Why the World Bank Climate Investment Funds Should be Stopped

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background

At the 2005 Gleneagles Summit of the G8 countries, the leaders of the G8 asked the World Bank to prepare a framework to address the climate investment challenges ahead. The Bank then prepared a document entitled "*Clean Energy and Development: Towards an Investment Framework*"[1] which was presented at the Development Committee Meeting of the Bank at April 23, 2006.

This Investment Framework was the basis for the Bank to set itself up to be a key player in the governance of climate change. In its formal presentation, the Bank stated that the Framework aimed: 1) to take stock of financial needs to support the transition to low carbon growth in developing countries; 2) to serve as a platform to expand the work of Multilateral Development Banks on climate change using existing instruments; and 3) to address the need for increased resources and instruments required to finance the scaling up of clean energy sectors.

Following the Framework, in 2008 the World Bank prepared its "*Strategic Framework on Climate Change and Development for the Bank Group*", to be approved by the World Bank Board in September 2008[2].

the climate investment funds

In parallel, at the beginning of 2008, the Bank also drafted a proposal for the *Climate Investment Funds* (CIF)[3]. These are emerging as one of the main pillars of the broader Strategic Framework on Climate Change and Development. The World Bank claims its proposed funds are designed to "help developing countries to address urgent climate change challenges".[4] However, these funds are merely the latest effort on the part of the World Bank to capitalise on current global concerns around climate change.

The funds are expected to be worth between $7 and $12 billion. The US, UK, and Japan originally proposed the funds with a view toward their approval at the July 2008 G8 summit in Japan. The CIFs will serve as the central instrument through which donor resources are mobilised and disbursed for climate-related financing.

The proposed CIFs comprise of two distinct funds:
1. Clean Technology Fund (CTF): With a target size of between US$5 – 10 billion, this fund will 'accelerate transformation to low carbon growth paths through cost-effective mitigation of greenhouse gas emissions. Innovation and deployment of clean technologies at scale will be central to success'.

2. Strategic Climate Fund (SCF): The SCF will supposedly act as the main means to receive donor funds that will be disbursed into specific programmes related to climate change adaptation or mitigation. It will comprise of target programs with dedicated funding to provide financing for new approaches with potential for scaling up. According to the Bank, the first SCF program is the Pilot Program for Climate Resilience (PPCR), which would explore practical ways to mainstream climate resilience building on National Adaptation Programs of Action. The size of this fund is around US$300 – 500 million.

A third fund, the Forest Investment Fund (FIF) may be created in the end of this year or early 2009. According to the Bank, this fund will complement existing carbon finance mechanisms. The resource mobilised from this fund can be also channelled through separate funds, such as the Forest Carbon Partnership Facility (FCPF)[5].

inherent problems with the bank's climate funds

The World Bank is not a credible institution to be in charge of climate funds: the World Bank Group is the largest multilateral lender for fossil fuel projects, with some $1 billion per year in financing for the oil and gas industry. In spite of the recommendation by the Extractive Industries Review that the Bank end immediately support for coal projects and phase out

1 It is known as "Clean Energy Investment Framework" (CEIF). For the detail please see: http://siteresources.worldbank.org/DEVCOMMINT/Documentation/20890696/DC2006-0002(E)-CleanEnergy.pdf. Our critique of the Framework entitled 'Selling the climate and poor people short' is available at http://www.foei.org/en/publications/pdfs/wbenergyreport.pdf

2 Please see: www.worldbank.org/climateconsult

3 www.worldbank.org/cif

4 Please see: http://siteresources.worldbank.org/INTCC/Resources/CIFs_April22_08_CurrentStatus.pdf

5 Please see the FoEI statement on FCPF at: http://www.foei.org/en/media/archive/2007/world-bank-hands-off-forests?searchterm=FC, and to read more about FCPF, please see: http://carbonfinance.org/Router.cfm?Page=FCPF&ItemID=34267&FID=34267

support for oil by 2008, the World Bank's support for fossil fuel projects grew by 93 percent from US$450 million to US$869 million from financial years 2005 to 2006. The proportion of renewable energy and energy efficiency financing remains low; using the Bank's own figures for fiscal year 2005, "new" renewable energy and energy efficiency made up only 10 percent of the institution's new lending for energy projects.[6]

Given the Banks fossil-fuel dependency, its poor environmental performance and the negative impact of economic conditions attached to its loans and grants, the World Bank is clearly not the right institution to manage these funds.

specific problems with the climate investment funds

- *A top down and undemocratic process*: the CIFs were built based on earlier initiatives of the UK, US and Japan. From the beginning, developing countries and civil society have been marginalised in the design of the CIFs.

- *Continuation of financing dirty energy*: The 'Clean Technology Fund' proposal lacks a definition of "clean". It will potentially be used to further increase World Bank funding for what are at best "slightly less dirty" projects, such as what is misleadingly called 'clean coal' or carbon capture and storage, a controversial technology that does not yet exist and of which the potential impacts are not known.

- *Increasing the debt burden of developing countries for something rich countries caused*: The proposed Strategic Climate Fund outlines the possibility of concessional loans for climate adaptation in 'vulnerable countries'. However, it is unethical to finance adaptation in developing countries through repayable loans , given that industrialised countries are historically responsible for climate change. While rich countries have caused most of today's global warming, theloans proposed by the World Bank will demand that developing countries finance their own climate change mitigation and adaptation efforts, at the cost of deepening their debt burden

- *Privatizing climate funding*: the most problematic issue of all is that the World Bank's climate investment funds will create a structure and process for financing climate change adaptation and mitigation outside the existing multilateral framework for climate change negotiations under the United Nations. Furthermore, World Bank climate funds will be governed through a non-transparent and undemocratic decision making process in which industrialised countries dominate.

what we can promote

A legitimate way to increase the amount of resources for climate change adaptation and mitigation must be placed within a genuine multilateral framework which provides for adequate representation of both developed and developing countries. Given that UNFCCC is the main international framework, and is guided by multilaterally negotiated principles, financing for meeting climate change commitments must be located within this framework.

Therefore, governments should focus on developing a multilateral fund for climate change financing under auspices of the UNFCCC. Governments also should back the UN process already underway to support technology sharing.

some important events

Here are international meetings that will take place this year where decision making processes around these funds will take place.

- Hokkaido, Japan, July 7-9: G8 summit
- Accra, Ghana, 21-27 August: session of UN working groups
- Washington DC, USA 13 October: 2008 Annual Meetings of the World Bank
- Poznan, Poland, December 1-12: COP 14 UNFCCC

more information and action about the world bank climate investment funds

FoE US webpage:
http://action.foe.org/t/3877/content.jsp?content_KEY=4176
Third World Network briefing:
http://www.twnside.org.sg/title2/climate/briefings/TWN.BP.bonn.2.doc

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Friends of the Earth International

6 See also: Friends of the Earth US, *"Power Failure: How the World Bank is Failing to Adequately Finance Renewable Energy for Development,"* Friends of the Earth, October 2005. Available at: http://www.foe.org/camps/intl/institutions/renewableenergyreport10242005.pdf