



# Development and Climate Change

## A Strategic Framework for the World Bank Group

...We discussed and welcomed the strategic framework for the World Bank Group on Development and Climate Change... While re-emphasizing the primacy of the UNFCCC negotiation process, and taking account of the Bali Action Plan, we encouraged the WBG to support climate actions in country-led development processes in a holistic manner, and to customize support to climate change adaptation and mitigation efforts, as well as capacity building needs, in its member countries...

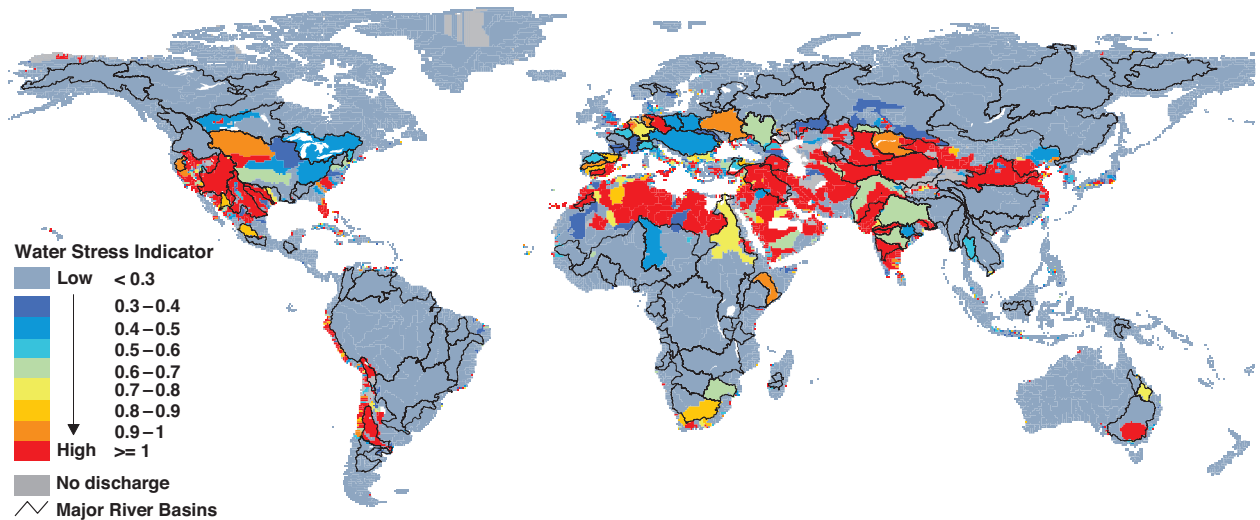
— Communiqué of the Development Committee-Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries  
Annual Meetings, Washington, DC  
October 12, 2008

*Upon reviewing the World Bank Group's comparative advantages and boundaries in addressing the development challenges of global climate change, the Framework articulates objectives, principles, areas of focus, and major initiatives to guide the World Bank Group's operational response.*

The Strategic Framework serves to guide and support the operational response of the World Bank Group (WBG) to new development challenges posed by global climate change. Unabated, climate change threatens to reverse hard-earned development gains. The poorest countries and communities will suffer the earliest and the most. Yet they depend on actions by other nations. While climate change is an added cost and risk to development, a well-designed and implemented global climate policy can also open new economic opportunities to developing countries.

The WBG recognizes the very complex political process toward long-term cooperative action within the UN Framework Convention on Climate Change (UNFCCC). Climate change demands unprecedented global cooperation involving a concerted action by countries at different development stages supported by “measurable, reportable and verifiable” transfer of finance and technology from developed to developing countries. Importantly, these resources are needed in addition to the present levels of official development assistance. Trust of developing countries in equity

## WATER WITHDRAWAL IN RELATION TO WATER AVAILABILITY



Note: Water demand currently exceeds supply in regions that contain 40 percent of the world's population, and it is in some of these regions where both increased population growth and reduced runoff volumes from climate change are projected. Water scarcity index values >0.7 (yellow, orange and red areas) indicate over-appropriation relative to total availability of the resource. (Falkenmark and Rockstrom 2006. Original map source: Smakthin, et al. 2004.)



and fairness of a global climate policy and neutrality of the supporting institutions is critical for such cooperation to succeed. Difficulties with mobilizing resources for achieving the Millennium Development Goals and with agreeing on international trade exemplify the political challenges in reaching global deals. The Framework will help the WBG maintain the effectiveness of its core

mission of supporting growth and overcoming poverty while recognizing added costs and risks of climate change and an evolving global climate policy. The WBG top priority will be to build collaborative relations with developing country partners and provide them customized demand-driven support through its various instruments—from financing to technical assistance to policy dialogue. It will give considerable attention to strengthening resilience of economies and communities to increasing climate risks and adaptation.

The Framework also explores what the WBG can do to facilitate global progress. While the WBG's operations are in developing countries, a solution must be global, with the leadership role played by developed countries. Recognizing the primacy of the UNFCCC and its principle of common but differentiated responsibilities, the WBG will work in partnership with the many international, regional, national, and local actors to increase its leverage and impact.

Within the Framework, the International Finance Corporation, Multilateral Investment Guarantee Agency, International Development Association, International Bank for Reconstruction and Development, and other entities of the Group will support specific needs and priorities of their diverse clients. In implementing this Framework, the WBG will make a dedicated effort to grow resources and capacity for supporting resilience to climate

risks and adaptation efforts and work towards closing the gap in the vastly different levels of knowledge, experience and financial resources currently available for adaptation and mitigation. Six action areas—each providing tools for supporting both adaptation and actions with mitigation co-benefits—will allow the WBG’s entities to build on their relative strengths, increase their synergies, and partner with external players, basing the division of labor on the comparative advantages and mandates:

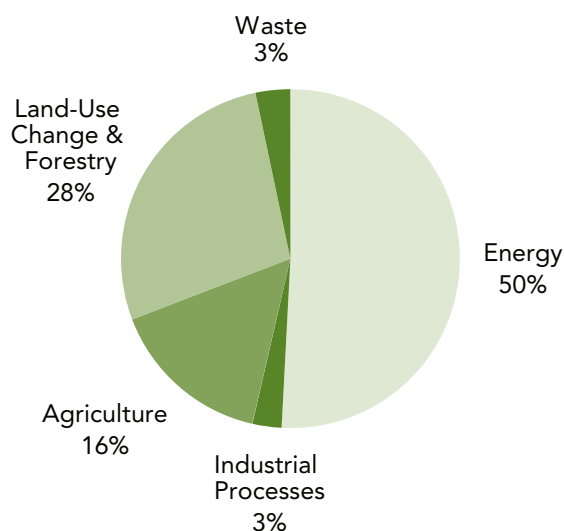
- 1 Support climate actions in country-led development processes;
- 2 Mobilize additional concessional and innovative finance;
- 3 Facilitate the development of market-based financing mechanisms;
- 4 Leverage private sector resources;
- 5 Support accelerated development and deployment of new technologies; and
- 6 Step up policy research, knowledge, and capacity building.

The operational focus will be on improving knowledge and capacity, including learning by doing. The Framework will guide the operational programs of WBG entities to support actions whose benefits to developing countries are robust under significant uncertainties about future climate policies and impacts—actions that have “no regrets.”

The Framework outlines the key measures for tracking progress over fiscal years 2009–11 (see Box). Over this period, the WBG will be flexible to incorporate new developments in negotiations and knowledge. An interim progress report will be prepared in the second half of fiscal year 2010.



AGRICULTURE, FORESTRY, AND LAND USE ACCOUNT FOR ALMOST FIFTY PERCENT OF GHG EMISSIONS IN DEVELOPING COUNTRIES



Source: CAIT, World Resource Institute 2008.

## GLOBAL CONSULTATIONS ON WBG’S ROLE IN CLIMATE ACTION

The Strategy Framework was developed through extensive global consultations, including web-based interface and meetings in 76 countries. There was broad support for greater WBG engagement in climate change with a development lens and for a major emphasis on climate risk management and adaptation. Stakeholders emphasized capacity development and advocacy for developing countries; the importance of increasing energy access and access to cost-effective technologies for mitigation and adaptation; the need for financial flows that are additional to general development assistance; and the added value of preserving intact ecosystems and biodiversity for mitigation and adaptation. The importance of facilitating global action that is firmly guided by the principles of the UNFCCC and the goal of equitable and sustainable growth was another consistent feedback from the consultations.

Source: The WBG.

[www.worldbank.org/climatechange](http://www.worldbank.org/climatechange)



## MAJOR INITIATIVES

Under the new Strategic Framework, the World Bank Group, in partnership with others, will:

- Help some of the most vulnerable countries increase resilience to climate risks, with new adaptation financing.
- Enhance development effectiveness of its operations by screening for: (i) climate risk in hydropower and major water investments with long life spans, and (ii) energy efficiency opportunities starting with energy projects.
- Operationalize, execute, and share lessons from the Climate Investment Funds, Carbon Partnership Facility, and Forest Carbon Partnership Facility, and work with partners to improve monitoring of climate-related finance and its “additionality”.
- Support carbon market development through investments in longer-term assets and currently by-passed reduction potentials, financial and quality enhancements of carbon assets, methodology development, and sharing lessons of experience.
- Facilitate customized applications of climate risk insurance products.
- Promote packaging of its development finance instruments with instruments provided by Carbon Finance, the Global Environment Facility, and the Climate Investment Funds.
- Pilot new initiatives to support development and dissemination of new energy technologies.
- Facilitate global dialogue by launching the World Development Report on climate change.
- Enhance the knowledge and capacity of clients and staff to analyze and manage development-climate linkages at the global, regional, country, sector, and project levels.



The WBG will increase financing for energy efficiency and new renewable energy by an average 30 percent a year, from a baseline of US\$600 million in average annual commitments during FY05–07, and expand lending to hydropower, with the share of low-carbon projects rising from 40 percent in fiscal years 2006–08 to 50 percent in fiscal year 2011. It will scale-up support to sustainable forest management, including reduced deforestation and forest degradation, afforestation and reforestation. It also foresees an increased demand for investing in sustainable agriculture and food production, transport and urban development programs.

The full text of the Strategic Framework and the background technical report can be found at [www.worldbank.org/climatechange](http://www.worldbank.org/climatechange)



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