



## THE WORLD BANK

# Climate change is a development issue

While global warming and climate changes affect people and the natural environment everywhere, the World Bank Group believes that developing countries are more vulnerable to the effects of climate change than rich countries. Furthermore, poor people within developing countries are disproportionately and most at risk from the increased impacts of volatility in weather patterns (i.e., floods and droughts), as well as being the least able to adapt to these changing circumstances.

Human-induced climate change will have a negative impact on agricultural productivity throughout the world's tropical and sub-tropical areas, where agriculture accounts for the major part of GDP in many countries. Climate change will also decrease water supply in most arid and semi-arid regions, increase the incidence of malaria, dengue, and other vector borne diseases in the tropics and sub-tropics, and harm ecological systems and their biodiversity. In addition, the rise in sea levels associated with increases in temperature will displace tens of millions of people in low-lying areas, such as the Ganges and the Nile deltas, and threaten the very existence of small island states.

For the World Bank Group climate change is more than an environmental issue: for developing countries, it is a critical development issue with significant financial and social impacts. Given that climate change can undo in a few years what development has achieved over fifty, it is clear that the hard-earned gains of development need to be protected.

At the same time, the right responses to both mitigating the impact of climate change and adapting to its already inevitable consequences are opportunities for developing countries to: enhance energy security; improve the local environment; promote more sustainable land use and agricultural practices; increase resilience to natural disasters; bring carbon market revenues; and facilitate the availability and use of clean technology.

### Towards a Low Carbon Development Path

Today, development faces a double challenge: how to reduce damaging carbon emissions and still meet the energy and growth demands of the world's poor. Their country's development aspirations should be at the center of our thinking.

Moving to a low carbon path will require a long-term, equitable, global regulatory framework to reduce greenhouse emissions. Such a framework would:

- see rich countries show leadership by supporting developing countries in exchange for the global benefit of greener, smarter growth;
- provide certainty to stimulate research and development in transformational technologies; and
- allow carbon markets to thrive, potentially permitting financial flows to developing countries of \$100 billion within a few decades. According to Yvo de Boer, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC), these financial flows could go a very long way towards helping developing countries respond to climate change and its consequences.

### Our Approach

The World Bank Group is focusing efforts on four fronts.

- Helping developing countries move to a lower carbon path** by exploiting renewable energy resources, supporting energy conservation, and increasing efficiency. Energy commitments for 2006-2008 are expected to exceed

\$10 billion, an increase of about 40 percent compared to the previous three year period. The Bank Group committed \$1,434 million in FY2007 to renewable energy and energy efficiency projects, representing 40 percent of total energy lending.

- 👉 **Promoting new technologies.** Some of those, like carbon capture and storage (CCS), could address the need to reduce the carbon impact of fossil fuels. They are essential in countries like India and China that still depend heavily on coal. As part of its broader work on bio-energy, the Bank is looking at the feasibility and economic viability of bio-fuel programs in developing countries.
- 👉 **Preventing deforestation.** Around 20 percent of greenhouse gas emissions result from poor land management, especially deforestation, which threatens the environment as it destroys wildlife and erodes the natural wealth of the poor. Together with partners, the World Bank Group is developing a Forest Carbon Partnership Facility that will help countries combat deforestation and be rewarded with carbon finance credits.
- 👉 **Helping countries adapt to climate risks.** The World Bank Group was a leader in addressing adaptation to climate risk by pioneering catastrophic risk insurance work in the Caribbean, Latin America, and South Asia. The challenge now is to replicate these lessons more widely, especially in Sub-Saharan Africa and the Pacific Islands.
- 👉 The Bank's adaptation work program is designed to enable the organization to scale up assistance to developing countries so that they can implement measures to adapt to the already inevitable social and economic impacts of climate change. Three parallel programs of activities are designed to: (a) understand the nature and degrees of risks; (b) build capacity to manage risks; and (c) invest in adaptive measures to minimize and mitigate risks.

### Carbon Finance at the World Bank

The World Bank Group was a pioneer in the carbon market. Our operational engagement in carbon finance started with the \$180 million Prototype Carbon Fund (PCF) in 1999. This was rapidly followed by the establishment of other funds and facilities as the Kyoto Protocol was ratified. Today, the Bank Group manages just over \$2 billion across 10 carbon funds and facilities. Sixteen governments and 66 private companies from various sectors have made financial contributions to these funds.

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