of routing more climate finance through multilateral channels?

Ian Mitchell: I am quite supportive of channelling more climate finance through multilateral channels—MBDs in particular are able to lend in a way that the UK cannot lend bilaterally. That can also mobilise the balance sheet and therefore support more projects than the UK can bilaterally. On the whole, I am pretty positive about that. We recently looked at the World Bank's results and the way it monitors its projects, and that is quite sophisticated and careful relative to most bilateral donors. The African Development Bank and the World Bank's IDA fund are also focused on the poorest places in a way that most bilaterals are not and the UK is drifting away from. From my point of view, this is an important way to get the finance to the countries that need it.

Q163 Brian Mathew: How should the Government be utilising their position to push for multilateral reform?

Ian Mitchell: This is part of the wider need for the multilateral development banks in particular to make more of their balance sheets and take more risk—to do more—without imperilling their triple A credit ratings. Over various Governments, the UK has pushed that agenda. That needs further work to realise some of the gains. The credit rating agencies have now said that there are potentially tens and hundreds of billions extra that the multilateral development banks could be dealing with. The UK needs to push as a shareholder to make that happen.

I guess you saw the Minister talking about the World Bank's climate change action plan. I don't think the UK has been very vocal in support of that. But as the Minister says, at least the World Bank has a climate change action plan, even if it has lost the target. Maybe those are two of the important elements, and I guess a third is the shareholding point—ensuring better representation.

Q164 Brian Mathew: Quite, but given that we are paying for some of that work, how do we exert greater influence on it to ensure that it is of a high standard?

Ian Mitchell: This is partly about having effective people on the board, and I think we have that. As one Member said, it will be important to maintain that through the staffing changes that we are seeing. That is partly about how attractive those posts are within the FCDO and whether they are still seen as being of core importance.

The other thing I would emphasise is working with other shareholders. Even now, when there is clearly a group of countries that are like-minded on climate and development, they are not working as closely as they could to be an effective force on the board. European shareholding at the bank is much greater than that of the US, for example. While the US will still have a veto at the World Bank, European shareholders could work much more closely if they were willing to work together more on common goals.

Q165 **Noah Law:** Ian, you said that the UK's participation in multilateral development banks is able to deliver financing that we are simply not able to deliver through bilateral channels. Can you expand on that and explain what you mean?

Ian Mitchell: Of course. Just at a simple level, the UK does not lend bilaterally to developing countries, so we do not have that capability. I would personally argue that we do not need it. If you created an institution that lends, it would create a lot of admin. We do not do a huge amount of business with the sorts of countries that could borrow, so my view is that it is much better to do that through the banks. The bank can lend and does lend. Also, it works directly with Governments in a way that, again, the UK does not really do—we barely work with them.

Q166 **Noah Law:** Thank you for that clarification—it is about sovereign lending.

Ian Mitchell: Exactly.

Q167 **Tracy Gilbert:** Ian, how could the way in which the UK publishes and utilises its climate finance data be improved?

Ian Mitchell: Great question. I think the UK deserves some credit for its results publication, for example. We examined that 18 months ago, and were hoping to identify countries that were doing it better, but actually the UK is one of the best for that. Where it falls short is that it is a bit of a PR document. It aggregates the results up and says, "Look at all these great things we have done," but it is not clear about the projects that are contributing to it. It is not clear about how much those projects cost—how much was invested in them—so it is hard to see whether you are getting value out of them. You are only seeing the outcomes.

There are a few layers to that. It would be useful, for example, to know which projects are contributing to the climate finance goals and outcomes—when you do project data in DevTracker, which ones are contributing. In relation to the stats on development, climate finance is such a big part of what is being done; it could be more clearly laid out there. And the results publication could include a list of projects that have contributed and the costs of those projects. That would go a really long way to improving things, and not just for think-tanks like us. If you are a

partner country and trying to understand what the best approaches are, the UK could do more on that.

Q168 Sarah Champion: Ian, the FCDO published its climate finance strategy last week. What do you think of it?

Ian Mitchell: I think it is more a statement of what it is doing than a long-term decision making document. I was pleased to see it be quite explicit about what is ODA and non-ODA. The numbers have been around for a while, but it clarified that, which enables us to be much clearer about the debate. It could go further in explaining the non-ODA elements: we heard about the export finance and guarantees, and BII reinvestments, but it would be good to know more about those and, in particular, what they are going to achieve. We have made the mistake of ODA being too focused on the numbers and the amounts, so what will the non-ODA finance of £6.7 billion achieve? What will it do? How will we know it has done it? That is where I would like to see more focus. It was good to see the Government maintain a focus on value for money and impact. I think that is a strength of the UK and something it could be working with other providers to do more on, but it was good to see that recognised.

Obviously, the context is the depth of the cut to aid. We did some work recently which said that the actual overseas element of what the UK spends was almost at 0.3% last year, in 2025, and it will fall below that this year, so the true overseas aid budget is really low by historical standards. It is already at a 20-year low, and it could go to an all-time low this or next year. Once you have abstracted from the amount of money, I thought it was a good attempt to spend it well.

Q169 Sarah Champion: The Minister was telling us how we are the global leader in this area. If we hit a 20-year low, what impact will that have on the confidence of other donor countries?

Ian Mitchell: I think it has already had an impact. We were quick to follow the US in making the reduction and, as a development leader, others have followed that lead, I think, so we are already having that impact. To give this a climate angle, colleagues at Bonn said the UK reneging on its green climate finance commitment was very high profile. That is seen as a very important body for the UNFCCC, so if the UK makes an announcement that it then needs to go back on, that is really damaging. Yes, it is difficult to see us in a leadership space on climate.

Q170 Sarah Champion: This Committee has a slightly different perspective, because we tend to start with the global and reflect it back on the UK. What does the international climate world think about the UK's position right now? Are we doing enough? Are we pulling our weight?

Ian Mitchell: I think the international community still sees that the Government are serious about climate and that it matters to them, but there are the actions that they are taking internationally. One of the things that I think is interesting about climate finance is that it is a very nationally interested part of our portfolio. We are trying to persuade other countries to reduce their emissions through an internationally agreed



target. We will not defeat climate change on our own, so if we do not get that right and they will not reduce their emissions, we will not defeat climate change. To me, it is the most important part of tackling climate change, and I think there is little confidence internationally. We are not putting pressure on countries like China to reduce their emissions, because the other developing countries are rightfully criticising us for what we are doing.

Q171 Sarah Champion: Finally from me, the Minister talked about the cohesion that is now found across Departments and FCDO on climate finance. Do you recognise that?

Ian Mitchell: The spending review was relatively dramatic for DESNZ and DEFRA. Their resources were halved, and the FCDO now has a much bigger role in climate finance overall. We would like to see a bit more on this area, but the Minister is right to say that it has probably improved. She also made the point that, as much as we have argued for an adaptation target, which would give the UK a lot of credit and focus it in the right ways, actually letting partners or country offices lead on what projects go forward is also important. I do think that with letting country offices lead more on programming comes less co-ordination, which that is understandable.

Q172 Monica Harding: Anouschka, in your report, you found that climate-related ODA can meet the public's tests more easily than traditional aid, so what specifically makes climate finance more compelling to the public than other forms of overseas spending?

Anouschka Rajah: It will not surprise anyone on the Committee to hear that support for aid and overseas spending starts from a weak position. The words the public associate with aid are typically "wasteful" and "ineffective" and it is one of the areas most frequently selected for spending cuts. But the public has low information on ODA and aid, and most people overestimate how much the Government spends. Support and opposition is often less about the numbers and more about public perceptions of how that money is spent and to what end.

Across our research we have found that when the public think about international spending or judge the effectiveness of it, they broadly apply three tests. The first is reciprocity: whether the UK gets something out of it. The second is self-sufficiency: whether the spending helps countries stand on their own two feet or whether it creates dependency. The third is effectiveness: whether there are clear results that we can point to for our investment.

Climate-related spending can pass those tests more credibly and easily than general aid spending and many other forms of international spending. On reciprocity, new polling we did this week found that people intuitively connect international climate finance to UK benefits. Most think that supporting other countries to tackle climate change will help with the UK's food security, energy security and protection from supply chain shocks,

and create business opportunities for UK companies. It is able to demonstrate the benefits for the UK as well as overseas countries.

On self-sufficiency, the public intuitively think that climate technology in particular is helping recipient countries to build their own capacity. We find that sending technology is one of the most popular ways to spend aid, but for climate technology, it is not necessarily innovative technology. Often, technologies that are understood, such as solar panels and wind turbines, are seen as a way to help build capacity and share our expertise, so it passes that self-sufficiency test, rather than being seen as a money pit.

Finally, there is effectiveness. I am not speaking to the realised effectiveness, but how the public tend to judge effectiveness is on clear outputs that they can see have been changed. In particular, they judge tangible outputs—things that they can point to. Again, it is things like solar panels or megawatts of energy that they can point to and say, “This has been achieved by this spending.” That is what will most likely pass the effectiveness test for a public who have low awareness and information on this issue and who are not necessarily going to be in the weeds of all the updates and outcomes that are achieved. I think climate technology in particular passes that tangibility test.

Q173 Monica Harding: You gave very good examples of self-sufficiency and effectiveness. What are some examples from your studies of what reciprocity looks like to the British public?

Anouschka Rajah: People see benefits for the UK from international aid spending, particularly climate spending, in different ways, for example, food security and energy security, particularly lowering energy bills through renewable energy investment.

On the side of making Britain more secure and safe, vaccines are a popular way of using overseas spending to protect the country. Gavi is seen as a good example of taxpayer spending. Spending that contributes to the security of the country, either through public health protection or through food and energy security, is seen as a benefit. The public tend not to draw lines between these; they see climate security as fitting within broader security concerns. Those are examples of where the public see the mutual benefits from overseas spending and climate spending.

Q174 Monica Harding: Could you explain more about food security and climate shocks? Do you mean through the yields from a harvest coming to the UK?

Anouschka Rajah: It is more about understanding our role in the global food chain and seeing our interconnected world as if we are investing in the supply chain overseas for food that will eventually come to the UK. We are ensuring that there is resilience in areas where we get our crops or that contribute to the global food system. Does that contribute to our food security as well? I think people see climate as a global problem with global solutions. Food security and climate change impacts are seen to be interconnected and therefore have benefits for the UK if we create resilience elsewhere.



Q175 **Noah Law:** It is great to hear your reflections on the polling work you have done. Given our shift from donor to investor, in your experience do the public even know that Britain is an investor in development and climate finance and not just a donor?

Anouschka Rajah: This is a topic on which the public have very low awareness and low information. The public vastly overestimate how much we spend on aid. The public is not likely to have seen some of the recent changes to framing around our spending, or policy changes around donor to investor. I think a small minority would be aware of that change.

Q176 **Monica Harding:** What does transparency look like? You have talked about the effects that the people you polled saw, but what about the transparency? You talked about effectiveness as well. Is there some anxiety about the transparency of where the money is going and how it is being spent?

Anouschka Rajah: This comes up in every focus group that I have ever done on this topic, with transparency often driving concerns around aid. I think it was Public First research that found most people do not think aid ends up with the intended recipients, and that there is a lot of corruption in where the money goes. A Bristol focus group participant who said, "We give; we should get a receipt." So there is a desire for transparency and accountability, but I caveat that with what I just said about the low-information environment. Although there is a desire for more transparency, it is unlikely that many people will follow up on the ways in which the accountability mechanisms work. Although people in focus groups talk about this issue, often ideas come up about closing the feedback loop. In practice, it is harder to convince the public through those accountability mechanisms. That is where it is important that there are clear and tangible outcomes that can be pointed to as well—being able to count the number of things that have changed or pointing to clear examples. It is easier to explain and shift public opinion on the effectiveness of aid than on some of those accounting mechanisms that can get more opaque and blend into an area about which the public do not know very much.

Q177 **Monica Harding:** The "polluter pays" principle commands two thirds support. What did your focus groups tell you about how the public expects that principle to be enforced and by whom?

Anouschka Rajah: Fairness is an important element in how the public think about international spending and climate change, or tackling the impacts of climate change. They apply the principle to who pays, so we know that where the money comes from matters more to public support than the argument used to justify the spending. As you said, there is broad support for the "polluter pays" idea. Two thirds of the public think that those who have contributed most to climate change should lead the efforts to deal with its impact. That applies whether you are talking about countries or corporations. It is the same principle that people tend to apply.



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Interestingly, when we think about enforcing this, it is important to remember that the public are not necessarily thinking about this in a backwards-looking way. People do not necessarily have historical culpability at the front of front mind, or a sense that we should punish the people who have polluted in the past. It is often more forward-looking. A focus group participant said to me, "Those who keep polluting should foot the bill, not the people who have already done their bit." There is the idea that once we know, we should act on the knowledge that we have gained. In terms of how the public want to see that enforced, it is likely that they are thinking about that in a forward-looking rather than backwards-looking way.

Again, it is worth bearing in mind that the public have low trust in Government overall, and on this issue as well. This week, I tested whether the public believe that the money from a "polluter pays" tax on corporations would go towards tackling climate change, and the public tend to say that they think it would go towards other things rather than tackling climate change. There is a real premium on being able to demonstrate that any money raised from such a mechanism does go towards its intended impacts, because the public are generally sceptical that it would.

Q178 Monica Harding: When you say that the public think that we are spending a lot more on aid than we actually are, do you have any figures for what they think we are spending on aid?

Anouschka Rajah: I think a third overestimate it by a factor of 10, but I can write to the Committee with the actual figures. It is at least a majority who believe that it is more than what it was before the cuts.

Q179 Sarah Champion: Do people say that that perceived increase in spending is a really good thing or a really bad thing?

Anouschka Rajah: Interestingly, public support for whether the aid budget should go up or down has not changed that much as the cuts have been announced and through different cycles of aid spending. As I said, I think people are thinking less about the number and more about the ways in which we are spending it and why. We know that, for example, the cuts to the aid budget were supported by a majority, or by around half the public, but when the public say that they overestimate it, that is obviously the number they have in mind when they say that it should be cut or that we are spending too much. It is a low-information environment, so it is difficult to take too much from a sense that it should go up or down if the baseline is not well understood.

Q180 Sarah Champion: The Committee met a lot of people working in this field in Indonesia, and they all said, "People in the UK like protecting animals." What they meant was that protecting the orangutans in Borneo is more sellable than protecting the forests that the orangutans need to survive. Is that your understanding of where the public are?

Anouschka Rajah: I am not sure I would draw a line between animals and forests, but I would draw a line between animals and forests and



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people and economics. We found that framing around nature, whether it is forests that people have a shared sense of care for or animals that maybe pull at the heartstrings, is able to move public support on this issue.

It comes from a sense of where the money is going and to what end. Where it is investing in people, you sometimes get people saying in focus groups, "Why aren't their Governments caring for their people?", whereas I think people see nature as a global problem and a global cause, and therefore there is more openness to us doing our bit, as the public might see it.

Q181 Sam Rushworth: Anouschka, you said that the public has an exaggerated view of aid, and many think it is 10 times more than it actually is. What is their view of the direction of travel? What is the awareness that the current Government have cut international aid significantly?

Anouschka Rajah: There is some awareness of the cut, particularly where it was paired with an increase in defence spending. That policy change did have relatively high awareness compared with some other policy changes of the Government. It was supported by a majority, or at least half, of Britons. Many say that it did not go far enough compared with a minority who say that it went too far.

Q182 Sam Rushworth: How big is that minority?

Anouschka Rajah: I will write to you with the exact number.

Chair: As we have no further questions for you, Ian and Anouschka, thank you very much for the evidence they have given today. That completes this panel of evidence. The Committee will now move into private session.