

Can the World Bank Deliver on Climate Change? Testing the Evolution Roadmap through Loss and Damage



Michael Franczak | April 2024

EXECUTIVE SUMMARY



The establishment of a new Loss and Damage Fund and Funding Arrangements at COP27 and the Fund's operationalization and initial capitalization at COP28 were milestones in the UN climate regime. The World Bank engaged in the Transitional Committee process as a potential host and trustee for the Fund, a member of a new "High-Level Dialogue," and a direct provider of loss and damage (L&D) support. The implementation of the Fund and Funding Arrangements is the first big test of the World Bank's commitment to evolving its policies, practices, and relationships.

The World Bank's engagement with loss and damage takes place against the backdrop of efforts to address L&D within and beyond the UN climate regime, including through the "mosaic approach." The mosaic recognizes that existing resources and modalities for addressing L&D from extreme and slow-onset events are inadequate and tasks the new Fund with critical interventions in the disaster-response process. The Fund is meant to intervene in the early- to medium-term recovery window, when humanitarian agencies have left and the real work of reconstruction and rehabilitation must begin.

Donor countries and the World Bank must exercise political leadership to ensure that the agreement on the Loss and Damage Fund is fully implemented and that the High-Level Dialogue translates into high-level action.

The World Bank's engagement with L&D also ties into a broader set of reforms aiming to modernize the Bank, including the Bank's Evolution Roadmap. This roadmap identifies three guiding elements for the Bank's evolution: a new mission and vision, a new playbook, and new resources. One of the key components of the Bank's evolution is the introduction of climate-resilient debt clauses, or "pause clauses," to existing and new loans. Pause clauses feature prominently in recent initiatives to reform the international financial architecture, such as Bridgetown 2.0, the Africa Climate Summit's Nairobi Declaration, and the Vulnerable Twenty Group's (V20) Accra-Marrakech Agenda. In these initiatives, pause clauses are one part of a larger set of reforms to global trade, finance, and development—most of which have gone unanswered by the Bank and its major shareholders.

The World Bank also has an essential role in addressing L&D as the host of the Loss and Damage Fund. There was significant debate over the World Bank's hosting of the Fund. Some developing countries were skeptical of the Bank's commitment and feared that the Fund would be bound by the Bank's rules and culture. Nonetheless, they were willing to consider a World Bank-hosted Fund due to the Bank's expertise on leveraging and accessing capital markets and its overall capacity. To ensure that their concerns would be addressed, the developing countries in the Transitional Committee outlined a set of conditions and safeguards that the World Bank would have to meet to host the Fund.

Finally, the World Bank contributes to addressing L&D as a member of the High-Level Dialogue. This forum can be a pilot for a working mosaic by going beyond ensuring coordination and coherence to mobilize new resources across institutions and catalyze new relationships between global institutions and countries. Priority actions for the High-Level Dialogue include resource mobilization, institutional protocols, and the losses and damages of the future.

The World Bank—and its major shareholders—have a responsibility and a self-interest to make good on these promises. Donor countries must share the resources needed to deliver on climate change, but they and the Bank must also exercise political leadership to ensure that the agreement on the Loss and Damage Fund is fully implemented and that the High-Level Dialogue results in high-level action. Failure to do so would have serious economic consequences for developing countries and serious political consequences for developed countries.

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