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WORLD BANK: CLIMATE FINANCE APPROACHES AND ACTIONS FOR SUSTAINABLE LANDSCAPES



World Bank Group

CLIMATE
CHANGE
ACTION
PLAN

2021-2025
Supporting Green, Resilient,
and Inclusive Development

Overview

A program in Zambia has established nearly 250 farmer field schools that are training over 10,000 farmers on climate-smart agricultural practices, boosting yields and incomes while helping conserve forests.

—Sarah Fretwell/ World Bank



Climate change and development must be tackled together

Climate change, poverty, and inequality are defining challenges of our time. The new Action Plan focuses on integrating climate and development, identifying and prioritizing action on the largest mitigation and adaptation opportunities, and using those to drive our climate finance and leverage private capital in ways that deliver the most results.



Ramping up Climate Finance to Make the Most Impact

Supporting programs that make the greatest impact, which means helping the largest emitters flatten their GHG emissions curve and accelerate the downtrend, while also ramping up financing on adaptation to help countries build resilience to climate change.

Green, Resilient, and Inclusive Development

Advancing green, resilient, and inclusive development (GRID) by enhancing support for WBG clients to integrate climate into their development strategies. Support will be tailored to individual client demand and based on country-specific circumstances.

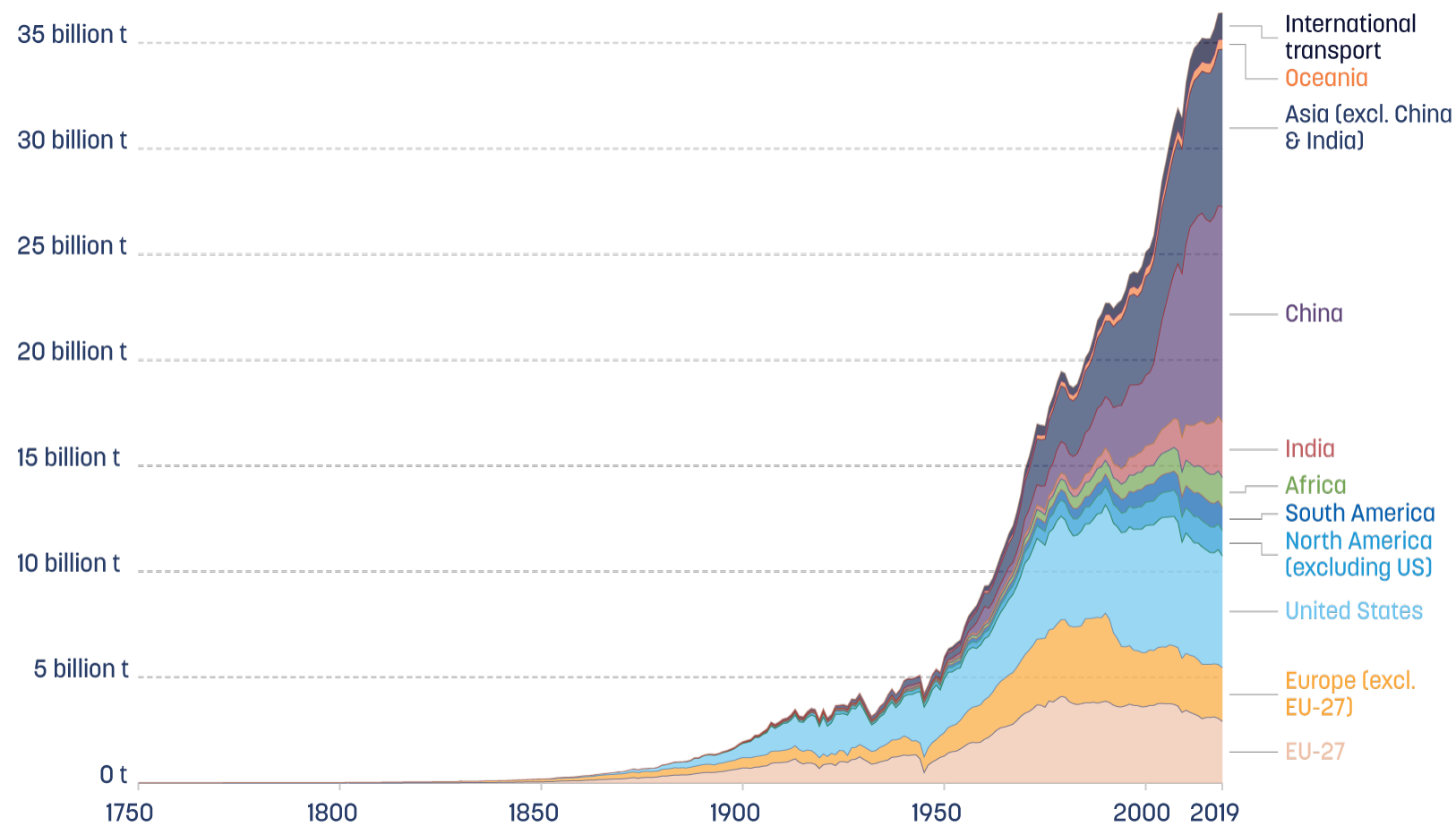
From Green Projects to Green Economies

Pivoting from supporting “green” projects, to greening entire economies through a whole-of-economy approach, focusing on policies and plans to create the right enabling environment for climate action to deliver transformative change, including private sector-led growth.

...as the poorest countries are most impacted

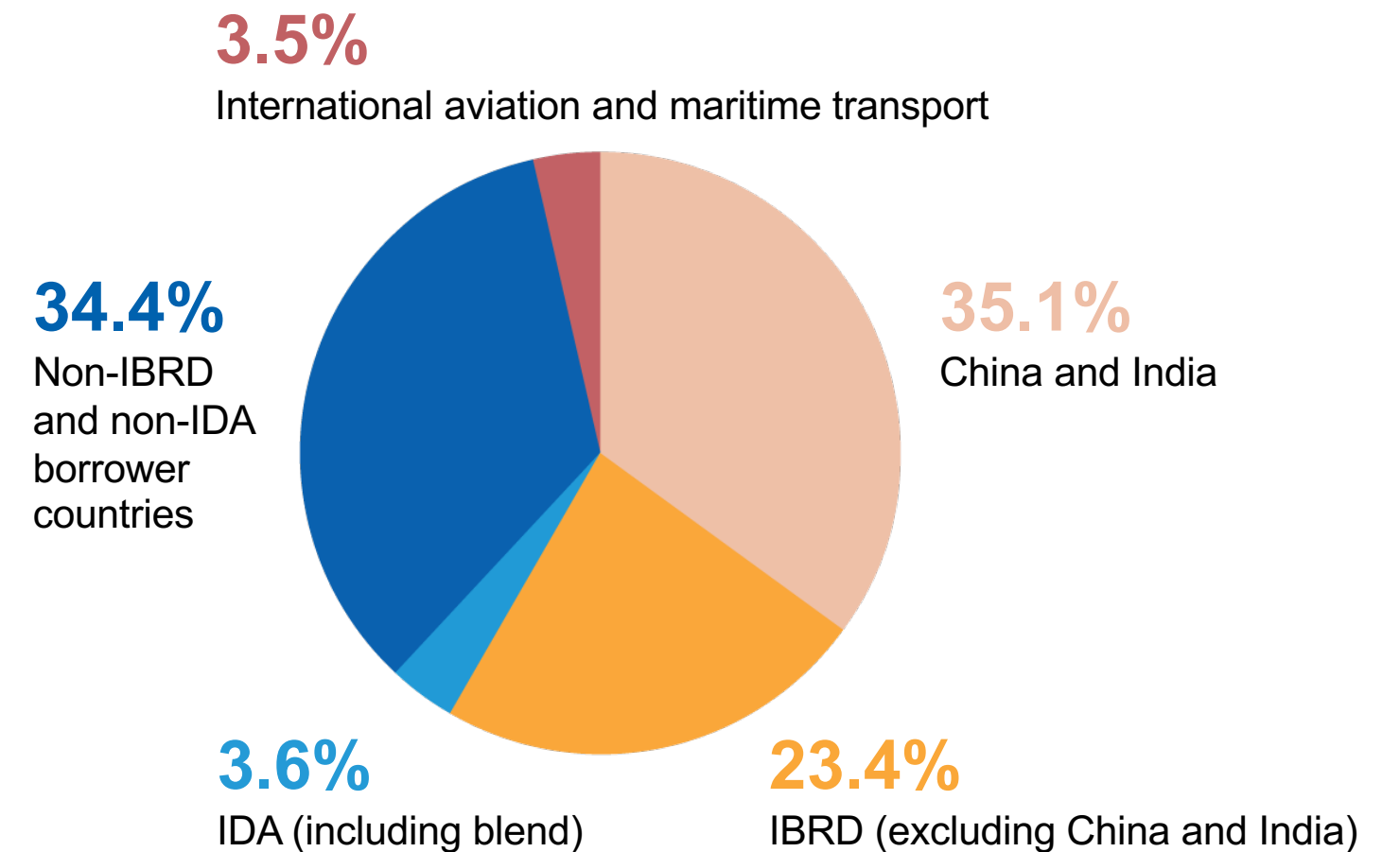
The world's poorest countries are the lowest emitters but are most impacted by climate change. This Action Plan affirms the centrality of adaptation efforts for the poorest and most vulnerable countries and commits to boosting our support for adaptation and resilience.

FIGURE 1: Annual Total CO₂ Emissions by World Region, 1750–2019



Note: This measures CO₂ emissions from fossil fuels and cement production only—land use change is not included. 'Statistical differences' (included in the GCP dataset) are not included here.
Source: Our World in Data based on the Global Carbon Project

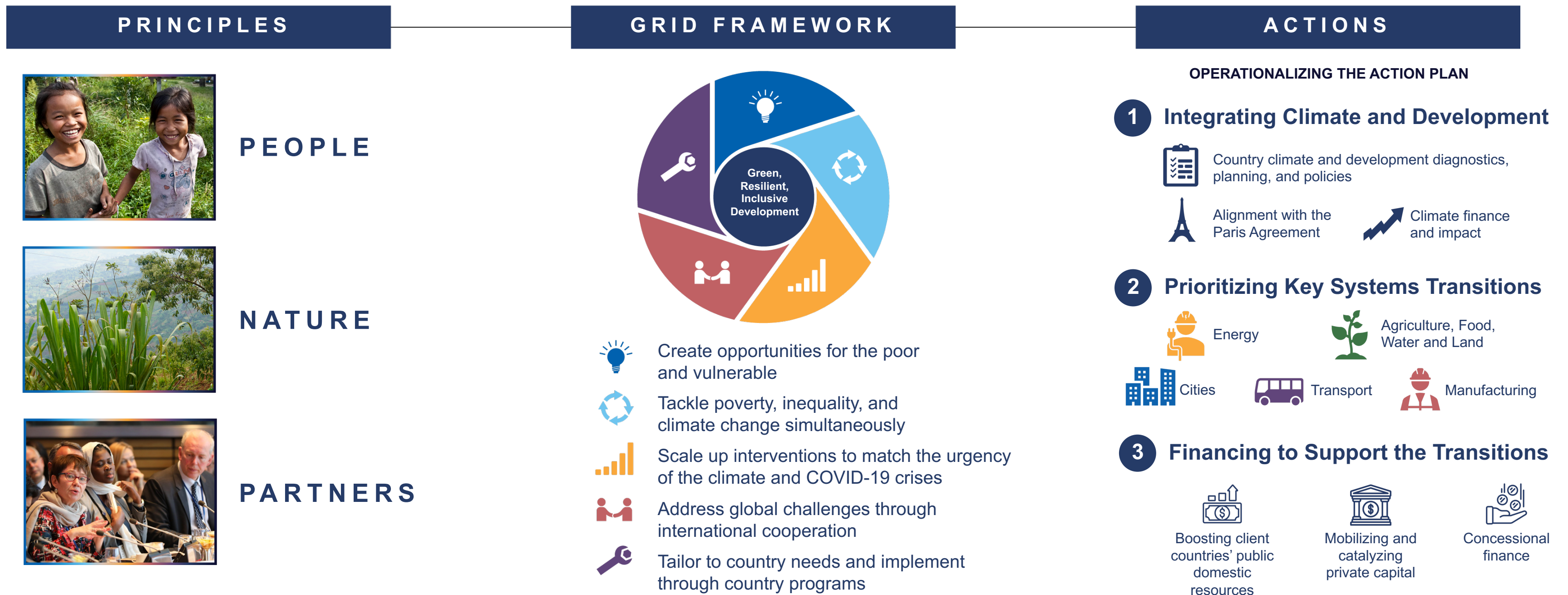
FIGURE 2: Share of Global CO₂ Emissions by World Bank Lending Category, 2019



Note: This figure is an estimate based on combined data from the Global Carbon Project (2020) and World Bank Country and Lending Groups (2019).

Overview of the WBG Climate Change Action Plan

The Action Plan is underpinned by three transversal principles in support of the Green, Resilient, and Inclusive Development (GRID) framework and will be operationalized through three pillars: integrating climate and development, prioritizing key systems transitions, and financing to support the transitions.



Three Pillars to Operationalize the Action Plan

The **Action Plan** is underpinned by three pillars: (a) integrating climate and development; (b) prioritizing key systems transitions; and (c) financing to support the transitions.

ACTIONS

OPERATIONALIZING THE ACTION PLAN

1 Integrating Climate and Development



Country climate and development diagnostics, planning, and policies



Alignment with the Paris Agreement



Climate finance and impact

2 Prioritizing Key Systems Transitions



Energy



Agriculture, Food, Water and Land



Cities



Transport



Manufacturing

3 Financing to Support the Transitions



Boosting client countries' public domestic resources



Mobilizing and catalyzing private capital



Concessional finance

Integrating Climate and Development



Ramesh, a salt pan worker, cleans his solar panels as the sun rises in the Little Rann of Kutch, India.

© Dominic Chavez/International Finance Corporation

Country Climate and Development Diagnostics, Planning and Policies

The WBG will produce its own dedicated country climate and development diagnostic and will support the development and implementation of clients' Nationally Determined Contributions (NDCs) and Long-Term Strategies (LTSs) for low-carbon and climate-resilient development, including carbon pricing, using a whole-of-economy approach.

Country Climate and Development Report (CCDR)

The CCDR will be introduced in FY22, providing a strong analytic base to inform future SCDs and CPFs, with links to poverty and shared prosperity. IFC will use the CCDR to identify new opportunities for climate business.

Country Engagement

All WBG country engagement products and IFC's new Country Private Sector Diagnostic (CPSDs) will incorporate climate risk considerations.



NDCs and LTSs

The WBG will support countries in updating and implementing their NDCs and in developing ambitious plans for 2025. Countries will be supported in developing their LTSs with funding and technical support.

Carbon Pricing and Markets

The WBG will provide technical assistance to countries to prepare for and implement carbon pricing and markets, in addition to hosting initiatives to support the development and implementation of carbon pricing.*

* These include the Partnership for Market Implementation, the Energy Subsidy Reform Facility, the Coalition of Finance Ministers for Climate Action, the Platform for Collaboration on Tax, and the Carbon Pricing Leadership Coalition

Aligning Financial Flows with the Paris Agreement

- The World Bank will align all new operations by July 1, 2023.
- IFC and MIGA will align 85% of real-sector operations starting July 1, 2023, and 100% of these starting July 1, 2025.
- Once a methodology for financial institutions and funds is finalized among MDBs, a similar approach will be taken by IFC and MIGA for this business as well.

Definition

Provision of support to clients that is consistent with pathways towards equitable, sustainable, low-carbon, and climate-resilient development

Adaptation

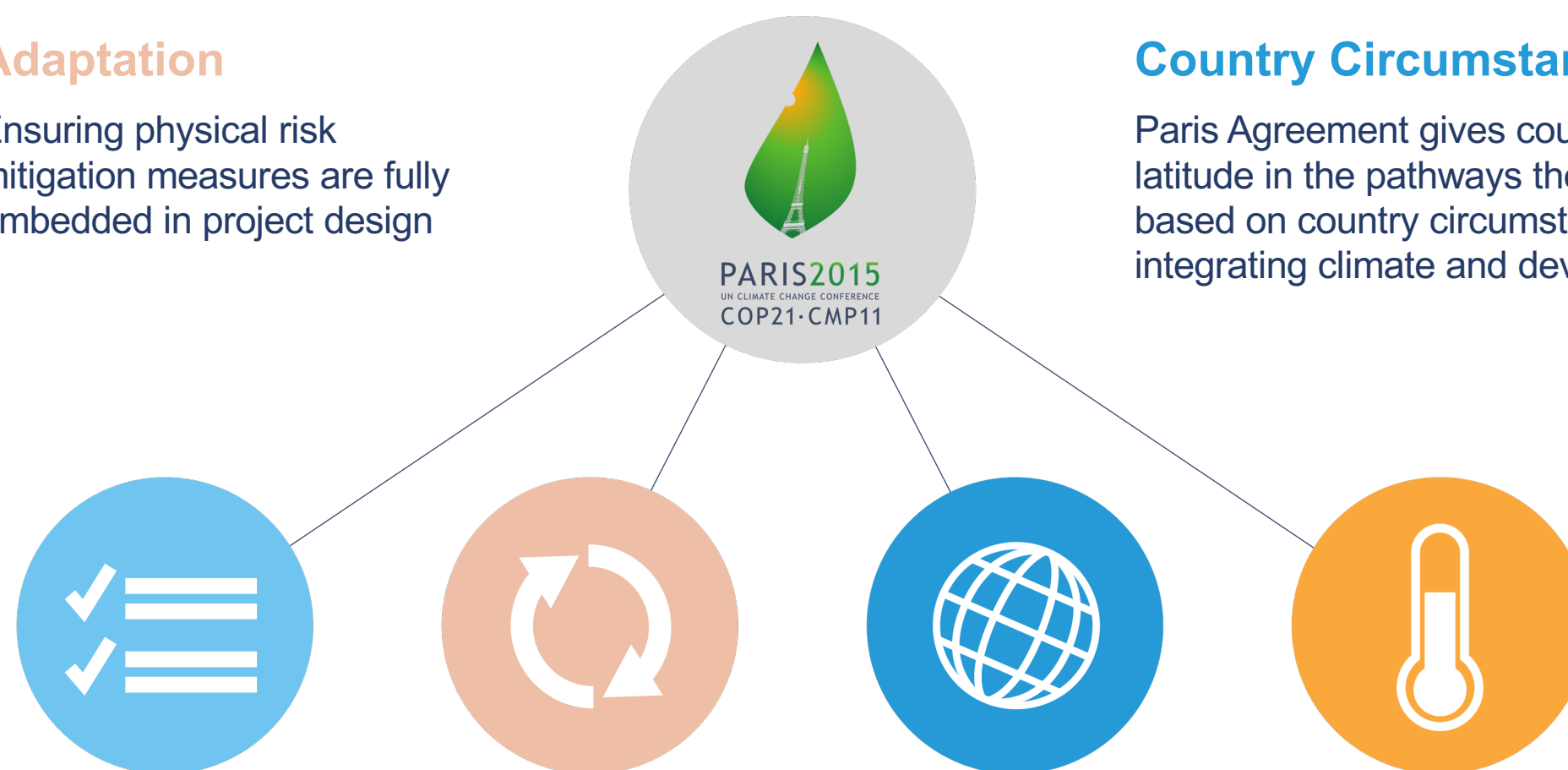
Ensuring physical risk mitigation measures are fully embedded in project design

Country Circumstances

Paris Agreement gives countries latitude in the pathways they choose based on country circumstances in integrating climate and development

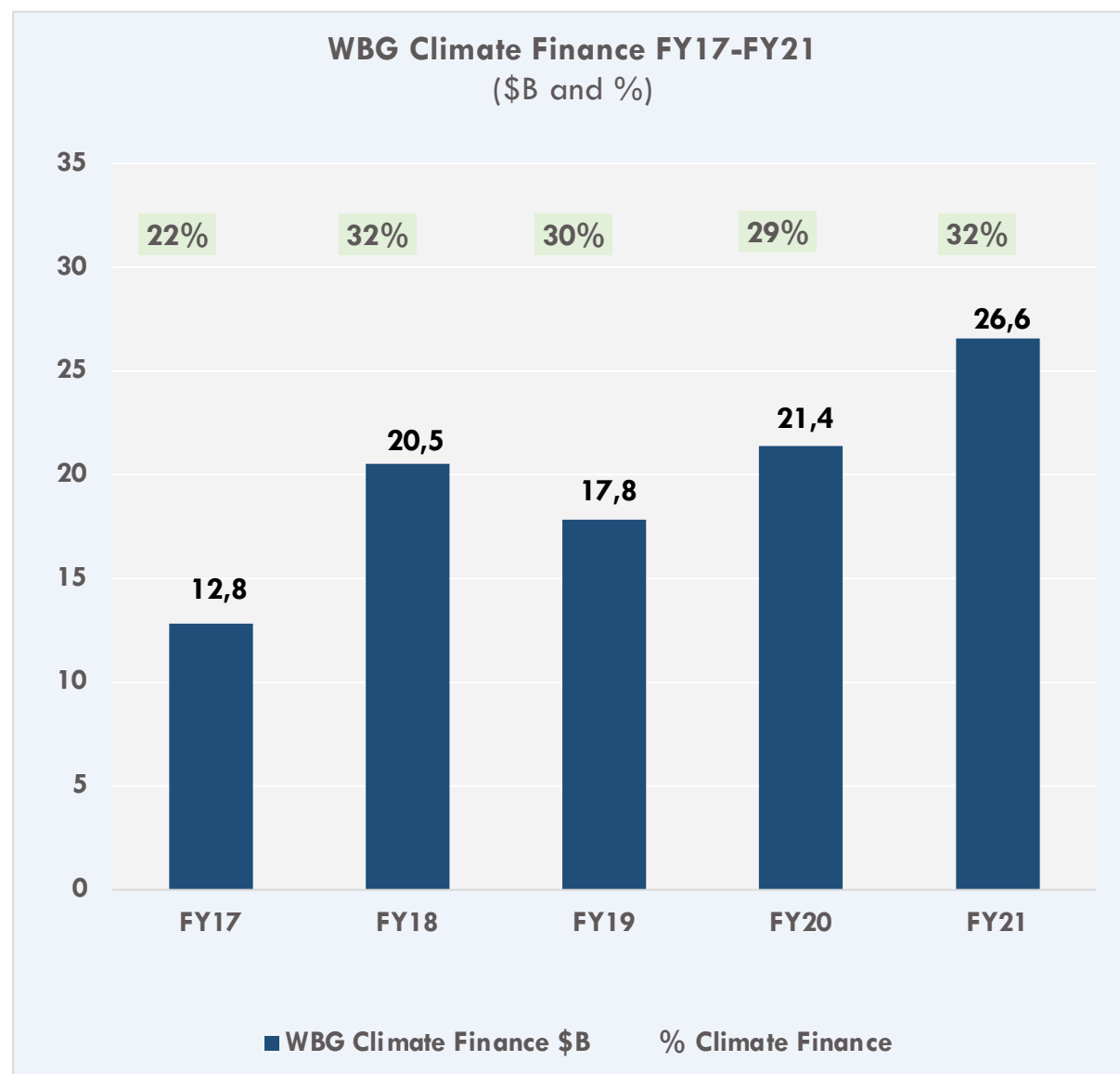
Mitigation

Ensure investments support limiting global warming to well below 2 degrees, recognizing that peaking of GHG emissions will take longer for developing countries



Increasing Climate Finance

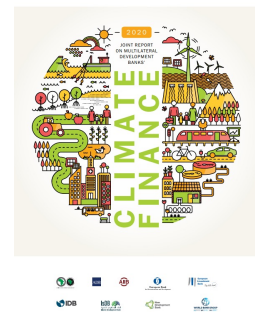
- The Action Plan has an ambitious new WBG climate finance target, 35% on average over FY21-25, and an IBRD/IDA target of at least 50% of climate finance for adaptation. To complement our climate finance target, the WBG is investing in better tools and metrics to measure both the mitigation and adaptation impact of our work.
- The WBG’s climate financing continued an upward trend in FY21, reaching a record \$26.6B (32%).



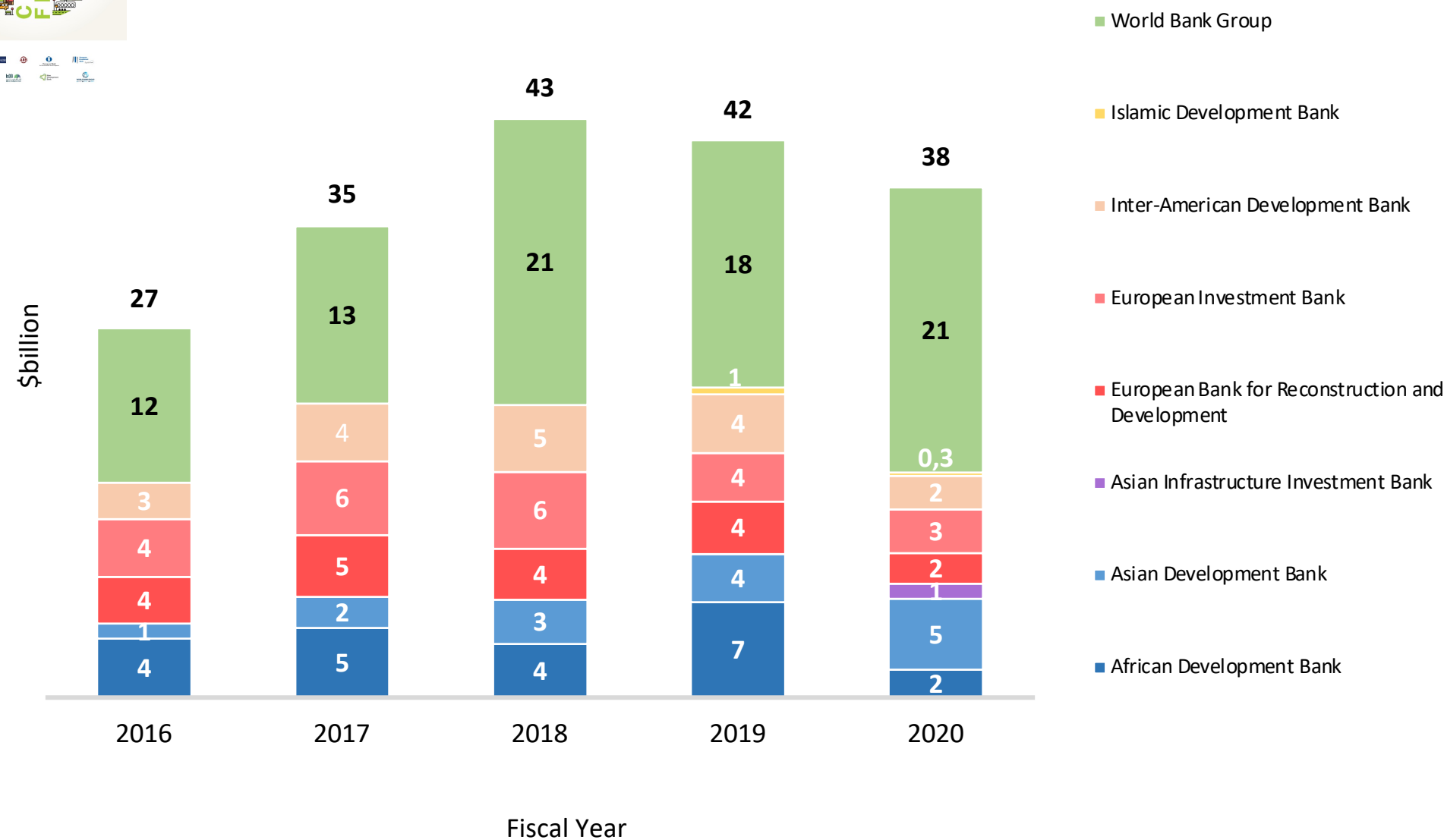
WBG Climate Finance (%):	WBG Climate Finance (\$ billion):
35% FY21-25 average target	
32% FY21 achieved	\$26.6B FY21 achieved
29% FY20 achieved	\$16.7B FY16-20 annual average

WBG is the Largest Climate Financier among MDBs

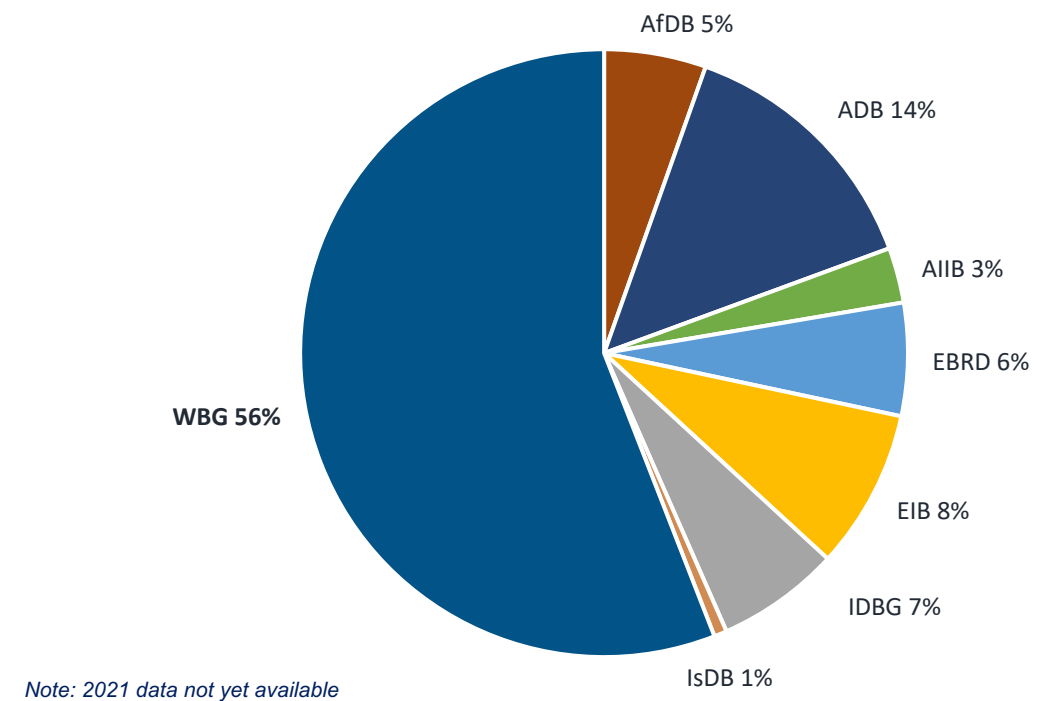
- The WBG has provided the largest amount of climate finance among MDBs to low- and middle- income countries in FY16-FY20, accounting for more than half of MDB financing for climate by FY20.



MDB Climate Finance Commitments to Low and Middle-Income Countries, 2016-2020



Climate Financing Share among MDBs for 2020



WBG Adaptation Finance

In 2020, the WBG accounted for more than 2/3 of total MDB adaptation finance for developing countries, reflecting its central role in financing adaptation and resilience for the poorest worldwide.

Source: 2020 Joint Report on MDBs' Climate Finance. Includes share of climate finance from MDBs' own accounts and MDB-managed external resources for Low- and Middle-Income economies only. 2021 data not yet available.

Increasing Climate Impact

The Action Plan will support more ambitious interventions for our clients through several actions, including the introduction of Country Climate and Development Reports (CCDRs), a shift to greening economies, a focus on systems that can deliver the most mitigation impact, and new indicators and metrics. In addition, Paris alignment will lead over time to a shift in the portfolio towards more ambitious operations.



Country Climate and Development Reports

Enhanced country specific diagnostics on climate and development will help shape a more ambitious country engagement and operations.



Greening Economies

Strategic shift from greening projects to greening economies through a whole of economy approach.



Mitigation Impact

Focus on 5 key systems transitions that can deliver the most mitigation impact.



Climate Results Indicator

Requirement to include a climate results indicator in all Bank financing operations with climate finance above 20% to track impact over the project cycle.



New Metrics

Piloting of resilience rating system to ensure enhanced consideration of adaptation and resilience in project design. Development of next generation metrics to measure impact.



Paris Alignment

Aligning financial flows with the objectives of the Paris Agreement should support a shift to more ambitious climate action.

Prioritizing Key Systems Transitions



Villagers plant trees for a nursery as part of a reforestation project in Mombeya, Guinea.

—Vincent Tremont/ World Bank

Prioritizing Key Systems Transitions

Transformative interventions are needed in 5 key systems because they account for over 90% of global greenhouse gas emissions. They must be transformed to address climate change, achieve a resilient and low-carbon future, and support natural capital and biodiversity. These sectors are critical to achieving development goals. Transforming them is key for countries at all stages of development and requires action from the public and private sector: both to unlock major economic opportunities and create new markets and jobs.



Energy

Energy accounts for around three-quarters of gross global greenhouse gas emissions, with coal combustion accounting for one-third. Achieving net zero emissions by mid-century is only possible with a rapid, unprecedented, shift of global energy systems from fossil fuels to renewable energy.



Agriculture, Food, Water, & Land Use

Agri-food system transformation is particularly urgent for both climate change and to feed a growing population. Agricultural and land use change accounts for almost 25 percent of GHG emissions.



Cities

Cities consume over two-thirds of the world's energy and account for more than 70 percent of global CO₂ emissions. The transformation of cities and urban systems will be critical in achieving carbon neutrality—and in making cities and human settlements inclusive, safe, resilient, and sustainable in line with SDG 11.



Transport

Transport emits around 24 percent of the energy-related carbon emissions that are associated with global warming and transport emissions have grown faster than other sectors over the past 50 years. Without aggressive measures, emissions from transport are expected to grow 60 percent by 2050.



Manufacturing

Manufacturing activities, especially the production of base materials such as chemicals, steel, and cement, contribute to about 27 percent of global GHG emissions. These sectors are building blocks that lay the foundation for a range of economic activities, create jobs along all value chains, and drive the economic growth of countries.

Financing to Support the Transitions



Electric scooters in the World Heritage Site of Luang Prabang in Lao PDR. The World Bank is conducting a study of ways in which the city can enhance green mobility and make its tourism industry more sustainable.

—Aiden Glendinning / World Bank

Financing to Support the Transitions

- Meaningful climate action will require trillions of dollars in the coming decade. The WBG will work with clients to boost public resources, mobilize and catalyze private capital, and raise and deploy concessional climate finance in more transformative and catalytic ways.



Domestic Resources

The WBG will work with clients to increase public finance and domestic resources for climate action.

The WBG will help client countries to assess and reform fiscal policies, including fossil fuel subsidies and carbon taxes, prepare for and implement carbon pricing, and build and participate in carbon markets.



Private Capital

The WBG will work to catalyze and mobilize private investment by:

- supporting upstream efforts to create new, sustainable, and green markets;
- expanding access to private capital and green finance;
- building climate capital markets;
- supporting finance for adaptation and resilience and biodiversity; and
- enabling the catalyzation of domestic private capital for climate investment.



Concessional Finance

The World Bank will use IDA19 and IDA20 funds to support countries with concessional climate finance.

Additional concessional finance will be raised through WBG umbrella trust funds and financial intermediary funds and through global efforts such as the Climate Investment Funds and Green Climate Fund.

IFC and MIGA will use concessional finance where the private sector faces higher risks or uncertainties associated with new, unproven technologies or in first-of-their kind projects.

Greening the Financial Sector

- The broader financial sector plays a key role in mobilizing capital for green and low-carbon investments and managing climate risks. The WBG will support greening the financial sector through its work with central banks, national development banks, and private sector financial institutions.



Supporting Financial Sector Reforms and Standards

The WBG will support clients to change regulations and policies so that the financial sector catalyzes low-carbon, sustainable investment in the real economy.

The WBG will contribute to valuation, trade, product and disclosure standards that move markets in a climate-oriented direction.

Developing Green Bond and Loan Markets

The WBG will work to develop green bond and loan markets and other innovative financing instruments to support climate goals, including sustainability-linked loans and green mortgages.

Greening Investments in Financial Institutions

IFC and MIGA will no longer invest in the equity of financial intermediary clients that do not have a plan to phase out their investments in coal and coal-related projects no later than 2030. IFC will require its equity FI clients to disclose publicly their aggregated exposure to coal-related projects on an annual basis and MIGA will develop disclosure frameworks for its FI clients.

Preparing for Financial Risks

The WBG will support countries and companies to address financial risks from a changing climate, including through its work with the IMF on the Financial Sector Assessment Program, its Disaster Risk Financing and Insurance Program, and its work with the TCFD and TFND.

Summing Up



Estelle Chapron is one of 3,000 trained volunteers who evacuate people and save lives when natural disasters strike Haiti.

—Vincent Theodore/ World Bank

Summing Up



Greening Economies

Support whole-of-economy policy reforms and institutional strengthening as well as supporting clients on NDCs and LTSs to deliver on climate and development.



Diagnostics + Metrics

Build a strong analytic base at the global and country-level, including introducing new Country Climate and Development Reports and developing new metrics to measure impact.



Climate Finance

Increase the WBG climate finance target to 35% on average in FY21-25, with at least 50% of IBRD/IDA climate finance for adaptation.

CLIMATE CHANGE ACTION PLAN



Paris Alignment

Align WBG financing flows with the objectives of the Paris Agreement.



Systems Transitions

Support transformative investments in 5 key systems transitions that contribute over 90% of global emissions and have significant climate vulnerabilities.



Financing the Transitions

Work with clients to boost public resources, mobilize and catalyze private capital, raise and deploy concessional climate finance, and green the financial sector.



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THANK

YOU

<https://openknowledge.worldbank.org/handle/10986/35799>

Accelerating Climate Action

Unlocking Private Sector Finance for Sustainable Landscape Management

Erwin de Nys



Climate Emissions Reductions Facility (CERF)

RBCF motivates client countries to set ambitious targets

Donors know their funding will only go to programs that achieve results

RBCF can crowd in financing by investors and be blended with other sources of finance

The Climate Emissions Reductions Facility (CERF)

- Umbrella Trust Fund (TF) for all RBCF within WB
- Strategic funding channel for climate finance
- High-level governance for all WB RBCF
- Operational and knowledge management efficiency
- Reduces administrative burden of multiple TFs

CERF Pillars

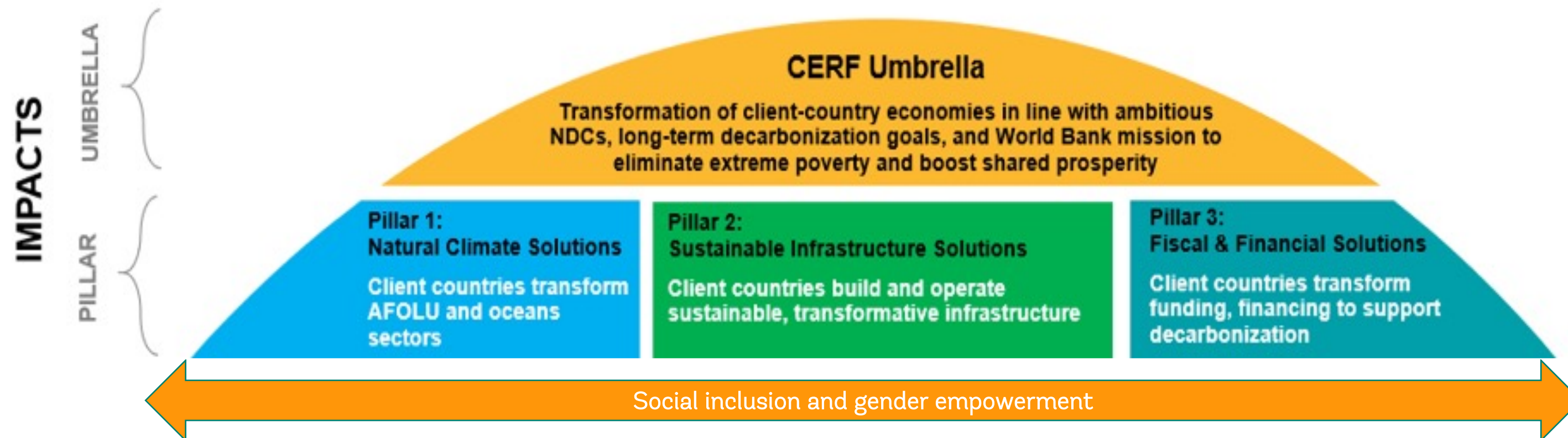
Natural Climate Solutions

Sustainable Infrastructure Solutions

Fiscal and Financial Solutions

Supporting transformation in line with Paris Agreement

Article 2	<ul style="list-style-type: none">• 2.1 (a) Mitigation• 2.1 (c) Transforming finance
Article 5	<ul style="list-style-type: none">• RBCF for REDD+
Article 6	<ul style="list-style-type: none">• 6.2 Mitigation outcome transfers• 6.4 Carbon markets• 6.8 Non-market based cooperative mitigation
Article 9	<ul style="list-style-type: none">• Climate finance



Existing forest and landscapes funds



Forest Carbon
Partnership
Facility
\$1.28B

Guiding readiness and carbon finance for REDD+ and testing purchase of REDD+ credits.
47 country participants including 15 donor governments, 1 private donor and 1 NGO



BioCarbon Fund
Initiative for Sustainable
Forest Landscapes
\$367M

Incentivizes the development and implementation of sustainable land use activities with the private sector, blending climate and development impacts. *5 country programs and 5 donor governments*



Accelerating Climate Action

Unlocking Private Sector Finance for Sustainable Landscape Management

Simon Whitehouse, FCPF's Fund Manager



Private Sector engagement approach for ISFL

PS engagement through three main modalities:

Industry Commitments

Cooperative Engagements

Private Sector Agreements

And on three distinct levels:

Firm Level

Working with IFC:

Prove a better and more sustainable business model to then be scaled up

Sectoral Level

ISFL PS Engagement:

Select value chain entry points such as cocoa, coffee, livestock, palm, etc.
Facilitate operational change and scale up innovative pilots to leverage PS finance

National / Jurisdictional Level

ISFL ER Programs:

Tackle policy and regulatory issues such as land tenure, credit, market access
Improve the enabling environment, provide technical assistance and capacity building

Private Sector engagement approach for ISFL

ISFL JURISDICTIONAL PROGRAMS

The enabling environment leverages additional resources that benefit communities and produce land use improvements

Colombia

PS to become a leading partner to achieve sustainable and low carbon landscape

Indonesia

Sustainable production systems
Reduce GHG emissions + increase PS investment in sustainability

Ethiopia

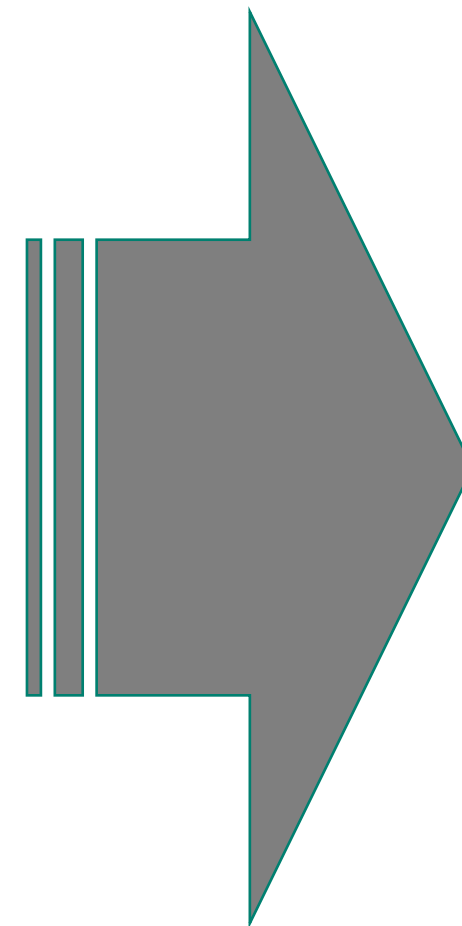
Strengthened implementation of practices, technologies and climate-smart approaches

Mexico

Strengthened local capacities to implement sustainable, climate-smart agriculture practices



1. Strengthened enabling environment supporting and promoting sustainable and environmentally responsible PS practices



2. Business and Financial innovation encouraged & enhanced, unlocking trapped capital and crowding in new sources of finance

3. Strengthened implementation of practices, technologies and climate-smart approaches for Supply Chain Actors

Private Sector Engagement Approach for the FCPF

- Cocoa
- Cashew
- Livestock
- Mining
- Ecotourism
- Vanilla



Private Sector Engagement Approach for the FCPF

- Long-term, private sector investments are critical for addressing current funding gaps in climate finance for forests and landscapes. The FCPF looks for **innovative entry points** for the private sector to help **scale up the potential of REDD+**.
- The FCPF's **cross-sectoral work** continues to advance work on a programmatic approach to assess gaps and develop strategies for overcoming barriers that hinder private sector engagement in selected jurisdictions.



FCPF Carbon Fund Portfolio

Number of signed
Emission Reductions
Purchase
Agreements
(ERPAs): 15

Total ER Contract
Value of ERPAs:
\$721.3 million



Thank you

