



IDA20 SPECIAL THEME: CLIMATE CHANGE

June 11, 2021

ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30

All dollar amounts are US dollars

| | | | |
|-------|---|--------|--|
| ASI | Avoid, Shift, and Improve | IFC | International Finance Corporation |
| ASP | Adaptive Social Protection | JET | Jobs and Economic Transformation |
| CBD | Convention on Biological Diversity | LICs | Low-Income Countries |
| CCAP | Climate Change Action Plan | LTS | Long-Term Strategies |
| CCDR | Country Climate and Development Report | LULUCF | Land use, land-use change and forestry |
| CIF | Climate Investment Funds | MDBs | Multilateral Development Banks |
| COP | Conference of the Parties | MIGA | Multilateral Investment Guarantee Agency |
| CPF | Country Partnership Framework | MSMEs | Micro, small, and medium enterprises |
| CSF | Climate Support Facility | NbS | Nature Based Solutions |
| DPO | Development Policy Operations | NBSAP | National Biodiversity Strategies and Action Plan |
| ESMAP | Energy Sector Management Assistance Program | NDC | Nationally Determined Contribution |
| FCS | Fragile and Conflict-affected Situations | PSW | Private Sector Window |
| FCV | Fragility, Conflict & Violence | RE | Renewable energy |
| GEF | Global Environment Facility | REDD+ | Reducing Emissions from Deforestation and Forest Degradation |
| GHG | Greenhouse gas | SCD | Systematic Country Diagnosis |
| GW | Gigawatt | SDGs | Sustainable Development Goals |
| GWh | Gigawatt hour | SIDS | Small Island Developing States |
| ICT | Information and communications technology | UNFCCC | United Nations Framework Convention on Climate Change |
| IDA | International Development Association | WBG | World Bank Group |
| IEA | International Energy Agency | | |
| IFC | International Finance Corporation | | |
| IPF | Investment Project Financing | | |

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EXECUTIVE SUMMARY

i. **As the COVID-19 crisis continues to erode development gains, climate change remains a central issue for International Development Association (IDA) countries.** Climate impacts undermine development gains and disproportionately affect the poorest and most vulnerable within IDA countries. The World Bank estimates that more than 100 million people living in IDA countries will be pushed into extreme poverty due to climate change by 2030.ⁱ Over the last decade, IDA countries have been hit by nearly eight times as many natural disasters relative to the 1980s, resulting in a three-fold increase in economic damage.ⁱⁱ Small Island Developing States (SIDS), and Fragile and Conflict-affected Situations (FCS) countries face high climate risk. Meanwhile, IDA countries need to become competitive in a rapidly changing global economy that increasingly values green growth, green jobs, and green sectors. IDA countries need to work simultaneously to address increasing climate impacts, strengthen their resilience to shocks, and seize new opportunities to thrive in a post-COVID-19 world.

ii. **IDA countries' share of global greenhouse gas (GHG) emissions represents only four percent, yet these countries bear the disproportionate impacts of climate change.** Necessarily, this means that IDA countries require substantial support in their adaptation and resilience efforts. As such, IDA20 policy commitments prioritize adaptation, including via a target to ensure at least 50 percent of climate finance is targeted to adaptation, in addition to ongoing support for mitigation.

iii. **The IDA20 Climate Change Special Theme offers an actionable package that will scale up support in the areas where IDA countries need it most.** This draws on IDA's solid track record and significant progress achieved in IDA19. The focus now is on integration, scale, and impact: an integrated set of policy commitments will deliver large-scale support through the most impactful climate interventions in adaptation and mitigation, with priority to countries that have larger carbon emissions and deeper climate vulnerabilities. Collectively, the IDA20 policy commitments will help to address short and long-term adaptation needs, decarbonization objectives, and protection of biodiversity and natural capital, while stimulating growth and enabling a green recovery.

iv. **The IDA20 Climate Change Special Theme derive from the WBG 2021-2025 Climate Change Action Plan (CCAP).** IDA20 will increase IDA's climate co-benefits share of total commitments to 35 percent on average, with at least 50 percent for adaptation. As per the CCAP commitment, IDA operations will be aligned with the goals of the Paris Agreement.ⁱⁱⁱ In line with the CCAP:

- a. New diagnostics and support IDA countries to integrate climate adaptation and mitigation strategies into national planning and investments will be prepared.

ⁱ Revised Estimates of the Impact of Climate Change on Extreme Poverty by 2030. World Bank 2020.

ⁱⁱ The International Disaster Database (EM-DAT)

ⁱⁱⁱ Paris Agreement to the United Nations Framework Convention on Climate Change, December 12, 2015.

- b. Support will be provided to countries to update and implement their Nationally Determined Contributions (NDCs), drawing on the Group's comparative advantage and convening power to ensure that national planning is increasingly climate smart.
- c. IDA will prioritize action on the five key transitions identified in the CCAP, that are critical for climate adaptation and mitigation but also for development.
- d. IDA will for the first time specifically target the financial system to address climate-related risks and mobilize capital for low-carbon and resilient investments. IDA20 will integrate considerations of climate risk and opportunity into institutional banking, funds, and capital markets. IDA will also support policymakers to increase understanding of climate and environmental risks on the financial sector, including through climate stress testing in the banking sector.
- e. IDA20 will bring new emphasis to Nature-based Solutions (NbS) for the protection, restoration, and sustainable use of biodiversity and ecosystem services. Building on progress from IDA19, IDA will scale up support to landscape and watershed restoration and management, which is critical for many communities in IDA countries. IDA will also prioritize integrated and sustainable management of freshwater, coastal, and marine ecosystems, including by addressing marine plastic pollution, which are key concerns for many IDA countries, including SIDS.

v. **The Climate Change Special Theme will help to generate gains to other Special Themes and Cross-Cutting Issues and vice-versa.** Climate adaptation and resilience are critical for strengthening *human capital* and mitigate climate-induced health impacts. Several policy commitments have targets for *FCS* countries. IDA's efforts to support green resilient and inclusive COVID-19 recovery will help to create *green jobs and spur economic transformation*, with a focus on increasing access to economic opportunities for *women*. Transitioning key sectors to a low-carbon future will strengthen sectoral *governance and institutions*. IDA will leverage emerging *technologies* for climate data, information, and real-time communication, including with community-based organizations. Strengthening institutional and planning frameworks and physical infrastructure in those IDA countries that face natural hazards and food crises will be critical for *crisis preparedness*. Work underway through the Climate Change Special Theme will be delivered through strong partnership with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to support the private sector and build financial sector capacity for climate action.

vi. **The proposed IDA20 Climate Change policy commitments summarized below derive from the CCAP, and Management welcomes feedback from IDA Participants on them.** A summary is provided below (see Table ES.1).

Table ES. 1. Proposed Objectives and Policy Commitments for IDA20

| Objectives | Proposed IDA20 Climate Change Policy Commitments |
|---|--|
| <p>Climate Finance <i>Increasing climate co-benefits</i></p> | <p>1. IDA’s climate co-benefits share of total commitments will increase to 35 percent, on average over FY23-FY25, with at least 50 percent for adaptation. For IDA PSW operations, climate co-benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations, on average.</p> |
| <p>National Planning <i>Aligning all IDA operations with the Paris Agreement</i></p> | <p>2. Starting in FY24, all new World Bank IDA20 operations will align with the Paris Agreement. By the end of IDA20, all new IDA PSW real sector operations will be Paris aligned. At least 30 Country Climate and Development Reports will be developed. Support will be provided to at least 40 countries to update and/or implement NDCs.</p> |
| <p>Key System Transitions <i>Transitioning key systems for adaptation and mitigation</i></p> | <p>3. Support at least 40 countries (including at least 8 FCS) to develop policies and increase investment in climate adaptation and mitigation in at least one key transition sector (energy; agriculture, food, water and land; cities; transportation; and manufacturing), including at least 8 countries supporting community action (including investments) for climate change.</p> |
| <p>Energy <i>Boosting support to renewable energy</i></p> | <p>4. Facilitate development of low-carbon energy sector development strategies in at least 20 countries (including at least 8 FCS) and development of battery storage in at least 15 countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least 1 GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.</p> |
| <p>Greening Finance <i>Scaling-up green financing</i></p> | <p>5. Support at least 20 countries (including at least 5 FCS) to revise their financial regulatory frameworks to manage climate risks and to mobilize capital for a low-carbon and resilient economy.</p> |
| <p>Nature and Biodiversity <i>Enhancing natural capital and biodiversity</i></p> | <p>6. Implement nature-based solutions, including landscape and watershed restoration and management, in at least 15 countries in support of biodiversity and ecosystem services.</p> |
| | <p>7. Support at least 20 countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including by addressing marine plastic pollution.</p> |
| <p>Crisis Preparedness <i>Increasing crisis preparedness and response</i></p> | <p>8. Support at least 25 countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.</p> |

I. INTRODUCTION

1. **While COVID-19 continues to erode recent development gains, climate change remains a key concern for IDA countries.** Climate impacts continue to undermine development, with a disproportionate impact on the poorest and most vulnerable within IDA countries. The World Bank estimates that more than 100 million people living in IDA countries will be pushed into extreme poverty due to climate change by 2030.¹ Over the last decade, IDA countries have been hit by nearly eight times as many natural disasters relative to the 1980s, resulting in a three-fold increase in economic damage.² Small Island Developing States (SIDS), and Fragile and Conflict-affected Situations (FCS) face high climate risk. Meanwhile, IDA countries need to become competitive in a rapidly changing global economy that increasingly values green growth, green jobs, and green sectors. IDA countries need to work simultaneously to address increasing climate impacts, strengthen their resilience to shocks, and seize new opportunities to thrive in a post-COVID-19 world.

2. **IDA countries' share of greenhouse gas (GHG) emissions represents only four percent, yet these countries bear the disproportionate impacts of climate change.** Necessarily, this means that IDA countries require substantial support in their adaptation and mitigation efforts. As such, IDA20 policy commitments prioritize adaptation, including via a target to ensure at least 50 percent of climate finance is targeted to adaptation, in addition to action on mitigation.

3. **Through the IDA20 Climate Change Special Theme, IDA will help countries to repair the damage from the COVID-19 crisis while adapting to the changes of a transformed world, including by building the resilience and inclusion needed to withstand future shocks.** The section below outlines how the Climate Change Special Theme contributes to the overarching IDA20 theme, *“Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future.”*

A. Climate and a Green Future

4. **Support for IDA countries in IDA20 will include investing in solutions that increase resilience, reduce the trajectory of GHG emissions, and sustain natural capital which is important for both mitigation and adaptation.** IDA will focus on enhancing and conserving ecosystem services through Nature-based Solutions (NbS)³, driving low-carbon, resilient transition in key systems, and increasing access to renewable energy. The focus on nature in support of biodiversity services, including oceans and landscape management, also supports a cost-effective and flexible approach for disaster risk, water resource management and green infrastructure.

5. **In line with the CCAP's focus on greening the financial system, IDA will also for the first time, specifically target the financial system to address climate-related risks and**

¹ Revised Estimates of the Impact of Climate Change on Extreme Poverty by 2030. World Bank 2020.

² The International Disaster Database (EM-DAT)

³ The [IUCN](#) defines Nature-based solutions (NbS) as “actions to protect, sustainably manage, and restore ecosystems that address societal challenges effectively and adaptively, while providing human wellbeing and biodiversity benefits.”

mobilize capital for low-carbon and resilient investments. Financial institutions are key to helping IDA countries and companies to respond to climate change. IDA20 will support policymakers to consider climate and environmental risks to the financial sector. Climate opportunity and risk considerations will be integrated into institutional banking, funds, and capital markets, for example through climate stress testing in the banking sector. Additionally, an enabling environment for development of the green and blue bond, and loan markets, as well as other innovative financing instruments, is integral to supporting climate goals.⁴ IDA is committed to supporting countries so that public and institutional investors can be assured that climate and broader environmental, social, and governance criteria are in place to support their investment strategies.

6. **Green, resilient, and inclusive development in IDA countries is also an opportunity to embrace new sources of growth that come from macro-economic shifts and market preferences.** Collectively, the IDA20 policy commitments, including those under the Climate Change Special Theme and the Jobs and Economic Transformation (JET) Special Theme, can help IDA countries to “leapfrog” to modern, more effective, and efficient approaches to sustainable development, including with competitive technologies.

B. Climate and an Inclusive Future

7. **A green and inclusive recovery means ensuring that the benefits of a green economy transition are shared widely, while supporting those who stand to lose economically.** There will be disruptions from business-as-usual scenarios during the transition, and during this time it is crucial to protect the livelihoods of vulnerable and disadvantaged communities. IDA20 will take a targeted, carefully managed, and sustainable approach to this challenge. IDA20 policy commitments across all special themes reinforce the implementation of safety nets, investment support, insurance, transition to “clean” new jobs in the green economy with due focus on women and youth, and ensuring they are well-placed to seize opportunities. An example of specific support IDA is providing governments and firms for inclusive recovery includes comprehensive guidance for coal (and other) mine closures, associated land rehabilitation, skills retraining, labor mobility, and community economic development.

8. **IDA20 will help countries to implement climate-related policies and programs in ways that close gender gaps.** Adaptive social protection (ASP) and productive economic inclusion can help women smallholders and subsistence producers to transition to climate-friendly approaches in agriculture, fisheries, and other sectors for more sustainable livelihoods. A green and inclusive recovery requires investments that create jobs and entrepreneurship opportunities for both women and men in sectors transitioning to a low-carbon footprint, including renewables, that overcome sex segregation and low productivity employment for women. Climate finance can be leveraged to close gender gaps and build resilience, including through women’s access to green jobs, and equity and debt investment for women entrepreneurs in transitioning sectors. Technology can enhance women’s access to climate services, including information, hydromet services, and early

⁴ See for example, *Developing a National Green Taxonomy: A World Bank Guide*, 2020, available at <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/953011593410423487/.%20please%20accept%20our%20thanks%20for%20reviewing%20the>.

warning systems, helping build their resilience to climate shocks. These areas offer opportunities to address structural constraints and close persistent gaps.⁵

9. **Civil society, particularly women and youth, play an essential role in climate action and in the implementation of climate projects.** IDA20 will support capacity building for civil society organizations to strengthen local responses to the climate crisis in the COVID-19 recovery phase - essential to building a more inclusive future. Several IDA countries also point to the increasing use of climate empowerment as a means of mobilizing and encouraging society to deliver the mitigation and adaptation objectives outlined in their NDCs.⁶ In particular, it is critical to foster women's leadership in climate action, including in nature-based and hydromet solutions, as well as in disaster planning and crisis response. Under IDA20, the IDA will share experiences to build capacity on gender integration and enhance technical support at the field level for more gender-responsive and inclusive interventions that foster citizen engagement.

C. Climate and a Resilient Future

10. **Climate change is a driver of FCV and a threat multiplier, making adaptation and resilience even more important elements of climate action.**⁷ The confluence of COVID-19 and climate impacts have created major stresses, especially in FCS where governments tend to have more limited capacity. Economic shocks and environmental factors such as resource degradation exacerbate food insecurity, drive inequality, and aggravate grievance. The risks of both internal displacement and international migration are expected to increase due to more intense and frequent storms, increased drought and desertification, rising sea levels, and reduced agricultural productivity. Through IDA20, IDA will continue to support countries to respond to the COVID-19 crisis, whilst also strengthening natural and institutional systems to prevent and prepare for future crises.

11. **Support for adaptation and mitigation is especially important for IDA countries, given their need to buffer climate and disaster risks in a world where shocks occur more frequently and with compounded impact.** IDA20 investments in resilient infrastructure and industries, including through NbS, will deliver significant economic benefits while reducing negative impacts from climate change and extreme weather events. Private and public climate-smart agriculture investments will stimulate rural economies and support communities and smallholder farmers through increased productivity and food security, as well as enhanced resilience to future shocks.

12. **IDA20 will help countries to build preparedness for disasters and crises, including food insecurities.** The COVID-19 crisis has highlighted the value of wide-reaching, efficient emergency response systems that can be swiftly activated to smoothen and lessen the impacts of a

⁵ "Hydromet" is a combination of terms: Hydrology + Meteorology and refers to the field of weather, water, and climate phenomena.

⁶ Action for climate empowerment (ACE) refers to work under Article 12 of the Paris Agreement; its objective is to empower all members of society to engage in climate action through education, training, public awareness, public participation, public access to information, and international cooperation (the six ACE elements).

⁷ World Bank Group Strategy for Fragility, Conflict, and Violence 2020-2025. World Bank. Washington, D.C. 2020. ©World Bank. <https://openknowledge.worldbank.org/handle/10986/34858>

major shock, be it climate-related or otherwise. Early warning and evacuation systems remain underdeveloped in many IDA countries, despite the known benefits and relative ease of their placements. IDA20 will support IDA countries to access and use the best available data, information and tools, including through digital technologies, to improve preparedness through key early warning systems. Strengthened drought, flood and famine early warning systems, as well as disease surveillance systems, will be the focus of programming to boost resilience for vulnerable populations.

II. PROGRESS UNDER IDA19 AND LESSONS LEARNED

A. Progress Under IDA19

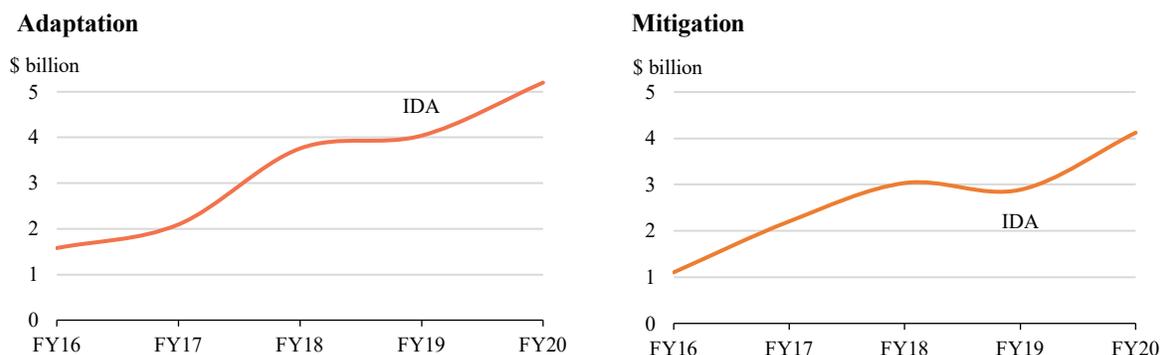
13. **IDA has developed a track record of support for climate adaptation and mitigation.** Beginning in IDA16, IDA support has been instrumental in helping countries to pursue adaptation and mitigation strategies and seize climate action opportunities. IDA resources have been used to support green, inclusive, and resilient solutions, before and since the onset of the COVID-19 crisis, including through operations in health, disaster risk management, and financial preparedness, to name a few. For example, IDA's pioneering work on ASP has come to the fore during the COVID-19 crisis and demonstrated the value of social infrastructure in helping communities to cope and recover from shocks and build resilience.

14. **During IDA19, significant progress has been made on the climate agenda.** The IDA19 policy commitments are all on track to be delivered and, more importantly, *mainstreamed* within IDA operations and processes, resulting in the systematic integration of climate considerations across all relevant sectors of the IDA portfolio. Below is a summary of progress made under the policy commitments. Annex 1 provides a detailed account of the status of each commitment. Based on this track record and foundation, IDA20 can build and scale up its efforts.

15. ***Objective 1: Increase climate-related financing and mainstream climate action.* IDA is on track to achieve its IDA19 target of reaching 30 percent climate co-benefits as a share of total IDA commitments.** IDA's climate co-benefits comprise 30 percent of total commitments so far in FY21.⁸ Of these, 64 percent support adaptation actions and 36 percent support mitigation. Climate finance to IDA countries over the 2016-2020 period (the first CCAP) is shown below in Figure 2.1.

⁸ As of June 11, 2021.

Figure 2. 1. IDA Climate Finance, FY16-FY20



16. **COVID-19 changed the context for delivering this commitment, but IDA responded quickly to step up support and find “double-dividends” where possible.** Just prior to the start of IDA19, demand from IDA countries quickly shifted from traditionally climate-focused sectors such as infrastructure, energy, agriculture, and water, toward operations in the health, social, and economic sectors. IDA adapted quickly to this context and boosted support for climate contributions in these sectors not traditionally focused on climate to seek out “double-dividends,” including through social protection operations, development policy operations (DPOs), and the design of green stimulus packages. At the same time, demand for ASP has increased significantly as a tool to mitigate the risks of climate and other shocks, and as weather-related impacts have not abated.

17. **IDA has made considerable progress in orienting its portfolio toward positive climate outcomes.** For example, of the IDA19 operations that bring more than 20 percent climate co-benefits, 91 percent include at least one climate-related results indicator. All IDA operations approved since January 2021 have been tracked for climate-related results indicators. As of June 2021, of 211 IDA operations approved by the Board in FY21, 90 operations (43 percent) have more than 20 percent climate co-benefits and 97 percent of these operations include a climate indicator. Data from FY21, particularly for COVID-19 operations, demonstrate that it is not always possible, especially in emergency settings, for operations to generate climate co-benefits. Accordingly, an adjustment to this target from 100 percent to 90 percent was agreed in April 2021. Achievement of this target represents significant progress in the effort to calibrate IDA’s portfolio to focus more on delivery of climate-related outcomes.

18. **Objective 2: Boost support for adaptation and mitigation. IDA is on track to meet its target for developing new resilience metrics and piloting them in IDA operations.** A Resilience Rating System (RRS) has been developed which provides guidance and specific criteria

to assess the resilience of projects to climate risks, *as well as* the resilience built through IDA projects in the broader community or sector.⁹ Piloting began on 20 operations in January 2021.¹⁰

19. **IDA will exceed its IDA19 target to support at least 25 countries with programs that incorporate ASP into national systems or reduce climate threats to health.** This policy commitment proved to be prescient to the COVID-19 context. Given heightened needs and demand since the crisis, IDA has significantly stepped up support to health system strengthening and emergency health response and has significantly bolstered social protection programs including ASP.

20. ***Objective 3: Systematic impact at the country level. IDA is on track to meet its commitment to support the update and/or implementation of NDCs and will meet the three-year target in the shortened IDA19 period.*** All IDA countries are in the process of updating their NDCs, and 21 countries are receiving support to update and implement their NDCs.¹¹ The original intent was to submit them ahead of the 26th the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP26) scheduled for November 2020 in Glasgow, Scotland, now taking place in November 2021. While countries are moving ahead with their updates, IDA will continue to help those countries that need additional support with their submissions. This will also provide an opportunity to integrate *build back better* considerations and measures in their NDC updates.

21. **IDA is also on track to meet its commitment to support countries to update and/or implement their National Biodiversity Strategies and Actions Plans (NBSAPs).** COVID-19 constraints led to the postponement of the 2020 meeting of the COP15 to the Convention on Biological Diversity (CBD) in Kunming. As a result, IDA has prioritized support to countries' existing NBSAPs and their implementation, in addition to helping countries to make critical updates ahead of COP15 in Kunming in 2021. This adjusted approach enables relevant and critical work to continue despite constraints and keeps the biodiversity agenda moving forward. In line with this target, 15 IDA countries are being supported with NBSAP implementation, including through projects that help with the management of protected areas, both land and marine-parks, watershed protection, and green infrastructure.

22. ***Objective 4. Facilitate economic transformation through low-carbon and resilient transition. IDA19 set forward an ambitious agenda for renewable energy and battery storage,***

⁹ World Bank Group. 2021. Resilience Rating System (RRS): A Methodology for Building and Tracking Resilience to Climate Change. World Bank, Washington, DC. © World Bank.
<https://openknowledge.worldbank.org/handle/10986/35039>

¹⁰ The RRS objectives are to: (a) better inform decision makers, investors, and other stakeholders on the resilience of projects and investments; (b) create incentives for more widespread and effective climate adaptation through enhanced transparency and simpler disclosure; (c) identify best practices to allow lessons on resilience to be scaled up across sectors and countries; and (d) guide teams on the best ways to manage risk and improve project quality, while allowing flexibility for different sectoral and country contexts.

¹¹ Advisory services to support clients to prepare NDC updates is financed from the NDC Support Facility and is linked to IDA operations that support NDC implementation in 21 IDA countries, including Benin, Burkina Faso, Cambodia, Republic of Congo, Dominica, Ethiopia, Grenada, Guinea, Lao PDR, Marshall Islands, Mongolia, Mozambique, Nepal, Niger, Rwanda, St. Lucia, Tajikistan, St. Vincent and the Grenadines, Uganda, Zambia, and Zimbabwe.

which has been adjusted since the COVID-19 crisis. The three-year targets for renewable energy and battery storage, which were highly ambitious before the crisis, have been adjusted to 5GW and 2GWh respectively. This was necessary, given COVID-19 constraints, the shift of demand away from infrastructure during the period, and the shortened IDA19 cycle. Battery storage projects in IDA countries require hands-on support, as well as extensive stakeholder consultation to agree on how to mitigate technology and financing risks, both of which have been difficult to deliver since COVID-19. Experience has also shown that the introduction of multifunctional technologies, such as battery storage, requires significant upstream work to ensure basic regulatory structures are in place for successful rollout. While the last year has been challenging, the pipeline of energy operations remains steady for FY22.

B. Lessons Learned

23. Over four IDA replenishment cycles, IDA has made significant progress in mainstreaming climate change and scaling up climate action in IDA countries. Vital lessons have also been learned across sectors and regions. These inform the proposed IDA20 policy commitments to support a green, resilient, and inclusive post-COVID-19 recovery.

24. Experience has shown that transformational climate action requires a systemic approach and concurrent measures on multiple fronts. Thoughtful national planning is required, along with both public and private sector investments and local-level leadership and participation. Important steps include building climate policy vision, tackling market barriers to change, and channeling finance toward proven methods for climate action, as well as tracking the impact of climate change action and scaling up good practices. Transparent and consistent knowledge sharing is also necessary to accelerate impact. For example, a clear communication of the value and opportunity of carbon pricing in IDA countries is crucial to enable better upstream integration in Country Partnership Frameworks (CPFs) and other country engagement strategies. IDA20 considers all these factors and lessons for the new policy package.

25. Increasingly, countries look for multi-sectoral expertise to deliver integrated and systemic solutions to tackle climate change. Integrated action is needed to protect the health of oceans, as well as a wide range of sectors such as fisheries, aquaculture, tourism, offshore renewable energy, extractive industry, shipping and ports, and waste management. Since the COVID-19 crisis, clear synergies have emerged between tackling climate change, protecting economies that rely on natural resources, and building human capital. IDA is well-placed to support multi-sectoral, integrated and systemic approaches, and they will feature even more prominently in IDA20.

26. A further lesson is that land use considerations will be key to more ambitious and effective climate action, both globally and in IDA countries. Based on a review of recent NDCs, many IDA countries have identified domestic mitigation measures in land use, land-use change and forestry (LULUCF) sectors as an area of priority with high mitigation potential. Several countries also refer to the significant gains that can be achieved by reducing deforestation,

including by reducing emissions from deforestation and forest degradation (REDD+) activities.¹² These findings can inform how IDA supports countries in IDA20.

27. Lessons from climate-smart agricultural practices reveal that IDA countries can further harness digital technologies for climate action. Appropriate technology can help with both climate information services as well as with the development and use of metrics and indicators to measure outcomes. Focus on these practices in IDA20 will help countries to implement their NDCs in the agriculture sector and contribute to progress on the SDGs for climate action, poverty, and the eradication of hunger. IDA's experience in sustainable water service provision, as well as water efficiency and resilience, will be increasingly useful for IDA countries.

28. Lessons from the sustainable forestry sector demonstrate the need to integrate forest planning within national development plans to ensure that forestry considerations are embedded in relevant sectors, such as agriculture and infrastructure. IDA20 will lean on the application of a landscapes approach for quantifiable improvements in the provision of ecosystem services and the improvement of local human wellbeing. This includes sustainably financed protection of natural capital and development of sustainable production areas. The need for private sector engagement in the forestry sector is another lesson that will be applied to IDA20 in the context of creating carbon pricing partnerships between country governments and companies subscribing to the REDD+ framework. More work is needed to facilitate local companies' participation and commitment to deforestation-free products. Stakeholder engagement, including with indigenous peoples and other forest-dependent communities, including women, remains crucial.

29. Experience shows that sustainable cities and transportation systems play key roles in fostering inclusive growth, expanding access to services, and combating climate change. Support for the development and implementation of integrated public transport systems, including the deployment of quality mass transport systems, helps to transition away from high-polluting and fragmented informal urban transport services, while reducing vulnerabilities to climate change. Pricing and regulatory reforms for fuel and vehicles have proven to be effective policies for reducing GHG emissions. These are areas of opportunity for IDA countries, given that most cars, trucks, and buses imported to low income countries are older second-hand vehicles that contribute to air pollution. In IDA20, IDA plans to deepen support to such integrated transport-oriented development systems in cities.

30. Finally, governments have significant power to shape transitions to clean energy through enabling policies, regulations, and monitoring mechanisms, as well by setting the foundations for private sector investment. Affordable, reliable, sustainable, and modern energy services are critical to economic growth and human capital formation.¹³ Governments can also lead the way by setting national emissions reduction targets, sending clear signals to the market

¹² REDD+ refers to Reducing Emissions from Deforestation and Forest Degradation in developing countries, and the role of sustainable forest management for conservation and enhancement of forest carbon stocks.

¹³ Today, around 800 million people live without electricity and hundreds of millions more live without reliable access. See: Tracking SDG 7 - The Energy Progress Report 2020. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/33822>

through the development of clean energy targets, and adopting policies that encourage sustainable investments in clean energy. These are areas where IDA can step up support to meet the demand.

31. A summary of the proposed transition of climate change policy commitments from IDA19 to IDA20 is indicated in Figure 2.2.

Figure 2. 2. Transition of Climate Change Policy Commitments from IDA19 to IDA20

| Increased | New | Mainstreamed/RMS |
|---|--|---|
| IDA19 Policy Commitment | Focus | IDA20 Policy Commitment |
| 30% of commitments; 50%> adaptation | 1. Climate Finance | 35% of commitments with climate co-benefits; with at least 50% for adaptation. |
| 15 countries supported with update and/or implementation of NDCs; all CPFs to consider NDCs | 2. National Planning | NDC support to at least 40 countries; all new World Bank IDA20 operations aligned with the Paris Agreement. Real sector PSW operations to be aligned. |
| 2 GWh battery storage, 5 GW renewables | 3. Key Systems Transitions | Support at least 40 countries' climate transition in one at least key system |
| 15 National Biodiversity Strategy Action Plans update/implement | 4. Energy | Support at least 20 countries with low-carbon energy strategies, at least 10 GW of renewable energy and battery storage in at least 15 countries |
| | 5. Greening Finance | Support at least 20 countries to revise financial regulatory frameworks and mobilize capital for a low-carbon economy |
| | 6. Nature & Biodiversity | Support at least 15 countries implementing NbS in support of biodiversity and ecosystem services |
| | 7. Nature & Biodiversity | Support at least 20 countries to implement management of freshwater and marine ecosystems, including address of plastic pollution |
| | 8. Crisis Preparedness | Support at least 25 countries facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure |
| 2. Climate Change Indicator | Mainstream | All IDA operations with 20%+ co-benefits include a climate indicator. Share/# of IDA operations with a resilience rating of AA |
| 3. Resilience Metrics | World Bank Group Operations | |
| 4. Adaptive Social Protection | IDA20 HUMAN CAPITAL SPECIAL THEME | |

III. WAY FORWARD AND PROPOSED POLICY ACTIONS

32. The IDA20 Climate Change Special Theme is fully aligned with the new WBG Climate Change Action Plan 2021-25 (CCAP).¹⁴ The CCAP aims to advance green, resilient, and inclusive development by enhancing support for WBG clients to integrate climate into their development strategies. The Action Plan focuses on (i) integrating climate and development, (ii) identifying and prioritizing action on the largest mitigation and adaptation opportunities, and (iii) using those to drive our climate finance and leverage private capital in ways that deliver the most

¹⁴ World Bank Group Climate Change Action Plan 2021–25. World Bank Group. 2021 (forthcoming).

results. Within that framework, the proposed IDA20 Climate Change policy commitments focus selectively on the most pressing challenges to the climate change agenda in IDA countries in the context of the ongoing COVID-19 crisis.

33. The IDA20 Climate Change Special Theme offers an actionable package that will scale up support in the areas where IDA countries need it most. Drawing on IDA’s solid track record and progress achieved in IDA19, the focus now is on integration, scale, and impact. An integrated set of policy commitments will deliver large-scale support through the most impactful climate interventions in adaptation and mitigation, with priority to countries that have larger carbon emissions and deeper climate vulnerabilities. The policy package will be implemented in partnership with International Financial Corporation (IFC), Multilateral Insurance Guarantee Agency (MIGA), multilateral development banks (MDBs) and other development partners.

34. Climate action will be taken at both a national and a regional level. In many parts of the world, including the Sahel, Horn of Africa, and the Pacific islands, the challenges are regional in scale. Issues such as desertification, locust invasions, cyclones and hurricanes and climate migration risks. The IDA Regional Window is helping to address these challenges with cross-border solutions. Operations in East Africa and the Great Lakes address the environmental impact of forcible displacement and increase integrative approaches to forest management for refugee and host communities. The \$225 million West Africa Coastal Resilience program is operating in six countries and through four regional institutions to address coastal erosion, flooding, and improved watershed management and to support pollution control. IDA20 will build on these efforts and intensity support for climate resilience at the regional level.

35. The Climate Change Special Theme ties to all Special Themes and Cross-Cutting Issues within the IDA20 policy package.

- a. **Supporting human capital.** *Human capital* investments include climate education, climate-responsive safety nets, and greater inclusion of vulnerable households and groups into recovery efforts from climate-related shocks. IDA20 climate change policy commitments also encourage education and training support for the development of new “clean technology” skills and competencies. Social protection programs such as cash transfers can help with difficult reforms as part of just transitions, for instance from fossil fuel or utility subsidies to clean energy. Strengthening disease surveillance systems and laboratory capacity for pandemics will also enhance a country’s wider ability to respond to climate-related communicable disease threats.¹⁵
- b. **Fostering gender equality.** IDA support will ensure that gender issues are considered and integrated into climate actions at all possible levels, from consideration in national plans and finance flows to the programs and projects that support adaptation and resilience. Evidence demonstrates that a gender-lens to interventions results in positive outsized impacts for women and girls, including through meaningful climate actions such as clean cooking, energy access, protection of forests/biodiversity services, etc.

¹⁵ Recent IDA investments in the rehabilitation and equipping of health care facilities, including the medical cold chain, have helped improve climate adaptive capacity for the sector and the people it serves.

- c. **Mitigating FCV drivers.** FCS are especially vulnerable to the impacts of climate as their governments tend to have limited means or resources to support citizens prepare for or cope with catastrophes. IDA20 support will focus on FCS to assess, design, and adopt policies that encourage inclusive investments in both climate adaptation and mitigation.
- d. **Promoting JET.** Low-carbon and resilient development offers tremendous opportunities for growth of clean technologies and associated jobs in IDA countries. Research shows that bold climate action could generate 65 million new low-carbon jobs globally by 2030, more than offsetting employment cuts in declining sectors, leading to a net employment gain of 37 million jobs.¹ Consideration of climate risks and opportunities is also critical to ensuring robust and resilient development, including for industry. Climate action can generate new, green and inclusive jobs for key sectors such as energy, transport, agriculture, and urban development.
- e. **Building crisis preparedness.** IDA20 policy commitments build resilience against a range of shocks, including climate-induced natural disasters. This, in turn, can contribute to mitigating FCV as well as food insecurity. Poverty deprives people of investment in prevention that would mitigate the adverse effects of natural hazards. The opportunity is clear. The Global Commission on Adaptation estimated that benefit-to-cost ratios for climate adaptation investments range from 2:1 to 10:1.¹⁶ Urgent support will be provided under IDA20 to improve crisis preparedness and emergency responses.
- f. **Strengthening governance and institutions.** IDA20 lays the foundation role to significantly engage with countries' macro-economic efforts to effectively plan, prepare, and manage their climate and development objectives. IDA countries will need support to identify policy actions across institutions for an effective response to the long-term effects of climate change and potentially associated emergency responses to natural disasters and food crises. The public sector will be an important driver of investment in adaptation and infrastructure that supports a low carbon resilient future. IDA is ready to support the required mainstreaming of climate change considerations in expenditure planning, budgeting, green procurement, and management systems.
- g. **Promoting debt sustainability.** IDA support to countries is critical at this moment to transition to the green economy as many IDA countries are limited in their ability to mobilize the needed resources through domestic resources. Debt financing for climate-smart investments is especially needed but should be transparent, well-managed, and used in the context of credible growth policy.
- h. **Leveraging technology.** Climate action will benefit tremendously from the deployment of digital infrastructure and adoption of new technologies to increase connectivity, coverage, and quality of service. One stark example is that it enables access to and delivery of higher quality and timely weather forecasts, early warning, and climate projection to better plan, prepare, and manage climate risks to save lives, livelihoods, and assets in the most vulnerable communities.

¹⁶ Global Center on Adaptation. Climate Finance. <https://gca.org/programs/climate-finance/>

36. **A one-WBG approach underlies the IDA20 Climate Change policy package.** IDA together with IFC and MIGA will take on more ambitious climate action. For their part, IFC and MIGA will continue to strategically deploy and blend climate concessional finance for IDA investments to help the private sector face the higher risks and uncertainties associated with newer, unproven technologies, just as those associated with “clean-tech.” Blended concessional finance is proven to leverage private capital for climate-smart technologies and business models in emerging markets and it is even more critical for opening markets and investments in riskier environments, such as in some IDA countries, particularly FCS. Support to IDA is also in line with scaling up climate finance to meet IFC and MIGA’s climate investment targets.

A. Proposed Climate Change Policy Commitments

37. **Management proposes eight ambitious policy commitments for the IDA20 Climate Change Special Theme.** Collectively, the policy commitments will help to address short and long-term adaptation needs, decarbonization objectives, and the protection of biodiversity and natural capital, while stimulating growth and enabling a green recovery. Policy commitments prioritize support to the IDA countries that are most vulnerable to climate impacts and have the largest emissions. Several of these commitments have FCS sub-targets.

38. ***Objective 1. Increase climate co-benefits for adaptation and mitigation. IDA20 will scale up climate action within IDA operations, stretching its co-benefit target from 30 to 35 percent on average over FY23-FY25.*** Increased climate finance will support: (i) human development, macro-fiscal, governance, and finance sectors in the IDA portfolio; (ii) the maintenance of per capita income levels of IDA countries; (iii) the difficult years ahead for recovery from the COVID-19 crisis; and (iv) alleviation of private capital constraints since the crisis. The proposed policy commitment is fully aligned with the increased climate finance target in the WBG CCAP. The IDA Private Sector Window (PSW) will also increase its share of climate co-benefits, achieving 35 percent of IFC and/or MIGA own account commitments under such operations, on average. In addition to IDA financing, IFC and MIGA will increasingly mobilize private sector climate finance.¹⁷

Policy Commitment 1: IDA’s climate co-benefits share of total commitments will increase to 35 percent, on average over FY23-FY25, with at least 50 percent for adaptation. For IDA PSW operations, climate co-benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations, on average.

39. **As part of this policy commitment, at least 50 percent of climate finance will be dedicated to climate adaptation.** IDA countries contributed less than 4 percent to GHG emissions in 2019, but they bear the disproportionate share of climate impacts. As such, it is appropriate for IDA to prioritize support to the adaptation agenda to help IDA countries to address the profound

¹⁷ To further crowd in finance for a greener future, the WBG will raise and utilize concessional finance through several umbrella trust funds and partnerships with large intermediary funds including the Climate Investment Funds (CIF) and the Global Environment Facility (GEF); as well as “in-house” trust funds such as ProBlue and ProGreen or the recently launched Climate Support Facility (CSF), to name a few.

impacts that they are experiencing. IDA will do so in line with the priorities articulated in the CCAP.

Box 3. 1. The Paris Agreement and Alignment

The Paris Agreement aims to substantially reduce global GHG emissions in an effort to limit the global temperature increase in this century to below 2 degrees Celsius above preindustrial levels, while pursuing the means to limit the increase to 1.5 degrees. The Paris Agreement creates a framework for the transparent monitoring, reporting, and scaling up of countries' individual and collective climate goals.

The WBG defines "Paris Alignment" as the provision of support to IDA countries in a way that is consistent with low-carbon and climate-resilient development pathways, aligned with the objectives of the Paris Agreement. Paris alignment assessments determine whether an activity advances, hinders, or is neutral to, the attainment of the principles and goals of the Paris Agreement. Financing that is aligned from a mitigation perspective must support and not hinder efforts to limit global warming, recognizing that peaking of GHG emissions will take longer for developing countries. The WBG is developing rigorous methodologies, jointly with other multilateral development banks (MDBs), to assess Paris alignment and is piloting these methods on investment lending projects. New methodologies are also being designed for other lending instruments, including policy-based lending and investments in financial institutions and funds.

Paris alignment includes a range of development activities that consider long-term temperature goals. The Paris Agreement lists the following: mitigation; carbon sinks and reservoirs; voluntary cooperation/market- and non-market-based approaches; adaptation; loss and damage; finance, technology and capacity-building support; climate change education, training, public awareness, public participation and public access to information; transparency, implementation and compliance. Paris alignment also means that WBG support would be consistent with countries' NDCs, Long-Term Strategies, and other national climate commitments.

An IDA operation is considered Paris-aligned if:

- In terms of climate mitigation, it actively contributes to decarbonization pathways (e.g. renewable energy);
- In terms of climate adaptation and resilience if it fully addresses climate risks.

Operations that are considered universally non-aligned include the mining of thermal coal, electricity from coal, extraction of peat, and electricity from peat.

Operations that neither harm nor contribute to climate outcomes are considered aligned so long as they fully address any exposure to climate risks and are not inconsistent with country policies on low-carbon resilient development.

40. **Objective 2. Align all IDA Operations with the Paris Agreement. In line with our commitment in the CCAP, IDA20 operations will align with the Paris Agreement starting in FY24.** For details on the Paris Agreement and Paris alignment, see Box 3.1. IDA will align all new operations, starting July 1, 2023 so that all relevant project documentation specifies how the project is aligned with the goals of the Paris Agreement. To achieve this significant commitment, IDA projects will begin to align at the concept stage, well ahead of IDA20. Similarly, IDA PSW operations will begin to align with the Paris Agreement, and all new operations in the real sector will be Paris-aligned by the end of IDA20.

41. IDA will continue to support countries to update and/or implement their NDCs by 2025.

NDCs are often the clearest articulation of a country's plans to reduce emissions and adapt to climate change impacts within its own development context. The UNFCCC's February 2021 review of updated NDCs found that while they have improved in quality and ambition, collectively they still fall far short of meeting the goals of the Paris Agreement.¹⁸ Updates to NDCs provide an opportunity to ensure that national planning is increasingly climate-smart. They also offer an opportunity to integrate nature-based solutions within mitigation and adaptation actions.

Policy Commitment 2: Starting in FY24, all new World Bank IDA20 operations will align with the Paris Agreement. By the end of IDA20, all new IDA PSW real sector operations will be Paris aligned. At least 30 Country Climate and Development Reports will be developed. Support will be provided to at least 40 countries to update and/or implement NDCs.

42. IDA will also support countries to articulate their Long-Term Strategies (LTS) for low-carbon and resilient development and ensure that NDCs and LTSs are mutually reinforcing.¹⁹

Under the Paris Agreement, countries are expected to develop LTSs that map out the nation's development trajectory, decide the policy direction and highlight what is needed to make it happen. IDA resources, together with concessional funds, such as from the Climate Support Facility (CSF), will help countries to develop their LTSs. In doing so, it will be important to ensure alignment between NDCs and LTSs so that they are mutually reinforcing. Diagnostics, including the new Country Climate and Development Reports (CCDRs), will inform both documents and integrate them into IDA country programming (see Box 3.1). Translating these strategic documents and targets into national investment plans can help unlock both public and private investment for climate action. For the private sector, IFC is piloting methods to assess "high climate impact" projects and their alignment/support to NDCs. Based on the pilots, IFC will apply lessons learned to other similar projects. MIGA is also assessing alignment of its portfolio with respective countries' NDCs and LTSs for similar high climate impact projects.

43. Throughout the IDA20 period, CCDRs will be conducted in at least 30 countries with priority to those with higher carbon emissions and deeper climate vulnerabilities.

The CCDR diagnostic will provide input to country-level dialogue on climate policy directions and institutional strengthening. IDA support for this component of the policy commitment can have outsized impact, given that CCDRs will support a whole-of-economy approach that focuses on identification of policies and plans that will create the enabling environment for transformative climate action while ensuring a just transition, including private sector led growth.

¹⁸ UNFCCC. 2021. "Synthesis Report by Secretariat on NDCs under the Paris Agreement." Bonn: United Nations Framework Convention on Climate Change. https://unfccc.int/sites/default/files/resource/cma2021_02E.pdf

¹⁹ Formulation and communication of long-term low greenhouse gas emission development strategies, or LTSs, are central to achieving the goal of reaching net-zero global emissions, limiting warming, and preventing the worst impacts of climate change. LTSs play a key role also in the direct short-term decision-making necessary for shifts to limit global warming and lift people out of poverty.

Box 3. 2. Country Climate and Development Report (CCDR)

The Country Climate and Development Report (CCDR) is a new diagnostic tool that the WBG is developing to integrate climate analysis and policy into country engagements in support of sustainable development in IDA countries. The CCDR will provide a strong analytic base to also inform all future Systematic Country Diagnostics (SCDs) and CPFs.

The CCDR will focus on the interplay between climate risks and opportunities, policies, and the development trajectory at the country level. The CCDR will identify opportunities for mainstreaming climate action, capturing synergies between existing country climate commitments, development objectives and the SDGs, in the context of the Paris Agreement and the WBG's commitment to align its portfolio to its objectives.

A CCDR will be structured to also review existing macro and sector policies for climate investments along with institutional arrangements to encourage development with climate action through public and private sector interventions.

CCDRs will be made public to inform partners and for donor coordination on the climate agenda.

CCDRs will be launched in FY22 and thereafter will become a part of WBG core diagnostics. It is anticipated that between 10 to 15 of the initial CCDRs in FY22 will be conducted in IDA countries. Over IDA20, at least 30 CCDRs will be conducted in IDA countries.

44. **Objective 3. Transition key systems for adaptation and mitigation. As articulated in the CCAP, significant changes to energy; agriculture, food, water, land; cities; transport; and manufacturing systems are critical for delivering development goals, reducing emissions and limiting the worst impacts of climate change, while unlocking major economic opportunities for IDA countries.** Action in these high-impact sectors is imperative to address the causes and consequences of climate change. IDA will prioritize climate action across these systems, as also outlined in the CCAP, to deliver impactful country operations and programs, including public and private sector investments, guarantees, and advisory services.

Policy Commitment 3: Support at least 40 countries (including at least 8 FCS) to develop policies and increase investment in climate adaptation and mitigation in at least one key transition sector (energy; agriculture, food, energy, water and land; cities; transportation; and manufacturing), including at least 8 countries supporting community action (including investments) for climate change.

45. **As part of this policy commitment, IDA will increase access to clean and resilient energy, generating significant economic and social gains in IDA countries.** Multiple benefits will be achieved from an energy transition, including more reliable and affordable energy, health and education benefits, and significant economic benefits. IDA support will accelerate countries' planning for stable energy systems in support of low-carbon, climate-resilient development and growth.

46. **IDA will support the transition of agri-food sectors in IDA countries through robust policy and technology-informed interventions for both crops and livestock to build resilience and reduce emissions.** Food production must urgently be scaled up to feed a projected global

population of nearly 10 billion by 2050.²⁰ Agriculture, forestry, and land use change, however, produce almost a quarter of global GHG emissions. Furthermore, agriculture is the largest user of land and water, and impacts forests, grasslands, wetlands, and biodiversity. At the same time, agriculture is extremely sensitive to climate change, with negative consequences for the most vulnerable populations, including small-scale producers in IDA countries. The agriculture and food sectors also provide jobs, incomes, and livelihoods for the majority of poor people in IDA countries. They are therefore priority sectors for both mitigation and adaptation efforts in IDA20.

47. IDA will support cities to become sustainable and climate-smart, with technical and financial assistance to decarbonize and build resilience in ways that support broader development goals. IDA20 will help IDA countries to put in place policies and regulations to make cities more livable and sustainable, as well as investments towards these goals. Support will include strengthening urban land use planning, improving air quality, decarbonizing energy systems, promoting green and resource-efficient buildings and infrastructure, and improving urban transport. It will also include integrating solid-waste management and improving the coverage, efficiency, and resilience of urban water supply, sanitation, and wastewater treatment. IFC will accelerate these actions through a fully integrated investment and advisory approach. Doing so will help cities to address current market failures, such as limited funds for project preparation, low creditworthiness, and lack of technical expertise. IFC and MIGA will also scale up their green building business through direct financing and de-risking of asset owners, as well as by leveraging green mortgages and construction finance via financial intermediaries.

48. IDA will support countries to build more resilient, low-carbon transport systems. Demand for transport sector support is expected to grow as IDA countries recover and grow, and as urbanization continues. Without aggressive measures, emissions from transport are expected to grow 60 percent globally by 2050 with resulting air pollution causing adverse health effects to citizens.²¹ IDA support will apply the Avoid-Shift-Improve (ASI) approach to the sector and focus on three main pillars: mobility and access, logistics and freight, and resilient transport systems, including use of concessional finance for this purpose.²²

49. IDA will support countries to transition their manufacturing sectors through low-carbon and resilient approaches that can increase competitiveness and spur growth. Manufacturing is a significant contributor to global GHG emissions. Activities such as the production of base materials: chemicals, steel, cement, and glass in heavy industries, contribute approximately 27 percent of global emissions. IDA will prioritize help to manufacturing industries to adapt to the reality of climate change and natural disasters. IDA support will take the WBG Resilient Industries approach to improve competitiveness of industries through business continuity planning, resource efficiency and circularity, and improved management of supply chains and industrial parks.²³ IFC and MIGA will continue to strategically deploy concessional finance

²⁰ World Population Prospects 2019: Methodology of the United Nations Population Estimates and Projections.

²¹ International Transport Forum (ITF). 2019. ITF Transport Outlook 2019.

²² The WBG has established a multi-donor umbrella Trust Fund, the Global Facility for Decarbonization of Transport (GFDT) to help the industry and countries transition to a low/zero-carbon transport system consistent with the pursuit of carbon neutrality by 2050.

²³ World Bank. 2020. Resilient Industries: Competitiveness in the Face of Disasters. World Bank, Washington, DC.
© World Bank. <https://openknowledge.worldbank.org/handle/10986/34764>.

blended with IDA resources to incentivize private sector investments in green manufacturing processes or technologies.

50. **Inclusion will be central to all of these sectoral transitions, and this warrants special attention to ensuring access to economic opportunities for women.** Investments in the key transition sectors can create job and entrepreneurship opportunities for both women and men. Green jobs can allow women to overcome sex segregation and low productivity employment. ASP can help women smallholders and subsistence producers to transition to climate-friendly approaches in agriculture, fisheries, and other sectors. IDA20 also aims to create opportunities for fostering women-owned or -led firms that are taking climate action. These efforts will also help to build female leadership in response to climate shocks, natural disasters, or food crises.

51. **Objective 4. Boost support to renewable energy. IDA will accelerate support to identify and implement the most economical low-carbon and climate-resilient energy options.** IDA will support countries to prepare national electrification plans and least-cost electricity sector development plans that build in low-carbon and resilient energy scenarios, while increasing access to modern energy services and providing reliable electricity supply for economic growth. Falling costs of renewable energy technologies, energy storage technologies, and innovative business models offer significant opportunities to increase access and accelerate the energy transition. This support will cover on-grid, off-grid, and distributed renewable energy including the use of renewables for electrification of heating, cooling, and transportation.

Policy Commitment 4: Facilitate development of low-carbon energy sector development strategies in at least 20 countries (including at least 8 FCS) and development of battery storage in at least 15 countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least 1 GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.

52. **Renewable energy and related battery storage will be key priorities in IDA20, because of their potential to enable IDA countries to scale up energy provision and expand energy access.** Concessional climate finance remains critical to incubate and accelerate start-ups and micro, small, and medium enterprises (MSMEs) by reducing their financing costs and mitigating technology risks.

53. **IDA will also support investments in clean cooking.** In IDA countries, “clean cooking” is critical for achieving SDG7—access to affordable, reliable, sustainable, and modern energy for all by 2030, as well as many other SDGs. Clean cooking leads to; i) GHG emission reductions, ii) reduction in indoor air pollution and consequent improved health, especially for women and children, iii) reduced pressure on forests, and iv) increased productivity for women and youth. More than 2.8 billion people lack access to clean cooking: the number has been declining only gradually, and the COVID-19 crisis threatens to reverse this modest progress.²⁴ IDA will support countries to adopt and implement policies that facilitate the investments needed to increase electricity access and enable clean cooking.

²⁴ See <https://www.iea.org/reports/sdg7-data-and-projections/access-to-clean-cooking>.

54. **Objective 5. Scale-up green financing.** IDA will provide support to “green” the financial sector in IDA countries through low-carbon policy reforms and resilient investments in the real economy, while addressing financial risks from a changing climate. Financial institutions are key to helping countries and companies respond to climate change and its challenges. A resilient financial system and its enhanced role enable countries to manage climate-related risks and mobilize private investment for low-carbon and resilient investments. IDA will help; (i) build country financial stability and integrity including supporting crisis preparedness and improving regulatory and supervisory frameworks; (ii) expand access to finance; (iii) provide advisory support to improve monitoring and reporting capabilities and build partners’ knowledge and capacity; and (iv) focus on long-term finance and risk management.

Policy Commitment 5: Support at least 20 countries (including at least 5 FCS) to revise their financial regulatory frameworks to manage climate risks and to mobilize capital for a low-carbon and resilient economy.

55. **An enabling environment for development of the green and blue bond and loan markets, as well as other innovative financing instruments, is integral to supporting climate goals.** Despite the rapid growth in financial products, supply has not kept up with demand, in part due to the lack of clear regulatory frameworks or inadequate information about market demand. Tools such as green taxonomies, green and blue bond standards, and supportive risk and reporting regulations can help address these issues. The WBG is committed to designing such tools and will support public institutional investors to integrate climate considerations and broader environmental, social, and governance (ESG) into investment strategies. In addition, IFC will focus on efforts to support stronger private sector engagement in developing and launching innovative financing in support of climate goals, including green/ blue bonds.

56. **Objective 6. Enhance biodiversity and ecosystem services, and strengthen management of fresh water, coastal and marine ecosystems.** IDA20 will scale up support for NbS to increase resilience to climate change and enhance biodiversity and ecosystem services. NbS are actions to protect, sustainably manage, and restore ecosystems that address societal challenges effectively and adaptively, while providing human wellbeing and biodiversity benefits. Investments in green infrastructure (for example, protection of mangroves, wetlands, and watersheds) have proven cost-effective for the management of water resources and to manage disaster risks. These NbS enhance the performance of traditional gray infrastructure and at times, can effectively replace it.²⁵ IDA will also pay special attention to community-driven development models, which can

Policy Commitment 6: Implement nature-based solutions, including landscape and watershed restoration and management, in at least 15 countries in support of biodiversity and ecosystem services.

Policy Commitment 7: Support at least 20 countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including by addressing marine plastic pollution.

²⁵ NbS could deliver 37% of the cost-effective climate mitigation needed through 2030. See: Griscom, Bronson W., Justin Adams, Peter W. Ellis, Richard A. Houghton, Guy Lomax, Daniela A. Miteva, William H. Schlesinger, et al. 2017. Natural Climate Solutions. Proceedings of the National Academy of Sciences 114 (44): 11645–50.

build climate resilience among vulnerable groups, while contributing to food security, and livelihoods. These policy commitments build upon the work of IDA19 to support nature and its biodiversity.

57. IDA20 policy commitments target freshwater, coastal, and marine ecosystems protection, and reduction in marine pollution. Support to IDA countries will enable them to diversify and develop a “blue economy,” address marine pollution, including from land-based sources, and restore critical coastal ecosystems, including mangroves, seagrass beds and coral reefs.²⁶ Healthy oceans provide jobs and food, and also sustain economic growth, particularly in tourism-oriented IDA countries. Oceans and marine ecosystems also regulate the climate and support the wellbeing of coastal and urban communities. A “circular economy” approach will also help countries limit their use of resources, reduce emissions, and stop the flow of plastics and other waste to rivers and then oceans. Alongside WBG investments, analytical services and policy dialogue will provide further country-relevant evidence for strengthening waste diversion systems, developing infrastructure to collect and process plastic materials, and recapturing the value of plastics in the economy. The WBG will leverage two critical global funding partnerships to achieve these objectives: PROGREEN and PROBLUE.²⁷

58. Objective 7: Increase crisis preparedness and response. Crisis preparedness and response can significantly reduce the massive economic and social costs of unmitigated risks.

The increasing frequency and intensity of climate-related weather events highlights the value of wide-reaching, efficient crisis preparedness and response systems that can be swiftly activated. This policy commitment will support IDA countries to transition from reactive and slow actions to better preparedness and faster response to shocks and crises. The policy commitment also links directly with the policy commitment under the Crisis Preparedness Cross-Cutting Issue that WBG country programs in all IDA countries will provide support to strengthen crisis preparedness. This support will be informed by various country-specific assessments and other relevant diagnostic tools.

Policy Commitment 8: Support at least 25 countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.

59. Insurance and social safety nets are among the tools that will support IDA countries affected by natural disasters, and environmental and economic shocks. IDA20 support to MSMEs will be key to providing employment for the poor, especially for young people. Currently many firms in IDA countries are particularly ill-equipped to anticipate and adapt to environmental

²⁶ The Blue Economy approach refers to the sustainable and integrated development of economic sectors in healthy oceans and supports goal to conserve and sustainably use the oceans and marine resources (SDG 14).

²⁷ In 2019, the PROGREEN and PROBLUE trust funds were established as part of new global partnerships. PROGREEN supports strengthening the management of forests and promoting sustainable agriculture to reduce deforestation and land degradation. PROBLUE supports the sustainable and integrated development of marine and coastal resources in healthy oceans and has four pillars: fisheries and aquaculture, marine litter and pollution management, “blueing” oceanic sectors, and integrated seascape management.

change and prepare for crisis. This lack of preparation translates into needless losses in economic activity and jobs. Preparation, meanwhile, can have multiple benefits. When droughts in East Africa caused food insecurity in 2011, Ethiopia's Productive Safety Net Program supported 9.6 million beneficiaries, integrating the risk financing mechanism and humanitarian system more directly. IDA20 will similarly support governments to take a planned and systematic approach to potential natural disaster and food crisis persist, away from ad hoc responses to such crises.

60. **Under this policy commitment, IDA will also help to make infrastructure more climate resilient.** More resilient infrastructure greatly enhances the service quality and access to essential public services, including water supply, sanitation, roads, health and education. Investments in infrastructure and its maintenance, especially drainage systems, protect poor households from recurrent floods. IDA support will help address the need for approximately \$1 trillion per year to close the infrastructure financing gap in developing countries, with about \$100 billion for Africa alone. The potential benefits of \$60 trillion of early adaptation through projected infrastructure investments between 2020 and 2030 are enormous, with estimates of more than \$4 of benefits for each \$1 of upfront costs.²⁸

61. **Finally, One Health approaches can guide IDA countries to address the nexus between human, animal, and ecosystem health for the prevention of zoonotic diseases and for pandemic preparedness.** IDA will support measures to reduce the impact of climate shocks on health outcomes, including mental health, as well as the risks of both communicable and non-communicable diseases. While this policy commitment is housed under the Human Capital Special Theme, it has synergies with climate change. The policy commitment focuses on improving risk-based surveillance systems for zoonotic and other emerging health threats, strengthening the capacity for risk assessment and diagnosis and monitoring networks for human, animal, and wildlife diseases, and improving protocols for information sharing between relevant agencies.

IV. ISSUES FOR DISCUSSION

62. **Management welcomes feedback from IDA Participants on the proposed policy commitments for the IDA20 Climate Change Special Theme as set out in this paper.**

²⁸ Hallegatte, Stephane, Mook Bangalore, Laura Bonzanigo, Marianne Fay, Tamaro Kane, Ulf Narloch, Julie Rozenberg, David Treguer, and Adrien Vogt-Schilb. 2016. Shock Waves: Managing the Impacts of Climate Change on Poverty. Climate Change and Development Series. Washington, DC: World Bank.

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Annex 1. Proposed IDA20 and Status of IDA19 Commitments

| Objective | IDA19 Policy Commitments | Status | Proposed IDA20 Policy Commitments |
|--|--|--|--|
| <p>Climate Finance <i>Increase climate co-benefits</i></p> | <p>Policy Commitment 1: IDA’s climate co-benefits (CCBs) share of total commitments will increase to at least 30 percent on average over FY21-FY23, and at least half of these co-benefits support adaptation actions.</p> | <p>On track to meet the target. IDA FY21 climate co-benefits (year-to-date) are at 30 percent (with 64 percent of total climate finance for adaptation).</p> | <p>Policy Commitment 1: IDA’s climate co-benefits share of total commitments will increase to 35 percent on average over FY23-FY25, with at least 50 percent for adaptation. For IDA PSW operations, climate co-benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations on average.</p> |
| | <p>Policy Commitment 2: All IDA operations with more than 20 percent of climate co-benefits will incorporate at least one climate-related results indicator to increase the focus on climate outcomes.</p> | <p>On track to meet the target. 30 percent of 163 IDA operations approved by the Board in FY21 have more than 20 percent climate co-benefits. Of these, 91 percent include at least one climate-related results indicator. Mainstreamed into IDA operations. Will transition to an RMS indicator.</p> | <p>The IDA20 RMS will continue to track climate related results indicators in operations with greater than 20 percent CCBs. Mainstreaming this commitment into the RMS is an indicator of its importance and success in IDA19 in orienting IDA projects to deliver monitorable climate results, including outcomes.</p> |
| <p>National Planning <i>Align all IDA operations with the Paris Agreement</i></p> | <p>Policy Commitment 5: Support at least 15 IDA countries to systematically implement and update national climate-related action plans including Nationally Determined Contributions (NDCs), in cooperation with the NDC Partnership; for all IDA countries where appropriate, set climate-related or NDC-based objectives and/or results indicators in the Country Partnership Frameworks (CPFs).</p> | <p>On track to meet the target by FY22. Support to NDC implementation is underway in more than 20 IDA countries. All Board-presented CPFs in IDA19 have included a climate-related or NDC-based objective and/or results indicator.</p> | <p>Policy Commitment 2: Starting in FY24, all new World Bank IDA20 operations will align with the Paris Agreement. By the end of IDA20, all IDA PSW real sector operations will be Paris aligned. At least 30 Country Climate and Development Reports (CCDRs) will be developed. Support will be provided to at least 40 countries to update and/or implement NDCs.</p> |

| Objective | IDA19 Policy Commitments | Status | Proposed IDA20 Policy Commitments |
|--|---|---|---|
| <p>Key System Transitions <i>Transition key systems for adaptation and mitigation</i></p> | | | <p>Policy Commitment 3: Support at least 40 countries (including at least 8 FCS) to develop policies and increase investment in climate adaptation and mitigation in at least one key transition system (energy; agriculture, food, water and land; cities; transportation; and manufacturing), including at least 8 countries supporting community action (including investments) for climate change.</p> |
| <p>Energy <i>Boost support to renewable energy</i></p> | <p>Policy Commitment 7: Facilitate further penetration of renewable energy access in IDA countries by mobilizing concessional climate finance and public and private investments for 5 gigawatt hours (GWh) of battery storage, and supporting generation, integration, and enabling infrastructure for 10 gigawatts (GW) of renewable energy in IDA countries, which covers grid, distributed generation, mini-grids, and off-grid renewable energy.</p> | <p>On track to meet the revised three-year target by FY22. Pipeline for FY21 remains unchanged, but there may be some adjustments in FY22 due to shifts in country priorities in light of COVID-19.</p> | <p>Policy Commitment 4: Facilitate development of low-carbon energy sector development strategies in at least 20 countries (including at least 8 FCS) and development of battery storage in at least 15 countries (including at least 10 FCS); provide direct, indirect, and enabling policy support for at least 10 gigawatts (GW) of renewable energy (including at least 1 GW in FCS). The support would cover on-grid, off-grid, and distributed renewable energy.</p> |
| <p>Greening Finance <i>Scale-up green financing</i></p> | | | <p>Policy Commitment 5: Support at least 20 countries (including at least 5 FCS) to revise their financial regulatory frameworks to manage climate risks and to mobilize capital for a low-carbon and resilient economy.</p> |
| <p>Nature and Biodiversity</p> | <p>Policy Commitment 6: Support at least 15 IDA countries to implement and/or update their National Biodiversity</p> | <p>On track to meet the target. Currently, 15 countries are being supported in implementation of existing NBSAPs.</p> | <p>Policy Commitment 6: Implement nature-based solutions, including landscape and watershed restoration and management, in</p> |

| Objective | IDA19 Policy Commitments | Status | Proposed IDA20 Policy Commitments |
|--|--|--|--|
| <p><i>Enhancing natural capital and biodiversity</i></p> | <p>Strategies and Action Plans (NBSAPs) covering terrestrial and marine biodiversity or similar national action plans through new IDA-supported activities.</p> | <p>Support to updates and implementation of NBSAPs continues and is mainstreamed in IDA operations.</p> | <p>at least 15 countries in support of biodiversity and ecosystem services.</p> |
| | | | <p>Policy Commitment 7: Support at least 20 countries to implement integrated and sustainable management of freshwater, coastal and marine ecosystems, including addressing marine plastic pollution.</p> |
| <p>Crisis Preparedness <i>Increase crisis preparedness and response</i></p> | <p>Policy Commitment 3: Develop new resilience metrics designed to give increased incentives for more effective climate adaptation actions, including through enhanced disaster resilience of infrastructure developments, and pilot them in 20 IDA operations.</p> | <p>On track to meet the target by FY22. 25 operations have been identified for pilot with 5 underway. Resilience ratings are being mainstreamed into World Bank operations (including IDA) and tracking of ratings will transition to the IDA20 RMS as an indicator for support to adaptation and resilience.</p> | <p>Policy Commitment 8: Support at least 25 countries (including at least 10 FCS) facing natural hazards and food crises to improve their crisis preparedness and response capacity by strengthening institutional and planning frameworks and/or physical infrastructure. This support should include improving climate data and information services (such as hydromet and early warning systems) in at least 10 countries.</p> |
| | <p>Policy Commitment 4: Support at least 25 IDA countries to reduce the risks of climate shocks on poverty and human capital outcomes by supporting programs that incorporate Adaptive Social Protection (ASP) into national systems or reduce climate threats to health.</p> | <p>The COVID-19 crisis significantly increased client demand for ASP. The policy commitment is on track to reach the target by FY22. Travel restrictions had a moderate impact on lending, but implementation is underway in 20 countries, and demand for additional operations, possibly reaching up to 35 countries.</p> | <p>ASP is included as part of the IDA20 Human Capital Special Theme and is now addressed by Policy Commitment 4: <i>Support at least 15 IDA countries with resilience against shocks and crises by building adaptive social protection systems, including through the use of digital technologies.</i></p> |