

International Development Committee

Oral evidence: Follow-up to IDC and ICAI Climate Reports, HC 115

Wednesday 23 October 2019

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Members present: Stephen Twigg (Chair); Richard Burden; Mr Nigel Evans; Mrs Pauline Latham; Chris Law; Lloyd Russell-Moyle; Paul Scully; Mr Virendra Sharma.

Questions 1-46

Witnesses

I: Sam Bickersteth, Chief Executive of Opportunity International UK, IDC Specialist Adviser, Catherine Cameron, Deputy Review Team Leader, Independent Commission for Aid Impact, Professor Tim Forsyth, Professor of Environment and Development, LSE, IDC Specialist Adviser, and Richard Gledhill, Lead Commissioner, ICAI.

II: Zac Goldsmith MP, Parliamentary Under-Secretary of State at the Department for Environment, Food and Rural Affairs (DEFRA) and the Department for International Development, Lord Duncan of Springbank, Parliamentary Under-Secretary of State (Minister for Climate Change), Department for Business, Energy and Industrial Strategy (BEIS), Richard Clarke, Director General, Policy, Research and Humanitarian, DFID, and Catherine Bremner, Director, International Climate and Energy, BEIS.

Examination of witnesses

Witnesses: Sam Bickersteth, Catherine Cameron, Professor Tim Forsyth, and Richard Gledhill.

Chair: Good morning, everyone, and welcome to this oral evidence session on climate change, which is a follow-up both to an ICAI and to an International Development Committee report. I welcome our four witnesses on our first panel. As you answer the first time, please do give a brief introduction to yourself. We are seeking, over 45 minutes, to cover seven areas with you. I am going to go straight to the chair of the ICAI Sub-Committee, Paul.

Q1 **Paul Scully:** Thank you very much for coming. Richard, I will start with you, if I may. Could you start by saying a few words about your review and the reason for giving the green/amber rating?

Richard Gledhill: I am Richard Gledhill, and I am the ICAI commissioner who led this review. This is my final appearance at the IDC, as I have completed my four years as a commissioner. ICAI last looked at climate change in 2014, and we chose to look at it again in 2018 because of the scale and maturity of the UK's international climate investments, and also, frankly, because of the growing concern about the urgency of the climate change challenge.

UK aid on climate change is focused on three main areas: adaptation, low-carbon development and forestry. We chose for this review to focus on low-carbon development to enable us to drill down more deeply into that area. Aspects of adaptation had been picked up by a review the previous year on resilience to natural disasters, and forestry is in the work plan for the new commissioner, so we thought it was a good time to look at low-carbon development.

We gave the review a green/amber score because of the good progress we found in many areas—in particular, how UK aid was helping to improve the international climate finance architecture, how it was influencing the approach of multilaterals, and how it was mobilising public and private investment. We were impressed by the approach to promoting low-carbon development. UK aid has helped to mobilise more than £3 billion in new public investments and almost £1 billion in private finance over the past seven years to help developing countries address climate change. We also saw good evidence of the UK using its investments in major multilateral climate funds and its technical assistance to support them very strategically to help build a more effective and coherent international climate finance architecture. This is really important work, because the established architecture is over-complicated and often very cumbersome.

We were also encouraged by the technical support offered to developing countries to help ensure that international investments foster national

priorities, rather than just the wills and wishes of donors. We were very impressed by what the UK has done on results management. The KPIs used for international climate finance are significantly more developed than those used by any other donor. Indeed, they are more developed by those used by other ODA funds and programmes in the UK. That provides a good level of accountability and transparency around results.

However, we share the concerns of stakeholders and the concerns expressed in your report about the overall ICF strategy. It has not been updated since 2011, so its focus, its sectoral and geographic priorities, and the link between low-carbon development and poverty reduction is unclear and could open strategic gaps. Eight years is a very long time in climate change.

We also found that DFID could be doing more to integrate low-carbon development across its programme in a more structured and deliberate way to embed it more clearly. Despite the good work that we saw on results management, we found some important gaps in learning. Data from KPIs—key performance indicators—doesn't appear to be informing portfolio management. Although we saw good learning on individual programmes, there doesn't seem to be a systematic approach to sharing learning across the portfolio.

We were also concerned that the UK was not putting enough information out into the public domain about how it was spending UK aid on international climate finance and the benefits of this very significant investment. Given that one of the priorities for climate finance is the demonstration effect, we think that this can only hinder the demonstration effect of UK aid, and hinder leveraging other sources of finance.

Q2 Paul Scully: What about your views on the Government response and the commitments given after the review?

Richard Gledhill: Overall, it was a positive and constructive response. They accepted the three recommendations and made commitments to refresh the strategy, give more attention to low-carbon investment in other sectors beyond energy, and do more to promote their work. I was particularly pleased with the response on strategy. It would be good to hear what the progress has been on that when you speak to the Government side later today.

On recommendation 2, I guess the acid test would be whether this all feeds into better programming outcomes on low-carbon development. We were a bit disappointed to see that the latest version of the Smart rules still only includes fairly generic guidance on climate. I think that is probably a missed opportunity.

The response to recommendation 3, on presenting a clear public narrative, was probably the weakest of the three. It pointed to Dev Tracker as being the source of all information. I think that is fine from a transparency perspective, but it doesn't really meet the needs of communicating clearly,

showcasing success and encouraging others—the demonstration effect that I talked about earlier.

Q3 Richard Burden: Could we move on to the approach that you took to this review, Richard? The thematic review was desk reviews of nine low-carbon development programmes—six from BEIS and three from DFID—accounting for 17% of the total investment on low-carbon development within the review period. Could you say a bit more about why you chose to approach the review in that way and how you selected those nine programmes?

Richard Gledhill: Clearly, the level of expenditure on international climate finance is very significant, so this was a very big review. The review was designed to look at whether the UK's approach to low-carbon development reflects the needs of developing countries, whether UK international climate finance is effective in unlocking private investment, and how well UK investments promote and reflect learning and evidence. We did our usual literature review and strategy and institutional reviews, and we selected four thematic case studies covering the allocation of funds, measurement of results, mobilisation of private finance and innovation and learning.

We chose two strategically important multilateral funds to look at. We visited South Korea and Bonn to interview stakeholders in the Green Climate Fund and the NAMA Facility headquarters as part of our institutional reviews. We chose not to visit developing countries to observe low-carbon development programmes in action, partly because of the difficulty of identifying representative samples, given the way that institutional funds flow through and are distributed and integrated, and partly because this was already a very big review. Catherine, do you want to add something on the choice of individual programmes?

Catherine Cameron: Yes; thank you, Richard. Good morning, everyone. My name is Catherine Cameron, and I was the deputy team leader supporting Richard as the commissioner on this review. This was a performance review, so we chose to focus on the low-carbon development element of the review and therefore to look at the contribution that the UK's finance was making to low-carbon development overall, looking from the perspective of the international climate finance theory of change. We were looking at the demonstration effect, showing what change can be effected on the ground, the innovation that can take place and, crucially, the influence that the UK can have on the overall climate finance architecture. As Richard has already said, that is quite a complex set-up, so the role that the UK can play in influencing that architecture above and beyond its own financial contribution is critical.

The Green Climate Fund is, of course, one of the largest and most significant vehicles to achieve that, with equal representation from developed and developing countries. The role that the UK has played in supporting the Green Climate Fund financially and enabling it to improve its performance, its approach to measuring results and its approach to the quality of its technical programming, means that the UK has been able to

have a much wider, dispersed influence across the climate finance architecture.

- Q4 Richard Burden:** Clearly, the review provides a snapshot of the programmes chosen. How representative do you think it is of the ICF portfolio as a whole?

Catherine Cameron: I think we were happy with the choices we made to ensure that we were able to adequately make an assessment of the UK ICF's performance. We arrived at a green/amber score because it is making good progress across all three of those areas. We looked in detail at a number of private finance case studies in order to look at the impact that the ICF is having on the ground. We found very supportive and useful evidence that the ICF is contributing both through innovation, which is critical, of course, in showing what can be done to unlock the shift in climate finance that is required, and through making a greater contribution towards the transformational change that the ICF is seeking to achieve.

Richard Gledhill: Clearly, this is always an issue with any sample: you learn more about the programmes and funds you are specifically sampling. I am satisfied that the conclusions, the scoring and particularly the recommendations are relevant to the whole portfolio.

- Q5 Richard Burden:** Could I ask why you decided not to look at CDC in this area? Clearly, they are a major player. DFID's contribution to low-carbon development programmes in CDC was £86 million during this period. I know that ICAI was conducting a separate review of CDC in low-income and fragile states anyway, but I don't think that review scrutinised CDC's support for low-carbon development. Wasn't there a gap in the review from not looking at CDC?

Richard Gledhill: We did do a separate review of CDC, but it did not have climate change as a major focus, although it is fair to say that a number of the investments that we looked at as part of the CDC review did have a low-carbon development purpose behind them. We looked at a number of renewable energy and other low-carbon energy investments as part of our CDC review.

We didn't select CDC for a particular case study here, in part because of the breadth of the review already, and in part because of the methodological challenges of comparing results from direct equity investment through CDC with results from other UK aid. However, as part of our institutional and strategic reviews, we interviewed both CDC and DFID teams about the CDC nexus with international climate finance.

We heard from DFID's climate team and its private sector team that they had collaborated on the business case for CDC's 2017-21 strategy, which had resulted in some clear strategic commitments on climate change. DFID's climate team also felt that they had provided strong steers on increasing CDC's climate change ambitions, guiding them to assess climate change risk in all their investments, and encouraging them to seek out more low-carbon investment opportunities.

Catherine Cameron: If I might add to that—

Chair: Briefly, please.

Catherine Cameron: The CDC results are not being included in the ICF KPIs. The plan is that they will, but for ICAI looking at a performance review of the ICF, that would have been including something that is not included in the results portfolio of the ICF at present. This is work in progress.

Q6 **Mrs Latham:** It does look as if ICAI are the only people who will be able to answer this question. I have not got a question for Professor Forsyth and Sam Bickersteth at the minute. The UK has committed to spending approximately half the ICF on mitigation and the other half on adaptation. Why did you restrict the scope of your inquiry to ICF programmes that are designed to mitigate climate change, and not look at the adaptation programmes?

Richard Gledhill: It was to enable us to drill deeper into the effectiveness and value for money of a component of the ICF. We weighed up the relative merits of looking at the three different components. As I mentioned earlier, we will come back to forestry, but we felt that we had covered aspects of adaptation through “Building resilience to natural disasters”. It is fair to emphasise that resilience to natural disasters and adaptation are not the same thing. As part of that resilience review, which I also led, we covered all the major climate change resilience programmes.

Q7 **Mrs Latham:** Our report on UK aid for combating climate change recommended that the Government should not be restrained by this distinction between mitigation and adaptation, and that mitigation and adaptation objectives should be integrated in ICF-funded programmes. The Government responded: “Some ICF projects already do this.” Did you see any evidence of that with your integrated approach in your review?

Catherine Cameron: I think that that speaks closely to our recommendation 2, on areas in which we think it would be helpful for DFID to focus more closely. We found that, although DFID had a clear strategy on energy, there are a number of other sectors—for example, infrastructure, agriculture or health—where it would be helpful if DFID were to take a more deliberate approach in its mainstreaming, which is the way that it is approaching its adaptation strategy. Notwithstanding the fact that they updated that adaptation strategy in 2015, we thought that there was a significant opportunity for DFID to do more in this area. Your findings speak very much to our findings and our second recommendation.

Q8 **Mrs Latham:** A question for one of you, Tim and Sam: do you think the Government’s response to this Committee’s recommendations goes far enough?

Sam Bickersteth: Thank you very much. My name is Sam Bickersteth. I have been an adviser to this Committee, and I am currently the chief executive of Opportunity International—an NGO that provides last-mile

finance to entrepreneurs in Africa. I was previously head of the planetary health economics council at the University of Oxford.

I think the Government's response to your report is really positive. They agree with the majority of your recommendations, and they start by saying that climate change is "existential, urgent and cross-cutting", so the door is open for better integration of mitigation and adaptation.

There is a bit of a non-response to your recommendation about climate-compatible development, and I find that a bit puzzling. That is a term that was developed by DFID itself, and it forces integration at an operational level. At a strategic level, that is well understood by DFID and the other Government Departments implementing the ICF, but what does that really look like at an operational level?

As the ICAI commissioners and colleagues have just said, much more can be done to go from a tick-box element to saying, "This is climate finance", to really integrating resilience and the low-carbon opportunities across the DFID portfolios. As the climate finance budget grows for DFID, that is going to be necessary. The quality of that integration will be an important challenge. There are many opportunities to do that, and the door is open. A strategic review is necessary, but on the operational learning aspect there is an opportunity to do more in DFID and across Departments.

Richard Gledhill: Can I add a brief comment to that?

Q9 **Chair:** Let's give Tim a chance. He hasn't had a chance to say anything at all yet.

Professor Tim Forsyth: Thank you. My name is Tim Forsyth, and I am from the London School of Economics and Political Science. I endorse what Sam has said. To build a bit more on that, one of the themes that runs throughout the Government response to the report is the debate about how mitigation and adaptation can be integrated, which is pretty similar to the question of how far the Government responses on prioritising poverty reduction are coming through.

The point that Sam and I would like to make is that it is not simply about choosing a balance of 50% mitigation and 50% adaptation and saying that they can be easily allocated in different directions; all these things should be integrated with economic growth and poverty reduction. Once you start seeing climate policy as basically low-carbon ways of reducing poverty, it problematises the old distinction between mitigation and adaptation because there are so many ways in which you can produce different ways of doing economic behaviour, which are not necessarily classified as old-fashioned mitigation or adaptation. The point is that there are moments when the report seems to be on-message about that, and points when it was not very clear about it. We could expand on that.

Chair: Thank you.

Richard Gledhill: I just want to pick up this point about integration and mainstreaming. This is something that we have looked at in a number of

reviews. Here, they have left it to the local officers to drive the integration process, and I think that is a missed opportunity for sharing learning and experience.

- Q10 **Chair:** Richard, can I take you back to what you said earlier about the failure to update the international climate finance strategy? Obviously, more recently the Government has announced its intention to double spending on climate and the environment over five years—2022 to 2026. What do you think are the risks to the taxpayer of expanding the ring-fenced part of the budget so significantly without an update to the ICF strategy?

Richard Gledhill: The first thing to say is that there is always the risk when you significantly expand expenditure on anything that the expenditure comes before systems, capabilities and processes that have been built up. There are strong systems and processes in the international climate finance system within the Departments, but that will be an area to watch. There is also a real risk, without a clear overarching strategy, that gaps will emerge in coverage. There is also the risk of duplication. There are underlying strategies and plans in BEIS and DFID, in relation to renewable energy, but now that we are looking to climate change and climate action embedded across the aid portfolio, this is absolutely the time to refresh the strategy and have a clear public narrative about it.

- Q11 **Chair:** Can I ask Tim or Sam for your comment on the same question? Taking it slightly further, is there a risk that other areas of the aid budget will suffer if there is a doubling without the money being spent wisely?

Sam Bickersteth: The announcement to sustain and double climate finance is of course welcome—I have come to you as a climate finance adviser. As Richard said, there are risks around that. What does “meaningful integration” really mean, and what are the measurable results of that? How do we really prove that this is climate finance? Enhancing the measurement systems is pretty important, and that is already recognised in the KPIs for the ICF.

The poverty focus should be maintained. The fact that you have different cultures across Government Departments with different mixed incentives and overall objectives makes this more complex. That is why I think it needs to move from just strategy down to the operational and capacity level. Where is the capacity across the wider range of Government Departments, compared with when climate finance started just within DFID? I will stop there. I think the response to your report from some Government Departments is less convincing, but there are reassurances across the piece. We know it is done well in some areas and less well in others. **Chair:** Who is the least convincing?

Sam Bickersteth: I think there are some issues around the prosperity fund and its management.

- Q12 **Chris Law:** My question follows on from that. Obviously, the focus of the money should be on the poorest and most vulnerable, so I wanted to ask whether you are confident in the Government’s response to the IDC



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report that poverty reduction is a central consideration in its approach to spending international climate finance. Given that there is a lack of policy coherence across Departments, what do we do to keep that at the forefront?

Professor Tim Forsyth: I think the message that came across in the responses to the report showed that at moments it was talking very much about the importance of prioritising poverty, and at other moments it was talking a lot about, for example, nature-based solutions—mangroves and things like that. There seems to be a discussion about delivering those nature-based solutions as a way of doing poverty reduction, but the point is that there needs to be a bit more of a discussion about what is going on with the nature-based solutions. On the one hand, it is extremely relatable to the public, so we should talk about this stuff. It also mobilises different sectors and organisations working on the environment and development to willingly participate.

The welfare benefits of nature-based solutions are underexplored at the moment and sometimes not explained enough. For example, there is a tendency to look at long-term cost-benefit analysis as the way to indicate local benefits. That isn't always the best way to deal with it. It is important to understand that the key way that poverty can be addressed through environmental policy or climate change policy is often by increasing poorer people's access to new livelihoods, social change or new opportunities, rather than keeping them in aspic, so to speak. There is a risk—I wouldn't want to say that this is always true—that some nature-based approaches tend to think that if you keep the landscape as it has been for many years, and the people on that landscape in the same way, you are shutting down options for change, which can also be sustainable in other ways.

- Q13 **Chris Law:** I have just finished reading a book called "Wilding" by Isabella Tree, which is all about repurposing the environment and making it sustainable. However, it is about the UK. I want to ask about where the moneys are in international development. If the discussion is about how you change the environment or adapt it, what stage do you think the Government are at? Is it too early to say? You have touched on the fact that more explanation is needed. What kind of work would need to be done on that? I am holding that across to the panel.

Professor Tim Forsyth: I will have a go, and then maybe Catherine can add something. There seems to have been an awful lot of good work done. Access to clean energy is something that we are talking about. There are question marks about how accountable leveraging private finance is, in terms of increasing the right kind of investment, as opposed to the wrong kind of investment.

There are also large areas that need to be looked at more critically. For example, part of the report talks about whether programmes have been shut down rather than scaled up. The risk of that is that you lose a lot of the expertise that has already been built up, and you have the new cost of retendering and rebuilding it. What I am trying to say is that I think there needs to be lots of focus on some of the core areas—for example,

agriculture and forestry. There is some discussion about the fact that DFID has lost expertise in forestry. If that were built up and made into more of a poverty-focused form of forestry connected with agriculture, there are all sorts of areas that could be increased to increase the expertise.

Catherine Cameron: Just to go back to your first question, we tried to reference that right at the beginning of our review, when we highlighted that the ICF is addressing not just SDG 13, on climate action, but many others, including SDGs 7, 9, 11, 14 and 15. We are trying to encourage and enable that wider understanding of what action on climate entails. As we know, study after study—not least the Stern review—have very clearly presented the case. Lord Stern began chapter 2 with the moral and ethical case for action on climate, and then proceeded to demonstrate the economic case and the business case. I think it is helpful to recognise that the overarching impact sought by International Climate Finance is to support international poverty reduction by helping countries to adapt, taking up low-carbon development and reducing deforestation. The ICF is hoping to make an impact in those three areas. Our review found that, certainly in the area we focused on, it is doing well. We need to recognise the contribution across those three main areas. It is not either/or; we need them all.

- Q14 **Chris Law:** Would you say there is a value-for-money case for shifting resources towards the natural environment rather than people, or is it more of a combination and balance between the two?

Catherine Cameron: The ICF has made several allocative choices so far. What choices it makes going forward is up to it. In our review, in one of the case studies we did, we looked at how it had allocated funding across climate finance. We found that the balance of its spending between multilateral and bilateral is clear and valid, the alignment of its spending with countries' needs is credible, and it is performing well compared with other key contributors. The UK has doubled its contribution to the Green Climate Fund, for example, but that is in line with seven other bilateral donors, which are all doing that. In terms of this being able to shift at scale and pace, the ICF has a clear strategy for achieving what we need to in the limited time available.

- Q15 **Mr Evans:** You have mentioned scaling up certain projects, but there seems to be a practice now and again of just closing them down. Do the Government appreciate the real issue and the critique we have about that sort of response?

Sam Bickersteth: I have been quite involved in these issues, having led a major ICF-funded programme in my previous role. Climate change is slightly different from other problematic areas around the SDGs. It needs a long-term, adaptive and programmatic style, because there are lots of uncertainties. We don't know what impacts there will be. New institutions are required. There are multiple actors, it is cross-sectoral and there is a whole set of new knowledge to acquire. We are not walking into a Ministry of health or agriculture and saying, "How can we build your strategy?" We



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are walking into a complex, multi-actor institutional environment, with uncertain knowledge about future impacts and technological shifts.

I think DFID has taken its eye off the ball and been quite short-termist in closing several programmes. There are some responses from DFID that have been given to your Committee, which I am not entirely clear about. Five-plus-five-year programming seems to be quite a sensible way forward. As I said, in DFID's responses this is an urgent need, so why would it close programmes, go through a substantial hiatus and then re-create programmes?

I will give one example, if I may. The climate and development knowledge programme, which I led for DFID, was a multi-departmental-funded programme, funded by BEIS, DFID and other Government Departments to the tune of over £100 million. That was effectively closed. DFID pulled out its funding, yet it is recreating a climate research programme called CLARE, which is in design. BEIS has just created a similar-ish programme called PACT, to provide a knowledge-based programme. They are separate programmes, yet we are saying that we want an integrated approach and there is a rush to provide capacity to developing countries, which have low institutional capacity to respond. In short, the programmatic procurement processes are not matching the strategic objectives.

Q16 Mr Evans: You have just given one example. How prevalent is this?

Sam Bickersteth: I don't have a clear answer to that. I know there is a serious attempt to learn from these past programmes building into these new programmes. I know there is a serious intent to do that by officials in DFID.

Q17 Mr Evans: Zac Goldsmith is appearing before us shortly. What should we be saying to him? I was making sure he wasn't in the room, so that we don't give him any hints. What should the Government's response be to this?

Sam Bickersteth: Adaptive programming is the way to do it. Long-term adaptive programming should be the objective in this ICF expenditure.

Professor Tim Forsyth: I think Sam has said everything on that matter. I agree with what he said.

Q18 Paul Scully: Based on the review, Richard, do the differences in the approach to climate finance between DFID and other Government Departments create a tension with our UK aid strategy, which is focused on helping the poorest people in the poorest countries?

Richard Gledhill: There are good reasons for differences in the strategy between BEIS and DFID. BEIS is focusing on what tend to be emerging economies with higher emissions, whereas DFID's focus is on less-developed countries. That is justifiable. It is at the more detailed level that we had concerns about the DFID strategy, the strategy beyond the energy sector and how the embedding of climate change was being done at country level.

Q19 Paul Scully: From the Government's response to the IDC report on ICF spending, are you satisfied that the spending Departments are not working in silos?

Sam Bickersteth: My simple response to that is that there are mechanisms, but at the operational level that learning could be much enhanced. There are incentives, and there are differences, as Richard Gledhill has just said, in the overall objectives of the Government Departments and the different geographies, sometimes, in which they are working. The amount of sustained effort on learning in this space is insufficient; various attempts have been made, but not sustained, in my understanding.

Richard Gledhill: That is certainly borne out by our findings on learning: there is no overarching learning strategy and opportunities for sharing learning between programmes are being missed.

Catherine Cameron: I think the Committee will be taking the "How UK Aid Learns" ICAI review at the end of November, and this point will be explored in detail there.

Chair: Lovely. Thank you very much indeed for your evidence today. Thanks to ICAI. Richard, in your final time before us, we wish you the best of luck for the future. Tim and Sam, thank you both for your support as specialist advisers on the climate change inquiry as well as for giving evidence to us today. I will invite the second panel to join us.

Examination of witnesses

Witnesses: Zac Goldsmith MP, Lord Duncan of Springbank, Catherine Bremner and Richard Clarke.

Q20 Chair: Thank you very much indeed, all four of you, for being here with us. We will run very strictly to finish by half-past 11 for colleagues who have commitments in the Chamber, so that gives us 50 minutes, and we will seek to cover eight areas, which gives you a rough idea of how much time we should have on each.

Zac, if I could start with you, we have obviously already seen some positive and encouraging announcements from the Government on climate finance. In our report earlier this year we praised the concept of climate-compatible development. Do you think that is a useful way of looking at this area of work? If so, could you expand on that?

Zac Goldsmith: Yes, it is not only useful, but essential. The climate lens should be applied to all decisions taken when it comes to—I was about to say to ODA funding, but in truth it should apply across all Government activities. ODA is on its way to becoming Paris-compliant. That is a commitment we made—I think it was made on the back of the ICAI report. I can't remember what triggered that decision—it was before my time—but

that commitment was made. Although it is not something that can happen overnight, there were existing programmes that were not subjected to that criterion, but there are new programmes being developed, some of which are public and some of which are still being looked at, and that lens is very much being applied. So I hope we will be able to say that soon—I can't put a date to it, but soon in real terms—ODA will be Paris-compliant.

- Q21 Chair:** We will come back to that in a moment. The ICAI review's third recommendation to the Government was to present a clear public narrative about the ambition and value of the UK's climate investment. Is that a recommendation that the Government accept?

Zac Goldsmith: Yes, very much so. This is something that, as a relatively new Minister, I have struggled with. We have to demonstrate at all times that the 0.7% is a good thing, that this is something that is not only good to do internationally, but good in terms of our self-interest, and therefore conveying the positives of what we are doing. DFID is largely a "good news" organisation as a Department of Government—there are not many of them! It is a "good news" Department of Government and we need to work harder to tell that story.

One of the concerns that I have, which I have less now, is that, because ODA crosses different Departments, those Departments, in my view, have not historically told the whole story. When a constituent of yours writes in saying, "What are you doing about climate?", they do not really care whether it is DFID, BEIS or DEFRA; they want to know what the Government are doing. By being a Minister with a foot in two of those Departments, I have been able to have a small impact by bringing those comms together to enable us to tell the whole story. The two Departments have, as far as I have seen, worked incredibly well with BEIS, so I think we are in a better position to tell the whole story of what the Government are doing, what the priorities are, and what we are investing in and why. So we are improving.

Chair: We are going to dig into some more of the detail of that now, starting with Pauline.

- Q22 Mrs Latham:** The Government recently announced their intention to double the UK's total international climate finance spending to at least £11.6 billion over the five years 2021-26. At the same time they announced the creation of three new cross-Government climate and biodiversity funds, including the Ayrton fund and the international biodiversity fund, worth £1.3 billion. How do you think these new funds will tackle global poverty? That question is for both Ministers.

Zac Goldsmith: Do you want to pick that up?

Lord Duncan: You kick off.

Zac Goldsmith: This is my first Select Committee appearance, so I don't quite know what the protocol is and I don't want to hog all the questions.



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I think it was really good news that the Prime Minister made that announcement at the UN. I understand why the newspapers were not very interested, given that it happened around the time of the Supreme Court ruling—it did not make it into the papers in the way that it should have done. It was a significant commitment and it moved the dial at the UN. I was there and I could see that the conversation changed on the back of it.

Within that announcement there was a commitment that much of the uplift, or a significant proportion of it, would be used to invest in nature-based solutions to tackle climate change. The reason that is so important is that it has a recognition at its heart that if you invest in nature-based solutions, you are tackling climate change. Deforestation is the second biggest cause of emissions, for example. You are also tackling biodiversity loss, which is a huge concern to members of the public—we have seen a catastrophic loss in our lifetimes—and it is an effective means of tackling, alleviating and avoiding base poverty. So you are dealing with three problems with one solution. That is the most important thing that came out of the UN.

Within that commitment, there were other commitments made as part of that commitment. One of them was the biodiversity fund, which in a sense is a ramping up of existing successful programmes such as the Darwin initiative, the IWT challenge fund and a new fund that we are currently calling the landscapes fund. All of those funds, and all of the moneys spent through those funds, is not all necessarily ICF, but it is all ODA-compliant. In other words, at its heart that fund has to alleviate poverty and has to be seen to alleviate poverty, because otherwise it does not qualify as ODA funding.

For example, the landscape fund will help create corridors between national parks across five southern African countries, and it will facilitate the movement of elephants in a way that minimises human-animal conflict. But it will also be providing and facilitating the development of alternative livelihoods across those five countries, whether that is eco-tourism or ranger training. It will spur a lot of economic activity in areas that need it, frankly.

In addition, you can't deliver that programme without dealing with issues around mining, for example, in Angola. You are dealing with lots of different problems at the same time. It is a poverty project, but it is also a biodiversity project. That is one of the reasons why it is so attractive. The same is true for the other packages as well.

You mentioned Ayrton, but I realise that my answer is probably already too long. If you want me to carry on, I will. Otherwise I will stop now.

Q23 Mrs Latham: That is all right. I have another question for you in a minute. Lord Duncan.

Lord Duncan: The key thing here is to recognise that climate change has so many impacts, and each of those can impact on poverty in many different ways. Trying to address each element of the equation can be the



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challenge. When we look at the wider biodiversity question, this is about not just biodiversity, but the quality of landscape that people are having to live, work and farm in, and develop. Much of our ambition now is to ensure that we have a holistic approach, recognising that farming, diet, clean air, forests and so on are intertwined. We are living through the reality of that challenge to Government right now.

Many Departments have responsibilities. It is about trying to ensure that we are not treading on each other's toes as we move forward, and that we are not spending money that cross-cuts what we are trying to do, but are always focused on the outcomes that we need. Ultimately, that is climate change and reducing poverty. If we can reduce poverty, we can make serious inroads in those countries into addressing climate change, because the two actually go hand in hand. That is the way we want to go forward.

- Q24 **Mrs Latham:** With regard to the £1 billion Ayrton fund, how do you propose to manage the risk that aid spending will be diverted away from developing countries and towards UK institutions and firms?

Lord Duncan: We need to find the right balance. Clearly, there are necessary elements from the UK that will help develop and are necessary ingredients into making this work in-country. We do need to recognise that there is a potential mutual benefit to British organisations being able to work again in these areas.

We are not trying to create a domestic programme for our benefit; we are trying to reach and recognise what we can do to help other countries through our intellectual endeavours. Ultimately, that is what the Ayrton fund will try to do across a range of areas. That should be win-win for all those participants on the UK side and elsewhere.

Zac Goldsmith: Could I add one point to that? It is worth remembering that, even while the Ayrton fund will be funding initiatives anywhere in the world, it is a requirement of the fund that the outcome of that research—the fruits of that labour—has to lend itself to alleviating poverty, so delivering cheaper, cleaner energy to areas that lack energy. It is possible that you will find a scientist in your constituency—

Mr Evans: Ribble Valley.

Zac Goldsmith: A beautiful constituency, which is not an ODA-compliant part of the world, and neither is mine. As long as the outcome of that work is clearly linked to alleviating poverty, delivering cheaper, cleaner energy and helping that transition to a cleaner economy happen faster, then it qualifies. It is all the time worth remembering that that link is absolutely integral to the Ayrton fund. Otherwise, I can understand that people would want to criticise it.

- Q25 **Mrs Latham:** I know that it is close to your heart and mine. You mentioned the international biodiversity fund. One of its stated aims is to save endangered animals, such as elephants and lions, and maybe even stop trophy hunting or trophy hunting imports. It would protect those particularly endangered animals from extinction. How do you think saving



a species represents a good use of UK aid? Does the proposed spending comply with international aid rules?

Zac Goldsmith: The short answer is yes. Depending on which organisation you speak to, organisations tend to have a focus. There are organisations that exist purely to save elephants, others purely to alleviate and tackle poverty, others purely to tackle illegal activities and deal with governance and compliance issues and capacity building in countries that lack capacity.

Tackling the illegal wildlife trade does all those things. Depending on who is describing the fund, you are going to get a different emphasis. The reality is that the illegal wildlife trade is the fourth largest illegal trade, I think, after people, drugs and weapons. It is worth about £17 billion a year, much more than that if you include illegal timber. It is a huge problem that devastates communities and corrupts Governments.

Yes, tackling the illegal wildlife trade leads to the protection of individual and valued species of the sort that you and I have spoken about many times, but it also deals with governance issues, corruption and livelihoods. It is a cliché—although it has not been pushed back—that an elephant dead is worth about £100,000, if you look at the value of its ivory; an elephant alive, in stable countries that are able to benefit from tourism, is worth about \$14 million. There is direct human value in not denuding the planet of these iconic species. That is what we have to do. We have to find those links so that we are alleviating poverty, protecting species and restoring ecosystem services, which the poorest people in the world tend to depend on more than anyone else.

Q26 **Mr Evans:** Minister, I can't think of a better MP to be in the job share that you are currently in, so congratulations on that. I have just come back from the IPU, where we prioritised an emergency resolution on climate change yet again. It was promoted by the Indians, and we supported the resolution. We really have to do a lot more. Each of us on this Committee now and again gets phone calls from journalists telling us where the money is being badly spent. They dig deep and find projects that I am frankly amazed ever got the green light. Part of the problem is that, when we drill down a bit, it is not DFID that has done it, but another one of the Departments. That does back to what you said earlier. Do you not think there really needs to be a reappraisal of how the whole budget gets spent effectively? I want to see a lot more money going into climate change projects in the poorest parts of the world.

Zac Goldsmith: I am so tempted to swerve this question. If you were starting out from scratch, would you design the system the way it currently is? Probably not. You would have a more streamlined approach, and it would be clear where responsibilities lie. That is true at so many different levels. We had an inter-ministerial meeting the other day to talk about funding of the overseas territories, for example. I am a Minister for the overseas territories, but there are more Ministers for the overseas territories than coffees I have had this morning. It is confusing, and a more streamlined approach makes sense.



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Having said that, in terms of what DEFRA, DFID and BEIS bring to the table, they are different. They have different focuses. I won't step on my colleagues' toes in relation to what BEIS brings to the table, but DEFRA very much focuses on the natural environment and the biodiversity components of tackling poverty, whereas DFID is clearly much more centred on tackling poverty, the ecosystem services on which people directly depend for their livelihoods, the transition to a clean economy, and renewable energy and access to it—hundreds of millions of people still do not have access to clean energy. You can delineate the responsibilities and roles between those two Departments quite easily. I will let Lord Duncan describe what the focus of BEIS is, but I would say that the same applies to it.

Lord Duncan: The point that you make is absolutely valid. That is why the establishment of a Sub-Committee within the Cabinet would be an important aspect of bringing this together. Equally important is the fact that COP 26 in Glasgow will focus attention. We have been doing good stuff—sometimes in silos, which has been counterproductive. Equally, we are not always applying the common standards to the way we do this. BEIS's ambition right now is to be the Department driving forward net zero by 2050. We are looking at clean energy and new ideas about how we can help decarbonise our sectors, whether it is energy generation or transport. There are a number that we need to be working with. The challenge we have got is trying to make sure that, in picking one, we are not trying to pick winners; we are trying to make sure everybody gets across the line. I believe that in the past we were not able, as we should have been, to co-ordinate in the right way. That made your job, I suspect, more difficult, and ultimately it made it more difficult for us to explain what we are up to.

Zac Goldsmith: Chair, if we have time, could I ask Richard to comment? He is the climate champion for DFID.

Richard Clarke: Good morning. I am Richard Clarke, and I am the director general of DFID with responsibility for climate change and the environment, among other aspects of my portfolio. I just wanted to add two very brief comments to your question. First, I endorse very strongly what the Minister said about different Departments bringing different things to the table. I think that has been significantly strengthened in the last year or so with the establishment of an official-level group, chaired by my opposite number at BEIS, that brings together all Government Departments, including a couple of us from DFID, to make sure we are thinking properly about sequencing and supporting the Government as a whole in the advice that we give from the civil service.

The second thing I want to say is that I think it is completely fair to challenge us when we think about the diverse set of projects all around the world and the extent to which the increasingly strong central grip is managed for individual projects. The challenge that we have had from ICAI about the way in which we do learning, for example, is entirely fair.



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One of the ways we have sought to address that in DFID is with the establishment of a regular group. In the last months, I have had conference calls with each of the three regional directors and their heads of country officers to talk about best practice and what we think is working best.

Q27 **Chair:** Catherine, do you want to add anything?

Catherine Bremner: I echo all the points to date. BEIS's contribution, as Lord Duncan was saying, was very much around that net zero experience and expertise. As we have already talked about in the Committee—and it is in your recommendations—poverty is at the heart of the poverty question, so in BEIS we have tried to provide that experience not only from the UK perspective. In the programmes we have supported—for example, there was the recent announcement at the UN climate action summit of £200 million for the global energy storage programme that will be run by the World Bank. That is the next path. We have funded projects in renewables under the RCF. The next challenge is battery storage and transport. Having that combination—DFID brings a lot to the table around the resilience and adaptation piece, and DEFRA does on biodiversity—is about trying to build on the strengths of each Department's policy experience. Addressing climate change globally is a challenging problem, and we are all experiencing its impacts, but in that doubling of ICF it is about how we bring that expertise to bear to help countries address their own nationally determined contributions and their plans.

Chair: That's great. In the remaining questions we will really dig into that in terms of policy coherence going forward.

Q28 **Chris Law:** It was helpful to hear acceptance that there has been a problem with policy coherence, because it is something that comes up regularly here. The doubling in funding for international climate finance and the new funds going forward is also very welcome. A really fundamental question for me is: why hasn't the UK strategy for international climate finance been updated since 2011? That is eight years, which is quite shocking, to be honest.

Zac Goldsmith: I know that was one of the recommendations. It has been said before by this Committee and it was a recommendation by ICAI in their report, which was broadly positive, that we should refresh the strategy. I do not think there was any pushback from any of the Departments. I hope I am at liberty to say that we commit to doing that. It needs to happen across the Departments—not just DEFRA, BEIS and DFID but other Departments as well. Given the prominence that climate change and nature-based solutions have assumed, particularly in the last few months, where it has been catapulted to the top of the political agenda, combined with significantly bigger commitments from this Government, it is absolutely right that we should have a refreshed strategy that incorporates those into its heart. We are working on that, and the three Departments are already working together to figure out what that strategy needs to look like. Richard, I don't know whether I can indicate when—

Richard Clarke: You can. Our advice to Ministers across Government is that we ought to aim to do that early in the new calendar year.

Lord Duncan: The important thing is that in the year where we are going to be the host of COP 26, when we do that we must be offering global leadership to encourage others to do exactly the same. We are, in this regard, pioneers, but unfortunately there is quite a distance between where we are and where others need to be. We hope this year will help others to move into lockstep with us.

Q29 **Chris Law:** It is helpful to find a timeline as well. In terms of a fresh strategy, it has been eight years since the last one. Will you have a timetable for refreshing it in future as well, or is this just a one-off?

Zac Goldsmith: There is no agreed timetable. Our job is to come up with a refreshed strategy so that we are all effectively working to the same plan. As Lord Duncan said, it is about winning the arguments globally as well. If we are putting an emphasis on nature-based solutions, and we know that many other countries want to do the same, we need to underpin that with a bit of rigour. People need to understand why, essentially going back to answers to earlier questions in today's session.

I think the answer in terms of the subsequent refresh would be based on whether there was a need for a refresh. There will at some point be a need for a refresh, but we do not know when that is. Attaching an artificial timetable to that will not be particularly helpful at this stage.

Q30 **Chris Law:** While we are on policy coherence, I want to ask about the tension between the different Departments. If there is to be a coherent strategy towards poverty reduction and the impact of climate change, one of the big issues that has come up time and again on this Committee and on the Floor of the House is UK Export Finance, which I believe comes under BEIS. The vast majority of its resources go into high-carbon energies, and that has legacy effects in some of the least developed countries around the world, who become dependent on fossil fuel technology. I wanted to know either how that is going to come to an end or how you square that with the intention of trying to have an overall strategy towards climate change.

Lord Duncan: May I step in there? It does not rest in BEIS. That is DIT; but the point you raise is valid. Ultimately, going forward, we need to make sure that there is a coherence across all our Departments—not just the nice Departments, if you like, but across all the other challenging Departments, too.

Chair: Is BEIS a nice Department?

Lord Duncan: A mostly nice Department, I think; but we do need to be very alert to that aspect, and I will be meeting colleagues from DIT to discuss these elements because it is difficult for us to maintain a coherent approach in this Committee and elsewhere, saying all these things that we are doing, if there are any aspects where we reach challenging, different conclusions. We do need to be alert to that.



Catherine Bremner: If I could just add—I am sure the Committee has already done this—a reference to the UK Export Finance submission to the Environmental Audit Committee, where under the green finance strategy which was published this year in the first green finance strategy across Government, they committed to voluntary disclosure under the taskforce on climate emissions, the TCFD. That is a really important first step for UKF in terms of assessing climate risk across all its portfolios. So I just refer the Committee to the evidence that UK Export Finance gave to the EAC.

Zac Goldsmith: I echo what has been said. I was on that Committee grilling UK Export Finance at the time and I very much share the view: we talk about Paris compliance for ODA spending but Paris compliance needs to apply. If Government is serious about climate change, which it is, then that same principle needs to apply across all Departments. So yes, UK Export Finance needs to very seriously consider decisions in relation to supporting British businesses overseas that are promoting continued dependence on fossil fuel infrastructure. That is something that needs to be internalised, looked at, and that Department, I would say, needs to aim very swiftly to become Paris-compliant.

Q31 **Richard Burden:** One of the areas that this Committee raised concerns about in our Report was whether the Government has got a sufficiently long-term perspective on programming that then allows Government to be nimble in looking at the future of programmes. In particular, we criticised what we saw as a tendency for successful climate programmes to be drawn to a close or scaled down rather than scaled up. The Government's response said that programmes may be extended or scaled up, but it wasn't clear on what basis those decisions are made. I would guess you would think it would be more than ministerial whim or preference and that it is based on some kind of evaluation. My question really is what is the evaluation, and how is it done?

Zac Goldsmith: In a moment I am going to ask Richard to come in, given that he is the architect of many of these programmes, but in short it is not and has never been DFID's intention to become an organisation on which these initiatives should be permanently dependent. If that were the case we would run out of money pretty quickly, and we would find ourselves bound to programmes that never ended. It is always the intention to provide the scale of involvement that is necessary to ensure that projects are successful and ideally can either continue without our financial support after we pull out or perhaps take a different course, depending on a number of factors. The donor country may take a different view; policies might change; a project might break up into two or three other schemes.

I think it is right that we shouldn't encourage permanent, indefinite dependence on DFID, because it would massively hamper our ability to look for new opportunities and develop new programmes. Having said that, we are aware that not all programmes lend themselves to the usual cycle. The landscape fund that I was talking about earlier to Pauline Latham is a 10-year fund. Our view is that, because of the nature of the kind of work that it is going to be doing, it couldn't be done quicker than

that. So we are flexible and we will tailor programmes according to what we think is right; but I am going to ask Richard to come in.

Richard Clarke: The first thing I would say—to agree with what the Minister said—is that we aim as much as possible to make sure that at the start of a project or programme, when it is being designed, we are clear about the length of time that we think the programme will need to run to be able to achieve its outcomes. We are increasingly starting to think about we are calling adaptive programming—starting with a potentially slightly smaller size of programme in order to see whether something can be delivered, and then scaling up more rapidly within that period, accepting that you might want to change a programme relatively quickly within that period, so we are not locked into long-term programming.

Adaptive programming works well in some circumstances. It is particularly well tailored, I think, to contexts in which there is a lot of innovation, but some of these programmes will be long-term commitments. That is why the support that we have had from the Treasury to think about committing for longer-term periods and to show an indication of being able to do more in future spending reviews can be extremely helpful.

DFID's ICF programming tends to last, on average, around six to seven years, which is the same as we have, on average, for most of our expenditure and programming. You mentioned the StARCK+ programme for example, in the ICAI report. For some of those programmes, we might close a particular programme because it has been a pilot, or because it was seeking to test particular things, but then take forward aspects of those programmes afterwards in different areas. That has certainly been the case in Kenya.

There are also, of course, other programmes where, in retrospect, two or three years after closing the programme, we think, "Actually, this is something that we want to get back into." We always try to minimise that, but it may be that the example that was given in the previous session might be one of those examples. It was not one that I was personally familiar with, but we do sometimes find that we need to get back into areas. We try to minimise that as much as possible.

Lord Duncan: The other thing to note in terms of BEIS's funding is that we do not tend to set a term limit, but we do annual reviews. What we are trying to do on an iterative basis is understand whether it is working in real time and, if needs be, adjust as it progresses. We recognise that there will be times when certain programmes necessarily close—we would hope with success, because they have delivered and met their objectives.

Q32 **Richard Burden:** I am pleased to hear you talk about adaptive programming because, from some of the evidence that we have received, that is particularly the area that Government needs to be smarter about. I guess that is what I was getting at when I was talking about Government being more nimble in terms of programming.

As an example, would you consider the cost of retendering, loss of



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country expertise, or the time taken to mobilise a new programme—particularly given the fact that there is a climate emergency, so we do not have a lot of time—as being things that should be taken into account in evaluation? I understand there was one—I think this was within DFID—climate knowledge programme that was funded. It came to an end, and the end result of that is that what appear to be two very similar programmes are now being retendered into different Departments. That sounds like not a great use of time, on the face of it, and not necessarily a great use of resources either.

Richard Clarke: Absolutely, in designing programmes, we do make sure at the outset, and then in the evaluation and in the annual reviews that we carry out, whether they are on track for the outcomes to be able to be taken forward sustainably afterwards. We never aim to finish a project, of course, with the assumption that we might start doing something very similar afterwards. I am very happy to look into the specific case that was raised in the session beforehand if that would be helpful.

Q33 **Chair:** Would you write to us?

Richard Clarke: Of course. I am very happy to.

Q34 **Chair:** Thank you very much. Zac, can I take us back to our earlier exchange about climate-compatible development? Rightly, you talked about the importance of development being seen through the climate lens, but I want to turn that around in terms of climate being seen through the poverty reduction lens. There is a longstanding concern of this Committee about aspects of the non-DFID expenditure of ODA. Wearing your DEFRA hat, and then asking Lord Duncan wearing his BEIS hat, do you feel that the climate finance spending by your Department, DEFRA and BEIS really does have that focus on poverty reduction? In particular, how is that being tracked to ensure that that impact is happening?

Zac Goldsmith: The short answer again is yes, I am sure. Obviously, I can speak more fluently about projects that I am more familiar with—things that have happened over the last few months—but all those projects have at their heart a poverty alleviation or poverty prevention aspect. Stepping back a second, we have to get away from the idea that you tackle either environmental/climate problems or poverty. If we do not find a way of bringing those two together, because they are so intricately linked, our programmes will always be flawed.

There is no doubt that the poorest people in the world are the people who will be hit hardest by climate change. There is no doubt that the poorest people in the world depend most directly on the free services that nature provides, and therefore destroying ecosystems plunges them into destabilisation and poverty. There are 1 billion people who depend on forests directly; we all depend on them in one way or another. There are 1 billion people who depend on fish as their main source of protein. There are 200 million people who depend on fishing for their livelihoods. When we destroy ecosystems, we have a direct and immediate impact on the



poorest people, so there is already an argument that everything we do to protect the viability of our planet has a direct poverty implication.

However, if you drill down into the specific programmes, you see an even more direct link. For example, one of the last projects that my predecessor invested in was mangrove planting around Madagascar. I think she spoke to you about it when she was here, with real passion. I am thrilled that she did that. It is a wonderful programme, and I get to look at some of the results of it without having lifted a finger to make it happen. However, I would say that it is a perfect example of DEFRA initiative. It began very small, as part of the Darwin initiative, which we have just upscaled, and it is now a bigger focus for DEFRA.

That project is about adaptation to climate change and resilience against the impacts of climate change. Mangroves are very effective at seeing off the threat of storm surges and tidal barrage. A number of people depend directly on mangroves for their livelihood—I do not want to put a figure on it because I will get the figure wrong—and there are very direct implications for those people living in coastal communities around Madagascar. It is a biodiversity project, yes, and it is a climate project, absolutely, but it is a people project as well. The same is true of every project in the DEFRA portfolio that I have looked at or have authorised since I have been made a Minister. That is an absolute, up-front criterion that we use whenever we assess a project.

Q35 Chair: Lord Duncan, is poverty reduction really in the DNA of BEIS in the way that it is in the DNA of DFID, the nice Department?

Lord Duncan: Absolutely. One principal achievement so far is, if we look at ensuring that people have access to clean energy, that we brought 26 million people into clean energy connections of one sort or another. The thing to remember is what it is they left behind. In most cases, it is literally burning forests or burning timber of one sort or another.

Once you begin to look at this holistically, you begin to recognise not just the intrinsic good of a reliable source of electricity but the impact of not cutting down nearby trees on biodiversity, microclimates and so forth. You begin to recognise how those fit together, with each, at their heart, bringing forward an attempt to address the wider poverty question. We see it now as working hand in glove with each Department that commits to this. Ultimately, if we can take this continued progress forward, and move from 26 million to 27 million and 28 million and so forth, the impact will be massive, not only on the climate but on wider biodiversity.

Q36 Chair: One recommendation we made with which the Government disagreed was that private climate finance mobilised by UK aid should be tracked, to be sure that it reaches those most in need. Can you tell us a bit more about the Government's rejection of that recommendation, and perhaps, more constructively, how you will ensure that private climate finance mobilised by UK aid has those overall development benefits that both of you have convincingly said that you seek to achieve?



Lord Duncan: Shall I start off? The important thing we have to do first is make sure that we mobilise private finance, because, in truth, the cost of this is massive. Secondly, in trying to mobilise it, we have to recognise that those providing that finance will be committing against a suite of criteria. We need to try to influence that at the outset, to make sure that the projects and proposals they are putting forward work in a wider, holistic sense. Many of these are multinational companies, and many do not derive directly from the areas where we would seek to engage, so we have to recognise at the outset that there are challenges with the nature of these companies.

We want to see the outcomes fitting together like pieces of a jigsaw. That is something we need to monitor but not necessarily track. We need to be aware of what is going on, particularly in-country, and particularly where we are doing work that might sit alongside that, because we do not want to find that we are in any way duplicating, replicating or undermining what is going on. We need to be aware, without necessarily seeking to direct what these individual organisations are undertaking. However, we recognise that we are all in this together, and that there should be a wider awareness of what is being undertaken by these organisations.

Zac Goldsmith: Again, I agree with everything that has just been said. We are not going to hit the financial target that we think we need to hit if we are to successfully address the climate and environment problems that we face without mobilising private finance. That is one bit, but it is not just about private finance or ODA. There is a middle bit as well, which is about getting Governments to use their subsidy regimes in a more intelligent manner. That was a big initiative that we launched at the UN, which I think could have huge impacts, called the Just Rural Transition.

However, the private finance bit is absolutely essential. One of the things that was launched at the UN—I think you were written to about it—was the Coalition for Climate Resilient Investment, which we launched. It has brought in 39 private sector companies, which between them are worth, I believe, about \$5 trillion, with a view to their effectively doing to their business models what we are doing to ODA, in making it Paris-compliant, particularly in relation to infrastructure, transport, energy and so on.

All these things will need to happen; if they don't, we will not meet the crisis effectively. Private finance is essential, in my view.

Q37 **Mr Sharma:** The Government have now committed to aligning all UK aid with the Paris agreement. To reflect this alignment, will the Government update all their aid strategies, such as the economic development strategy?

Zac Goldsmith: The answer is yes. I would hope—I say this with a little bit of hesitation; I can't say it with 100% certainty—that new programmes that have been developed in the last few months, since the commitment was made, will already have been made through that lens of Paris compliance. Obviously, that is not true of predecessor programmes, but as new programmes are developed—whatever they are, whether they



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are a nature-based solutions programme, which is inherently going to be Paris-compliant, a more direct poverty alleviation programme, or a clean energy programme—all of them will have to go through that filter.

That doesn't mean that every decision we make, or every programme that emerges from DFID, will be based on 100% renewable energy, or absolute investment in restoring and protecting the natural world, but at the very least it means that we are not contradicting that objective through other programmes launched by DFID.

It is already the case that DFID—Richard, correct me if I am wrong—has not invested in coal, for example, for around a decade. I believe that CDC has not invested in coal plants since 2012, so we are already moving in that direction.

The emphasis on clean renewable energy has been growing year on year. As a consequence of the commitment we have made, we will see a dramatic shift over the coming months. The answer is that when we next appear in front of this Committee—assuming that is in a few months, and I am still here after the next election, which is a big assumption to make, and indeed assuming that we ever have an election—I hope that I will be able to put numbers to that, because we intend to make rapid progress.

Lord Duncan: The other thing to stress here is that there is a joint funds unit, and its purpose, of course, is to make sure that we are in full alignment across the Departments with the Paris objectives. That unit's task is to make sure that we are all travelling in the same direction on the same road, and ultimately—hopefully—arriving at the same destination.

Chair: I think that is the perfect segue to your next question, Virendra.

Q38 **Mr Sharma:** Following on from that, the Government response agreed with our conclusion that all UK aid spending should be screened to ensure that it is pursuing low-carbon and climate-resilient sustainable development. What changes has the prosperity fund made to ensure that all its investments promote this objective?

Lord Duncan: As I was saying, we have tried at the outset to make sure that each of the Departments that are part of the wider prosperity fund are focused on ensuring that they have tested their proposals to see that they are Paris-compliant.

Part of the challenge, however, is that although poverty and climate change are inextricably linked, they have divergent elements as well. The challenge that we face is recognising that there will still be elements that are a wider poverty question, and that may not be intrinsically about climate change. We want to make sure, however, that they do not cut across climate change objectives—they shouldn't undermine those objectives—but we need to recognise that there may well be strands that fit together.

I might bring in Catherine, so we can get a bit more detail on that.

Catherine Bremner: In terms of the green finance strategy, as I mentioned earlier, the UK committed to making all ODA Paris-aligned. We

are working through a process of defining what that is. Within the context of the prosperity fund, more than 30 million projects have already been funded with specific climate and poverty reduction aims.

Going forward, as the Government work through exactly the definitions around Paris alignment and what that means, we need to make sure that—as Lord Duncan has said—our joint prosperity funds align with that definition. As we are doing in the domestic context around net zero, we must accelerate that transition. Building up from the country plans that have been developed, how does that relate to implementation of the NDCs? How can we use our donor finance to help to accelerate those NDCs? That is aligned exactly with the goals of the prosperity fund, in terms of the delivery of sustainable development.

Lord Duncan: One of the things we hope to do as we look forward, committing as we have to refreshing our NDC, is use our expertise to help other countries to do exactly the same thing.

- Q39 **Chair:** Are you confident that the prosperity fund is focused on this and getting it? The Committee has expressed concerns on both the climate side and the poverty reduction side about the focus of the prosperity fund. Is your sense that that is being addressed?

Lord Duncan: I think it is. As I said at the outset, part of the challenge when you are looking at wider prosperity is that there are a number of strands that must be put together.

- Q40 **Chair:** I agree with you there.

Lord Duncan: I believe that now that we have put together this unit focused primarily on addressing and assessing that element, we are in a better position than ever before to answer your questions and say, “We have confidence that this prosperity fund is working as it should.” We need to keep checking it, however, because like an engine, it needs to be maintained, and we need to ensure that it continues to do what it is meant to do.

- Q41 **Chair:** Thank you very much. Can we move to Richard, briefly?

Richard Clarke: I want to make a very quick point in response to Mr Sharma’s question. It is tempting sometimes to see Paris alignment—from the perspective of, say, a DFID country office—as being primarily about avoiding negative things and not doing something. However, one of the messages we have been giving to country offices—this also relates to the centrally managed programmes that I want—is that we want to see this uplift as an opportunity to do targeted activity on things that are positively supportive of Paris, as well as to avoid negatives.

Chair: Thank you very much. Last but not least, our final question is from Lloyd.

- Q42 **Lloyd Russell-Moyle:** The Government’s response to our report said that the UK would not address loss and damage directly during the September summit that has just gone. How do we ensure that loss and damage is



adequately addressed if the UK will not give it direct attention?

Lord Duncan: Loss and damage are one of the greatest challenges we face. If we are looking at what we need to do, in some respects we have to put out the fire before we re-examine the insurance policy and the claim. We need to ensure that mitigation, and adaptation to prepare for what happens next, receive adequate funding. Then there is the question of loss and damage. In the sequence of events, right now we are not saying that loss and damage will never be explored or considered; in terms of where we want to focus our finances, however, mitigation and adaptation remain the absolute heart of what we need to be doing to ensure that we are Paris-compliant. The UN COP will be examining loss and damage, both in Santiago and in Glasgow, and we need to be very aware of what it is they are seeking to secure from that, because it is not a straightforward ask and receive. We need to work with our European colleagues and others to see how we can best address that very difficult issue.

Zac Goldsmith: I agree with what Lord Duncan has said. The entire thrust of our climate approach, and I include in that our commitment to double the funding to £11.6 billion, is to ensure that we play the biggest role we possibly can in preventing the worst of climate change, which everyone agrees will hit the poorest people in the world hardest, even though they have nothing like the same culpability for bringing us to the situation we are in. We also have to help those countries to arm or protect themselves against the likely impacts of climate change.

We were asked by the UN Secretary-General before the last UN summit to focus particularly, along with Egypt, on resilience and adaptation, and that was what we brought to the table at the last UN summit. We put together a call to action, demanding that countries incorporate the need to focus on resilience and adaptation, particularly in the countries least able to arm or protect themselves, or to prepare for climate damage. Richard will correct me if I am wrong, but I believe that around 118 countries signed up.

Richard Clarke: That's right.

Zac Goldsmith: Although it is hard to measure or quantify exactly what that will mean over the next year, it does signal a change in emphasis among those countries in a very positive direction. I take your point and the premise of the question you ask, but everything we are doing is about trying to right what is emerging as a very significant wrong that will affect the whole world, and particularly the world's poorest people.

- Q43 **Lloyd Russell-Moyle:** Thank you very much. Lord Duncan, you talked about staging, which I think is an interesting way of thinking about this, but as you rightly point out, the UNFCCC is looking at these things—and not only in Santiago. It is already established that some of these things need to happen alongside each other, so it is not just a staging issue. For what reason, therefore, has the UK decided to diverge from the idea that you need to do it all at the same time? We are going from the leadership shown by the UNFCCC to the more unilateral approach that we need to

do it in stages.

Lord Duncan: It is important to stress that we are actually alongside the UN in this regard. Their agenda for sustainable development by 2030 is broadly our guiding light in this regard.

I chose to put it in those terms because I think it helps us to appreciate that, as Zac was saying, we need to halt the loss and damage. That must be the absolutely critical element. When I attended the COP meeting in Lima and then in Paris and in Marrakesh, the loss and damage debates were among the most fractious. It was the one part where unity was simply never emerging, and it often seemed to pit those who would wish to see more funding against those who would be expected to deliver. One of the challenges we had in those COPs was that, as a consequence of that, it was always a chunk taken out and set aside to be revisited at the next opportunity. We want to try to find a way of ensuring that we are not leaving this as the last thing to be done, but are doing it collectively at UN level. Finding the right way to do that, however, has proven very challenging over the last five years.

I would hope that, both in Santiago and going forward, we can find greater progress at UN level on this, but there are challenges, and optimism is not necessarily going to get us over the line.

Zac Goldsmith: I can't help thinking that part of this debate is about language. We are committing significant sums of money to tackling climate change—helping poorer countries in the world to prepare for, and arm themselves against, climate change. You can describe that contribution in any number of different ways, but the UK signed up, at Paris, to doing our bit to ensure that we reached a point where collectively the donor countries are contributing \$100 billion a year—I forget what that is in pounds; it's £75 billion or so, per year. That is a big reason why the Prime Minister announced that we would be doubling our ICF as of 2021.

There is a \$100-billion commitment—or aspiration, which is what it is at the moment, because we haven't reached it—by the richer countries. Don't forget that contributions made by middle-income countries or emerging economies will not count towards that \$100-billion target. You could describe that \$100 billion in any language you chose. You could see it as the richer countries doing their bit to compensate for the fact that they take a greater share of responsibility for the climate crisis we are in. But I don't think our commitment to doing our bit on climate change at this stage can be in doubt.

I will never pretend this country is doing enough, because I think we need to continuously ratchet up our activities, but Britain is in a position of global leadership now. Britain, more than any other country at the UN last month, moved the dial. It was Britain's contribution, particularly after the PM's speech, that other countries were talking about. I wish we had been able to be there for the remaining two days, so that we could push that ambition further. One of the outcomes was that other countries began looking at what more they needed to bring. I hope that as we hit the

runway towards COP 26, our actions will encourage some of those other countries to step up their contributions. I think we can be pleased—never complacent, but pleased—with where we are as a country at this stage.

- Q44 **Chris Law:** There is a lot of talking around this topic, but to be blunt, if we are going to be Paris-compliant—article 8 of the Paris agreement is dedicated specifically to loss and damage—we can't shirk the issue. In fact, it was put down to be treated as a third pillar, alongside mitigation and adaptation. As for subsuming it in, and arguing that we can do it as part of adaptation, that is not the case, because loss and damage can be a sudden shock through a hurricane, or a massive global impact through weather or what have you. It also can be over an eroded period of time. Don't the UK Government need to embrace this, however difficult it might be? COP 26 is a year away, and we have an opportunity to provide that leadership. We have the finance in place, and we claim to be the global leader on climate change. We need to see it as a third pillar, and to put it front and centre, so that we lead the debate, particularly going into COP 25, but even more so going into next year.

Lord Duncan: As Zac pointed out, we are global leaders in terms of the money; we are well ahead of any others in scale. The challenge is that if we take away some of the money we have set aside, and move it into loss and damage exclusively, rather than away from mitigation or adaptation, we are literally moving our resources away from the fire that is burning toward addressing a challenge that will come later. I don't want to talk about sequencing in this context, but we need to get to the stage where the money we spend is actually stopping the problem or, as Zac rightly pointed out, helping nations to adapt to the new reality.

All the debates and discussions that I have sat through on loss and damage have never managed to land on a point at which they can get agreement across the globe on that contribution. The UK has been a serious player, and has talked about how to move these matters forward, but consensus has always left the room. The challenge we have now is how we shall spend this money. As we look at the challenges in the years ahead, we want mitigation—reducing climate emissions—to be up there, and we want adaptation to be at the heart, so that countries that are absolutely on the frontline can address and adapt to the change that will certainly come toward them.

The question then is: what will the global community do to take responsibility for its creation of the problem in the first instance, with the industrial revolution and so forth? I think that will be addressed, but I do not think that the consensus will emerge right now. Even if the UK was a lone voice in this regard, it is an active voice in every one of the private chambers, but it has not yet found that consensus.

- Q45 **Chris Law:** But the Scottish Government are already doing this. They set up the climate justice fund seven years ago, which includes the areas of loss and damage. Why do we not look at the model that is used in Scotland and develop from there?



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Lord Duncan: Briefly, if you look at the scale of funds spoken of by the UN COPs all the way through, in loss and damage we are now talking about figures of up to 1 trillion or more that would need to be addressed. The Scottish fund is interesting and important, but the scale of the finance required to address loss and damage could easily outweigh the amount of money we would be putting aside for adaptation and mitigation, and that would undermine our climate change objectives, to which we remain committed.

Q46 **Chair:** Thank you. I will give the final word to Zac.

Zac Goldsmith: Despite a lot of heavy lifting and a lot of—but perhaps not enough—political will, we have not got to the point of raising enough finance to put out the fire, as Lord Duncan described it. If we fail to put out the fire, there is no amount of compensation in the world properly to compensate those many, many communities who will be hit hardest by climate change. I want to echo what Lord Duncan said about the priorities and what we absolutely have to focus on.

Chair: I thank all four of you for coming today. We said in our report that we wanted a greater sense of urgency and priority, and I think that you have demonstrated that today. That is very welcome. Thank you.