

UK aid's international climate finance commitments

Approach summary paper

December 2023

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1. Introduction

Climate change is one of the biggest contemporary international development challenges. In 2020, the UN Secretary-General urged world leaders to declare a state of climate emergency,¹ and to date 40 countries have done so.² Developing countries, which have historically contributed the least to the factors that have caused global warming, are most at risk from the effects of climate change such as sea level rise, increased temperatures and extreme weather events.

This rapid review will assess the UK's commitments to provide international climate finance (ICF) to support developing countries to adapt to climate change and mitigate its impact. The review will cover how ICF funds are being spent across the UK's official development assistance (ODA) programme and how the UK's ICF spending contributes to enabling and influencing global climate action by other donors, the private sector and civil society.

2. Background

The UK is a signatory to the Paris Agreement,³ an international treaty of the United Nations Framework Convention on Climate Change (UNFCCC) that aims to limit global warming and strengthen countries' ability to deal with the adverse impacts of climate change. The UK government has long championed increased funding for climate action in developing countries. At COP15, the UK alongside other high-income countries jointly committed to providing \$100 billion annually by 2020.⁴ According to the Secretary-General of the Organisation for Economic Cooperation and Development (OECD), "one year after the 2020 target, developed countries remain just over USD 10 billion short of the goal to mobilise USD 100 billion a year",⁵ based on data from 2021. The most recent OECD publication indicates that the goal is now likely to be met in 2023.⁶

In its 2020 and 2022 biennial finance communication to the UNFCCC, the UK describes how it will work in international partnership to catalyse wider climate action through its ODA programme, by mobilising private finance and working with multilaterals.⁷ The UK committed to spend at least £5.8 billion in ICF funds in the five years to 2020-21, a commitment which it has met.⁸ In 2019 the UK doubled this commitment to at least £11.6 billion in the five years to 2025-26. While the government decided in November 2020 to reduce its aid spending "temporarily" from 0.7% to 0.5% of gross national income (GNI) in response to the COVID-19 pandemic's effects on the UK's public finances and economy,⁹ it did not reduce its ICF commitment.

In March 2023, the UK published its international climate finance strategy. The ICF strategy confirms that, as part of contributing to the overall global climate finance target, the UK's ICF investments will target four strategic priorities:

- clean energy
- nature for climate and people
- adaptation and resilience
- sustainable cities, infrastructure and transport

1 *Remarks at the Climate Ambition Summit*, António Guterres, December 2020, [link](#).

2 *Climate Emergency Declarations data sheet*, Climate Emergency Declaration and Mobilisation in Action, [link](#) (accessed 29 November 2023).

3 The Paris Agreement reiterated that "Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation" (Article 9.1) and that "developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds" (Article 9.3). At COP21 in 2015, the Parties identified priorities for improving the composition of finance, including scaling up the provision of public resources; significantly increasing finance for adaptation; and supporting enhanced access, capacity building, and investment readiness (Decision 1/CP.21).

4 *Background note on the USD 100 billion goal in the context of UNFCCC process, in relation to advancing on SDG indicator 13.a.1*, United Nations, [link](#).

5 *Growth accelerated in the climate finance provided and mobilised in 2021 but developed countries remain short and must continue scaling up to reach the USD 100 billion goal*, Organisation for Economic Cooperation and Development, 2023, [link](#).

6 *Climate finance provided and mobilised by developed countries in 2013-2021: Aggregate trends and opportunities for scaling up adaptation and mobilised private finance*, Organisation for Economic Cooperation and Development, November 2023, [link](#).

7 *United Kingdom biennial finance communication to the United Nations Framework Convention on Climate Change*, HM Government, December 2020, [link](#), and *8th national communication*, Department for Business, Energy and Industrial Strategy, August 2022, [link](#).

8 *Together for people and planet: UK international climate finance strategy*, HM Government, March 2023, [link](#).

9 *UK aid: Spending reductions since 2020 and outlook from 2023*, Philip Loft and Philip Brien, House of Commons Library, October 2023, [link](#).

3. Purpose and scope

The UK government's public commitment, announced in 2019, to meeting its spending pledges was confirmed in the March 2023 ICF strategy. However, information on how it plans to meet its target by 2026, and to what extent it is on the path to achieving this target, has not been publicly shared beyond the written ministerial statement by the Minister for Development and Africa, Andrew Mitchell, published in October 2023.¹⁰

The rapid review will seek **to provide an accessible, consolidated, transparent and publicly available account of actual and projected ICF commitments and disbursements in the period from 2020-21 to 2025-26**, to determine whether the government is on target to deliver against its commitments. It will also consider the impact of ICF commitments on other parts of UK aid programming given the “temporary” reduction in aid spending from 0.7% to 0.5% of GNI, exploring the relative trends in climate finance vis-à-vis other UK aid spending.

This will be examined against:

- The UK's international commitments to the UNFCCC as confirmed in its *2030 strategic framework for international climate and nature action* and its *Together for people and planet: UK international climate finance strategy* (the ICF strategy), both published in March 2023.¹¹
- The UK government's four strategic ICF priorities as set out in the March 2023 ICF strategy.

The review will build on previous scrutiny of UK aid and climate change, including the 2019 ICAI review of UK aid for low-carbon development,¹² the 2021 ICAI review of UK aid's alignment with the Paris Agreement,¹³ the 2021 ICAI review of UK aid for halting deforestation and preventing irreversible biodiversity loss,¹⁴ the 2023 ICAI review of the Blue Planet Fund,¹⁵ and the National Audit Office report on managing reductions in ODA spending.¹⁶ It will also draw on the International Development Committee's 2019 inquiry into UK aid for combating climate change and its 2021 inquiry into UK climate action and international development around COP26.¹⁷

The review will cover all ODA disbursements marked as ICF since 2020-21, the starting year for the current ICF strategy. It will not evaluate implementation of relevant programmes due to its limited scope.

4. Review questions

The rapid review will address the following questions:

- Is the UK on track to meet its international climate finance commitments?
- How well is the UK supporting the achievement of the global international climate finance goals to which it has committed?

¹⁰ *International Climate Finance, statement made on 17 October 2023*, Foreign, Commonwealth and Development Office, October 2023, [link](#).

¹¹ *2023 strategic framework for international climate and nature action*, Department for Energy Security and Net Zero, Department for Environment, Food and Rural Affairs, Foreign, Commonwealth and Development Office, March 2023, [link](#), and *Together for people and planet: UK international climate finance strategy*, HM Government, March 2023, [link](#).

¹² *International Climate Finance: UK aid for low-carbon development*, Independent Commission for Aid Impact, February 2019, [link](#).

¹³ *UK aid's alignment with the Paris Agreement*, Independent Commission for Aid Impact, October 2021, [link](#).

¹⁴ *UK aid for halting deforestation and preventing irreversible biodiversity loss*, Independent Commission for Aid Impact, October 2021, [link](#).

¹⁵ *Blue Planet Fund*, Independent Commission for Aid Impact, 2023, [link](#).

¹⁶ *Managing reductions in official development assistance spending*, National Audit Office, March 2022, [link](#).

¹⁷ *Global Britain in demand: UK climate action and international development around COP26*, International Development Committee, October 2021, [link](#), and *UK aid for combating climate change inquiry*, International Development Committee, April 2019, [link](#).

5. Methodology

The review methodology has three main components, each used to inform and triangulate findings in the others. The three components are:

- 1. Strategic review:** With a view to understanding the overall evolution of the UK's climate finance commitments, we will review key strategic documents on UK ICF objectives, priorities, results and commitments. We will also review aggregate reporting against ICF key performance indicators to understand alignment of objectives and the structures and processes in place for tagging and aggregating reporting on programmes as ICF. Finally, we will review relevant advice and briefings submitted to ministers and senior officials on the UK's priorities and approach to ICF. We will also consider the impact of the ICF commitments on other parts of the UK aid programme, examining the relative trends in climate finance in relation to overall aid spending. The strategic review will be conducted with reference to the findings and recommendations of previous relevant ICAI reviews.
- 2. Analysis of financial data:** With a view to assessing the overall UK financial commitments and disbursements over time, notably the commitment to provide £11.6 billion in ICF in the five years to 2025-26, we will conduct financial analysis of ICF spending (commitments and disbursements). This includes disbursements for the financial years 2021-22 and 2022-23, the most recent disbursement estimates for 2023-24, and projected commitments for 2023-24 and 2025-26. We will also assess these trends in relation to other UK aid spending. The analysis will consist of descriptive statistics, assessing trends over time, including past commitments and disbursements, as well as forecast commitments. Financial data will be assessed against different dimensions including, for instance, geography, thematic priority, type of modality (multilateral versus bilateral, grants versus concessional loans), type of support (adaptation versus mitigation, or both) and responsible UK government department. We will also analyse the proportion of ODA which is not ICF.
- 3. Stakeholder consultations:** With a view to assessing the underlying reasons for the commitments, as well as the quality of the commitments, we will interview key government staff across the four departments responsible for the strategic direction of ICF (the Foreign, Commonwealth and Development Office; the Department for Energy Security and Net Zero; the Department for Environment, Food and Rural Affairs; and the Department for Science, Innovation and Technology), including those responsible for ICF strategies, plans and commitments. To understand external perceptions of the adequacy and predictability of the commitments, we will interview selected bilateral and multilateral partner organisations (such as the German government, the Green Climate Fund and the World Bank), as well as selected country recipients of climate finance. We will also consult non-governmental organisations and independent experts to discuss key aspects of the influence and quality of the UK climate finance commitments, as well as the underlying methodology for their calculation.

6. Risk management

We propose the following risk mitigation strategies for this rapid review:

Table 1: Risks and mitigations

Risks	Mitigation
The review has a very tight timeline that was also affected by COP28, which took place during the short evidence gathering period. This poses a particular challenge in terms of the availability of stakeholders for interviews.	As many interviews as possible were organised in November before COP28 and before the Christmas leave period begins. Some interviews may have to take place in January 2024.
There is a risk that the analysis will provide little beyond what has already been shared in the public domain.	The review will focus on unpublished documents and underlying reasoning for the adjustments made in ICF reporting methods, and will attempt to review more recent management information.

Risks will be reviewed on a regular basis and any mitigating actions will be adjusted as the operating environment changes or if any new risks emerge.

7. Quality assurance

The review will be carried out under the guidance of ICAI Lead Commissioner Tamsyn Barton, with support from the ICAI secretariat. The review will be subject to quality assurance by the service provider.

The final report will be peer-reviewed by Dr Alina Averchenkova from the Grantham Research Institute at the London School of Economics and Political Science.

8. Timeline

The rapid review was launched in November 2023, and data collection is set to be complete by the end of December 2023. Publication is expected in February 2024.



This document can be downloaded from www.icaei.independent.gov.uk.

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