

2. WORKING WITH THE GLOBAL COMMUNITY TO ADDRESS THE GLOBAL CHALLENGE

20. **Climate change demands unprecedented global cooperation.** Leadership by developed countries and trust of developing countries in equity and fairness of a global climate policy and in neutrality of the supporting institutions are fundamental for such cooperation. Difficulties with mobilizing resources for achieving the Millennium Development Goals, notwithstanding the strong global consensus behind these goals, and with agreeing on global agricultural trade underscore the concerns of developing countries and the complexity of the international political process.

21. The developing world looks for strong leadership from the developed countries to achieve a successful solution to the most difficult collective action problem in human history. Developed countries can demonstrate such leadership by meeting their current obligations under the Kyoto protocol; by setting an example for all countries to transform economic processes, behaviors and lifestyles; and by providing adequate assistance to those whose efforts to move up the development ladder are made more difficult and costlier because of climate change. Reflecting growing consensus on the urgency of bolder climate action, several countries—developed and developing—have recently taken important steps (see Box 3). The political will to build on the momentum created by these initiatives is critical.

Box 3: National Initiatives on Climate Action

Several industrialized countries have recently accelerated climate action. In addition to establishment of CO₂ taxes, and other policy improvements in energy and transport, future medium- and long-term targets are being voluntarily set. For example, the European Union has committed to reduce its overall emissions by at least 20 percent less than the 1990 levels by 2020; Japan's 'Cool Earth Initiative' calls for domestic reduction of 1 kg of CO₂ per person per day; and the UK's Climate Change Bill proposes a long-term target for CO₂ reductions of at least 60 percent of 1990 levels by 2050. In a number of countries, municipal and regional governments have taken the initiative in climate action.

Many developing countries are already contributing to global climate action in the context of their own sustainable development strategies. All major emerging economies have adopted national climate change strategies or actions plans, and are implementing policies and programs in the energy, transport, forestry, and other sectors that result in lowering the carbon intensity of their growth. Brazil, which has one of the cleanest primary energy mixes in the world and where deforestation is the major source of national GHG emissions, has put in place an array of policies and programs for the sustainable use of rainforests to improve livelihoods of local communities and reduce emissions. China reduced its energy intensity by 30 percent between 1995 and 2004, with an energy saving equivalent to Japan's total energy use, set a target to halve it by 2020 compared to 2000, and embarked on an ambitious energy efficiency program. In India, CO₂ emissions have grown considerably slower than the economy since almost a decade ago, amidst major efforts to increase power supply and electricity access, which reaches only about 50 percent of its population. The CO₂ intensity of its economy has been declining by about 5 percent per year since 2000.

Source: The WBG.

22. The setting and implementing of global climate policies is the responsibility of the Parties to the UNFCCC, which are supported in their activities by the UNFCCC Secretariat, and operational entities of the financial mechanism within the UNFCCC, such as the GEF. In addition, a wide range of other actors are engaged in projects and programs in developing countries related to climate change: national and sub-national governments and other institutions, as well as regional organizations; the United Nations (UN) system and its agencies, MDBs, bilateral donors, the private sector, research institutions, and civil society groups.

23. **The WBG's Role and Comparative Advantages.** The WBG is a multilateral institution with the core mandate of growth and poverty reduction in developing countries. With respect to

climate action, it adheres to the principles, policies, and directions of the UNFCCC process, which is the primary international institution addressing global climate change, including first and foremost, actions by developed countries. The WBG mandate, with an associated asymmetry in its leverage over developing vis-à-vis developed countries, sets both the direction and potential boundaries for its role on global issues.

24. In line with its core mandate of growth and poverty reduction, the WBG sees its primary role and comparative strength in helping its developing country partners achieve the MDGs and grow their economies under climate constraints. The WBG, including the International Finance Corporation (IFC), has accumulated substantial experience in helping developing countries take advantage of synergies between global climate and local development benefits, access new and additional finance, and adopt better technology. It has been the implementing agency of the GEF for 15 years, has helped pioneer the carbon market through the Prototype Carbon Fund (PCF) and developed a robust Carbon Finance (CF) business. The WBG is one of the biggest lenders to renewable energy and energy efficiency, and has long facilitated energy and water sector reforms that provide incentives for efficiency, energy and water savings and better environmental practices.⁵ The adaptation dimension of the climate change agenda in particular is directly linked to the WBG poverty reduction mission.

25. Yet, the efforts to protect development from climate change cannot be limited to developing countries and adaptation only. As a global player and knowledge provider, the WBG further sees its role in helping inform the global economic transformation required by the climate constraints in a manner that does not place an unfair cost burden on developing countries, which is of particular concern for its poorest clients. It can do so through research, dialogue, facilitation, demonstration, advocacy, and building effective partnerships. Through prototyping and innovating, the WBG, for example, has influenced the development of a global carbon market.

26. Responding to the need to better support its clients in dealing with the challenges of changing climate, while at the same time ensuring increased energy access in poor countries, the WBG formulated the Clean Energy Investment Framework (CEIF), together with the Action Plan, in 2006/2007. Within three years, the WBG, including IFC, significantly expanded its activities and achieved good results in all three focus areas of the CEIF: (1) energy for growth, with a particular emphasis on access to energy in Sub-Saharan Africa; (2) transition to a lower carbon development trajectory; and (3) adaptation to the effects of climate change, which helped position adaptation as a major element of the climate change agenda for developing countries both within and outside the WBG (see Chapter 4). To demonstrate its corporate commitment to climate action, the WBG has begun offsetting GHG emissions from office operations and travel (see Box 4).

⁵ The final version of the Strategic Framework will include the findings of the Independent Evaluation Group (IEG) review of WBG activities on climate change that looked for opportunities for synergies between development and climate benefits in the “traditional” WBG portfolio, particularly in the area of energy efficiency.

Box 4: Leading by Example: Carbon-neutral WBG

The World Bank was the first UN agency to make its headquarters carbon neutral. Beginning in fiscal 2006, the WBG has measured, reported and offset greenhouse gas emissions associated with its Washington-area business operations, including key meetings and air travel. Reduction opportunities have been identified and a commitment made to reduce absolute emissions by 7 percent by 2011. The remaining emissions are offset through the purchase of carbon credits from WBG client countries and Renewable Energy Certificates that support new wind power installations. In fiscal 2008, WBG expanded its greenhouse gas inventory to include country offices. The inventory methods being used to measure emissions are based on the *Greenhouse Gas Protocol*, and are compatible with the EPA Climate Leader standards and ISO 14064. As a result of these steps, WBG has been recognized as a leader among multilateral institutions for managing its “corporate footprint.” The Bank is providing support and advice to the IMF, the Inter-American Development Bank (IADB), and the Asian Development Bank (ADB). Since June 2007, at the UN’s request, it has worked with UN agencies to help them reach their goal of climate neutrality and “green” their institutions.

Source: The WBG.

27. Growing attention by the WBG to climate change over the past years leading to the preparation of this Strategic Framework is a response to the recognition that climate change matters for development. In further scaling up its response, the WBG will use several comparative advantages that build on the core business of its various institutions. Among those are: (a) multi-sectoral perspective; (b) financial resources and leveraging power; (c) strong fiduciary, environmental, and social policies; (d) engagement with the private sector; (e) partnerships with a wide range of institutions and stakeholders; (f) knowledge base and policy advice; and (g) convening power, global reach, and local presence.

28. **Listening to others.** Recognizing the multiplicity of actors, activities, needs, and that support to climate action was for a long time a relatively minor part of the WBG overall business, the development of this Strategic Framework has been based on extensive consultations with a full range of stakeholders from developing and developed countries about the WBG’s role and areas of focus. Particular attention has been given to understanding and taking into account the needs and concerns of developing countries. For example, consultations involved participants from 37 countries in Africa—the only region with such a comprehensive coverage. The overall feedback indicated a strong support for greater WBG engagement on climate change through a development lens (see Box 5).

29. A consultation draft of the concept and issues paper, *Towards a Strategic Framework on Climate Change and Development for the World Bank Group*, a detailed plan for consultations, minutes from each consultation event, and a report summarizing all comments have been provided on an external consultation website which can be accessed at www.worldbank.org/climateconsult. A summary of the feedback and how it has been addressed in this document is attached as Annex 2. The consultation process will continue on the full draft document and into the implementation phase.

Box 5: Global Consultations on WBG's Role in Climate Action

The formal consultation process was launched following the Board's endorsement of the Concept and Issues paper on March 20, 2008. During this period the document was translated into seven languages and posted on the Bank's external website. During the consultation period of April 1, 2008 to July 15, 2008, 71 consultation meetings and briefings were undertaken around the world, with both developing and developed countries, to allow stakeholders to provide input on the drafting of the full Framework. Adding video-conference approaches, the global consultations reached over 1,800 participants from 76 countries. The breakdown of the participants is as follows 43 percent—developing country stakeholders, 36 percent—developed country stakeholders, and 21 percent—international organizations.

There was broad support for the WBG's approach to climate change as an added cost to development 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 both mitigation and adaptation; the need for financial flows that are additional to general financing for development assistance; and the added value of preserving intact ecosystems and biodiversity for both 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.

30. **Working in partnerships** is particularly important for a challenge that is as massive and multi-dimensional as climate change. The WBG is one of the many international, regional, national and local actors in a complex international arena of climate change. To effectively support developing countries and to contribute to a global solution, the WBG will continue strengthening existing and building new partnerships with the many international, regional, national and local actors, basing the division of labor on the advantages and mandates of the respective institutions. The WBG will promote coordination among aid agencies to enhance the effectiveness of aid and reduce its fragmentation, in support of the Paris Declaration. Its broad approaches to partnerships with some of the key stakeholders are outlined below. The description is not exhaustive given that multiple partnerships are happening at the regional, country and local levels.

31. **Partnership with Developing Countries.** While supportive of WBG's greater role, developing country stakeholders consistently reiterated that they look for a true partnership where their views, needs and concerns are given primary consideration, and where the WBG focuses on the inequality and development implications of climate change rather than on global environment outcomes, which is the primary responsibility of other international institutions. The WBG will attach a top priority to building such collaborative relations with developing country partners and providing them customized and demand-driven support through all its instruments and institutions—from financing to technical assistance to advocacy. In particular, tailoring to the specific needs of a given country, the WBG will focus on supporting country-grown initiatives contributing to climate action, facilitating South-South partnerships to share lessons of such initiatives, helping increase accessibility to and reduce transaction costs of additional climate-linked resources, and building in-country knowledge and capacity to address climate costs and risks in development programs and effectively participate in the UNFCCC process.

32. To support climate actions in client countries, the WBG will specifically partner with and strengthen capacities of regionally and country-based institutions, including regional hydro-meteorological services, flood forecasting centers, and others. For example, the recent joint

World Bank–African Development Bank (AfDB) consultations with African countries highlighted the need to involve regional African institutions such as The New Partnership for Africa’s Development (NEPAD), the African Union Commission, and Regional Economic Communities.

33. **Collaboration with the MDBs.** The CEIF established the foundation for scaling up collaboration among the MDBs in the area of climate change. MDBs have produced a joint report on CEIF implementation and combined efforts in the design process for the Climate Investment Funds (CIF), managed by the WBG (see chapter 5). Several collaborative initiatives are underway, including a series of MDB workshops on mitigation and adaptation to climate change; joint World Bank-AfDB consultations on developing a consistent approach to energy and adaptation strategies for Africa; and a joint study on climate change impacts and adaptation in Asian coastal cities being conducted by the World Bank (WB) and the Japan Bank for International Cooperation (JBIC).

34. Going forward, strengthening partnerships among MDBs will focus on implementing the CIF within country-owned programs and scaling up joint sector work, consistent methodologies, and knowledge-sharing. With respect to the CIF, client countries are likely to approach the MDB that has a comparative advantage in terms of local knowledge or the one that has taken a lead in a particular sector or technology area. Regarding tools and knowledge, MDBs are collaborating on the development of a harmonized approach for assessing and reporting on portfolio GHG emissions. The MDBs also see the need to work collaboratively on systematic knowledge-exchange mechanisms, and have agreed to pilot the establishment of joint climate change thematic groups.⁶

35. **Strategic partnership with the GEF** remains of key and growing importance. The GEF Trust Fund is the largest source of grant financing for energy efficiency and renewable energy, with an overall cumulative commitment of over US\$ 2.4 billion in mitigation and capacity building related activities. The GEF is also operating two special UNFCCC funds, the Least Developed Country Fund (LDCF) and the Special Climate Change Fund (SCCF). Both funds have adaptation as their first priority. The WBG, as both Trustee and Implementing Agency of the GEF, will continue to advocate for stable financial flows to the GEF and facilitate greater leveraging of GEF resources through a wider use of programmatic approaches and packaging with other instruments, such as Carbon Finance and the CIF.

36. **Collaboration with the UN system.** The WBG has been participating in the UN system-wide effort to provide a coordinated response to climate change, initiated by the UN Secretary-General. In close cooperation with the UNFCCC Secretariat, the effort targets key focal areas in the Bali Action Plan as well as related cross-cutting areas. The focal areas and respective convening agencies are: (a) reducing emissions from deforestation and forest degradation (REDD)—the Food and Agriculture Organization of the United Nations (FAO), the United National Development Programme (UNDP), and the United Nations Environment Program (UNEP); (b) technology transfer—the United Nations Industrial Development Organization (UNIDO), and the United Nations Department of Economic and Social Affairs (UNDESA); (c) finance (mitigation and adaptation)—the WBG and UNDP; (d) capacity building—UNDP, and UNEP; and (e)

⁶ For this pilot the EBRD has agreed to take the lead on EE, the ADB on transport, the IDB on biofuels, the EIB on CCS, AfDB on adaptation, and the World Bank Group on renewable energy and cleaner coal technologies.

adaptation—the High-level Committee on Programmes (HLCP) working group on climate change. In terms of cross-cutting areas, the topics and convening agencies are: (a) science, assessment, monitoring and early warning—the World Meteorological Organization (WMO), and the United Nations Educational, Scientific and Cultural Organization (UNESCO); (b) supporting global, regional, and national action—UNDP, UNDESA, and UN Regional Commissions; (c) public awareness—UNEP, and UN Communications Group; and (d) climate neutral UN—UNEP.

37. Within this overall approach and building on its core expertise, the World Bank Group will:

- Convene, jointly with the UNDP, a work group for the Finance focal area. The objective is to advance the consultative and substantive processes to develop a coherent work program, with attention to reducing aid fragmentation.
- Work with UNDP and UNEP, convening agencies for the capacity building focal area, to develop a joint program for supporting developing countries with capacity building, awareness, and training (see also Chapter 9);
- Continue and enhance its work with UNEP on strengthening information systems; and with WMO on modeling and analysis for disaster and climate risk management;
- Strengthen coordination and cooperation with the UNFCCC Secretariat to more effectively support the negotiation process and implementation of the agreed actions while not interfering in Secretariat's work and remaining neutral to any particular negotiation position;
- Further build on the on-going collaboration with the UNEP, UNDP, and UNFCCC Secretariat on the Nairobi Framework in Africa, including the jointly organized upcoming Africa Carbon Forum in September 2008; and
- Strengthen, as/if necessary, existing cooperation of the WBG country offices with the UN country-based teams, as the major mechanism for coordination of UN agency activities on climate change at the country level.

38. **Partnerships with bilateral donors** have been instrumental for advancing the WBG work on adaptation, energy access, and climate finance. Various existing donor trust funds and programs (for example, the Japan Policy and Human Resources Development (PHRD), Energy Sector Management Assistance Program (ESMAP), Bank-Netherlands Partnership Program (BNPP), UK Department for International Development (DFID) Trust Funds, and Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) have given an opportunity to work on climate change—development linkages and, in particular, for scaling-up the work program on adaptation, and will continue to play a critical role. The new CIF, based on voluntary donor contributions on a large scale, are expected to allow for a significant scale up of clean technology transfer and deployment in developing countries, as well as enable comprehensive piloting of climate resilient development policies at the national level.

39. Responding to serious concerns from low-income developing countries that the resource needs for climate action, including adaptation, may crowd out core development finance for achieving the MDGs, the WBG has engaged, with help from donors, in a series of country-level assessments of the nature and costs of adaptation responses. The findings of this work will provide the basis for discussions with the donor countries about the issue. The WBG will further

seek donors support to raise project preparation funds for climate-friendly investments that are often more difficult and expensive to prepare, and facilitate transfer of technical expertise and technology.

40. **Working with civil society.** The essential role of civil society organizations (CSOs) and nongovernmental organizations (NGOs) in addressing climate change spans a wide range of activities. The WBG will expand its collaboration with these partners, building on successful cooperation in various initiatives at the global, regional, country and local levels. Key areas will include social aspects of climate change, governance, integrating an ecosystem approach in development strategies to enhance mitigation and adaptation, as well as working with indigenous peoples and integrating their knowledge into these programs. Engagement with NGOs and CSOs will be particularly sought for identifying and implementing specific activities with strong development benefits in pilot programs on climate resilience, innovative financing schemes, and capacity building for local communities.

41. **Engaging with the private sector.** IFC, the private sector arm of the WBG, is leading the way in engagement with private sector partners and especially taking an active role in exploring opportunities in the areas of insurance, forestry, water, and urban infrastructure, as well as early stage investments in clean energy technologies. Moving forward, the IFC will expand successful partnerships, such as the Gas Flaring Initiative and the Equator Principles. The WBG also plans to develop new partnerships with the private sector in the areas of dissemination and transfer of technologies and best practices within sectors, including both North-South and South-South cooperation models, and designing innovative insurance and capital market products. The WBG will expand its work with private foundations, with the focus on adaptation, health, and social issues.

42. **Partnering with research institutions.** Recognizing massive research efforts outside the WBG, analytical work on climate change and development has been and will be undertaken in close partnership with international, regional, and national institutions. Particular attention will be given to cooperation with national and regional research institutions in developing countries to both avail of local knowledge and strengthen their capabilities for further research.

43. **Communication and advocacy.** As part of its greater engagement with multiple stakeholders on climate and development, the WBG will strengthen its communication and advocacy efforts. Its advocacy will focus on representing the impacts of climate change on developing countries and their development goals and on vulnerable population groups within countries, highlighting (a) the costs of development in the context of climate change and the critical role of growth to enable developing countries to prepare for this challenge; (b) developing countries' contributions to climate solutions through national and local initiatives; and (c) the importance of strong leadership by the developed countries in the required global economic transformation. An effort will be made to ensure that the key advocacy messages are consistently delivered at various levels—from task and country teams to corporate management.

44. The WBG will also develop and execute a communication plan, including its country offices, and enhance its Web-based interface on climate change and development. The communication plan will focus on the challenges of development in the context of climate change and WBG activities to support developing countries and the global process.