

# The World Bank Group's Third Climate Change Action Plan: Comments and Recommendations

## Introduction

A new Climate Change Action Plan (CCAP) represents a critical opportunity for the Bank to follow through on the commitment to “[align all its financing operations with the goals of the Paris Agreement](#).” As the Bank looks to refine and strengthen this commitment, we encourage reflection not only upon the Bank’s own past CCAPs but also on the CCAPs of other multilateral development banks, particularly the Asian Development Bank and Inter-American Development Bank. We believe that the World Bank Group (WBG) can put together a climate plan that is realistic, additive, ambitious, and for which it can be held to account in implementation.

## Recommendations on the development, content, and implementation of the CCAP:

- 1. A comprehensive registry of WBG climate-related commitments:** The Bank appropriately recognizes climate as a “cross-cutting solutions area” requiring a coordinated effort across all of its departments. The CCAP must become the central element for the Bank’s “livable planet” strategy and be seamlessly integrated with all relevant strategies, plans, and policies. The formulation of the new CCAP should start with an honest and transparent assessment of the successes and shortcomings of CCAP 2.0 (2021-25).
- 2. Meaningful engagement with civil society:** Early and substantive engagement with stakeholders is essential to CCAP objectives that are well-informed, impactful, and practical. A transparent process with a clear timeline for the drafting should begin early and be proactive about sharing information and including diverse perspectives, particularly those of marginalized groups and communities most vulnerable to climate change.
- 3. Accountability and transparency:** When developing a new CCAP, the Bank should clarify how it will better measure and disclose the implementation of its commitments through robust climate finance accounting and disclosure. Project-level accountability will help stakeholders understand progress towards meeting these commitments. *Project-level disclosure will also provide valuable information regarding implementation of commitments made by both donor and client countries, such as nationally determined contributions (NDCs).* The CCAP should include a commitment to robust disclosure of information on the GHG footprint — and mitigation — associated with Bank investments. This information must include the analysis behind baselines (especially if based on counterfactuals, in which case relevant assumptions must be transparent), end dates, gross and net emissions, and should report on sector-wide impacts. Project-level analysis on mitigation and adaptation co-benefits, expected and achieved, should be disclosed, and aggregated outcomes should be based on real-world data - as opposed to modeling - as much as possible. All financing instruments (including Investment Project Finance, Development Policy Finance, Program for Results, Grants, Technical

Assistance, and Analytic/Advisory Services) should be included in climate finance reporting. Investment-specific accountability for Development Policy Finance (DPF) must include disclosure of the Bank's analysis on climate impacts for each relevant prior action.

- 4. Integration of biodiversity strategy:** We would welcome the addition of a component on biodiversity to the CCAP to provide consistency to WBG's biodiversity efforts. This is consistent with the analysis of the Intergovernmental Panel on Climate Change (AR6 2022), which highlighted that conservation of ecosystems and improved land use have the highest potential for GHG mitigation, on par with renewable electricity generation. Conservation and restoration of natural habitats, as well as sustainable agriculture, offer opportunities to address both the climate and biodiversity crises and achieve both mitigation and adaptation goals cost-effectively. It is imperative that the biodiversity goals of the WBG be aligned with the Kunming - Montreal Global Biodiversity Framework. The new CCAP should include specific targets for biodiversity policy and project finance (conservation targets and volumes of finance to achieve them). The CCAP should present a comprehensive approach to nature-based solutions and green infrastructure, which should be mainstreamed into all project finance. Integral to this approach should include an explicit commitment to payment for ecosystem services, including an increase in direct funding for areas of high carbon stocks and high conservation value, such as peatlands, forests, and mangroves. The CCAP should include concrete steps for mainstreaming biodiversity in WBG bodies, processes, and operations. The CCAP should articulate how biodiversity will be prioritized more broadly by the Bank, including within Country Partnership Frameworks (CPF) and Climate Change Development Reports (CCDRs).
- 5. A wider review of Bank policies and priorities:** Since the Bank addresses the impacts and causes of the climate crisis across numerous policies and processes, the CCAP must explain how these policies and processes will carry the CCAP forward. For example, the CCAP should clarify the process by which avoidance, mitigation, and management of the climate crisis and its multiple risks will be addressed by the ESF, including assessment (ESS1), monitoring and abatement (ESS3), and its impacts on (and feedback from) nature (ESS6), Indigenous Peoples (ESS7), Cultural Heritage (ESS8), Stakeholders generally (ESS10), and the pass-through of requirements to Financial Intermediaries (ESS9). The Bank should communicate any updates or known gaps that should be addressed in future reviews of policy and process, including the implementation of relevant aspects of the evolution roadmap. This must include how the Bank will augment transparency on the impact of its investments through the corporate scorecard. The CCAP should clarify how it reflects and integrates other relevant social and environmental policy commitments, especially how it will prioritize groups most vulnerable to the climate crisis. The Bank must use the opportunity of a CCAP revision to be more explicit about how it is mainstreaming a disability-inclusive approach to all its investments.

- 6. Integration with IFC's Performance Standards:** The Performance Standards (PS) are about to begin their first comprehensive revision since 2012, setting the standards for the Bank's private sector clients well into the next decade. Since the formulation of CCAP 3.0 is on a similar timeline as the PS revision, the IFC has a unique opportunity to demonstrate leadership that will ripple out into positive climate commitments across the development finance community. The PS revision will need to address all areas noted above for the ESF, especially how climate commitments flow through Financial Intermediaries (considering the different levels of intermediation and multi-tier intermediaries). Climate impacts of global supply chains have grown, and PSs need to address how IFC will work with clients to avoid and mitigate both the risks they may create and the risks to which they may be exposed.
- 7. A tool for financial decisions for the WBG and client countries:** The changes proposed in the CCAP should also influence decisions on how investments are prioritized by the WBG, which should be aligned with local needs, priorities, and opportunities for mitigation and adaptation - especially in areas that get too little attention from public investment. For example, the IPCC identifies agriculture as one of the best opportunities for climate mitigation, and it is currently the source of 31% of GHG emissions. Climate adaptation is also key for agriculture since it is the sector arguably most affected by disruptions to the climate. Agriculture also offers the potential for natural climate solutions. However, the agricultural sector represents only 4% of Bank climate finance. Electric mobility, almost always the best option for replacing fossil dependent vehicles, has received marginal to no finance even as CCDRs have highlighted its importance to implementing NDCs and to transport sector decarbonization. The CCAP should clarify anticipated sources of climate finance and outline the WBG's role in developing these, helping clients redirect resources away from the use of fossil fuels and industrial agriculture and toward green investments. Climate finance for adaptation relative to mitigation should increase over time and go where it is most needed to address specific climate impacts within each region and country.
- 8. Measurable commitments to mitigation:** The CCAP should include new, strengthened, and updated commitments to measurable, timely actions. A portfolio-wide GHG target, similar to NDCs, should serve as the Bank's "Institutionally Determined Contribution," progressively lowering GHGs associated with its portfolio while increasing its contribution to global emissions reductions. Targets for sector-specific GHGs and adaptation should also be established so the Bank can demonstrate impacts on the ground from its climate finance. Additionally, the Bank should step up efforts to collaborate with countries in the strengthening of their own climate strategies within the UNFCCC (NDCs, LTS) and promote the development of climate policies and the prioritization of public resources toward a rapid scaling-up of mitigation solutions, such as new renewable energy capacity, electric vehicle infrastructure, and the protection and restoration of high carbon stock areas. Measurable sector-specific mitigation targets should include all the highest emitting sources of CO<sub>2</sub>, for example transportation - the largest and fastest-growing source of CO<sub>2</sub> in client countries. The CCAP must

communicate specific mitigation objectives for transportation and how these commitments to the decarbonization of the sector will be reflected in the sustainable transport indicator of the corporate scorecard (which currently includes no apparent environmental sub-indicators or methodological components).

- 9. Augmented Paris alignment methodologies:** New commitments on “Paris Alignment” must be a part of CCAP 3.0. The Bank’s [current Paris alignment](#) methodology requires only that projects avoid actively undermining the NDC of a client country, such as by locking in highly carbon-intensive infrastructure. However, the Bank’s methodology includes exceptions that allow carbon lock-in, absent a commitment to disclose how these exceptions are determined at the project level. The Bank’s stated aim is to align all of its investments with the [goals of the Paris Agreement](#). This suggests that the Bank’s investments support the overarching goal of the Paris Agreement, which is to limit global warming to 1.5 degrees Celsius. Paris Alignment methodologies should be reviewed in consideration of the recommendations submitted by CSOs (i.e., [Germanwatch](#); [BIC](#)). In the new CCAP, the Bank should acknowledge that investment in fossil fuels (including methane gas) or otherwise high-emitting and ecologically damaging activities like industrial animal agriculture is not aligned with the Paris Agreement and, therefore, not eligible for Bank support. The CCAP is also where the Bank should underscore key updates to the [sector notes](#) for the Paris alignment methodology. For example, the current [transport sector note](#) must demonstrate a higher priority on decarbonization by resolving serious shortcomings. For example, the transport sector note treats rural road development as universally Paris-aligned (p.3) as long as it doesn’t contribute to deforestation, even though such projects may be designed to support larger high-emitting investments like mines or industrial agriculture. The Bank’s general perspective on carbon lock-in needs to be improved, underscored by the transport sector note’s erroneous statement (p. 4) that new fleets of internal combustion engine vehicles (the note indicates diesel buses as an example) present a carbon lock-in risk that is “generally low.” Paris alignment is a misnomer as long as it suggests that aggregate NDCs are an adequate yardstick or that any investment in carbon lock-in is appropriate.
- 10. Building up the Country Climate and Development Reports (CCDRs):** The new CCAP needs to assess and report on the development and influence of CCDRs, including how CCDRs have been disseminated to key audiences such as private sector clients, government ministries, and other development institutions; how recommended actions will measurably advance climate and development goals; how these measures of progress will be reported out such as through indicators in the corporate scorecard; and how CCDRs will be taken up in the development of Country Partnership Frameworks. Important to their quality and credibility, the drafting and revision of CCDRs should happen in a way that promotes civic space and the participation of stakeholders. This should involve a transparent process that includes incorporating [input from civil society](#) and the expertise of objective experts with local knowledge of each country’s specific climate and development circumstances.