

Support in creating climate-resilient poverty reduction and development paths has become a development imperative. The poorest and most vulnerable countries will suffer most from the impacts of climate change. In the past year the International Development Association (IDA) has had unprecedented demand from many countries for support in their efforts to address development and climate change challenges. IDA countries also face the challenge of planning for and investing in low carbon solutions. IDA has responded with a broad range of assistance through an effective combination of financial and other resources.

Challenge

Climate change is a major threat to the achievement of the Millennium Development Goals (MDGs) in developing countries, and hard-earned development gains in all regions of the world. With climate change already happening and with more severe impacts to follow, it is recognized that development planning and financing strategies need to consider the risks associated with climate change. Given that the challenge of confronting climate change impacts cuts across all sectors, IDA is an appropriate platform to inject climate change actions into country-level strategies, particularly in the area of adaptation.

IDA countries are the most vulnerable to risks associated with droughts, floods, coastal storms and changes in agricultural productivity. Adaptation to build up resilience to these risks is the most significant climate challenge facing these countries today. The “Economics of Adaptation to Climate Change” study estimates that the cost for IDA countries (including those that also have access to

the International Bank for Reconstruction and Development) will be around US\$24 billion-US\$26 billion per year over the next 10 years, rising to US\$40 billion by 2050. The steepest increases (more than twofold) will take place in Sub-Saharan Africa. Contributing to funding those projected costs on top of current needs will be one of the key challenges for IDA.

In developing their energy and transport infrastructure, IDA countries also face the challenge of planning for and investing in low carbon solutions.

Monitoring financial flows to adaptation is in itself a challenge. A transparent system of tracking financial flows for adaptation related to sectors that are vulnerable to climate change, such as agriculture, flood protection, water supply and health, is needed.

Approach

Meeting the climate challenge needs to be achieved through supporting country-led development strategies and priorities while helping countries take advantage of new economic, capacity building, and financing opportunities that arise from the global climate change agenda.

The World Bank Group's *Interim Progress Report on the Strategic Framework for Development and Climate Change*, which went to the Board in May 2010, documents the Bank Group's growing response to the climate challenge. It is an interim report on the 2008 Strategic Framework for Development and Climate Change, which provides a roadmap for the World Bank Group's climate action for fiscal years (FY) 2009-2011. The Framework is designed to enhance collaboration with developing countries, tailoring

financial and technical support to their unique challenges in tackling climate change, while still strengthening communities and their overall economy—making use of IDA and other resources in a complementary manner.

Results Achieved with IDA Support

In FY10, 15 Country Assistance Strategies and Country Partnership Strategies for IDA countries discussed at Board meetings addressed climate change. IDA has also begun to use Development Policy Operations to help integrate climate change resilience into national budgets and this effort should also be expanded substantially. In FY10 there were four such operations for a total of approximately US\$350 million that addressed climate change issues in IDA countries.

In **Bangladesh**, more than a million households without access to electricity are now getting off-grid solar power thanks to a US\$130 million project funding from IDA. The joint World Bank and International Finance Corporation's (IFC) **Lighting Africa program** seeks to provide up to 250 million people in Sub-Saharan Africa with access to non-fossil fuel based, low-cost, safe, and reliable lighting products with associated basic energy services by the year 2030.

Making development climate-resilient has emerged as a major theme in supporting poverty reduction and economic growth in Sub-Saharan Africa. From addressing drought risk in **Ethiopia** (US\$175 million of IDA funds) to watershed management in **Kenya** and **Malawi** (a total of US\$75.5 million), Africa is rapidly increasing its efforts to grapple with development challenges in a changing climate.

IDA has also provided an effective platform to leverage a range of other financial instruments, some of which are described below.

IDA Financing and Other Support

Recognizing climate change as a development issue became a key pillar in IDA's policy framework. IDA supports client efforts to address these risks in their development strategies by serving as a platform for applying new climate financing and emerging knowledge most effectively. Importantly, IDA can leverage sorely needed financial resources from an array of sources for climate change, and can help countries use those resources effectively.

Renewable energy and energy efficiency are cornerstones of mitigation action in IDA countries. During 2009-2010, investment in core funding for these activities doubled from an average of US\$103 million to US\$233 million.

Climate-related knowledge products have increased in number. During 2009-2010, 20 analytical and advisory assistance products dealing specifically with adaptation and vulnerability to climate change were delivered compared to an average of two per year during IDA14.

Involving the private sector is a key element of long-term climate smart development, and IDA counts on a range of instruments to achieve this. *IFC, which is actively increasing climate-positive investing in all sectors of the economy, is seeking new forms of partnership to leverage all forms of climate finance.* For example, a US\$400 million IDA Partial Risk Guarantee along with a US\$200 million IDA credit for the Nigeria Electricity and Gas Improvement Project is helping

reduce greenhouse gas (GHG) emissions by connecting users to cleaner grid-based generation.

Major focus has been given to making Clean Development Mechanism flows accessible to Africa: the region accounts for 20 percent of active projects in the World Bank's carbon finance portfolio, compared with a 2-3 percent share in the overall Mechanism pipeline.

On other fronts, with contributor pledges of US\$932 million, the Pilot Program for Climate Resilience under the Climate Investment Funds initiated activities in multiple countries including nine IDA countries, three of which are in Africa and four in fragile states.

The US\$530 million CIF Forest Investment Program will support inter alia efforts of three pilot IDA countries to reduce deforestation and forest degradation and promote sustainable forest management that leads to emission reductions and the protection of carbon reservoirs. This program complements the World Bank-facilitated Forest Carbon Partnership Facility, which involves 37 tropical and sub-tropical countries. The Forest Carbon Partnership Facility has mobilized US\$165 million for capacity-building and performance-based payments to pilot projects which aim to open financial flows for activities related to forest and land management that are currently outside the scope of the Clean Development Mechanism, but that have a large potential particularly in African and other IDA countries.

To further help IDA countries gain access to additional financing for priority development projects, the Climate Investment Funds Scaling-up Renewable Energy Program (US\$296 million) for low-income countries

was designed and declared operational in December 2009.

In another development, the Global Environment Facility (GEF) received a record boost from donor countries in May 2010; more than 30 nations pledged US\$4.25 billion. The 52 percent increase compared with the previous replenishment will allow GEF to expand its support to recipient countries with capacity-building, climate friendly technologies, and sustainable development, opening further opportunities for the World Bank Group-GEF collaboration to leverage and augment the impact of its resources. IDA is helping countries access the GEF; for example, the African Rift Geothermal Energy Development Program (ARGeo) offers insurance against the risk of geological exploration through a Risk Mitigation Fund financed by US\$13 million from GEF and administered by the Bank. Projects are currently under preparation in Djibouti, Eritrea, Ethiopia, Kenya, Tanzania and Uganda under ARGeo.

Responding to client priorities, the WBG has strengthened the operational links between climate adaptation and disaster risk management: The Global Facility for Disaster Risk Reduction and Recovery (GFDRR) serves as a knowledge hub and catalyst to promote the integration of hazard risk management into the Bank's development efforts. In FY10, eight GFDRR projects of a total of approximately US\$520 million focused on climate change adaptation in IDA countries.

Partners

IDA continues to play a crucial integrating role in leveraging additional development funds as well as in providing a comprehensive

development platform for its clients. Among IDA's partnerships for climate action:

- Development of the Climate Finance Knowledge Platform with the UN Development Programme (UNDP) as part of a coordinated UN response will be a valuable tool for IDA countries. A prototype is online which is being continually enhanced. UNDP and the World Bank have allocated seed funds while fund raising with donors is ongoing.
- In March 2010, the World Bank and the UNDP were designated as the first Multilateral Implementing Entities of the Adaptation Fund.
- Joint implementation of the Climate Investment Funds by the Multilateral Development Banks begun with current pledges of US\$6.3 billion.
- The Forest Carbon Partnership Facility includes 37 tropical and sub-tropical countries; has mobilized US\$165 million and made 11 grant allocations for readiness work. The Carbon Partnership Facility will broaden the impact of carbon finance (became operational in May 2010 with €100 million in commitments already made).

Moving Forward

IDA's priorities in the next five years will be gender, climate change, and conflict-affected countries.

The World Bank Group will step-up efforts to complement development assistance through instruments such as IDA with specialized grant-based resources to address additional climate risks. The Bank Group will explore options for IDA-supported programs to have access to substantial and predictable complementary adaptation funding. Further attention will be given to helping clients and partners

understand and manage the adaptation-development linkages in different contexts, particularly through learning by doing from the Pilot Program for Climate Resilience, sharing lessons from other adaptation-related programs, and accelerating the work on methodologies for vulnerability assessments and climate risk screening.

There are a number of strong arguments in favor of additional climate financing to complement and enhance the IDA platform:

- 1) more IDA resources will be needed to off-

- set the costs of adaptation in achieving the same development impacts, i.e. increase in costs due to necessary climate-proofing;
- 2) more resources will be required to increase climate resilience in our client countries by means of building institutions and setting up regulations; and
- 3) a special tracking system is needed to monitor financial flows and credit the contributing countries.

Last updated September 2010.
<http://www.worldbank.org/ida>