

Research Briefing

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UK aid and climate change



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Summary

The government's 2023 review of foreign, defence and security policy described climate change as a significant multiplier of other challenges such as migration and food security, and that addressing climate change and protecting biodiversity were the [“first thematic priority” for UK action](#).

This briefing summarises the potential effects of climate change on global development challenges such as poverty and water security. It also looks at how climate change is prioritised in UK aid policy and aid spending, and its effectiveness in helping vulnerable states respond to climate change.

How does climate change affect development?

The Intergovernmental Panel on Climate Change (IPCC) is a UN body that publishes regular reports [summarising the science of climate change](#).

The IPCC estimates that, without mitigation, a [rise in global temperatures by 1.5°C](#) would cause the global population vulnerable or exposed to water stress to rise from 1.1 billion to 1.5 billion, and an increase of [1% to 29% in cereal prices by 2050](#). In 2020, the World Bank also estimated that by 2030 [up to 132 million people could be pushed into extreme poverty](#) (US\$1.90 per day) by climate change. Countries vulnerable to climate change are often also the [most vulnerable to debt distress](#), a [status which may worsen](#).

There is no single list of countries most vulnerable to climate change, but organisations such as [Notre Dame University](#), the [World Bank](#) and [German Watch](#) have developed rankings of climate vulnerability.

What are the UK's aid priorities on climate?

Addressing climate change and biodiversity loss is one of the four priorities for UK aid in the [2022 international development strategy](#). The 2023 [White paper on international development](#) also said the government would go “further, faster to mobilise international finance” to address climate change.

From 2023, [all new bilateral UK aid is intended to be aligned with the 2015 Paris Agreement on climate change](#). This means, for example, that all aid will contribute to the stabilisation of greenhouse gas emissions. Bilateral aid is aid directed to specific countries and programmes, as opposed to multilateral aid spent via international institutions like the World Bank.

Is UK aid funding fossil fuels?

Since 2012, the government has made a series of commitments restricting UK overseas funding for fossil fuels. In 2022, it said that since March 2021 [it no longer provides “any new direct financial support for fossil fuel energy overseas”](#). There are limited exceptions, which include health and safety improvements and gas power generation as part of a clean energy transition.

The government also said that since 2019 the “main area” of overseas aid spending on fossil fuels had been by British International Investment (BII, the [UK’s development finance institution](#)) and the Private Infrastructure Development Group (a [multi-donor programme](#), which has [invested in gas](#)).

The [BII’s fossil fuel policy](#) says it will not make new commitments in the exploration and production of fossil fuels, their transportation, refinement, distribution, or power generation. Its [2022 annual report](#) (PDF) says its carbon-related assets (those excluded by the post-2020 fossil fuel policy and others still permitted), was £605 million in 2021 (around 10% of its portfolio).

How much UK aid is spent on climate change?

There is no specific data for aid spending on climate change. This is because the theme is [considered a cross-cutting one](#) in reporting rules agreed within the Organisation for Economic Co-operation and Development (OECD).

However, the UK does report its levels of “development finance for climate and environment” to the OECD (note this is not the same as “[international climate finance](#)”). This states that the UK [provided around £9.7 billion](#) in climate-related development finance from 2012 and 2021. Around 55% of this was not allocated to any specific country (instead provided to multilateral organisations). Around 29% went to low-income states.

The US\$100 billion climate finance goal

In 2009 developed countries committed to provide US\$100 billion annually in international climate finance (ICF) by 2020 to help developing countries respond to, and mitigate the effects of, climate change. ICF can be issued as loans, grants, and export credits. The goal was [met for the first time in 2022](#).

In 2019, the UK pledged [£11.6 billion in ICF from 2021/22 to 2025/26](#), of which 55% will be spent in 2024/25 and 2025/26. All ICF comes from the aid budget.

The Commons Library research briefing, [The UK and the US\\$100 billion climate finance goal](#), provides more on UK ICF and its effectiveness, global performance, and negotiations on a replacement target from 2024.

1 Climate change and development

1.1 Observed and expected climate change

The Intergovernmental panel on climate change (IPCC) is a UN body that publishes regular reports summarising the science of climate change.

In 2023, the IPCC published its [synthesis report, Climate change 2023](#). This included findings from previous IPCC reports on the physical science of climate change and its effects.¹

The IPCC report on the [physical science](#) provides an overview of the understanding of the current state of the global climate, including how it is changing and the role of human activity. It found that every inhabited region on the globe is already affected by climate change, and that human influence is contributing to many of the observed changes in climate.²

The IPCC summarised observations relating to climate change across countries, and the degree of confidence in human contributions to these. It produced a set of five possible future emissions scenarios to model expected climate change, and from these set out expectations for future changes to temperature, precipitation, and other environmental factors. These are summarised below.³

Increase in heatwaves and hot extremes

Across almost all countries, an increase in hot extremes has been observed. The IPCC has high confidence that this has been shaped by human actions.⁴

Annual average temperatures are expected to continue to increase across all continents, and these increases are generally expected to be larger over land

¹ IPCC, [Climate change 2021: the physical science basis](#), 6 August 2021; IPCC, [Climate change 2022: impacts, adaptation and vulnerability](#), 27 February 2022; IPCC, [Climate change 2022: mitigation of climate change](#), 4 April 2022; Special reports, all IPCC: [Global warming of 1.5°C](#) (2018), [Climate change and land](#) (2019), [Special report on the ocean and cryosphere in a changing climate](#) (2019). Sources in this section all accessed 9 April 2024 unless stated.

² IPCC, [Climate change 2021: The physical science basis - summary for policymakers](#), 6 August 2021, p10.

³ As above, pp10-11. These scenarios refer to near term (2021-2040), mid-term (2041-2060) and long-term (2081-2100).

⁴ As above, p10. All observed statistics date back to the 1950s.

than the oceans. With every increment of global warming, changes are expected to be larger in frequency and intensity.⁵

Increased heatwave magnitude and frequency are projected in Africa, Asia, Australia, and most of Central and South America, with potential effects for health and agriculture. Heat extremes are likely to be amplified in urban areas (though mitigated in part by the proximity of many cities to coasts).⁶

Changes in precipitation

Across most of the northern hemisphere, countries have observed an increase in heavy precipitation. Many southern European and African regions have observed an increase in agricultural and ecological drought.⁷

A warmer climate is expected to increase variability in the global water cycle, contributing to an increase in the intensity of very wet and very dry weather, with implications for flooding and drought. Changes in soil moisture are closely linked to changes in precipitation, with increases over high latitudes and more severe decreases over parts of the subtropics and tropics.⁸

Heavy precipitation and flooding are expected to intensify and become more frequent in most regions in Africa and Asia (with medium to high confidence in North America). Monsoon precipitation is projected to increase, particularly over South and Southeast Asia, East Asia, and West Africa.⁹

Precipitation is projected to decrease over parts of the subtropics and tropics, and warming land will increase the severity of drought events. The Amazon and Central America are projected to experience enhanced aridity.¹⁰

Sea level rise

Relative sea level rise will continue in almost all regions, contributing to increased coastal flooding in most low-lying coastal areas and coastal erosion alongside most sandy coasts. This will include delta areas in Asia as well as small islands.¹¹

Changes in carbon storage

The IPCC expect that increasing carbon dioxide emissions will reduce the effectiveness of both ocean and land carbon sinks in slowing the

⁵ IPCC, [Climate change 2021: the physical science basis - summary for policymakers](#), 6 August 2021, p16.

⁶ As above, section B.3, B.3.2, C2.2.

⁷ As above, p10.

⁸ As above, section B.3.

⁹ As above, section B.3.2, B.3.3, C.2.2.

¹⁰ As above, section B.3.1, B.3.2, B.3.3, C.2.2.

¹¹ As above, pp19, 54, 109.

accumulation of greenhouse gases in the atmosphere, further contributing to global warming.¹²

Further information on the physical science of climate

The above is not an exhaustive list of the IPCC's report's conclusions. More information can be found in the [IPCC's interactive atlas](#) and [chapter 12 of its 2021 report on the physical science basis for climate change](#)

1.2

Which countries are most vulnerable to climate change?

Climate vulnerability rankings

There is no single definition of vulnerability to climate change, and all countries are experiencing climate impacts. The impacts and risks of climate change can be expressed in terms of damages, harms, economic and non-economic losses, and certain factors (such as gross domestic product and income, geography, demography) can exacerbate these impacts and risks.¹³

Low-income and least-developed countries (as [defined by the UN](#)), are commonly considered amongst the most vulnerable or exposed to climate change. For examples of climate vulnerability rankings, see: University of Notre Dame, [ND-Gain](#); German Watch, [Global climate risk index 2021](#) and the World Bank, [Climate change knowledge portal](#).

V20 group of countries

In 2015, the [Vulnerable Twenty](#) (V20) grouping of countries was established. Members include countries highly vulnerable to climate change, low-income and middle-income economies, least-developed countries, and small island developing states (SIDS). It includes Ethiopia, Jordan, Philippines, and Haiti.¹⁴

The aim of the V20 group is to strengthen global economic and financial responses to climate change that fall beyond the remit of any one organisation.¹⁵

¹² IPCC, [Climate change 2021: the physical science basis - summary for policymakers](#), 6 August 2021, B.3.

¹³ IPCC, [Climate change 2022: impacts, adaptation and vulnerability - summary for policymakers](#), 27 February 2022.

¹⁴ [V20 homepage](#)

¹⁵ [V20: about](#)

The group now has [68 members](#), with a total population of around 1.7 billion.¹⁶

In 2023, they were responsible for around 5% of global emissions. All but 19 are low-income or lower-middle-income states and territories (with an average annual per person income of less than US\$4,465).¹⁷

Small Island Developing States (SIDS)

SIDS are also considered vulnerable because of their physical locations, small economies, and challenges in accessing external finance. The Commons Library research briefing [Commonwealth SIDS and climate change](#) provides background.¹⁸

1.3 Climate change and development needs

In 2018, the IPCC published its [special report on global warming of 1.5°C](#), which included an assessment of climate change and climate responses on development goals such as poverty, water, and nutrition.¹⁹

Poverty

Currently, around 700 million people currently live in extreme poverty, defined as living on less than US\$2.15 per day.²⁰

Climate change may increase poverty in sub-Saharan Africa, the Middle East and East Asia

The IPCC describes climate change as a poverty multiplier, amplifying existing vulnerabilities and inequalities that affect poverty.²¹ The IPCC states it has high confidence there will be greater proportions of people exposed and susceptible to poverty in Africa and Asia with warming over 1.5°C.²²

In 2020, the World Bank estimated that up to 132 million people could be pushed into extreme poverty by climate change by 2030.²³

In its assessment of populations vulnerable to poverty, the IPCC found:

- Those in South Asia will be most impacted by warming of 1.5°C, but that impacts spread to sub-Saharan Africa, the Middle East and East Asia at 2°C and higher levels of warming.²⁴

¹⁶ V20, [Members](#)

¹⁷ World Bank, [World Bank country and lending groups; CO2 emissions \(metric tonnes per capita\)](#)

¹⁸ Commons Library research briefing, [Commonwealth SIDS and climate change](#).

¹⁹ IPCC, [Special report: global warming of 1.5°C](#), 15 May 2018.

²⁰ World Bank, [Poverty: overview](#), accessed 13 June 2024

²¹ IPCC, [Climate change 2022: impacts, adaptation and vulnerability](#), 27 February 2022, ch 8; IPCC, [Special report: global warming of 1.5°C](#), 15 May 2018, ch 3, 3.4.10.2.

²² As above, ch 3, 3.3.1.

²³ World Bank, [Covid, climate change and poverty: avoiding the worst impacts](#), 7 October 2020

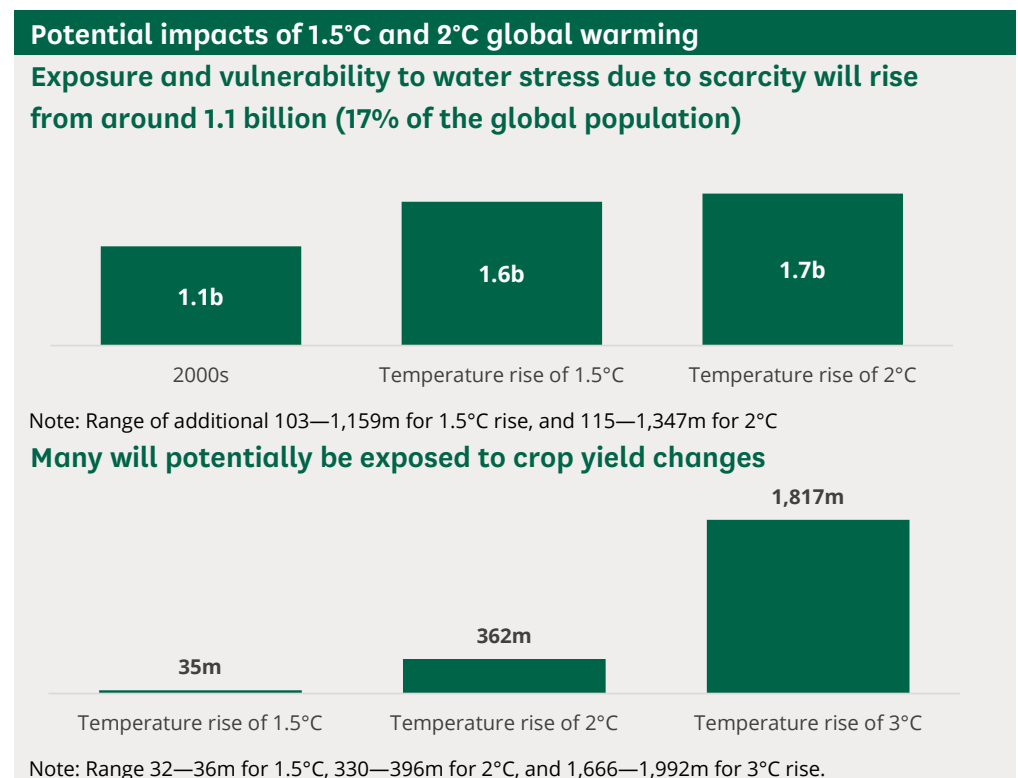
²⁴ IPCC, [Special report: global warming of 1.5°C](#), 15 May 2018, ch 3, 3.5.2.3.

- Climate impacts are most severe in populations experiencing multiple challenges including wealth inequality, limited access to water and sanitation, weak governance, and existing high levels of poverty.²⁵

The UN’s Gender Snapshot 2023 also highlights that women and girls will be impacted by climate change, projecting that by 2050 climate change may push up to 158 million more women and girls into poverty (16 million more than the total number of men and boys).²⁶

Water scarcity and food security

As shown in the below chart, a rise in temperatures will increase exposure and vulnerability to water stress due to water scarcity, from 1.1 billion people to 1.6 billion (in the case of a 1.5°C rise) and expose more people to crop yield changes (35 million in the case of a 1.5°C rise).



Source: IPCC, [Special report: global warming of 1.5°C](#), 15 May 2018, Chapter 3: Impacts of 1.5C global warming on human and natural systems, pp213- 246.

²⁵ IPCC, [Climate change 2022: impacts, adaptation and vulnerability](#), 27 February 2022, ch 8, 8.3, 8.4.

²⁶ UN News, [The world is failing girls and women, according to new UN report](#), 7 September 2023

Water scarcity

The global urban population experiencing water scarcity is projected to double by 2050, to between 1.7 and 2.4 billion people.

Currently, between 2 and 3 billion people worldwide experience water shortages.²⁷ With warming of 1.5°C, water scarcity is projected to heighten in areas already under stress, as well as extend to new locations that previously had not experienced stress:

- The UN world water development report 2023 projects that the global urban population experiencing water scarcity may double from around 930 million in 2016 to between 1.7 and 2.4 billion people in 2050.²⁸
- The IPCC state that the Middle East is likely to experience “chronic” water scarcity, even if global temperature rises remain less than 2°C. SIDS are also expected to see freshwater stress.²⁹
- The UN Children’s Fund, Unicef, estimate that one in three children are currently exposed to severe water scarcity, and that most of these live in low- and middle-income economies. In countries such as Niger, Jordan, Burkina Faso, and Chad, the proportion rises to 80% of children.³⁰

Food security

Climate change may drive an increase in cereal prices and spread new pests and diseases

Food (in)security is closely connected to climate, with the food system both responsible for and vulnerable to the impacts of climate change. Agriculture and food production is estimated to account for around a third of all global greenhouse gas emissions.³¹

An IPCC special report on climate change and land in 2019 found with high confidence that climate change is already affecting food security.³² Some crops in low-latitude regions have been negatively affected, while some crops in higher-latitude regions have been positively affected.³³

The IPCC references research suggesting a 1–29% rise in cereal prices by 2050, placing between 1 million and 183 million additional people at risk of hunger (the range is dependent on temperature rises and policy responses).³⁴

The IPCC also suggest with high confidence that distributions of pests and diseases will change, affecting production negatively in many regions.³⁵

Decreased regional availability of food is also expected to drive supply chain insecurity and increase price volatility. On average, lower-income households economies spend a much larger proportion of their income on food: on

²⁷ UNESCO and UN Water, [UN world water development report 2023](#), 15 March 2023

²⁸ As above

²⁹ IPCC, [Special report: global warming of 1.5°C](#), 15 May 2018, 4.2.3.1.

³⁰ Unicef, [The children’s climate risk index](#), 19 August 2021; [1 in 3 children exposed to severe water scarcity](#), 13 November 2023

³¹ World Bank, [What you need to know about food security and climate change](#), 17 October 2022

³² IPCC, [Special report: Climate change and land](#), 7 April 2019, ch 5

³³ As above, ch 5, 5.2.2.

³⁴ As above ch 5, 5.2.2.

³⁵ As above, ch 5, 5.2.3, 5.2.4.

average, US households currently spend less than 10%, while in India it is 30% and in Kenya 60%.³⁶

Debt and climate change

Countries most vulnerable to climate change are also most vulnerable to debt distress

As described in the Commons Library research briefing, [Debt relief in low income countries](#), some states most vulnerable to climate change are also the most vulnerable to debt distress (meaning that they cannot service their debt obligations).

This is a status which may worsen in the future: analysis suggests that climate change may negatively impact on the credit ratings of many countries, raising the costs of borrowing and restricting access to finance.³⁷ As noted by the campaign group Debt Justice in 2021, in 34 states more public spending was committed to meeting debt repayments than adapting to climate change.³⁸

Launched in 2022, the Bridgetown initiative, led by Barbadian Prime Minister, Mia Mottley, seeks to address three interrelated challenges: global food and energy supply, debt distress, and climate change. For UK efforts on this issue and response to the initiative, see sections 2.2 and 3.7 of the briefing on [Debt relief in low income countries](#).

Migration and internal displacement

The IPCC notes the decision to migrate can be driven by a range of factors, and attributing migration to climate change can be difficult.³⁹

The World Bank's 2021 Groundswell report estimated that climate change could force 216 million people to move within their countries by 2050, but that immediate action to reduce global emissions could reduce this by up to 80%.⁴⁰

The same report says that sub-Saharan Africa and East Asia and the Pacific are expected to have the highest internal migration (86 million and 49 million migrants, respectively).⁴¹

³⁶ World Economic Forum, [Climate change is accelerating the global food crisis, we must act now to protect the most vulnerable](#), 11 July 2023; US Department of Agriculture Research Service, [Food prices and spending: international consumer and food industry trends 2022](#)

³⁷ University of East Anglia, [Climate change and sovereign credit ratings](#), accessed 24 July 2023

³⁸ Debt Justice, [Lower income countries spend five times more on debt than dealing with climate change](#), 27 October 2021

³⁹ IPCC, [Special report: global warming of 1.5°C](#), 15 May 2018, 3.4.10.2.

⁴⁰ World Bank, [Groundswell 2: acting on internal climate migration](#), 13 September 2021

⁴¹ As above

Climate change will have specific impacts on women and girls

Vulnerability to climate change is influenced by social and economic factors including employment, gender, disability, income level, and discrimination.⁴² The connection and interaction of these different factors is commonly referred to as “intersectionality”:⁴³

- A 2019 report by the UN High Commissioner for Human Rights outlined that women are particularly vulnerable to the effects of climate change. As examples, it cited the greater exposure of women to food insecurity and discriminatory food allocation, and the role of women in acquiring water for their families. It noted that women also experience higher mortality rates than men during extreme weather events (primarily due to differences in health care and social prejudice).⁴⁴
- A 2022 UN report examined examples of gender-differentiated impacts of climate change. It found that climate impacts have repercussions for the daily tasks of women and girls. For example, as water scarcity increases, women and girls may have to travel further to collect clean water and therefore may be forced to drop out of school.⁴⁵
- The UN also found that increasing examples of gender-based violence and child marriage were prevalent in countries coping with severe climate impacts. These were associated with attempts to secure funds or assets and to recover losses, following events such as drought, flooding, and intense storms.⁴⁶

Further reading on climate and development

Poverty and economic development

- World Bank, [The climate implications of ending global poverty](#), June 2023
- World Bank, [Why climate action is critical to reducing poverty](#), July 2023
- Development Initiatives, [Uncertain road: examining the World Bank’s climate change poverty projections](#), October 2023
- World Economic Forum, [Alleviating poverty and fighting climate change](#), January 2024

⁴² IPCC, [Climate Change 2022: Impacts, Adaptation and Vulnerability](#), 27 February 2022, ch 8

⁴³ World Economic Forum, [Intersectionality can help us identify the women at climate change’s sharpest edge](#), 17 July 2023.

⁴⁴ UN High Commissioner for Human Rights, [Analytical study on gender-responsive climate action for the full and effective enjoyment of the rights of women](#) (PDF), 1 May 2019.

⁴⁵ UN Climate Change, [Dimensions and examples of the gender-differentiated impacts of climate change. \[...\]](#), 1 June 2022.

⁴⁶ As above

- UN Development Program, [Climate change threatens to worsen poverty, hunger in Asia-Pacific](#), February 2024

Migration and displacement

- House of Lords Library, [Climate induced migration](#), September 2023
- European Parliament Research Service, [The concept of 'climate refugee' \(PDF\)](#), October 2023
- UN Refugee Agency, [Climate change and displacement](#), November 2023
- Carbon Brief, [How does climate change drive human migration?](#), April 2024
- Internal Displacement Monitoring Centre and Norwegian Refugee Council, [Global report on internal displacement 2024](#), May 2024

Climate change and global health

- World Health Organization, [Climate change](#), October 2023
- UK Health Security Agency, [How does climate change threaten our health?](#), December 2023
- World Economic Forum, [Five ways the climate crisis is affecting our health](#), May 2024
- World Health Organization, [Experts warn of serious health impacts from climate change](#), June 2024. Includes links to four articles on: climate change and health, maternal and newborn health, child and adolescent health, and healthy ageing.

Human security

- UN, [Five ways the climate crisis impacts human security](#), undated
- Commons Library debate briefing, [Climate change and human security](#), November 2022
- World Economic Forum, [These are the biggest global risks we face in 2024 and beyond](#), January 2024
- Commons Environmental Audit Committee, [Climate change and security: Oral evidence](#), May 2024.

Effects on different groups

- Unicef, [The climate-changed child](#), November 2023
- International Union for Conservation of Nature, [Disaster and gender statistics: fact sheet \(PDF\)](#)
- UN Framework Convention on Climate Change, [Why climate change impacts women differently to men](#), June 2022

- UN Food and Agriculture Organization, [The climate crisis is unjust for rural women](#), March 2024
- Help Age International, [Climate change in ageing world](#), November 2023
- Christian Blind Mission, [Climate change: this century's defining issue](#), 2020.
- M Kett and E Cole for the Department for International Development, [Disability and climate resilience](#), 2018

2 UK strategy on aid and climate change

2.1 Aid strategy and white paper commitments

Integrated review and refresh, 2021 and 2023

In his foreword to the 2021 integrated review of UK defence, security, development, and foreign policy, then Prime Minister, Boris Johnson, said addressing climate change and biodiversity loss was the Government's "number one international priority" through the [Glasgow conference on climate change, COP 26](#), and beyond.⁴⁷

The review described climate change as a global "test of resilience and international cooperation" that threatens to be a "driver of future instability and poverty", especially in sub-Saharan Africa, South and East Asia, and the Middle East, and which required "immediate and concerned action".⁴⁸

The [integrated review refresh](#), published in 2023 in response to Russia's invasion of Ukraine in 2022, said climate change and biodiversity remained the "first thematic priority" for the UK. It described the issues as "important multipliers of other global threat" and noted that (hyperlinks added):

[...] six of the [top ten risks for the decade ahead identified by the World Economic Forum](#) relate to climate, the environment and nature. The consequences are both acute and chronic, resulting in a sharp increase in global migration and the number of people in need of immediate humanitarian assistance, as well as significant set-backs to progress towards the [Sustainable Development Goals](#) (SDGs). At home, these transnational challenges test the UK's own resilience, as well as driving new or evolving security challenges, as seen in the numbers of people seeking to cross the Channel in small boats.⁴⁹

International development strategy and white paper

In May 2022, the UK Government [published a new, ten-year strategy on international development](#). This identified four priorities for UK aid, including addressing climate change and biodiversity loss. The strategy is complemented by [a November 2023 white paper](#), which runs until 2030.

⁴⁷ Cabinet Office, [The integrated review 2021](#), 16 March 2021

⁴⁸ As above, pp31, 46, 87

⁴⁹ Cabinet Office, [The integrated review refresh 2023](#), May 2023, pp10, 26

The two documents describe UK aid commitments on climate change, which includes the following:

- Providing £11.6 billion in international climate finance from 2021/22 to 2025/26, to help countries respond to climate change. This was first announced in 2019.
- To use UK finance and UK aid's development finance institution, [British International Investment](#) (BII), to help mobilise private finance to address climate change in lower income states. The BII has set a target for 30% of its new investments from 2021 to 2026 to be in climate finance.⁵⁰
- To ensure all new UK bilateral aid is aligned to the Paris Agreement in 2023 (meaning it helps countries mitigate and adapt to climate change).
- To ensure all UK new UK aid is “nature positive” and aligns with the international goal to halt and reverse biodiversity loss by 2030.

In 2020, the government had also committed to end UK aid funding for fossil fuels overseas “as soon as possible”.⁵¹

Section 2.2 onwards provides information on each of these five topics.

Further reading on aid strategies and climate change

- Commons Library, [The UK's 2022 aid strategy](#), section 6.1
- Lords Library, [UK contribution to international development: Mitigating the impact of climate change on developing nations](#), December 2023
- Foreign, Commonwealth and Development Office (FCDO), [International development in a contested world](#), November 2023. White paper.
- International Development Committee, [Global Britain in demand: UK climate action and international development around COP26](#), October 2021. Committee inquiry and UK Government response.
- FCDO, [Development Tracker](#). This publishes summaries and annual reports on all UK aid programmes.
- Carbon Brief, [How the UK has spent its foreign aid on climate change since 2011](#), November 2023

⁵⁰ FCDO, [The UK's international strategy in international development](#), May 2022, paras 6, 27; FCDO, [International development in a contested world: White paper](#), November 2023, paras 2.23, 5.23.

⁵¹ Prime Minister's Office, [PM announces the UK will end support for fossil fuel sector overseas](#), 12 December 2020

2.2

£11.6 billion in international climate finance

In 2019, the UK Government committed £11.6 billion in international climate finance (ICF) from 2021/22 to 2025/26 to help developing countries mitigate the effects of, and adapt to, climate change.⁵²

ICF can take the form of loans, grants, guarantees and bilateral funding. The majority of UK ICF is provided in the form of grants and intended to be evenly split between mitigation and adaptation. However, the UK's Independent Commission for Aid Impact (ICAI), which is responsible for monitoring UK aid spending, in February 2024 raised concerns about the government's ability to meet the new commitment, with 55% (between £5.9 billion and £6.6 billion) planned to be spent in the last two years (2024/25 and 2025/26).⁵³

The commitment forms part of the global goal, first agreed in the 2009 Copenhagen UN Climate Conference (COP 15), for developed countries to provide US\$100 billion annually to developing countries to support their response to climate change. The goal was met (and exceeded) for the first time in 2022, standing at US\$116 billion.⁵⁴

Further reading on UK ICF

- UK Government, [International Climate Finance](#). This includes 15-page summary booklet, case studies and headline results.
- UK Government, [International Climate Finance results](#). These are published annually.
- Commons Library, [The UK and the US\\$100 billion climate finance goal](#).

British International Investment and ICF

British International Investment (BII) is the UK's [development finance institution](#). As a development finance institution, the BII uses UK aid funding and its existing assets to invest in businesses and programmes in low- and middle-income countries. Its investments are intended to generate a return.⁵⁵

In its 2022 to 2026 strategy, the BII has committed for 30% of new investments to be in climate finance. It expects this to total £3 billion over the five years.⁵⁶

⁵² Department for International Development, [UK aid to double efforts to tackle climate change](#), 23 September 2019; HCWS1071 [[International climate finance](#)], 17 October 2023

⁵³ As above and ICAI, [The UK's ICF](#), 29 February 2024, executive summary

⁵⁴ UNFCCC, [Copenhagen climate change conference 2009; "Developing" and "developed" countries are defined by the UNFCCC](#); OECD, [Climate finance provided and mobilised](#), May 2024

⁵⁵ See the Commons Library research briefing, [BII: aid and trade](#)

⁵⁶ British International Investment, [2022 to 2026 technical strategy](#), 2022, pp4, 14, 29

2.3

New UK bilateral aid and the Paris Agreement

Commitment

In 2019, the government committed to align its aid spending with the Paris Agreement on Climate change.⁵⁷

The 2022 aid strategy confirmed the requirement would be in place from 2023 and apply to all new UK bilateral aid (that is, aid directed to specific countries and programmes, as opposed to multilateral aid spent via international institutions like the World Bank).⁵⁸

What does “alignment” mean?

Alignment with the Paris Agreement means that spending will meet three long-term goals:

- Stabilising greenhouse gases at a level which will hold the increase in average global temperature to below 2°C above pre-industrial levels;
- Increasing the ability of countries to adapt to climate change;
- Ensuring finance flows support climate-resilient and low-carbon development.⁵⁹

The FCDO amended its programme operating framework in 2021 to mandate the use of four tools to determine alignment with the Paris Agreement (spacing and hyperlinks added to original):

All programmes must align with the Paris Agreement – an international treaty on climate change – and assess climate and environmental impacts and risks, taking steps to ensure that no environmental harm is done. [...]

All programme design documents must include a summary of how the programme will meet the Green Finance Strategy criteria of Paris alignment:

- 1) ensuring it does not go against a partner [country's climate plans](#);
- 2) abiding by the [fossil fuel policy](#);
- 3) taking a proportional approach to carbon pricing analysis; and
- 4) climate and environment risks, impacts and opportunities and steps taken to mitigate any harm.⁶⁰

⁵⁷ Prime Minister's Office, [PM commits to greener aid spending and sets out bid to host international climate summit in 2020](#), 28 June 2019

⁵⁸ FCDO, [The UK government's strategy for international development](#), 16 May 2022, para 27

⁵⁹ UN, [Paris Agreement](#), 2015, Article 2.1

⁶⁰ FCDO, [Programme operating framework: Overview](#), 19 December 2023, section 3(5) and FCDO, [Programme operating framework \[full guide\]](#), October 2023, Rule 5

The operating framework applies to FCDO programmes. As stated below, in section 3.2, other departments are also responsible for spending aid on the environment.

Is the UK meeting the commitment?

The government has not reported on whether it met the commitment in 2023.

The Independent Commission for Aid Impact (ICAI) has previously raised concerns about the government's ability to do so. In its 2021 on preparations to meet Paris alignment, the ICAI reported there was "no roadmap" on how to meet the commitment across government but the FCDO tools (set out above) reflected "emerging good practice".⁶¹

However, it said the FCDO approach was limited to "screening out harmful activities" and did not yet "contain positive selection tools designed to encourage a systematic shift towards low-emission, climate resilient options".⁶²

The ICAI also noted the UK is "largely reliant" on the efforts of multilateral institutions and BII to ensure any UK bilateral aid spent through them is aligned (see below, section 4). It said the UK had been an "effective influence" of the multilateral development banks and their need for "clear implementation plans".⁶³

A follow-up assessment was published by the ICAI in 2023, which judged that the government's response to the previous review was "inadequate".⁶⁴

While it acknowledged work taking place within the FCDO and the establishment of a cross-departmental working group, the ICAI noted the government was not publicly reporting on its progress and said it was "not clear" how other departments were planning to secure Paris alignment.

The ICAI plans a further assessment on government progress in 2024.⁶⁵

Should Paris alignment be a legislative requirement?

The government has not introduced the commitment as legislation, arguing in 2019 that the prioritisation of climate change across departments is sufficient.⁶⁶

In 2021 the Commons International Development Committee argued that the government should do so. It cited the example of the [International](#)

⁶¹ ICAI, [UK aid's alignment with the Paris agreement](#), 2021, 'executive summary'

⁶² As above, 'The UK does not apply positive selection tools'.

⁶³ As above, 'executive summary' and 'monitoring and reporting mechanisms for Paris alignment'.

⁶⁴ ICAI, [Follow-up review of 2021-22 reports](#), 18 July 2023, paras 3.22 to 3.35

⁶⁵ As above, para 3.35

⁶⁶ [Government response to UK aid for combating climate change](#), 18 July 2019, para 18

[Development \(Gender Equality Act\) 2014](#), which requires a Secretary of State to:

have regard to the desirability of providing development assistance that is likely to contribute to reducing poverty in a way which is likely to contribute to reducing inequality between persons of different gender.⁶⁷

The Committee argued similar legislation on climate change would ensure consistency across UK aid spending and that it was all screened to ensure it contributes to a “climate resilient, low carbon world”.⁶⁸

In 2022 the then-Shadow International Development Secretary, Preet Gill MP, said a Labour government would legislate, “as a priority”, to ensure UK aid spending helps address climate change.⁶⁹

2.4 “Nature positive” aid

Commitment

In 2021, the government committed to ensure all new UK bilateral aid “does no harm to nature”. It also pledged to spend £3 billion of ICF on nature by 2026.⁷⁰

This commitment for UK aid to be “nature positive” was re-stated in the 2022 international development strategy.⁷¹

What does “nature positive” mean?

The 2022 strategy states “nature positive aid” will mean that UK aid will be aligned with the international goal to halt and reverse biodiversity loss by 2030 and the [post 2020 Global Biodiversity Framework](#).⁷²

No updates on the commitment have been issued.

⁶⁷ [International Development \(Gender Equality Act\) 2014](#), Section 1 (2)

⁶⁸ International Development Committee, [UK aid for combating climate change](#), HC1432, 8 May 2019, p5 and para 124

⁶⁹ [UK’s Labour Party announces plans to integrate climate and aid spending](#), Devex, 27 September 2022

⁷⁰ HM Treasury, [The economics of biodiversity: The Dasgupta review. Government response](#), 14 June 2021, p6, para 2.40

⁷¹ FCDO, [The UK government’s strategy for international development](#), 16 May 2022, para 27

⁷² As above, para 27

2.5

Is UK aid funding fossil fuels?

Commitments from 2012 to end UK funding

Since 2012, the government has made a series of commitments restricting UK overseas funding for fossil fuels overseas:

- 2012: The Department for International Development (DFID) and its successor, the FCDO, has not provided bilateral aid for coal-fire power generation and coal mining since 2012. In 2020 the FCDO said it supported multilateral coal projects only in “rare circumstances”.⁷³
- 2013: The government said it would “end support for public financing of new coal-fired power plants overseas, except in rare circumstances”. It said it would consider support for multilateral development bank investment in coal plants “where no other economically feasible alternative exists”.⁷⁴
- 2020: The government announced that UK aid funding, export finance, and trade promotion for new crude oil, natural gas or thermal coal projects would end, though there would be “very limited exceptions”.⁷⁵
- 2021: Following the announcement in the previous year, the government published its policy document, [Aligning UK international support for the clean energy transition](#). It said this would apply to UK aid, investment, financial and trade promotion overseas, including support by UK Export Finance and BII.

It set out five exceptions: improving energy or emissions efficiency, health and safety, energy market reform, decommissioning of existing assets, gas power and directly related infrastructure, standalone generators and liquid gas for cooking and heating, and carbon capture and storage (and similar projects). Further information on each of these exceptions can be found in the [policy document](#).⁷⁶

Position from 2021

The UK Government says that since 31 March 2021 it no longer provides “any new direct financial support for fossil fuel energy overseas”. It says there are

⁷³ PQ 5520 [[Developing countries: Coal](#)], 23 January 2020

⁷⁴ Department for Energy and Climate Change, [UK position on public financing of coal plants overseas](#), 21 November 2013

⁷⁵ Prime Minister’s Office, [PM announces the UK will end support for fossil fuel sector overseas](#), 12 December 2020

⁷⁶ Department for Energy Security and Net Zero, [Aligning UK international support for the clean energy transition](#), updated 21 December 2023, pp4-5

limited exceptions, which include health and safety improvements and gas power generation as part of a clean energy transition.⁷⁷

It said that since 2019 the “main area” of aid spending on fossil fuels had been by BII and the Private Infrastructure Development Group (see below).⁷⁸

Is BII investing in fossil fuels?

Commitments

The [BII's fossil fuel policy](#), published in 2020, says the group is acting to ensure its portfolio has net-zero emissions by 2050 and to avoid investments that “risk countries locking-in high carbon pathways” to development. It says it will not make any new commitments (either directly or indirectly) in the exploration and production of fossil fuels, their transportation, refinement, distribution, or power generation.⁷⁹

Current investments in fossil fuels

As noted by the Commons International Development Committee in its report on the BII, published in 2023, assets and investments made before the fossil fuel strategy remain in place until the BII divests from them. However, the Committee argued that the BII had no definite path to exit from them.⁸⁰

In its 2022 annual report, the BII reported that its carbon-related assets (defined as those excluded by the post-2020 fossil fuel policy and those still permitted), totalled 9.9% of its portfolio in 2021. This was down from 12.6% in 2020. Citing commercial sensitivities, the BII has not published the value of its 2022 investments, but in 2021 their value was £605 million.⁸¹

In March 2024, the International Development Minister, Andrew Mitchell, said that all BII investments made since 2020 meet the conditions of the BII's climate change strategy and government's fossil fuel policy.⁸²

In 2023, the International Development Committee said the BII could not provide a timeframe of when it would divest from the assets. The BII is operationally independent from the government. The Minister for International Development told the Committee that the FCDO would not dictate how the group should divest, or when, as this may affect the value of the BII's return its investments.⁸³

⁷⁷ PQ 36796 [[Development aid: Fossil fuels](#)], 20 July 2022

⁷⁸ PQ 36796 [[Development aid: Fossil fuels](#)], 20 July 2022

⁷⁹ BII, [Our fossil fuel policy](#), 2020, p5

⁸⁰ International Development Committee, [Investment for development: The UK's strategy towards development finance institutions](#), HC884, 15 September 2023, paras 24, 28

⁸¹ BII, [Annual accounts 2022](#) (PDF), July 2023, p35

⁸² PQ 19159 [[Overseas investments: Fossil fuels](#)], 21 March 2024

⁸³ International Development Committee, [Investment for development: The UK's strategy towards development finance institutions](#), HC884, 15 September 2023, para 24

For more on the energy policy of the BII, see section 4.3 of the Commons Library research briefing, [BII: Aid and trade](#).

Is the Private Infrastructure Development Group investing in fossil fuels?

The [Private Infrastructure Development Group](#) (PIDG) is a multi-donor programme, in which the UK committed US\$1.2 billion from 2002 to 2021 (out of a total budget of US\$1.8 billion).⁸⁴

In 2022, in response to a written parliamentary question, the UK Government said PIDG investments in gas fired electricity generation and storage infrastructure totalled £139.4 million from 2019 to 2021.⁸⁵

⁸⁴ PQ 36796 [[Development aid: Fossil fuels](#)], 20 July 2022

⁸⁵ PQ 36796 [[Development aid: Fossil fuels](#)], 20 July 2022

3 How much overseas aid does the UK spend on climate change?

3.1 Headline spending

Unless stated, data in section 3 is from OECD statistics on “climate-related development finance”

Challenges in measuring spending on climate change

The UK’s official statistics on international aid, [published by the FCDO](#), do not include totals for the amounts spent on climate change.

The UK reports its spending in line with rules agreed by the [Development Assistance Committee](#) of the Organisation for Economic Co-operation and Development (OECD). This treats climate change as a cross-cutting theme.⁸⁶

However, the UK does report its levels of “development finance for climate and environment” to the OECD. All the breakdowns below are sourced from this data.⁸⁷

What the OECD calls “climate-related development finance” is not necessarily the same thing as the UK’s [International climate finance](#) (ICF), though there will be considerable overlap.

ICF refers to the UK’s whole portfolio of support for developing countries to respond to the effects of climate change, including aid for multilateral climate funds and multi-donor programmes, and bilateral programmes to support adaptation and mitigation.⁸⁸

Climate-related development finance, 2012 to 2021

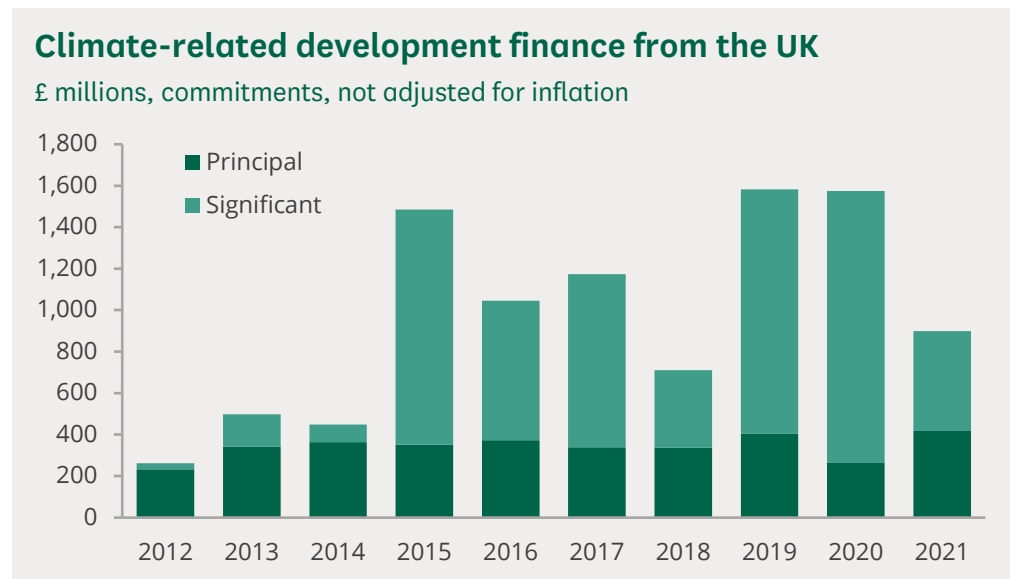
According to the OECD, the UK has provided around £9.7 billion in climate-related development finance between 2012 and 2021.

As the following chart shows, about £3.4 billion of this was for activities where climate-related activities were the principal focus, with the remaining £6.3 billion going to activities where climate change was not the principal focus but was still a significant element.

⁸⁶ PQ 144798 [[Overseas aid](#)], 5 February 2021

⁸⁷ The OECD’s totals can also include “Other Official Flows” (OOF), a measure that does not count as official aid but is closely related to it. The UK provides very little OOF, so the effect of this on the UK statistics is minimal.

⁸⁸ ICAI, [ICF: UK aid for low-carbon development](#), 19 February 2019



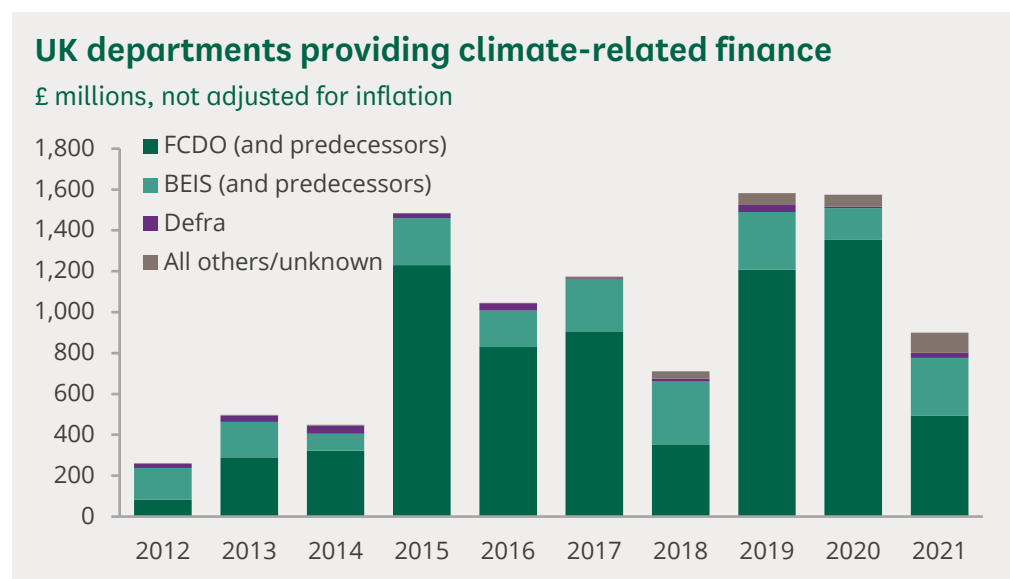
Note: Converted to sterling using average exchange rates from [ONS, time series AUSS](#).

Source: OECD, [Climate-related development finance datasets](#), 28 November 2023

The amounts spent on activities principally related to climate change have been reasonably steady (typically between £300 million and £400 million per year), while the amounts on activities where climate change was a significant aspect have varied far more. The overall total peaked in 2019, at £1.6 billion.

3.2 Which departments spend UK climate aid?

As shown in the below chart, the FCDO (and its predecessors, the Foreign and Commonwealth Office and DFID) have consistently spent most UK climate-related development finance.



Note: Converted to sterling using average exchange rates from [ONS, time series AUSS](#). Includes both “principal” and “significant” climate-related finance activities.

Source: OECD, [Climate-related development finance datasets](#), 28 November 2023

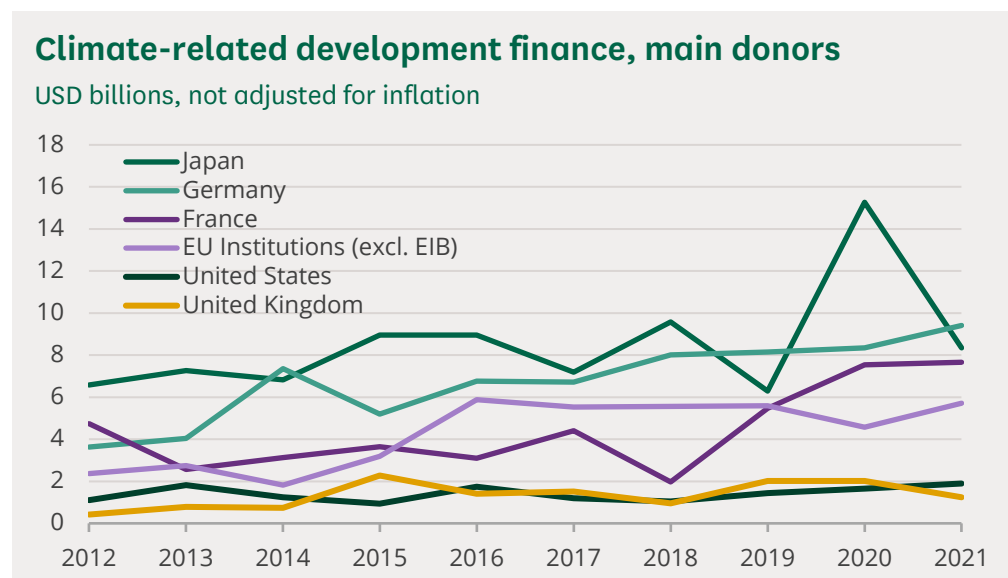
The Department for Business, Energy, and Industrial Strategy (BEIS, as it was then, along with its predecessor departments) has also been responsible for a large proportion of climate-related finance. The largest contribution from these departments was a series of investments into the [Clean technology fund](#), part of the multilateral Climate Investment Funds.

The third-largest contribution overall was from the Department for Environment, Food and Rural Affairs (DEFRA). The department's largest contribution was funding to the [Biocarbon fund initiative for sustainable forest landscapes](#).

3.3 How does UK aid compare internationally?

As the chart below shows, in every year between 2012 and 2021, Japan, Germany and France have been the largest donors of climate-related development finance (not counting the EU institutions). Between them they made up 60% of the total in these years.

The United States and the United Kingdom have accounted for a far smaller proportion (8% in total). In 2021, the UK was the eighth largest donor (or seventh largest if the EU institutions are not included).



Source: OECD, [Climate-related development finance datasets](#), 28 November 2023

3.4 Which countries does UK aid support?

One tension when spending aid to help countries adapt to and mitigate the effects of climate change is that the most substantial reductions in emissions will need to come from middle-income and high-income countries.

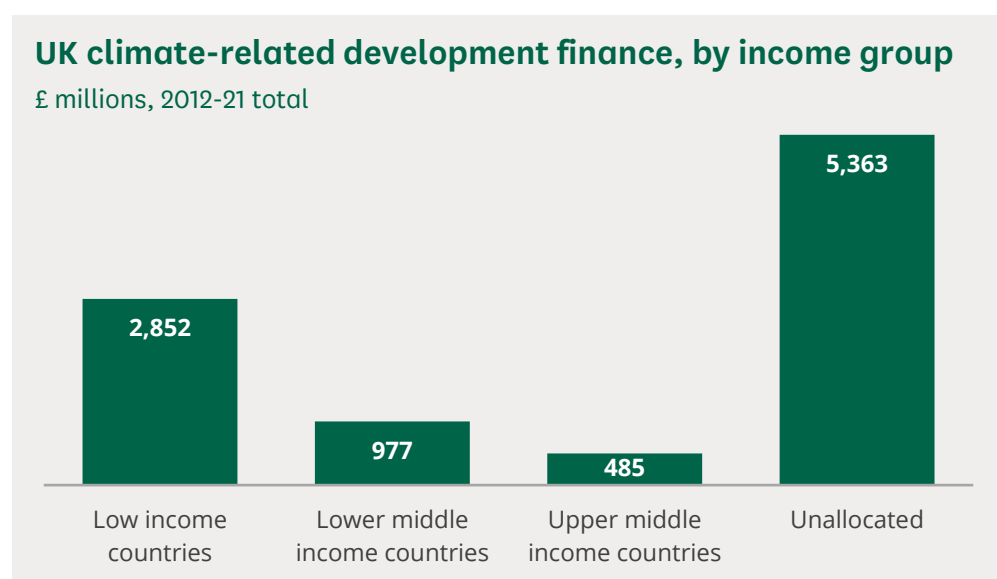
However, it is low-income countries that are likely to be some of the worst affected by changes to the climate.

In 2019, the International Development Committee was told that DFID climate finance did not focus on the most vulnerable countries to climate change.⁸⁹ However, the Government argued that middle-income countries also require support, as they accounted for 43% of emissions growth.⁹⁰

The ICAI has argued that this forms a “strong rationale” for the Government to focus on middle-income countries, but only if it occurs within a wider strategy that supports effective action in low-income countries.⁹¹

As the chart below shows, over half (55%) of climate-related development finance from the UK from 2012 to 2021 was not allocated to any specific country. Much of this was given to multilateral organisations.

Over this period, 29% of UK climate-related development finance went to low-income countries.



Note: Converted to sterling using average exchange rates from [ONS, time series AUSS](#). Includes both “principal” and “significant” climate-related finance activities.

Source: OECD, [Climate-related development finance datasets](#), 28 November 2023

Between 2012 and 2021, the country receiving more UK climate-related development finance than any other was Ethiopia, accounting for about 6% of the total. Other major recipients included South Sudan, Bangladesh, and Pakistan.

⁸⁹ International Development Committee, [UK aid for combating climate change](#) (PDF), HC 1432, 8 May 2019, para 59

⁹⁰ [Written evidence submitted from DFID, BEIS and DEFRA to International Development Committee on UK aid for combating climate change](#), 2018/19

⁹¹ ICAI, [ICE: UK aid for low-carbon development](#), February 2019, ‘conclusions on relevance’

In recent years South Africa has also received significant amounts of finance, accounting for 8% of the total in 2021; this was largely from an US\$88 million investment by [UK Climate Investments](#).

Middle income economies and climate change

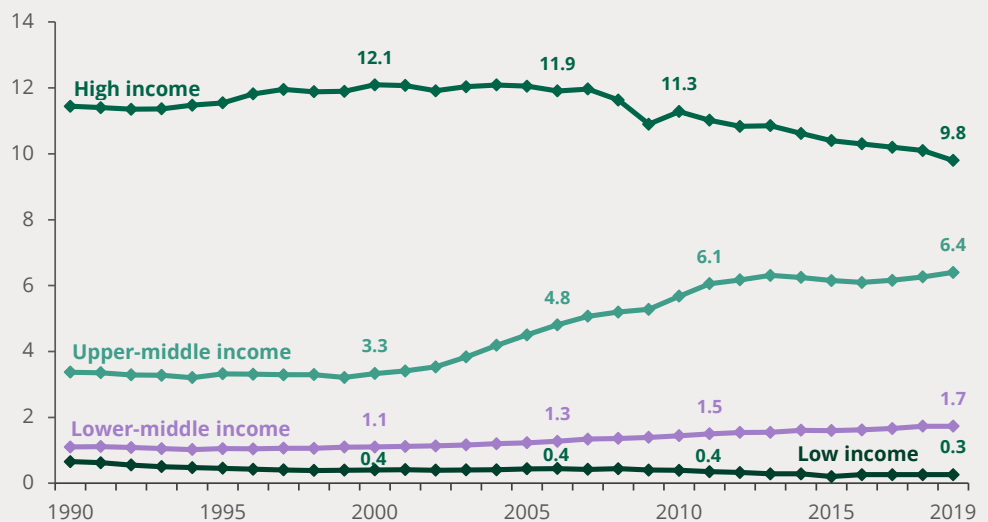
Lower income countries are commonly identified as being the most vulnerable to climate change, either because of their physical environments (as in the case of SIDS) or challenges in accessing finance (due to higher debt levels).

However, middle-income economies have seen the greatest rises in greenhouse gas emissions per capita (although total emissions tend to remain below the levels seen in high-income economies).⁹²

As shown in the below chart, [CO₂ emissions per capita](#) were nearly double in upper middle-income economies in 2019 compared with 2000 (6.4 tonnes versus 3.3 tonnes, an increase of 93%) and 63% higher for lower middle-income economies (1.7 tonnes versus 1.1 tonnes).⁹³

Upper middle-income economies include China, Russia, Brazil, and Argentina. Lower middle-income economies include Bangladesh, Ukraine, Egypt, and the Philippines.

Lower-middle and upper-middle income economies are seeing the greatest rises in CO₂ emissions (metric tonnes per capita)



Source: World Bank, [CO₂ emissions \(metric tons per capita\)](#), accessed 9 April 2024. CC BY-4.0

⁹² World Bank, [World Bank country and lending groups; CO₂ emissions \(metric tonnes per capita\)](#)

⁹³ As above

3.5

What's been the effects of a reduced aid budget?

“Temporary” move away from 0.7% target

In November 2020, citing the effect of the Covid-19 pandemic on the economy, the government announced that it would spend 0.5% of Gross National Income (GNI) on ODA in 2021, down from 0.7% in the previous seven years.

Spending fell from a peak of £15.1 billion in 2019 to £14.5 billion in 2020, £11.4 billion in 2021, before rising to £12.8 billion in 2022. However, the 2022 rise did not result in an end to pressures on aid spending, as around 29% of the budget was spent in the UK meeting the costs of hosting refugees.⁹⁴

Both the Conservatives and Labour have pledged to restore spending to 0.7% when economic circumstances allow. For more on the tests set out by the government to restore spending which were agreed by the Commons in 2021, see the Commons Library research briefing on [The 0.7% aid target](#).

Total spending on climate aid and climate finance

As stated above, there is no single series of data on UK aid spending on climate change.

OECD data on “climate related finance” (see above, section 3.1) reports that UK spending on the theme fell from 2020 to 2021 (data has not been published for later years).

Using internal FCDO data and a different measurement, in 2022 the National Audit Office reported that of the seven priorities for UK aid in 2021/22, FCDO funding increased from the previous year only for climate change and biodiversity (from around £278 million in 2020/21 to £534 million in 2021/22).⁹⁵

In its synthesis report on UK aid spending from 2019 to 2023, in September 2023 the ICAI noted that the “UK has been slow to disburse its international climate finance in relation to its commitment”.⁹⁶

However, it also said that its reviews had found that the UK had “help[ed] galvanise international action on climate change”, encouraged multilateral partners to improve their work on climate change, and helped leverage other finance and investment for climate change.⁹⁷

⁹⁴ See Commons Library research briefing, [UK aid: spending reductions since 2020 and outlook from 2023](#) and [The UK aid budget and support for refugees in the UK in 2022/23](#)

⁹⁵ National Audit Office, [Managing reductions in ODA](#), 31 March 2022, para 2.13 and p34

⁹⁶ ICAI, [UK aid under pressure](#), 13 September 2023, para 3.9

⁹⁷ As above, paras 3.5-3.6

Spending plans for international climate finance

In 2019, the UK Government announced it would spend £11.6 billion on ICF from 2021/22 to 2025/26.⁹⁸

In a written statement in October 2023, the government said that the majority of UK ICF will be spent towards the end of this period, with between £3.4 billion and £3.8 billion being committed in 2025/26 compared to £1.65 billion in 2021/22. Planned and actual spend is shown in the below table.

Planned UK ICF spend, 2021/22 to 2025/26	
Financial year	UK ICF spend and forecasted spend (£m)
2021/22	1,648
2022/23	1,629
2023/24	1,800 to 2,100
2024/25	2,500 to 2,800
2025/26	3,400 to 3,800
Total	11,600

Source: [HCWS1071 \[ICF\]](#), 17 October 2023

The government says that the rise in spending reflects the “increasing importance of tackling climate change and the growth in our economy”.⁹⁹

However, the ICAI argues planning to spend 55% of the committed spending in the last two years raises “serious concerns” over whether the £11.6 billion will be met, given the “successive budget reductions” to UK aid since 2020 and an expected spending review and general election before 2025/26.¹⁰⁰

Using government data, the ICAI estimates that in 2025/26 up to 28% of UK aid will be spent on ICF, up from 15% in 2021/22.¹⁰¹

Which bodies UK ICF will be spent through can be found in section 1.6 of the Commons Library research briefing on [The UK and the US\\$100 billion climate finance goal](#).

⁹⁸ DFID and others, [UK aid to double efforts to tackle climate change](#), 23 September 2019

⁹⁹ HCWS1071 [ICF], 17 October 2023

¹⁰⁰ ICAI, [UK aid's ICF](#), 29 February 2024, ‘Executive summary’

¹⁰¹ As above, paras 4.30-4.31

4 Multilateral institutions and aid

4.1 The multilateral funding landscape

What is multilateral funding?

Multilateral funding is provided to international organisations who allocate it in accordance with their priorities. It contrasts with bilateral aid, which is provided by donor governments for specific programmes or countries.

Multilateral development banks (MDBs), such as the World Bank, and regional development banks such as the Asian Development Bank, primarily provide loans and grants to fund projects and provide assets and liquidity to the global market when needed. The UK also provides funding to multilateral institutions such as the Green Finance Fund or Clean Technology Fund.

As set out below, much UK international climate finance relating to the environment is spent via multilateral channels (including MDBs).

How significant is MDB funding to addressing climate change?

MDBs play an important role in channelling climate finance and other aid resources to lower income states. A joint report by ten MDBs, including the African Development Bank, Asian Development Bank and World Bank, estimates that the ten MDBs provided US\$60.9 billion for low- and middle-income countries in climate finance in 2022. This was up from US\$50.7 billion in 2021 and US\$38.0 billion in 2020.¹⁰²

Funding came from a mixture of the MDBs own accounts (which includes funding by donor countries) and from other external resources the MDBs manage, such as trust funds, and those funded by specific climate funds.¹⁰³

Using separate statistics, Oxfam's 2023 Climate finance shadow report estimates that 53% of the US\$66,343 million provided on average in ICF from public sources in 2019 and 2020 towards the US\$100 billion goal came from multilateral banks and other international organisations. The remainder was from donor governments (meaning US\$35,420 million came from multilateral sources and US\$30,923 million from governments).¹⁰⁴

¹⁰² European Investment Bank, [2022 joint report on MDB's climate finance](#), 12 October 2023, pix

¹⁰³ As above, pp7, 36

¹⁰⁴ Oxfam, [Climate finance shadow report 2023](#), 2023, p13

Why spend aid through multilateral institutions?

In 2016, the then-DFID set out its view on the advantages of spending UK aid through multilateral institutions:

- Extending the reach of UK aid and allowing it to reach more people, in more countries, to meet more objectives.
- Applying the expertise of other organisations, which could include issuing concessional loans (such as by the World Bank), their specific work with private investors (the case with the Private Infrastructure Development Group) or specialisms (such as the Clean Technology Fund and climate change).
- Convening global resources to address global issues.
- Providing economies of scale.
- Spreading risk. The large portfolio of multilaterals allows them to make risky investments in fragile contexts and balance this with projects in other places.
- Being perceived as impartial and independent.
- Playing a role in agreeing and enforcing international standards.¹⁰⁵

In 2019, the ICAI noted on the role of multilaterals and climate finance that:

Channelling climate finance through multilateral funds balances out the preferences of individual donor countries, allows for fairer and more transparent allocation and gives developing countries greater ownership and control of the resulting climate action. The diversity of instruments, each with different objectives, allocation criteria and ways of working, also provides developing countries with more options for accessing funding.¹⁰⁶

It also noted some potential challenges such as overlapping work:

the climate finance architecture is undoubtedly complex. New funds have been created at particular points during international climate negotiations without old initiatives being retired. This has led to overlapping mandates and activities.¹⁰⁷

In 2019, the UK Government estimated that through market borrowing, every £1 the UK every £1 contributed by the UK to MDBs delivered £2–£3 of spending in poorer countries, and £7 of leveraged private investment.¹⁰⁸

¹⁰⁵ DFID, [The multilateral development review 2016](#), December 2016, pp9-11

¹⁰⁶ ICAI, [ICF: UK aid for low carbon development](#), February 2019, Box 5

¹⁰⁷ As above, Box 5.

¹⁰⁸ [Evidence from DFID, BEIS, and DEFRA to International Development Committee: UK aid for combating climate change](#), 2018/19

What have MDBs committed on climate change?

In 2017, nine MDBs announced they would align their spending with the Paris Agreement on climate change, to hold the increase in global average temperature to below 2°C above pre-industrial levels, and pursue efforts to limit it to 1.5°C.¹⁰⁹

The below is a selection of other commitments from MDBs:

- The World Bank has committed to devote 45% of its annual financing to climate change. This increase will represent an additional US\$9 billion a year, totalling US\$40 billion annually.¹¹⁰
- The African Development Bank has pledged to direct 40% of its investment to climate finance (it stood at 45% in 2022). It wants to mobilise US\$25 billion in adaptation actions across the continent by 2025.¹¹¹
- The Asian Development Bank aims to deliver US\$100 billion in climate finance from its own resources from 2019 to 2030 (a total of US\$30 billion had been spent by 2023). It plans for 75% of its operations to support climate mitigation or adaptation by 2030 (on a rolling three-year average).¹¹²
- The New Development Bank aims to direct 40% its financing from 2022 to 2026 to climate change adaptation and mitigation.¹¹³
- The Inter-American Development Bank Group has a minimum floor of 30% of its annual spending being focused on climate.¹¹⁴
- The Islamic Development Bank aims to spend 35% of its finance on climate by 2025.¹¹⁵
- The Council of Europe Development Bank has committed to align its activities with the Paris Agreement in 2021. In 2023, it allocated 22% of its financing on climate action.¹¹⁶

¹⁰⁹ World Bank, [The MDB's alignment with the Paris Agreement](#) (PDF), 2019

¹¹⁰ World Bank, [World Bank Group doubles down on financial ambition to drive climate action and build resilience](#), 1 December 2023; COP 28 UAE, [MDBs announce over US\\$180 billion in new climate commitments](#), November 2023

¹¹¹ African Development Bank Group, [COP 28: the Bank's climate change commitment](#)

¹¹² Asian Development Bank, [Work on climate change and disaster risk management](#)

¹¹³ New Development Bank, [Scaling up sustainable finance](#) (PDF), June 2022, p4

¹¹⁴ Inter-American Development Bank Group, [Climate change action plan 2021-25](#), March 2021, p10

¹¹⁵ Islamic Development Bank, [Climate change](#)

¹¹⁶ Council of Europe Development Bank, [The CEB and climate change](#)

- The European Bank for Reconstruction and Development has pledged to become a “majority green bank” by 2025. From 2022, it says all its activities have been aligned with the Paris Agreement.¹¹⁷

4.2 How significant are multilaterals to UK aid?

A large proportion of UK international climate finance is spent through multilateral channels.

From 2015 to 2020, 24% of UK ICF was spent through multilateral channels and the remainder by bilateral means (£1.4 billion compared to £4.3 billion).¹¹⁸

From 2021/22 to 2025/26, 30% of the UK’s £11.6 billion in ICF is planned to be spent via multilaterals (£3.5 billion). A further 22% of bilateral funds will be channelled through multilateral agencies and banks (£2.6 billion).¹¹⁹

In its 2024 review of UK ICF, the Independent Commission for Aid Impact (ICAI) raised concerns that plans to use spending via MDBs will be contrary to:

- The 2022 international development strategy to rebalance UK aid funding towards bilateral channels. The strategy argued doing more through bilateral and country programmes would allow the UK to be a “more responsible development partner” and be “more consciously geopolitical in approach”.¹²⁰
- UK preference for providing ICF as grants. While the funds will be provided as grants to the MDBs, these will mainly be passed on as concessional loans (see section 4.3).
- UK policy to ensure ICF is balanced between adaptation and mitigation. MDB spending generally focuses on adaptation (see section 4.3).¹²¹

UK funding commitments for specific multilaterals

Funding includes the below:

- [Global Environment Facility](#): the UK has pledged £330 million for the 2022 to 2026 period.¹²²
- [Green Climate Fund](#): the UK has pledged £1.62 billion for the second replenishment (covering 2023 to 2027).¹²³

¹¹⁷ European Ban for Reconstruction and Development, [EBRD green](#)

¹²² Global Environment Facility, [Summary of negotiations of the 8th replenishment](#), 2022, p273

¹²³ Green Climate Fund, [UK pledges \\$2 billion climate action funding](#), 11 September 2023

Section of 6.4.2 of the [UK's eighth national communication and fifth biennale report under the UN Framework Convention on Climate](#), December 2022, lists other climate funds to which the UK contributes.

4.3

How do MDBs provide climate finance?

Adaptation/mitigation balance

While the Paris Agreement of 2015 and Glasgow Pact of 2021 on climate change include a commitment for donors of climate finance to balance their spending between mitigation and adaptation, this has not been achieved.¹²⁴

MDBs and other multilateral agencies are not alone in not meeting this commitment: in 2023 the OECD reported that adaptation finance has been a “bottleneck” in ICF for several years from all donor types.¹²⁵

The 2022 joint report by ten MDBs, including the African Development Bank and World Bank, states that in 2022 they collectively provided US\$22.7 billion in adaptation finance for low- and middle-income economies (37%) and US\$38.2 billion in mitigation (63%).¹²⁶

For multilateral funds, the Green Climate Fund is mandated to invest its resources evenly between mitigation and adaptation,¹²⁷ while the Adaptation Fund focuses on its adaptation.¹²⁸

Non-concessional loans

Oxfam’s Climate finance shadow report estimates that on average from 2019 to 2020 around 26% of ICF was provided as grants (US\$17.1 billion) compared to 31% as concessional loans (US\$20.7 billion) and 42% as non-concessional loans and similar instruments (US\$28.1 billion).¹²⁹

“Non concessional finance” means that loans are provided with market-based interest rates.

¹²⁰ FCDO, The [UK Government’s strategy on international development](#), May 2022, executive summary
¹²¹ ICAI, [The UK’s ICE](#), 29 February 2024, paras 4.45-4.46
¹²² Global Environment Facility, [Summary of negotiations of the 8th replenishment](#), 2022, p273
¹²³ Green Climate Fund, [UK pledges \\$2 billion climate action funding](#), 11 September 2023
¹²⁴ Commons Library research briefing, [The UK and the US\\$100 billion climate finance goal](#)
¹²⁵ As above, p10 and OECD, [Climate finance provided and mobilised by developed countries in 2013 to 2021](#), November 2023, pp8-9
¹²⁶ European Investment Bank, [2022 joint report on MDB’s climate finance](#), 12 October 2023, pp10-17
¹²⁷ Green Climate Fund, [Overview](#)
¹²⁸ Adaptation Fund, [Draft medium term strategy \(2023-2027\)](#) (PDF), para 2
¹²⁹ Oxfam, [Climate finance shadow report 2023](#), June 2023, p17

The Oxfam report argues only grants should be counted towards the US\$100 billion target, as issuing loans requires climate-vulnerable low-income states to meet higher levels of debt repayments and reduces their ability to invest in additional climate action.¹³⁰

Oxfam estimates 80% of non-concessional international climate finance was provided by MDBs in 2019/20.¹³¹

Similar concerns for the level of climate finance in the form of loans have been made in analysis by the Center for Global Development report, [Climate finance effectiveness: Six challenging trends](#), 2022.

The 2022 joint report by ten MDBs, including the African Development Bank and World Bank, does not include an assessment of the concessional nature of the US\$60.9 billion they provided in climate finance for low- and middle-income countries in 2022.

However, the report states that 61% were made through “investment loans” (where repayment is required), 14% by policy-based financing (which helps a public borrower to finance a particular programme or policy) and 10% as grants.¹³²

The UK Government says it has “prioritised the issue of fiscal space and debt sustainability” in its engagement with MDBs and climate vulnerable countries.¹³³ Section 4.6 provides more on UK engagement.

Challenges in accessing climate finance

Several analysts, including in reports for the Commonwealth Secretariat and the UN Framework Convention on Climate Change, have noted that many states struggle to overcome the barriers to access climate finance issued by multilateral bodies.¹³⁴

As noted by the International Institute for Environment and Development (IIED), many MDBs expect a proven track record of delivery and high governance standards that many countries struggle to meet.¹³⁵ Small Island Developing States (SIDS), which the UN considers some of the most vulnerable to the effects of climate change, also experience constraints such as lack of human resource capacity to design and deliver projects.¹³⁶

¹³⁰ Oxfam, [Climate finance shadow report 2023](#), June 2023, p18

¹³¹ As above, p18

¹³² European Investment Bank, [2022 joint report on MDB's climate finance](#), 12 October 2023, p9

¹³³ PQ 623825 [[Climate change: Finance](#)], 1 November 2021

¹³⁴ Commonwealth Secretariat, [Unlocking climate finance access for small states and other vulnerable Commonwealth countries](#), August 2022 and UNFCCC, [Accessing climate finance: challenges and opportunities for small island developing states](#), 2022

¹³⁵ [IIED evidence to the International Development Committee: UK aid for combatting climate change](#), 2018/19, para 9

¹³⁶ IMF, [Unlocking access to climate finance for Pacific island countries](#), 24 September 2021

4.4

Are MDBs investing in fossil fuels?

The role of MDBs has been subject to some scrutiny because of the challenges lower-income countries sometimes experience in accessing their finance and whether their wider activities undermine the Paris Agreement by [continuing to invest in fossil fuels](#).¹³⁷

Environmental research organisation German Watch published an assessment of seven MDBs in 2023, including the African Development Bank, Asian Development Bank and World Bank. It noted that while all had developed exclusion lists for coal, oil and gas, these lists varied across the MDBs. The lists of exclusions were greatest for coal.¹³⁸

4.5

How aligned are MDBs with the Paris agreement?

2017 commitment to align

In 2017, nine MDBs announced they would align their spending with the Paris Agreement on climate change. The MDBs include the World Bank, New Development Bank, the Asian Development Bank, and the African Development Bank.¹³⁹ Specific commitments include:

- The World Bank: To align 100% percent of new operations, starting from July 2023. It says it is “on track” to do this.¹⁴⁰
- New Development Bank: to align new operations with the Paris Agreement by the end of 2026.¹⁴¹
- The Asian Development Bank: Plans for 100% alignment of all operations by July 2025.¹⁴²
- African Development Bank: Full alignment by December 2025.¹⁴³

In December 2023, the group said they had “met or are on track” to meet their respective timelines.¹⁴⁴

¹³⁷ E3G, [Banking on reform: Aligning the development banks with the Paris Climate Agreement](#), 9 May 2018

¹³⁸ German Watch, [The MDBs in the run-up to Paris alignment](#), 31 January 2023

¹³⁹ World Bank, [The MDB's alignment with the Paris Agreement](#) (PDF), 2019

¹⁴⁰ World Bank, [World Bank Group and Paris alignment](#), accessed 14 June 2024

¹⁴¹ New Development Bank, [Scaling up development for a sustainable future](#) (PDF), 2022, p21

¹⁴² Asian Development Bank, [ADB commits to full alignment with Paris agreement](#), 8 July 2021

¹⁴³ African Development Bank, [Climate change and green growth strategic framework](#) (PDF)

¹⁴⁴ International Finance Corporation, [COP 28 MDBs joint statement](#), 3 December 2023

4.6

What efforts has the UK made on climate change with multilateral funds?

Recommendations of Committee

In 2019, the Commons International Development Committee argued that the UK should better use its influence with MDBs, as a shareholder in many, to encourage a shift away from carbon investments and to ensure that lower-income economies can better access support from the Green Climate Fund and others.¹⁴⁵

UK engagement and outcomes

In response to the Committee, the government said it had “consistently” pressed the MDBs to support climate resilience and would encourage them to align their work with climate goals.¹⁴⁶ In 2021, the government told the same Committee that it had worked to align some MDBs with Paris:

The UK coordinated shareholders to significantly strengthen the World Bank Climate Action Plan which commits the World Bank to a 35% climate finance target and support to the transition away from coal power in priority countries. With UK leadership, the Caribbean Development Bank agreed a climate finance target for the first time in 2020 [...]

There are regular calls between [government] Ministers and MDB management to push for increased ambition on climate change.¹⁴⁷

In 2019, in its report on UK ICF spending from 2016 to 2019, the Independent Commission for Aid Impact (ICAI) noted that the UK had used its investments in multilateral funds to influence their investment and management:

We saw evidence of effective influencing of other international actors on low-carbon development – especially the multilateral development banks. This includes advocacy for scaling up low-carbon investments and phasing out high-carbon ones.¹⁴⁸

It also noted that the UK was the fourth-largest contributor to the Global Environment Facility, the third-largest to the Green Climate Fund, and a “major” contributor to the Clean Technology Fund and the Scaling up renewable energy programme. The ICAI argued:

¹⁴⁵ International Development Committee, [UK aid for combating climate change inquiry](#), HC 1432, 8 May 2019, paras 146, 153,

¹⁴⁶ [Government response to UK aid for combating climate change](#), 18 July 2019, para 23

¹⁴⁷ [Evidence to the International Development Committee submitted by the ECDO on Climate change, development and COP26](#), 2021

¹⁴⁸ ICAI, [ICAI: UK aid for low-carbon development](#), 2019, ‘findings’

the UK has made strategic choices about which multilateral initiatives to support, in order to ensure coherence, continuity and coverage in the climate finance architecture [...].¹⁴⁹

The ICAI also noted UK efforts at the Climate conference, COP 26, in 2021:

the government worked closely with multilateral partners to raise their ambitions on climate finance and to improve the quality of their climate work. As a result of pressure from the UK along with other shareholders, climate change was included as a 'special theme' in the past three replenishments of the World Bank's International Development Association (IDA), and the Bank launched a new and more ambitious Climate Action Plan (2021-25) in the lead-up to COP26. We found relatively little focus on climate, including adaptation, in the World Bank IDA country portfolios we reviewed, but this appeared to be changing after COP26.¹⁵⁰

Commitment on reforming global financial system

The government's 2023 white paper on international development said further work was needed to make the global financial system support climate adaptation and migration:

The international financial system needs reforming in order to become more inclusive, more responsive to shock events, and better aligned with the Paris Agreement and the Global Biodiversity Framework, and to ensure access to quality finance for those who need it most. An increase in the quality and quantity of multilateral development bank finance for climate and nature is needed, supporting borrower countries' efforts to drive low-carbon, climate resilient development.¹⁵¹

In 2024, the think-tank Chatham House argued that in the next parliament the UK should use MDBs to scale up support for low-income countries to respond to climate change and reform the global financial system (hyperlinks added):

Multilateral development banks [remain one of the most important sources of climate finance for developing countries](#). The UK has some tools to mobilize such finance without spending much more of its own money. It is already putting these tools to use: its provision of loan guarantees to increase multilateral development bank support to poorer countries has, by some estimates, generated an [additional £5 billion in lending from such institutions](#).

The UK should continue to focus on ways to get multilateral development banks to provide more and faster support to developing countries facing climate challenges, and it should work with others to reform the wider system.¹⁵²

¹⁴⁹ ICAI, [ICF: UK aid for low-carbon development](#), 2019, 'findings'

¹⁵⁰ ICAI, [UK aid under pressure: A synthesis of UK findings from 2019 to 2023](#), September 2023, section 3.5

¹⁵¹ FCDO, [International development in a contested world](#), November 2023, para 5.14

¹⁵² Chatham House, [Three foreign policy priorities for the next UK Government](#), 14 May 2024, ch 4

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