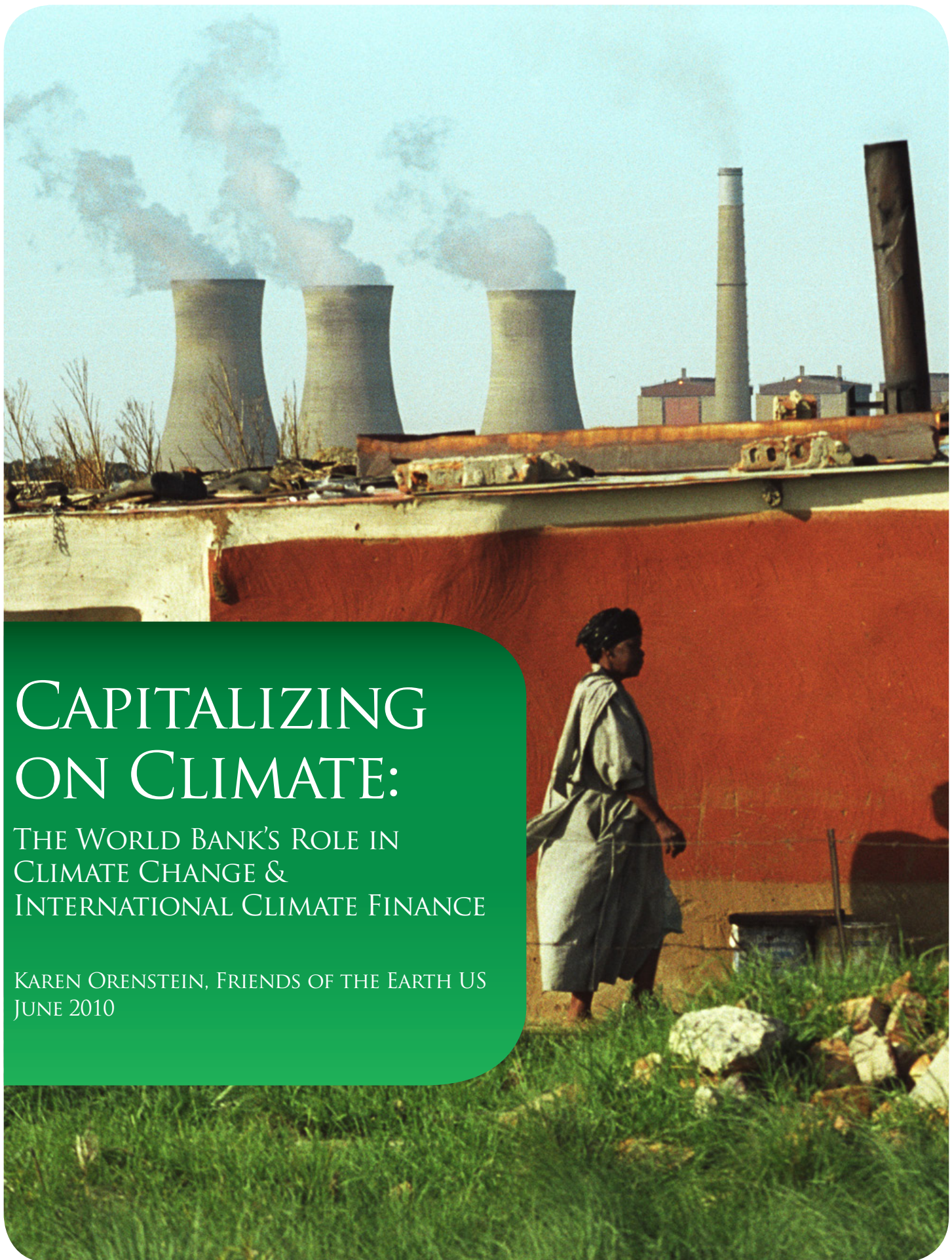




CAPITALIZING ON CLIMATE:

THE WORLD BANK'S ROLE IN
CLIMATE CHANGE &
INTERNATIONAL CLIMATE FINANCE

KAREN ORENSTEIN, FRIENDS OF THE EARTH US
JUNE 2010

The World Bank Group is an institution of contradictions. It is a major climate polluter whose loans help lock developing countries into carbon-intensive development paths for decades, yet it wants to play a leading role in mitigating that same pollution. Though the World Bank is supposed to help developing countries alleviate poverty, its practices often hurt the poor and help entrench the powerful. People in developing countries are already being forced to adapt to the impacts of the pollution the Bank helps cause, while development gains are undercut by the climate crisis. And while the institution views itself as a defender of developing country interests, the World Bank remains a political tool used by developed countries in United Nations climate negotiations to maintain control over international climate finance.

Introduction

As the world grapples with the scope of the climate crisis, the World Bank Group - on its own and at the behest of many developed countries - is asserting itself to play a key role in controlling funding for developing countries to adapt to the unavoidable impacts of climate change and to mitigate, or reduce, greenhouse gas emissions. Developed countries are directing billions of dollars in multilateral funding from 2010 to 2012 (fast start financing) to the World Bank's Climate Investment Funds (CIFs), which correspondingly sets a precedent for the World Bank as the go-to institution on climate finance. This also gives developed countries further leverage to press for international climate finance beyond 2012 to go through the World Bank, setting in motion a self-fulfilling prophecy of the World Bank as the world's climate banker.

Despite a power play by wealthy countries, many developing countries and civil society organizations in the north and south believe the World Bank is ill-suited to be in charge of funding for international climate adaptation and mitigation. The World Bank's recent loan to South Africa to build one of the world's largest coal plants, despite the strong opposition of that country's civil society, provides a stunning example of the hypocrisy of the institution. As a carbon-intensive lender and promoter of deforestation, the World Bank has far more experience causing climate change than preventing it. There is sufficient reason to doubt the figures the Bank has put forward to showcase its clean energy credentials. Further, the World Bank has been a driver of troubling international offsetting schemes which have little to do with its mission of poverty alleviation.

The role of the World Bank has been central to tensions over climate finance between developed and developing countries at United Nations climate negotiations. The World Bank's Climate Investment Funds have been steeped in political controversy and viewed by some as an affront to efforts to set up an equitably-governed global climate fund under the authority of the United Nations Framework Convention on Climate Change (UNFCCC) and to already established funds at the UNFCCC. Developing countries and civil society

“As a carbon-intensive lender and promoter of deforestation, the World Bank has far more experience causing climate change than preventing it.”



are putting forward alternatives to the World Bank for multilateral climate finance, pointing to innovative governance and financial structures already in place at the Kyoto Protocol's Adaptation Fund.

Mexico, the incoming president of the Conference of Parties (COP)¹ of the UNFCCC, has prioritized climate finance and put forward its own proposal for a Green Fund. As the international community heads down the road to the December 2010 climate summit in Cancun, the World Bank has requested a substantial increase in its own funds. It has asked for a capital increase of \$86.2 billion for the International Bank for Reconstruction and Development, the arm of the World Bank that generally lends to middle income developing countries, making 2010 an important year to exert influence over the World Bank's lending decisions. This is the first such request in more than 20 years and is expected to be finalized in time for the World Bank's annual meeting in October 2010.² Now is a critical time to examine the World Bank as an agent that both causes and responds to climate change, as well as the political dynamics of the international financial institution.

Energy and Development - Greening the World Bank or Greenwash?

The World Bank's massive coal lending, short changing of truly clean options, and promotion of unsustainable development models undercut its own rhetoric on addressing the climate crisis.

The World Bank is one of the planet's top multilateral fossil fuel financiers. As of April 2010, the World Bank had already hit a record high for annual fossil fuel lending, with \$4.7 billion. The majority of this money is for coal in middle income countries.³ This type of lending helps lock developing countries into carbon-intensive energy paths for decades to come.

Amid great controversy, the World Bank approved a \$3.75 billion loan in April 2010 for the South African electric utility Eskom. Most of the proposed \$3.75 billion loan will finance the massive 4800 MW Medupi plant, which will emit at least 25 million metric tons of carbon dioxide per year. The loan's main beneficiaries will be multinational corporations, such as Anglo American Corporation, which already receive the world's cheapest electricity supply. According to many of South Africa's community, faith-based, citizen and environmental groups; social movements; academic institutions; and trade unions - who led a worldwide campaign to oppose the loan - it will not alleviate poverty or increase access to electricity but will actually make it more difficult for some of South Africa's poor to have access to energy.

The Eskom loan exemplifies the World Bank's deeply flawed and even hypocritical approach to its goal of global poverty alleviation. As a "development" institution, the World Bank frequently misses the mark on sustainable development in many realms, be it health, education, environment, or agriculture. Multiple reports and



Photo: Makoma Lekalakala/Earthlife Africa

Protesters demonstrate against a World Bank loan to the South African utility Eskom to help build one of the world's largest coal plants.

studies have highlighted these failures.⁴ With this pattern of getting development wrong, the world cannot trust the World Bank with solving the most important crisis of our time.

To justify the consistently large size of its carbon footprint, the Bank has built a false dichotomy that pits access to energy for the poor against the need to prevent climate pollution. However, it is precisely zero or low carbon, small-scale, decentralized energy that would very often best serve poorer communities, rather than the grid-based, large-scale, export-oriented, carbon-intense energy development, such as the Medupi plant, that the World Bank promotes and profits from.

Between 2007 and 2009, Bank lending for fossil fuels totaled at least \$7.3 billion.⁵ During the same time period, the Bank spent \$5.3 billion on new renewable energy and energy efficiency, which includes efficiency improvements of fossil fuel-based operations.⁶ However, inaccuracies in the way the World Bank accounts for fossil fuel lending mean that it likely loans significantly more for fossil fuels than reported, whereas the Bank's actual contribution to clean energy is likely to be lower. The Bank frequently does not account for fossil fuel lending that flows through financial intermediaries (like national development and commercial banks and private equity funds), policy lending, and some infrastructure development. (Financial intermediary lending constitutes some 40% of the investments of the World Bank's branch for private sector lending, the International Financial Corporation.) On the other hand, it much more fully accounts for clean energy and efficiency funding that flows through these same instruments.⁷ In fact, it over-counts its clean energy funding in general. For example, over the last 6 years, 40% of what the Bank has taken credit for as renewable energy finance actually comes from the Global Environment Facility (a separate institution) and carbon finance, neither of which is actually World Bank money.⁸

Major Missteps with Carbon Offsets

Supposedly intended to decrease global carbon emissions and promote sustainable development, international offset projects facilitated by the World Bank very often do neither and can have the opposite effect.

The Carbon Finance Unit of the World Bank facilitates international offsetting and carbon trading through the buying and selling of carbon credits by governments (and companies within those countries) that are party to the Kyoto Protocol. This is done through the two offsetting mechanisms of the Kyoto Protocol – the Clean Development Mechanism (CDM) for developing countries and Joint Implementation for economies in transition.

The World Bank made an early entry into the arena of carbon markets. In April 2000, its first carbon fund, the Prototype Carbon

What is international offsetting?

International offsetting is a mechanism through which polluters in developed countries, rather than reducing their own pollution, pay for projects in developing countries or economies in transition that are supposed to lead to equivalent reductions in emissions. Each unit of carbon that is theoretically not emitted represents a credit that can then be traded on carbon markets. The Clean Development Mechanism (CDM) is the world's largest offsets market. Each CDM credit is known as a certified emission reduction and in theory represents one metric ton of avoided carbon dioxide emissions.

Fund, became operational. The Carbon Finance Unit now houses 12 funds. The Carbon Partnership Facility, launched in December 2009 in Copenhagen, is supposed to facilitate programmatic, rather than project-based, offsetting beyond 2012.⁹

The World Bank views itself as an “honest broker”¹⁰ for carbon finance and a pioneer of carbon markets. But offsets very often fail to deliver the promised results and can actually lead to increased emissions, making climate change worse.¹¹ Dr. David Victor of Stanford University estimates that up to two-thirds of projects under the CDM “do not represent actual emissions cuts”¹² because the projects would have happened anyway. For example, one World Bank Prototype Carbon Fund project, the Xiaogushan dam in China, began applying for CDM credits in 2005. The project claimed that, “Without CDM support, it would have not been able to reach financial closure, mitigate the high project risk, and commence the project constructions.” However, project construction had already started two years earlier, and a 2003 Asian Development Bank analysis on the project found that the dam was in fact the cheapest generation option for the province.¹³

In addition to emissions reductions, a core objective of the CDM is supposed to be sustainable development. As a development institution, the World Bank would presumably hone in on this objective. However, very few CDM projects actually address poverty and local environmental benefits, and some actually have harmful impacts.¹⁴ A 2007 analysis of a sample of CDM projects found that only 1.6% of credits went to projects that benefited sustainable development.¹⁵ The CDM is strongly biased towards large-scale projects that produce large numbers of credits; smaller-scale projects, which would be more likely to have sustainable development benefits, would not generate offsets as cheaply. As of the end of July 2009, more than 70% of credits went to industrial gas capture projects;¹⁶ the most common type of project is large hydropower. The South African utility Eskom hopes to apply for CDM credits for the Medupi coal plant it is building with World Bank money.¹⁷

World Bank's Forays into Forests – Destruction and Picking up the Pieces

While financing forest destruction, the World Bank - through flawed processes - is simultaneously trying to address deforestation as a contributor to climate change.

Deforestation is responsible for over 20% of all greenhouse gas emissions. Forest loss threatens the world's biodiversity and imperils the 1.6 billion people dependent on forests for their livelihoods. Despite this, the World Bank is heavily financing forest destruction. Environmental organizations and even the Bank's own Inspection Panel have strongly criticized its promotion of destructive logging and damaging social impacts, including on indigenous peoples, in the Democratic Republic of Congo,²⁰ where the world's second



Contributions to an Environmental Health Nightmare in the Niger Delta

When crude oil is extracted in Nigeria, the gas associated with it is usually burned off, though routine gas flaring has been illegal since 1984. Gas flares burn several stories high, 24 hours a day, throughout the Niger Delta, often within a few hundred yards of villages which may lack access to electricity. This process has severe health and environmental impacts and is one of the top sources of greenhouse pollution in Sub-Saharan Africa. Communities are hit hard by toxic cocktails and acid rain showers the area. The World Bank's Global Gas Flaring Reduction Partnership is working to facilitate carbon credits for flaring reduction, allowing developed countries to increase their emissions in exchange, and is working on the inclusion of a gas flaring reduction program in the new Carbon Partnership Facility.¹⁸ But promoting gas flaring offsets actually encourages countries not to enforce existing environmental laws on flaring. In August 2009, the Nigerian national oil company urged the National Assembly to withdraw a bill which would have prohibited gas flaring, since “any act or law introduced to stop gas flaring will erode the additionality criterion of getting any project registered with the CDM executive board.”¹⁹

largest rainforest is located. The Bank is also a significant driver of the destruction of the Amazon to make way for cattle ranching.²¹ Its private sector arm, the International Finance Corporation, “finances oil palm, soy, and cattle ranching in tropical rainforest regions and shrimp cultivation in mangrove forests.”²² A 2007 World Bank Board review of its 2002 Forest Strategy found, among others, failures to reduce poverty and serious problems in implementation of forest-related safeguard policies (forests, environmental assessment, natural habitats, indigenous peoples, and resettlements).²³

As it finances forest destruction, the Bank is trying to address the role of forest loss as a significant contributor to global climate change through the Forest Investment Program (one of the World Bank’s Climate Investment Funds) and Forest Carbon Partnership Facility (FCPF). The Forest Investment Program is in its early stages, but it is supposed to help “build institutional capacity, forest governance and information;...forest mitigation efforts, including forest ecosystem services; and [support] [i]nvestments outside the forest sector necessary to reduce the pressure on forests such as alternative livelihood and poverty reduction opportunities.”²⁴

The FCPF, which became operational in June 2008 as part of the World Bank’s Carbon Finance Unit, has a more troubled track record. It was created to pilot performance-based incentive payments for forest conservation, with an ultimate aim of facilitating forest offsets. The FCPF was intended to build support for country readiness for “reducing greenhouse gas emissions from deforestation and forest degradation” (REDD), a topic currently under negotiation at the UNFCCC.

The FCPF consists of two funds, the Readiness Fund and the Carbon Fund. The Readiness Fund is supposed to build capacity in developing countries to participate in emerging REDD programs. Establishing effective forest governance institutions and policies, mechanisms for participation, and secure and equitable land tenure, among others, are foundational components of “readiness” for REDD, but the Readiness Fund has continually prioritized forest carbon measurement for the sale of carbon offsets at the expense of activities that may actually reduce deforestation. The objective of the Carbon Fund is to pilot incentive-based payments for emissions reductions. It explicitly allows for participants from the private sector to purchase emissions reductions credits. The Carbon Fund is anticipated to become operational in late 2010.

Major shortfalls already exist with the readiness plans. Many of them unjustly focus on traditional subsistence agriculture as a major cause of deforestation and degradation, while at the same time they fail to include clear plans to address deforestation and degradation caused by mining and industrial logging concessions. Across the board, civil society has raised concerns about the failure of the Bank to comply with applicable World Bank safeguard policies, including its Indigenous Peoples Policy, and international obligations, as provided by the FCPF Charter. Public consultation and outreach



plans are defective and incomplete. Proper legal and governance assessments of the forest sector are lacking. In the case of Guyana, the readiness plan does not conform to applicable international human rights, environmental conservation, and sustainable development obligations, and it overlooks critical land tenure issues, including unresolved territorial rights claims of indigenous peoples.

Funding Choices Reveal Power Politics - World Bank's Climate Investment Funds (CIFs) versus UNFCCC Funds

In addition to the contradictions foundational to the World Bank's roles in driving climate pollution, forest loss, and perverse offsetting schemes, the institution, which is supposed to protect developing countries' interests, much more often serves as a political tool of developed country control. This plays out in the World Bank's role in channeling climate finance. The World Bank's Climate Investment Funds have emerged as a leading repository for developed country contributions, to the detriment of financing through the UNFCCC.

At the UNFCCC, each country is supposed to have an equal voice. In contrast, the World Bank is a donor-controlled institution where one dollar equals one vote, and donor countries have far more control. Establishing the Climate Investment Funds at the World Bank allowed developed countries to maintain this control. (They were rapidly set up at the behest of the UK, US, and Japan.) Many developing countries have made clear that funds contributed to the CIFs will not count as meeting developed countries' obligations under the UNFCCC to provide climate finance for developing countries.

US Contributions to World Bank vs. UNFCCC Climate Funds

	2010	2011 (requested)
World Bank		
Clean Technology Fund	\$300 mil	\$400 mil
Pilot Program on Climate Resilience	\$55 mil	\$90 mil
Forest Investment Program	\$20 mil	\$95 mil
Scaling-Up Renewable Energy in Low-Income Countries	n/a	\$50 mil
Forest Carbon Partnership Facility	\$10 mil	\$15 mil
Total World Bank Funds	\$385 mil	\$650 mil
UNFCCC		
Least Developed Countries Fund	\$30 mil	\$30 mil
Special Climate Change Fund ²⁸	\$20 mil	\$20 mil
Adaptation Fund	\$0	\$0
Total UNFCCC funds	\$50 mil	\$50 mil

Known collectively as the Climate Investment Funds (CIFs), a proliferation of climate funds have been launched at the World

Bank since 2008. Funding for the CIFs dwarfs developed country contributions thus far to UNFCCC funds, a notable preference by developed countries for World Bank funds. The CIFs consist of the Strategic Climate Fund and the Clean Technology Fund. The World Bank's Strategic Climate Fund is an umbrella fund made up of 3 separate funds, including the Forest Investment Program. The Pilot Program on Climate Resilience focuses on adaptation and is intended to address integrating climate risk and resilience into development. The Program for Scaling-Up Renewable Energy in Low Income Countries, launched in Copenhagen in December 2009, aims to increase energy access in poorer countries through renewable energy, in part by focusing on the private sector. The World Bank's Clean Technology Fund focuses on mitigation in middle income countries. As of March 31, 2010, 13 countries had pledged \$6.135 billion to the CIFs, 70% of which is for the Clean Technology Fund.

The World Bank's Clean Technology Fund has proven to be particularly controversial because its investment criteria allow it to fund fossil fuel-based technologies, including coal, though financing for such technologies has not yet been approved. The South African Eskom coal loan (which was financed through the Bank's main energy portfolio) has brought forward new criticisms of the Clean Technology Fund. The loan has put in motion a disturbing precedent of using Clean Technology Fund projects to top off other dirty Bank projects. \$350 million in Clean Technology Fund financing for renewable energy is being considered to sugarcoat the World Bank's more than \$3 billion investment in coal in South Africa.²⁵ Part of the argument used by some to justify the establishment of the Clean Technology Fund at the World Bank was that it would leverage cleaner investments in the World Bank's energy lending portfolio, but the opposite is proving to be true.

The CIFs have been met with harsh criticism. They are widely viewed as undermining existing UNFCCC funds and efforts to establish a global climate fund under the authority of the UNFCCC.²⁶ One of the CIFs, the World Bank's Pilot Program on Climate Resilience, directly competes with two UNFCCC funds – the Adaptation Fund under the Kyoto Protocol²⁷ and the UNFCCC's Least Developed Countries Fund. While developed countries pledged \$945 million in less than 2 years for the Pilot Program on Climate Resilience, the UNFCCC's Least Developed Countries Fund - established 9 years ago to address the urgent adaptation needs of the least developed countries - had only \$223 million in pledges at the end of April 2010. The fund's target need is \$2 billion; many National Adaptation Programmes of Action have been waiting for years to be funded.

The UNFCCC's Adaptation Fund has gained overwhelming support among developing countries and provides a good model for future climate finance mechanisms. It is the first multilateral climate fund that allows developing countries to directly access funds without having to go through the World Bank or other multilateral implementing agencies. Countries can nominate national implementing

“The World Bank Climate Investment Funds are widely viewed as undermining existing UNFCCC funds and efforts to establish a global climate fund under the authority of the UNFCCC.”

agencies – domestic organizations or government ministries, for example – which the Adaptation Fund Board accredits based on Board-set fiduciary standards. The very first national implementing agency, Centre de Suivi Ecologique, a national organization in Senegal, was accredited in March 2010.

The governance structure of the Adaptation Fund is also unique. There is a slight majority of developing countries, with specific seats designated for least developed countries and small island developing states.²⁹ The Adaptation Fund is currently financed through a 2% levy on the Clean Development Mechanism, as well as developed country contributions. In late April 2010, Spain became the first country to contribute to the Adaptation Fund with 45 million Euros. The US has not contributed to the fund.³⁰

Both the UNFCCC's Least Developed Countries Fund and the Adaptation Fund are grants-only funds. In contrast, the World Bank's Pilot Program on Climate Resilience allows for both loans and grants. Developing countries are forced to shoulder the costs of a climate crisis which they did little to cause and are unfairly burdened with having to adjust to its impacts. Moreover, for many countries, the enormous costs of dealing with climate change come on top of heavy debt burdens. Adaptation funding should be seen as compensation for damages done by developed countries and should be given only in grants.

Developing Countries Resist World Bank Power Play

The US, other developed countries, and the World Bank aim for control of climate finance at UN negotiations, but many developing countries and civil society are pushing back.

The Copenhagen Accord, a controversial document “taken note of” but not adopted by parties to the UNFCCC in December 2009, set out parameters for climate finance which have largely shaped the debate in 2010. The Copenhagen Accord set a goal for developed countries to mobilize \$100 billion annually by 2020 from public and private sources that may be multilateral or bilateral. The UN Secretary-General has correspondingly established a High-level Advisory Group on Climate Change Financing charged with studying sources of revenue to generate this level of climate finance. The Copenhagen Accord also stated that developed countries will jointly provide up to \$30 billion for developing countries for the 2010-2012 period. Developed countries are now gearing up to prove that they can contribute this fast start finance between now and 2012, but there are large questions as to whether these funds will actually be new and additional to Official Development Assistance.

The CIFs are supposed to be interim funds that sunset when a new UNFCCC financial architecture is in place, with the exception of the Pilot Program on Climate Resilience, which is supposed to sunset in 2012.³¹ However, it is clear that the US, other developed countries, and the World Bank itself view the CIFs as the platform

“The World Bank’s governance—forged in the 1940s—has not kept up with historical change and today is not adequate to deal with global problems that require forward-looking, flexible, inclusive, and legitimate multilateral institutions.”

- High-Level Commission on Modernization of World Bank Group Governance in Repowering The World Bank for the 21st Century

on which to base multilateral climate finance. This explains the World Bank's heavy lobbying to capture as much of the fast start \$30 billion as possible and the tendency for developed countries to direct their multilateral contributions in that direction.

During the UN Copenhagen climate summit in December 2009, the World Bank maintained a high profile. They announced their fifth fund under the CIFs and their twelfth carbon trading/offsetting mechanism under the Carbon Finance Unit. In January 2010, a leaked briefing prepared for the World Bank board on Copenhagen asserted, among other things, "The WBG [World Bank Group] is particularly well positioned to serve as a channel for fast track financing for adaptation and mitigation... We have already heard from donors who are developing their strategies. We have sent the message that the CIFs are able to receive additional funding to support the Fast Track Financing." The memo stated that Bank staff were conducting an "outreach campaign" to "build awareness on our role, not just with our traditional partners ... but also with the Ministries of Environment and Foreign Affairs."

Both the Copenhagen Accord and the text that emerged from the UNFCCC negotiating track dealing with climate finance would establish some sort of global climate fund. The Copenhagen Accord refers to this fund as the Copenhagen Green Climate Fund. The governance and management of the global climate fund lie at the heart of tensions between developed and developing countries, and the role of the World Bank has been central to that tension. Most developing countries have been clear in their rejection of a role for the World Bank in controlling climate finance, whereas developed countries have been correspondingly clear in their support for a strong World Bank role.

A gaping deficit of trust exists between developing and developed countries when it comes to the World Bank. The High-level Commission on Modernization of World Bank Group Governance, chaired by former Mexican President Ernesto Zedillo, recognized this deficit in their October 2009 report, Repowering the World Bank for the 21st Century:

"The [World Bank] Group's decision-making process is widely seen as too exclusive, offering many member countries too little voice and too few opportunities for participation. Insufficient institutional accountability for results weakens the World Bank's effectiveness and legitimacy. And certain conventions and practices have contributed to the perception that the institution is accountable and responsive only to a handful of shareholders at best... the World Bank's governance—forged in the 1940s—has not kept up with historical change and today is not adequate to deal with global problems that require forward-looking, flexible, inclusive, and



Photo: Elena Gerebiza/CRBM

Anti-World Bank action at a UN climate summit in Poznan, Poland.

legitimate multilateral institutions.”³²

The Group of 77 (G77) and China - a negotiating bloc representing more than 130 developing countries - has proposed the establishment of a new climate finance mechanism that would “Operate under the authority and guidance, and be fully accountable, to the COP [Conference of Parties].”³³ This is itself an implicit rejection of World Bank control of climate finance, because it is highly improbable that the World Bank as an institution would submit to being under the authority and guidance of, and fully accountable to, the COP. Among other stipulations, the proposed financial mechanism would also allow direct access to funding by recipient countries without having to go through international financial institutions like the World Bank.

In contrast, the United States, in an April 2010 submission to the UNFCCC, places the World Bank at the center of international climate finance, calling for the Bank “to organize a process to take steps to establish the [Copenhagen Green Climate] Fund.”³⁴ In testimony before the Senate Foreign Relations Committee in November 2009, US Treasury Secretary Timothy Geithner said, “In the context of a new climate agreement, we have argued that a new climate fund should be established at an existing international financial institution to deploy financial resources effectively. We expect such a fund to build on the experience of the Climate Investment Funds (CIF) at the World Bank, which this Administration has strongly supported.”³⁵

Conclusion - The Global Climate Fund, A Just Alternative

The World Bank is far more expert in causing climate change than in preventing or effectively responding to it. It also faces serious deficits in democratic governance and credibility, as well as a poor track record of sustainability, poverty alleviation, and environmental integrity. One would be hard-pressed to conclude that the World Bank is the appropriate institution to lead the international community’s charge on multilateral climate finance. But there is a promising alternative.

Climate justice movements around the world support the establishment of a Global Climate Fund under the authority of and fully accountable to the Conference of Parties of the UNFCCC, based on principles of equity and environmental integrity. The G77 and China, the Bolivarian Alternative of the Americas (representing Venezuela, Cuba, Bolivia, Ecuador, and Nicaragua), and others also support the concept.

Under the Global Climate Fund, the Conference of Parties would appoint an executive board with a slight majority of developing countries that would make certain high level decisions on funding for mitigation and adaptation. Most decision-making, however, would be devolved to national entities within developing countries, which would have direct access to funding. Civil society would be intimately involved throughout the process, with special attention

paid to vulnerable and marginalized groups. And unlike the World Bank tradition, funding would not hinge on economic or other policy conditionality.³⁶

With the climate crisis upon us, the world must not look to the World Bank for solutions. As the international community heads toward the UN climate summit in Cancun in December 2010, two principles must be adhered to.

The World Bank must first do no harm. It must get out of the business of climate pollution and other environmental and social destruction. As a down payment toward that effort, governments should not contribute to the World Bank's recapitalization request of \$86.2 billion until, at a minimum, the World Bank rapidly phases out financing for fossil fuels.

The 193 countries that ratified the UN Framework Convention on Climate Change should establish a Global Climate Fund under the authority of and fully accountable to the Conference of Parties of the UNFCCC, based on principles of equity and environmental integrity.

With its competing and contradictory priorities and agendas, the World Bank cannot be entrusted to control climate finance. The world's people and the planet cannot afford that risk.

Acknowledgements

Many thanks to everyone who gave help and advice in the writing of this report – Scott Baumgartner, Michelle Chan, Kate Horner, Kim Huynh, Kate McMahon, Korinna Horta, Lisa Matthes, Janet Redman, and Ilana Solomon.

Cover photo credit: Paul Weinberg/groundWork.

ENDNOTES

- 1 The Conference of Parties, or COP, is the supreme body of the UNFCCC.
- 2 World Bank Group, "World Bank Reforms Voting Power, Gets \$86 Billion Boost," April 25, 2010. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22556045~pagePK:34370~piPK:34424~theSitePK:4607,00.html>
- 3 Heike Mainhardt-Gibbs, "World Bank Group Financing for Fossil Fuels Update," Bank Information Center, April 2010. Available at <http://www.bicusa.org/en/Issue.Resources.48.aspx>
- 4 See, for example: (1) World Bank Group - Independent Evaluation Group, "Improving Effectiveness and Outcomes for the Poor in Health, Nutrition and Population: An Evaluation of World Bank Group Support since 1997," 2009; (2) World Bank Group - Independent Evaluation Group, "World Bank Assistance to Agriculture in Sub-Saharan Africa," 2007; (3) World Bank Group -The Extractive Industries Review, "Striking a Better Balance," January 2004. Available at [http://irispublic.worldbank.org/85257559006C22E9/All+Documents/85257559006C22E985256FF6006820D2/\\$File/execsummaryenglish.pdf](http://irispublic.worldbank.org/85257559006C22E9/All+Documents/85257559006C22E985256FF6006820D2/$File/execsummaryenglish.pdf)
- 5 Heike Mainhardt-Gibbs, "World Bank Group Energy Sector Lending Trends - FY 2009," Bank Information Center, December 2009. Available at <http://www.bicusa.org/en/Article.11675.aspx>
- 6 "New renewables" are defined by the World Bank as wind, solar, biomass, geothermal, and hydropower below 10 MW. The inclusion of biomass in this definition is cause for concern. Industrial bioenergy production can cause massive environmental degradation, while also posing harm to local communities. Extracting biomass for electricity or fuel harms ecosystems as land is converted from natural ecosystems to plantation-style monocultures. If not competing for land with natural ecosystems, biomass production often competes for land with food production and contributes to food insecurity. Additionally, burning biomass for electricity or fuel causes immense air pollution, including greenhouse gas emissions that can be just as potent - if not more so - than those emissions that come from conventional fossil fuels.
- 7 Heike Mainhardt-Gibbs, "Fueling contradictions – The World Bank's energy lending and climate change," Bretton Woods Project, Campagna per la Riforma della Banca Mondiale, and Urgewald, April 2010. Available at http://www.brettonwoodsproject.org/doc/env/fuelling_contradictions.pdf
- 8 Bretton Woods Project, "Clean energy targets for the World Bank: Time for a recount," May 2010. Available at <http://www.brettonwoodsproject.org/doc/env/energytargets.pdf>
- 9 The first commitment period for greenhouse gas emission reductions by developed countries under the Kyoto Protocol ends in 2012. The second commitment period is currently being negotiated at UN climate negotiations. With the Carbon Partnership Facility, the World Bank hopes to address some of the post-2012 uncertainty in carbon markets.
- 10 World Bank Group, "Frequently Asked Questions," Carbon Finance Unit. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTCARBONFINANCE/0,,contentMDK:21848927~menuPK:4125939~pagePK:64168445~piPK:64168309~theSitePK:4125853,00.html>
- 11 Friends of the Earth U.S., "A Dangerous Distraction, Why Offsets Are a Mistake the U.S. Cannot Afford to Make," September 2009. Available at www.foe.org/sites/default/files/A_Dangerous_Distraction_US.pdf
- 12 John Vidal, "Billions Wasted on UN Climate Programme: Energy Firms Routinely Abusing Carbon Offset Fund, US Studies Claim," *The Guardian*, May 26, 2008. Available at www.guardian.co.uk/environment/2008/

- [may/26/climatechange.greenpolitics](#)
- 13 International Rivers, "Comments on World Bank PCF Xiaogushan Large Hydro Project (China)," August 21, 2005. Available at <http://www.internationalrivers.org/node/1340>
 - 14 Patrick McCully, "Bad Deal for the Planet, Why Carbon Offsets Aren't Working and How to Create a Fair Global Climate Accord," International Rivers, 2008. Available at <http://www.internationalrivers.org/node/2826>
 - 15 Christopher Sutter, Juan Carlos Parreno, "Does the current clean development mechanism (CDM) deliver its sustainable development claim? An analysis of officially registered CDM projects," *Climate Change*, July 2007. Available at http://www.cleanairnet.org/caiasia/1412/articles-72508_resource_1.pdf
 - 16 Michael Wara, "Written Testimony to the U.S. Senate Committee on Energy and Natural Resources Concerning Methods of Cost Containment in a Greenhouse Emissions Trading Program," September 2009. Available at http://energy.senate.gov/public/index.cfm?FuseAction=Hearings.Testimony&Hearing_ID=9f3597e7-a135-e397-f850-b22b300d4b24&Witness_ID=7b5629a9-8eff-4281-b3e2-2dde0e64e2de
 - 17 Jocelyn Newmarch, "Eskom seeks Medupi carbon credits," *BusinessDay*, April 28, 2010. Available at <http://www.businessday.co.za/Articles/Content.aspx?id=107265>
 - 18 World Bank Group - Global Gas Flaring Reduction Initiative, A Public Private Partnership, "Financing Oil & Gas Sector Gas Recovery and Flare Reduction Projects," January 28, 2009. Available at http://methanetomarkets.org/documents/events_oilgas_20090127_techtrans_day2_sucere_en.pdf
 - 19 Ini Ekott, "Barkindo seeks extension to gas flaring deadline," *234Next*, 2009. Available at <http://234next.com/csp/cms/sites/Next/News/National/5451134-147/story.csp>
 - 20 Greenpeace Africa, Greenpeace International, Global Witness, The Rainforest Foundation UK, Rainforest Foundation Norway, "The World Bank and the forest sector in the Democratic Republic of Congo: REDD future or greenwash?" December 3, 2009. Available at http://www.globalwitness.org/media_library_detail.php/893/en/the_world_bank_and_the_forest_sector_in_the_democr
 - 21 Daniel Howden, "World Bank pledges to save trees...then helps cut down Amazon forest," *The Independent*, January 13, 2008. Available at <http://www.independent.co.uk/environment/climate-change/world-bank-pledges-to-save-trees-then-helps-cut-down-amazon-forest-769997.html>
 - 22 Robert Goodman, Simon Counsell, "How the World Bank could lead the world in alleviating climate change," *The Brian Walker Lecture on Environment and Development*, Green College, Oxford, March 2008.
 - 23 Arnoldo Contreras-Hemosilla, Markku Simula, "The World Bank's Forest Strategy - Review of Implementation," The World Bank Group, 2007. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTARD/EXTFORESTS/0,,contentMDK:21564626~pagePK:210058~piPK:210062~theSitePK:985785,00.html>
 - 24 World Bank Group, "Forest Investment Program," Climate Investment Funds. Available at <http://www.climateinvestmentfunds.org/cif/node/5>
 - 25 World Bank Group, "Project Appraisal Document on a Proposed Loan in the Amount of US\$3,750,000 to Eskom Holdings Limited Guaranteed by Republic of South Africa for an Eskom Investment Support Project," March 19, 2010. Available at http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2010/04/12/000112742_20100412110336/Rendered/PDF/534250R20101005914.pdf
 - 26 See, for example, "Poznan Declaration: World vs. Bank," December 8, 2009. Available at <http://www.choike.org/2009/eng/informes/7250.html>.
 - 27 The Adaptation Fund Board supervises and manages the Adaptation Fund,

“under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,” and is “fully accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, which shall decide on its overall policies in line with relevant decisions.” See Decision 1/CMP.3, Adaptation Fund, <http://unfccc.int/resource/docs/2007/cmp3/eng/09a01.pdf#page=3>.

- 28 The UNFCCC’s Special Climate Change Fund is mandated to cover technology transfer; adaptation; agriculture, forestry, waste management; diversifying the economies of highly fossil fuel-dependent countries; among other areas. As of late April 2010, the total amount pledged to this fund was \$148 million. For more information, see http://www.gefweb.org/interior_right.aspx?id=192.
- 29 Both the World Bank’s Clean Technology Fund and the Strategic Climate Fund are governed by trust fund committees consisting of equal numbers of “contributor and recipient” countries. Decisions are made by consensus. The World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and the Inter-American Development Bank are represented on the committees. See <http://www.climateinvestmentfunds.org/cif/governance>.
- 30 In its April 2010 submission to the chair of the UNFCCC’s Ad Hoc Working Group on Long-term Cooperative Action, the United States calls for a “governance structure for adaptation providing for equal representation of developed and developing countries,” an apparent rejection of support for the Adaptation Fund, which provides for a slight majority of developing countries. See http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/usa_awglca10.pdf.
- 31 World Bank Group, “Strategic Climate Fund,” June 3, 2008. Available at http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Strategic_Climate_Fund_final.pdf
- 32 Available at <http://www.ycsg.yale.edu/center/forms/WorldBank.pdf>
- 33 G77 and China Proposal, “Financial Mechanism for Meeting Financial Commitments under the Convention.” Available at http://unfccc.int/files/kyoto_protocol/application/pdf/g77_china_financing_1.pdf.
- 34 “Submission of the United States to the AWG-LCA Chair,” April 26, 2010. Available at <http://unfccc.int/resource/docs/2010/awglca10/eng/misc02.pdf>
- 35 Available at <http://www.ustreas.gov/press/releases/tg410.htm>
- 36 To learn more about the Global Climate Fund, see Ilana Solomon, “Equitable Adaptation Finance: The Case for an Enhanced Funding Mechanism Under the UN Framework Convention on Climate Change,” ActionAid, September 2009. Available at http://www.actionaidusa.org/assets/pdfs/climate_change/equitable_adaptation_finance.pdf