

# **ICAI follow-up: International Climate Finance (ICF): UK aid for low-carbon development**

A summary  
**July 2020**

**The Independent Commission for Aid Impact** works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.

### Individual review scores and what they mean



**An adequate score means:**

- Enough progress has been made in the right areas and in a sufficiently timely manner in order to address the core concerns underpinning ICAI's recommendations.



**An inadequate score results from one or more of the following three factors:**

- Too little has been done to address ICAI's recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).

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# Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides parliament and the public with an account of how well the government has responded to ICAI's recommendations to improve spending. It is also an opportunity for ICAI to identify issues and challenges facing the UK aid programme now and in the future, which in turn helps to inform subsequent reviews. This year, for the first time, we introduced a scoring element to the follow-up exercises. For each of the reviews we follow up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.

This document is a summary focused only on the results of the follow-up of our review of UK International Climate Finance: UK aid for low-carbon development. The full follow-up report of all our 2018-19 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

## Findings

### International Climate Finance (ICF): UK aid for low-carbon development

**A commitment to double UK spending on climate finance and preparations for hosting COP26 have been accompanied by technical work to develop the ICF's thematic priorities, value for money approach and governance structure. While this is likely to feed into the ICF strategy promised by Minister of State Lord Goldsmith, it remains unclear when this will be published and whether it will tackle the concerns in ICAI's report. Transparency and information sharing have improved, but a clear public narrative using the ICF to promote UK global leadership and leverage further climate action is still needed.**



Published in February 2019, ICAI's performance review of *International Climate Finance: UK aid for low-carbon development*, gave a green-amber score to the UK government. It found that the ICF had made significant investments in results management and learning, and noted emerging results in UK influencing of other actors to offer climate finance. However, it was concerned that the Department for International Development (DFID) lacked a convincing approach to integrating low-carbon development across its portfolio (beyond the energy sector). It also noted a need to update the overarching ICF strategy, with greater clarity on low-income countries, and a stronger public narrative to support the demonstration effect and influencing potential of the ICF. The review made three recommendations.

Table 1: ICAI's recommendations and the government response

Subject of recommendation	Government response
UK International Climate Finance should refresh its strategy, including a clear approach to promoting low-carbon development and to integrating low-carbon development principles across the UK aid programme.	Accepted
DFID should adopt a more structured and deliberate approach to integrating low-carbon development across its programming.	Accepted
UK International Climate Finance should present a clear public narrative about the ambition and value of the UK's climate investment to support its demonstration and influencing objectives, as well as to improve visibility and public accountability.	Accepted

### **Recommendation 1: Refresh the UK's International Climate Finance strategy**

The government accepted ICAI's recommendation to update the current ICF strategy – dating from 2011 – to set out basic thematic and geographic priorities, the approach to low-carbon development in low-income countries, and the division of labour between DFID and the Department for Business, Energy and Industrial Strategy (BEIS) on low-carbon development.

This strategy has not yet been produced, largely due to the demands of external events (the UK election, Brexit, preparations for the UK hosting COP26, COVID-19), but also the prioritisation of technical work for the Treasury to justify the UK government's September 2019 commitment to double UK spending on climate finance. This technical work includes analysis to: explore the ICF's thematic priorities, develop the ICF's approach to value for money, evolve the ICF's governance, and identify 'best buys' in supporting mitigation in developing countries. The technical work is likely to feed into a future ICF strategy, but it is not clear how it will do so and whether it will address all the concerns raised by ICAI.

Alongside this technical work, the governance structures that will shape the ICF's future direction have evolved significantly in the past year. A new Cabinet-level climate change committee has been established, chaired by the prime minister, as has a new interdepartmental senior officials group on climate change, led by BEIS. These changes represent a significant uplift in political attention to climate change.

Minister of State Lord Goldsmith confirmed in his evidence to Parliament in October 2019 that the government intended to publish a new ICF strategy in 2020, ahead of COP26.<sup>1</sup> This commitment is now at risk given the demands of responding to the COVID-19 pandemic and the postponement of COP26 to November 2021.

### **Recommendation 2: A more structured and deliberate approach to integrating low-carbon development across programmes**

ICAI's original review voiced concern that DFID had been attempting to address climate change across its programmes, but without an adequate change management plan, a senior departmental champion or adequate resources to do so effectively. It also found that addressing low-carbon development in programme designs was voluntary, and that most sectors (beyond energy) lacked a credible approach or adequate guidance to support local low-carbon development efforts. DFID accepted the recommendation to address these issues, recognising that it needed to do more beyond the energy sector.

DFID has drafted a new climate and environment SMART guide, which includes improved voluntary guidance on identifying climate risks and ensuring that business cases support alignment with the Paris Agreement. DFID has been piloting a Climate Mainstreaming Facility (CMF) to provide technical assistance to country offices to help them develop climate-resilient programmes. In interviews, DFID also confirmed its intention to do more in sectors such as infrastructure and agriculture to promote low-carbon development. However, the SMART guide has not yet been released within DFID, the CMF does not seem to address low-carbon development and there is no plan to change formal guidance in sectors beyond energy to address low-carbon development.

DFID told us that the number of climate and environment advisers has increased from 40 to 62 since 2013, and that a 'climate champion' – Richard Clarke, Director General for Policy, Research and Humanitarian – was appointed in September 2018. However, we have not seen evidence that the number of advisers has been increased since the ICAI review, which is significant given the challenges posed by the integration approach and the commitment to double climate finance from 2020-21. Before COP26 was delayed as a result of the COVID-19 pandemic, DFID had appointed a new Director for Climate and Environment, which demonstrated the higher priority accorded to these issues.

### **Recommendation 3: Present a clearer public narrative about the ambition and value of the UK's climate investment, to support global influencing**

The ICAI review found that the UK did not provide a clear public narrative on the ambition of the ICF, and that the ICF's low visibility undermined the ability of the UK government to show global leadership and leverage

<sup>1</sup> Oral evidence: Follow-up to IDC and ICAI climate reports, HC 115, IDC, 23 October 2019, pp. 18-19, [link](#).

change from others. The UK government accepted the resulting recommendation and has undertaken a range of actions to improve transparency and information sharing, including a new ICF information booklet and an updated ICF website. We were informed that an Excel database of ICF projects will soon be made publicly available, along with a 'tag' added for ICF projects in DevTracker, and that an ICF communication strategy is under development.

However, the response to this recommendation suggests a failure to recognise its main thrust – to ensure that the broader public narrative on the ICF is used to leverage further climate action from a variety of stakeholders. We received little information to suggest significant progress on this agenda, although we recognise that the effort made to secure the hosting of COP26 indicates an eagerness to pursue global leadership and provides further opportunities to do so.

## Conclusion

Since the original ICAI review, the government has committed to double its climate finance during 2021-25, secured the hosting of COP26 and done valuable technical work, while DFID has introduced new guidance on low-carbon development. This progress was made despite constraints and challenges in the wider political and policy context, not least the challenges posed by the COVID-19 pandemic.

However, we are concerned about the significant delays to producing the new ICF strategy, the limited progress in developing a more structured and deliberate approach to mainstreaming low-carbon development in DFID, and the limited efforts to use communications on the ICF to pursue UK global leadership in the area of climate finance. Considering the planned sharp increase in UK spending on climate finance, it is an urgent matter to overcome the lack of progress in these areas. We therefore rate this follow-up as inadequate and will assess progress on updating the ICF strategy as part of our forthcoming ICAI review on UK aid to tackle biodiversity and deforestation.



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