

## **TFESSD in FY09. Background Note.**

### **Socio-Economic Vulnerabilities and Climate Change: Strengthening Knowledge, Building Capacity, and Influencing Development Strategies and Policies**

#### **A. Vulnerabilities to Climate Change in Poor Countries: Issues and Bank Response**

1. **There is now a strong consensus that climate change presents an urgent challenge to the well-being of all countries and particularly to the poorest countries and the poorest people.** Even if efforts to reduce greenhouse gas emissions are successful, it is no longer possible to avoid some degree of global warming and climate change. The poorest countries and communities are likely to suffer the earliest and hardest because of their geographical location, low incomes, and low institutional capacity, as well as their greater reliance on climate-sensitive sectors like agriculture (See Table 1). Climate hazards are already a major impediment to reducing poverty and will become increasingly so as climate variability increases. Reducing the threat of human-induced climate change to socioeconomic sectors, human health, and ecological systems is possible, but will require substantial adaptation efforts. In this context, adapting to climate change--i.e. building up resilience and preparedness to increasing climate variability--appears as the most significant climate challenge for these countries. Adaptation should be pursued not as an end in itself, but as a means to meet the development objectives of poor countries.

2. **The World Bank has started to gain important experience in the area of adaptation but much more needs to be done.** The Bank has over the past two years recognized the importance of dealing with climate risk in development assistance and initiated various activities (including with support of TFESSD- See section B) as illustrated in Box 1 below. The Development Committee notably endorsed Pillar 3 on adaptation of the *Clean Energy Investment Framework* and its Action Plan, which commits the Bank group to fill knowledge gaps in this area and scale up its efforts. All regional Bank units have started to develop business plans on their responses to Climate Change, with adaptation as a key component. Some units are deploying their own resources to develop flagship studies, targeted analytical work, and country studies. However, compared with the Bank group work on mitigation (efforts to reduce emission), adaptation efforts (efforts to adjust to ongoing climate changes) still need to go a long way to raise countries awareness of and capacity to manage climate risks. In the poorest countries who contribute least to GHG emissions but who are affected the most, adaptation—understood as an integral part of good development—should be the primary focus of World Bank climate change initiatives. It is also where TFESSD can have the most lasting impact (See Section B).

**Table 1. Countries most at risk from climate-related threats**

<i>Drought</i>	<i>Flood</i>	<i>Storm</i>	<i>Coastal 1m<sup>a</sup></i>	<i>Coastal 5m<sup>a</sup></i>	<i>Agriculture</i>
Malawi	Bangladesh	Philippines	All low-lying Island States	All low-lying Island States	Sudan
Ethiopia	China	Bangladesh	Vietnam	Netherlands <sup>no</sup> TFESSD	Senegal
Zimbabwe	India	Madagascar	Egypt	Japan	Zimbabwe
India	Cambodia	Viet Nam	Tunisia	Bangladesh	Mali
Mozambique	Mozambique	Moldova <sup>b</sup>	Indonesia	Philippines	Zambia
Niger	Laos	Mongolia <sup>b</sup>	Mauritania	Egypt	Morocco
Mauritania	Pakistan	Haiti	China	Brazil	Niger
Eritrea	Sri Lanka	Samoa	Mexico	Venezuela	India
Sudan	Thailand	Tonga	Myanmar	Senegal	Malawi
Chad	Viet Nam	China	Bangladesh	Fiji	Algeria
Kenya	Benin	Honduras	Senegal	Vietnam	Ethiopia
Iran	Rwanda	Fiji	Libya	Denmark	Pakistan

Notes: Grey= IDA and blend countries. Light green = IBRD. Non-shaded = developed countries. The typology is based on both absolute effects (e.g., total number of people affected) and relative effects (e.g., number affected as a share of GDP). The table was put together by World Bank staff in preparation of the document 'IDA and Climate Change' using the criteria that risk is a function of hazard, exposure, and vulnerability.

a. Meters above the seal level.

b. Winter storms.

c. The following countries are not TFESSD eligible: Brazil, Denmark, Japan, Libya, Mexico, Netherlands, and Venezuela.

Source: World Bank, forthcoming, *IDA and Climate Change: Making Climate Action Work for Development*. Paper to be discussed at the IDA fourth replenishment meeting in Dublin, November 2007.

**3. During the next 3-4 years, the Bank's strategic directions on adaptation to climate change will focus on expanding analytical work, mainstreaming climate actions, and scaling up,** as identified in the upcoming paper on IDA and Climate Change: Making Climate Action Work for Development. Areas for action on adaptation in low-income countries will concentrate on the following:

- *Expanding analytical work on climate change, including* in-depth assessments of adaptation needs within countries, and screening of projects for climate risks.
- *Mainstreaming climate actions in country assistance strategies (CASs).* The Bank will work on including climate change in the country policy dialogue and assist client countries in defining climate interventions with development benefits in the CAS.
- *Integrating adaptation in Bank investments.* Based on analytical work and country priorities as expressed in the CAS, IDA, technical assistance (TA), specific investments, and development policy loans (DPL) will deal with climate change when judged to be necessary and appropriate by key stakeholders. And,
- *Scaling up disaster preparedness and developing innovative insurance products.* IDA investments in disaster preparedness must include prevention, response, and recovery. These investments must be complemented by the development of insurance products such as weather-indexed insurance for small-scale agriculture.

**4. In terms of results at country level, management will commit to report on a number of knowledge and financial assistance outputs, including:** Cross-country climate risk

assessments; in-depth country assessments of adaptation and mitigation needs; project screening for climate vulnerability in high-risk countries; CASs in high-risk countries incorporating significant climate interventions in the form of analytical work or projects; TA, investment or DPL operations containing significant climate components; and disaster preparedness / climate risk insurance operations in high-risk countries. These commitments may be of interest to supporting donors and partners like Norway as it increasingly emphasizes its willingness to see Trust Fund resources impact broader changes at Bank level.

## **B. Climate Change Adaptation and the Role of TFESSD Until Now**

**5. TFESSD has already supported promising sectoral work on adaptation, particularly in agriculture.** For example, the project TF052552—Adaptation of Agriculture to Climate Change in Africa received TFESSD funds to build the capacity at eleven African countries to assess agro-ecological systems' vulnerability to climate change. The project has completed a number of studies on the adaptive capacity of African agriculture.<sup>1</sup> The project TF053884—Adaptation screen and design tool has developed a project-level screening tool that can help indicate the degree of climate risk affecting investment projects. And two regional studies are ongoing with TFESSD support to assess climate changes responses in West Africa (TF057357) and in MENA (TF057358).

**6. TFESSD has also supported a number of activities that aim, directly or indirectly, to enhance the resilience of developing societies to climate impacts such as increased frequency of natural disasters and extreme weather events such as droughts.** A suite of around 11 activities were approved in FY07 to improve hazard mitigation, natural disaster responses, and social protection measures for communities affected by disasters. In addition, several TFESSD activities have addressed resilience of natural resource management to extreme weather, including, for example, TF054302—Community-based drought management for the sustainable use of pastoral resources in the arid & semi-arid zones of Sub-Saharan Africa. In addition, a broad swath of past work supported by TFESSD is of relevance to adaptation. Helping communities adapt to climatic fluctuations is only good development practice and something that many activities have addressed directly or touched upon. TFESSD activities in the areas of natural resource management, for example, have addressed sustainable management of land, water, forests, livestock, and fisheries. And past work on the poverty-environment nexus and social risk management has dealt with social aspects of climatic fluctuations. These and other efforts need to be built upon as the development community begins to better understand and respond to climate change.

**7. Building on lessons from these earlier activities and with its focus on innovative, catalytic, and inter-disciplinary initiatives, TFESSD is well-placed to further help mainstream climate action into Bank and global development practice.** The overall priority on adaptation would support a continuation of select themes in ongoing TFESSD supported work, including social risk management, resilience of rural institutions, sector-specific adaptation, and natural hazard management. TFESSD support is expected to contribute to developing or refining the tools, methods, and approaches necessary for placing climate action squarely on the agenda of the international development community as not merely an environmental issue but also a social and economic issue that can and must be addressed.

## **C. Proposed Directions in FY09**

**8. The proposed directions included in this note build on internal Sector Board (SBs) submissions, preliminary feedback from the TFESSD Reference Group, and the Bank Group**

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<sup>1</sup> See for example Will African Agriculture Survive Climate Change?, *World Bank Economic Review*, 2006, 20, (3), 367-388

**corporate strategic directions.** This note incorporates ideas and proposals made by the four Sector Boards associated with the TFESSD (Environment, Poverty, Social Development, and Social Protection). The sector board submissions point to a number of priority knowledge gaps in the area of adaptation, with an emerging consensus that socio-economic vulnerabilities at micro, meso and national levels need to be better understood and addressed. At the same time, these submissions contain many overlaps (see Submissions). During the Secretariat visit to Oslo (September 26, 2007) the donors and Reference Group reacted to a powerpoint that summed up preliminary ideas emerging from submissions. Feedback received at that stage include: i) a more programmatic and strategic approach of the TFESSD on this topic, without sacrificing innovation; ii) a clear identification of the critical entry-points in Bank strategies and instruments that would need to be changed or influenced; iii) a clearer view on economic impacts, distinguishing between market and non-market solutions; and iv) a caution against using TFESSD for long term monitoring exercises given the high-cost associated with this type of initiatives. The themes listed below represent a synthesis of sector board submissions, comments from the donors and the Reference Group, and Bank priorities as set out in Section A.<sup>2</sup>

9. On this background, it is proposed that the call for proposals for FY09 is structured around the following four main themes:

1. Mainstreaming adaptation in country assistance strategies for exposed countries
2. Addressing sectoral and cross-border adaptation challenges
3. Building resilience at local and household level through strengthened understanding of household and community responses
4. Influencing the Bank to move beyond the Clean Energy Investment Framework and shaping the building blocks for a World Bank Group multi-sectoral strategy on climate change

**Further detail is provided in the call for proposals.**

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<sup>2</sup> The Bank group is now committed to i) expand its strategic directions beyond the Clean Energy Investment Framework, starting to create building blocks for a multisectoral strategy on climate change; ii) expand analytical work, filling in knowledge gaps; iii) mainstreaming climate actions in CASs; iv) integrating adaptation in investment and policy lending; v) scaling up disaster preparedness; and vi) developing innovative insurance products. TFESSD can usefully complement Bank efforts in most of these directions. Exceptions could include i) insurance, which raises the need for major private sector engagement; and ii) mainstreaming of adaptation in traditional infrastructure sectors. It is proposed that these two areas fall under the NTF for Private Sector and Infrastructure, jointly managed by the Bank and IFC.