WORLD BANK: CLIMATE FINANCE APPROACHES AND ACTIONS FOR SUSTAINABLE LANDSCAPES

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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, 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.
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

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

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.

** Integrating Climate and Development
  - Country climate and development diagnostics, planning, and policies
  - Alignment with the Paris Agreement
  - Climate finance and impact

** Prioritizing Key Systems Transitions
  - Energy
  - Agriculture, Food, Water and Land
  - Cities
  - Transport
  - Manufacturing

** 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.

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 FY17-FY21
($B and %)

WBG Climate Finance (%):

- 35% FY21-25 average target
- 32% FY21 achieved
- 29% FY20 achieved

WBG Climate Finance ($ billion):

- $26.6B FY21 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.

Climate Financing Share among MDBs for 2020

<table>
<thead>
<tr>
<th>MDB</th>
<th>Climate Financing Share</th>
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<tbody>
<tr>
<td>AfDB</td>
<td>5%</td>
</tr>
<tr>
<td>ADB</td>
<td>14%</td>
</tr>
<tr>
<td>AIIB</td>
<td>3%</td>
</tr>
<tr>
<td>EBRD</td>
<td>6%</td>
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<tr>
<td>EIB</td>
<td>8%</td>
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<tr>
<td>IDBG</td>
<td>7%</td>
</tr>
<tr>
<td>WBG</td>
<td>56%</td>
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</tbody>
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Note: 2021 data not yet available

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

- 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.
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.

**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.
World Bank Group
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

<table>
<thead>
<tr>
<th>Article</th>
<th>Key Points</th>
</tr>
</thead>
</table>
| Article 2 | • 2.1 (a) Mitigation  
             • 2.1 (c) Transforming finance |
| Article 5 | • RBCF for REDD+ |
| Article 6 | • 6.2 Mitigation outcome transfers  
             • 6.4 Carbon markets  
             • 6.8 Non-market based cooperative mitigation |
| Article 9 | • Climate finance |

Social inclusion and gender empowerment
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**
- **Facility**: $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
- Sectoral Level
- National / Jurisdictional Level

Working with IFC:
Prove a better and more sustainable business model to then be scaled up

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

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

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

**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
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