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The case against the World Bank's role in tackling climate change

An ActionAid rough guide

May 2009

Introduction

Efforts to tackle global warming effectively are doomed without much larger sums of money flowing from rich countries, who have contributed most to the climate crisis, to poor countries, who face the most severe impacts. But it is not just a question of securing a huge increase in financial resources – the way in which the money is channelled and who controls where it goes will be crucial to its impact and ultimate success.

What are the current global climate change funds?

A significant portion of existing money aimed at tackling climate change is contained within rich countries' bilateral aid programmes and counted as Official Development Assistance (ODA). Because of the way donors report their spending it is difficult to know exactly how much money is being spent on tackling climate change through this route.

However, it is much easier to identify which multilateral funds rich countries are channelling their money through. There are three main types of global funds – those which are accountable to the UN Framework Convention on Climate Change (UNFCCC) and managed by the Global Environment Facility (GEF); those which are accountable to the Kyoto Protocol and run by a Board of participating countries; and those which are not accountable to any climate convention or treaty.

Table 1: Global climate change funds accountable to the UNFCCC and managed by the GEF have the following amounts of money pledged:

Fund	Amounts pledged ¹	
Special Climate Change Fund	US\$12 million	€9 million ²
Least Developed Countries Fund	US\$182 million	€135 million
TOTAL	US\$194 million	€144 million

¹ As of May 2009, See: <http://www.climatefundsupdate.org/>

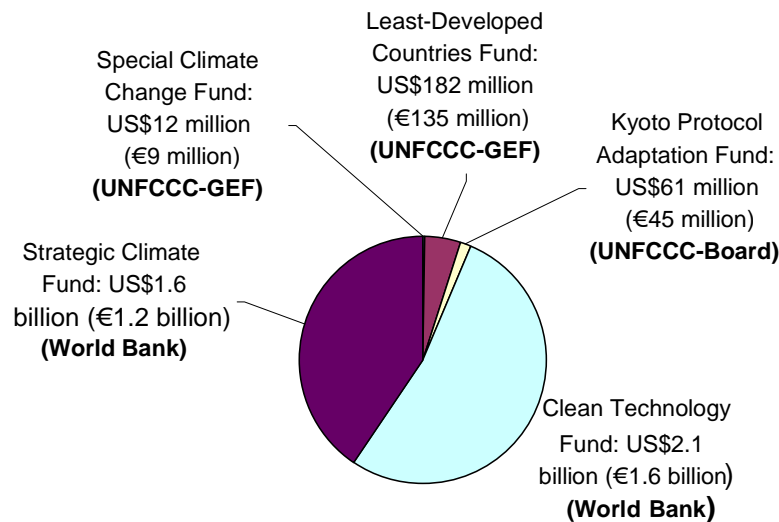
² Exchange rate of US\$ to € assumes €1=US\$1.34528 and US\$1=€0.74337. This exchange rate applies to all numbers in this paper.

Table 2: Global climate change funds accountable to the Kyoto Protocol and run by a Board of participating countries have the following amounts of money available:

Fund	Amount available	
Kyoto Protocol Adaptation Fund ³	US\$61 million	€45 million

Table 3: The main alternative to the funds accountable to the UNFCCC are those run by the World Bank. The recently-established Climate Investment Funds have the following amounts of money pledged:

Fund	Amounts pledged ⁴	
Clean Technology Fund	US\$2.1 billion	€1.6 billion
Strategic Climate Fund ⁵	US\$1.6 billion	€1.2 billion
TOTAL	US\$3.7 billion	€2.8 billion



³ The Adaptation Fund is funded differently from the others: it receives money via a 2% levy on Clean Development Mechanism projects. The €45 million figure is the World Bank estimate for the total value of Certified Emission Reductions if they were converted into money. See World Bank paper for the Adaptation Fund: <http://adaptation-fund.org/images/AFBB2-9-Monetization.pdf>

⁴ As of May 2009. See: <http://www.climatefundsupdate.org/>

⁵ The Strategic Climate Fund includes the Pilot Program on Climate Resilience: Climate Funds Update website: <http://www.climatefundsupdate.org/listing/strategic-climate-fund>

Is the rich countries' faith in the World Bank justified?

Rich countries clearly favour the World Bank as the primary institution for channelling climate finance to poor countries, judging by the amount of resources they allocate to it in comparison to the UNFCCC funds. The main reasons appear to be that they wish to retain control of 'their' money and trust the World Bank to deliver the type of development they favour. But the World Bank was originally set up to finance reconstruction and development rather than combat global warming so before assigning it new objectives it is worth examining its effectiveness in executing its existing mission.

What are the main problems with the World Bank's approach?

Conditionality

The World Bank's insistence on attaching economic policy conditions to the money it disburses has often resulted in developing countries receiving the wrong economic medicine and has undermined local ownership of development strategies.

In recent years the *number* of conditions the Bank attaches to its grants and loans to developing countries has declined, sometimes by bundling conditions together under a single heading. But there are concerns that the *impact* of conditions remains high. 71% of all grants and loans made by the Bank's International Development Association arm require some policy reform, more than half of which are privatisation-related.⁶

Development outcomes

To take just one example: a recent report by the Bank's Independent Evaluation Group looking at the Bank's record on health found that only 1 in 4 projects financed by the Bank achieved

⁶ Eurodad (2007) Untying the knots, page 3:
http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Untying%20the%20knots%20-%20How%20the%20WB%20is%20failing%20to%20deliver%20real%20change%20on%20conditionality.pdf

“satisfactory outcomes”. Amazingly only 6% of all health projects explicitly aimed to improve poor people’s health, as opposed to the health of the general population.⁷

What are the main problems with the World Bank being the guardian of climate finance?

1. The World Bank cannot be saviour and sinner at the same time

The World Bank funds projects and programmes that damage the environment and contribute towards climate change. In 2008 the World Bank lent over US\$3 billion to coal, oil and gas projects.⁸ Since 1997 the World Bank has financed 26 gigatons of lifetime carbon dioxide emissions – about 45 times the annual emissions of the UK.⁹ The Bank’s own figures show a 102% increase in funding for fossil fuels, compared with only a 11% increase in funding for new renewables in the last fiscal year.¹⁰

Even the Clean Technology Fund (one of the Bank’s Climate Investment Funds) looks likely to contribute to greenhouse gas emissions by promoting ‘slightly less dirty technology’ such as coal-fire power stations with carbon capture and storage *potential* rather than renewable energy that is 100% clean.¹¹

2. The countries most affected by climate change have little say in the decisions the World Bank makes

Although the governance of the Climate Investment Funds is more equitable, with eight members from contributor countries and eight members from recipient countries serving on the Trust Fund Committee¹², rich countries have disproportionate power over the rest of the Bank’s

⁷ Independent Evaluation Group (2009): Improving effectiveness and outcomes for the poor in health, nutrition and population: an evaluation of World Bank Group support since 1997, executive summary, page xvi:

http://siteresources.worldbank.org/EXTWBASSHEANUTPOP/Resources/exec_summary.pdf

⁸ Institute for Policy Studies et al, Dirty is the New Clean: a critique of the World Bank’s Strategic Framework for Development and Climate Change, October 2008, page 2: <http://priceofoil.org/wp-content/uploads/2008/10/dirtyisnewcleanfinal.pdf>

⁹ WWF, The World Bank and its carbon footprint, 2008, page 5:

http://assets.wwf.org.uk/downloads/world_bank_report.pdf

¹⁰ Bank Information Center, World Bank Energy Sector Lending: encouraging the world’s addiction to fossil fuels, page 4: <http://www.bicusa.org/en/Article.11033.aspx>

¹¹ Bretton Woods Project: <http://www.brettonwoodsproject.org/art-564193>

¹² Climate Funds Update website: <http://www.climatefundsupdate.org/listing>

activities. Voting within the Bank is skewed towards the largest donor countries, with the US being the only country that has veto power.

Developing (and 'transition') countries as a group have less than half the votes in the Bank's three main lending arms.¹³ In the International Development Association – the arm of the Bank dealing with the poorest countries - the world's biggest per capita climate polluter, the United States has 12% of the votes – more than twenty times Bangladesh's share.¹⁴

Some of the countries most vulnerable to climate change, such as Tuvalu¹⁵, are not even members of the World Bank and have no say at all in the decisions it makes.¹⁶

3. The UNFCCC should be at the forefront of climate finance

The UN has a one-country, one vote structure and is not burdened by the same history the Bank has for developing countries.

A new global agreement on climate change with targets for mitigation and adaptation is being negotiated through the UNFCCC. It is therefore logical that the mechanisms for delivering enhanced mitigation and adaptation in developing countries are also part of the UNFCCC package. The existence of large-scale funding for tackling climate change outside the UNFCCC process risks undermining it and may fail to ensure that the money reaches the right places.

¹³ They have 40% of the votes in the International Bank for Reconstruction and Development (IBRD), 40.8% of the votes in the International Development Association (IDA), and 31.8% of the votes in the International Finance Corporation: World Bank (2008), Enhancing voice and participation of developing and transition countries in the World Bank Group: options for reform, leaked draft paper:

<http://www.if-watchnet.org/sites/if-watchnet.org/files/enhance%20voice%20and%20participation%20-%20revised%20discussion%20draft.pdf>

¹⁴ The United States has 12.10% of the votes in the IDA; Bangladesh has 0.59%. See:

<http://siteresources.worldbank.org/BODINT/Resources/278027-1215524804501/IDACountryVotingTable.pdf>

¹⁵ IIED (2007), Critical list – the 100 countries most vulnerable to climate change:

<http://www.iied.org/pubs/pdfs/17022IIED.pdf>

¹⁶ World Bank countries and regions:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/0,,pagePK:180619~theSitePK:136917,00.html>

Can the resources simply be channelled through the current funds accountable to the UNFCCC?

Not all funds accountable to the UNFCCC are equal. Despite their small size relative to the World Bank funds, the GEF-administered funds have attracted serious criticism from developing countries and civil society. Many of these are associated with the difficulty of actually accessing the funds as a result of GEF criteria.

On the other hand the Kyoto Protocol Adaptation Fund, with its more democratic structure – controlled by a Board selected from different groupings of countries party to the Kyoto Protocol – deserves the chance to succeed. Given its fairly minimal current resources it is difficult to see how it can do so without significant additional money.

The inadequacy of existing funds, particularly those controlled by the World Bank, points towards the need to establish a new and effective climate change fund accountable to the UNFCCC and run by a democratic Board. The task of everyone concerned is to make it happen.

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