Climate justice briefs #7

THE WORLD BANK AND CLIMATE FINANCE

November 2010, Cancún

Climate funding should be direct and free of conditions, and should not interfere with the national sovereignty or self-determination of the most affected communities and groups.

People's Agreement, April 2010, Cochabamba

Key messages

- The World Bank does not represent the interests of the countries or communities most adversely impacted by climate change
- The World Bank's fossil-fuel heavy lending portfolio puts people and the planet in peril
- World Bank financing leads to further indebtedness of countries in the global South
- A global climate fund must be established under UN Climate Convention to channel financial reparations for climate debt
- The World Bank must have no role in establishing the climate fund or in managing or governing climate finance

What's at stake?

Climate finance – the trillions of dollars owed as a climate debt to developing countries to build resiliency to climate change and rapid, just transition to a renewable energy future – will be a lynchpin issue at the climate negotiations.

In particular, countries are negotiating how to channel the financial resources that developed countries are obligated by the UN Climate Convention to provide. There is almost universal support for establishing a new global climate fund. But the role of institutions like the World Bank in a future climate finance regime is still highly controversial.

The United States and other developed countries want the World Bank to have a central role. They cite its management of large sums of money for development and its global reach as justifications why. The World Bank says it remains neutral on the issue, but has ramped up its climate programs – including opening a suite of Climate Investment Funds and expanding its carbon-trading portfolio.

Many developing countries, policy experts and climate justice activists say the World Bank cannot be trusted with climate finance because it does not have the interests of developing countries, communities or the planet at its core.

Undemocratic governance

The World Bank is an institution that reflects the economic and political interests of developed countries. The Bank's "one-dollar-one-vote" decision-making structure gives the United States alone about 16% of the votes on the Executive Board, while middle and low-income countries all together have only 39%.

World Bank decision-making about programs, policies and projects lacks transparency. It offers few, if any, chances for participation by the communities and people they affect. Even the new Climate Investment Funds fail to give developing countries, the majority of the world's population and the nations that are most impacted by climate change, majority votes.

Major rights violator

Numerous communities throughout the world – from those impacted by the Chad-Cameroon pipeline to the Nam Theun 2 Hydropower Project in Laos – have suffered human and environmental rights violations as a direct result of World Bank-backed projects.

Fueling climate change

The World Bank broke its own record in 2010 by funding fossil fuels to the tune of $6.6 billion, a 116% increase over the previous year. The $4.4 billion the World Bank provided for coal-based energy, mainly in middle-income countries, means that these countries are locked into dirty energy for the next 40 to 50 years.[1]

The Bank also increased its lending this year to large hydropower by 60%, from $177 million to $284 million. Hydropower reservoirs actually release greenhouse gases in tropical countries, and often result in resettling whole communities. Despite this, according to its 2008 Strategic Framework for

Key issues for negotiations

- The World Bank must not be given any role in decisions about establishing a global climate finance regime to meet finance commitments and repay climate debt
- The World Bank must not be given a role in managing or governing a global climate fund
- Funds flowing through the World Bank should not count toward developed countries financial obligations under the UNFCCC
- The World Bank must immediately stop funding fossil fuels and large hydro projects
- The World Bank must stop pushing the carbon market as a climate finance solution

Development and Climate Change, the Bank still plans to scale up its large hydropower portfolio.

Pushing market mechanisms

The World Bank aggressively promotes offsetting emissions and carbon markets, and seeks to expand them into new areas. But offsets can actually lead to increased emissions, and very few projects actually address poverty or deliver local environmental benefits - and some actually have harmful impacts.

As of 2008 less than 10% of the Bank's carbon deals supported new renewable energy projects; more than 75% of the World Bank's carbon portfolio effectively subsidized polluting, energy-intensive coal, chemical, iron and steel industries.[2]

This year, the World Bank's own Independent Evaluation Group found that its offset sales have failed to catalyze large-scale investment in renewable energy or to effectively reduce emissions. But the Bank continues to push forward on carbon markets for forests and agriculture.

Increasing indebtedness

The World Bank is, as its name suggests, a bank. It has long been using loans to impose harmful policy conditions on developing coutries and their peoples.

Giving a major role to the World Bank in climate finance will result in a significant part of climate finance flowing as loans not grants, and will very likely come with conditionalities. Developing countries will be pushed further into debt to tackle a crisis they did little to cause.

Not helping the poor access energy

Supporters of the World Bank claim it can help bring energy to the world's 1.6 billion people lacking access to electricity. To do this, says the World Bank's Strategic Framework, cheap energy– like coal – must be made abundant.

However, none of the World Bank's fossil fuel finance directly targeted the poor or ensured that energy benefits are reaching the poor. The Bank admitted that no coal or oil projects could be classified as improving energy access.[3] This included a $3.75 billion for a coal-fire power plant in South Africa, which is projected to be the fourth largest in the world.

Because the World Bank continues to put people and the planet in peril, it must stay out of climate finance.

[1] Bank Information Center, http://www.bicusa.org/en/Issue.Resources.48.aspx

[2] Institute for Policy Studies, http://www.ips-dc.org/reports/world_bank_climate_profiteer

[3] Oil Change International, http://priceofoil.org/educate/resources/energy-for-the-poor

ActionAid
Arab NGO Network for Development
Asian Indigenous Women's Network
Campagna per la Riforma della Banca Mondiale (CRBM), Italy
Friends of the Earth International
Institute for Agriculture and Trade Policy
International Forum on Globalization
International Rivers
JS - Asia/Pacific Movement on Debt and Development (JSAPMDD)
Jubilee South
Nord-Sud XXI
Pan African Climate Justice Alliance (PACJA)
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What Next Forum

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