

## **Climate Change and the Multilateral Development Banks (MDBs)** *Issues and Challenges*

Panel Discussion Summary  
13 October 2008

The World Resources Institute (WRI) and the Bank Information Center (BIC) convened a panel discussion on the issues and challenges associated with integrating climate change at the Multilateral Development Banks (MDBs) in the context of their collaborative efforts to set up the Climate Investment Funds (CIFs).

The discussion was held alongside the annual meetings of the board of directors of the World Bank group, and in anticipation of the first Climate Investment Funds Partnership Forum. It included presentations from Warren Evans, Environment Director of the World Bank; Woochong Um, Director for Energy, Transport and Water of the Asian Development Bank; Yogesh Vyas, lead Environmental Specialist of the African Development Bank; and Amal-Lee Amin, Senior Climate Change Specialist of the Inter American Development Bank. The roundtable also featured inputs from Athena Ballesteros of the World Resources Institute, Ilana Solomon of ActionAid, and Jon Sohn of Climate Change Capital.

The discussion focused on: current MDB efforts to mainstream climate change into their core operations; the results of these efforts; and, the role they believe the CIFs could play in shifting their portfolio towards low carbon, zero carbon technologies for developing member countries.

The various MDBs have tried many different approaches in their respective regions to begin addressing climate change. The nature and ambitions of these approaches varies from institution to institution, but there is value in facilitating such exchanges so that good practices can be replicated and weak practices can be improved. MDBs have a catalytic role to play in helping developing countries understand the opportunities in terms of investment, with a focus on not only low carbon development, but also developing in a climate resilient way.

MDB financing, including the CIFs, will represent a very small percentage of the financing required to respond to climate change. Participants agreed that one of the main challenges going forward is how to scale up investment and leverage private sector capital, especially during the financial crisis. Mitigation and adaptation are part of development and must be considered in policy and lending decisions, but ultimately these decisions are country driven.

Participants in the discussion raised concerns about the CIFs as well as the MDBs climate mainstreaming agenda. NGO and private sector participants stressed that the CIFs must result in clean and transformational change. It was noted that the MDBs should use the CIFs as an opportunity to move away from business as usual. Instead, participants advised that they should take advantage of opportunities to support the transfer of low carbon technologies to developing countries and transform the energy lending portfolios of the MDBs. Additional concerns were raised on: the credibility of the World Bank to manage the CIFs; the lack of clarity in the relationship between CIFs and UNFCCC; the citizen consultation process for the Pilot Program for

Climate Resilience; and, on the need for the funds to be compensatory and additional to other forms of aid, while including no economic policy conditionality.

Participants stressed that the current scale of financing and effort to address climate change is inadequate, and that it is imperative to leverage private capital. Questions were also raised about: how carbon finance plans have evolved or shifted due to financial crisis; where and how fossil fuels fit into a low carbon economy; and the types of innovative financial mechanisms that will be used to complement the CIFs.

An audio recording of the panel discussion is available at [http://streaming3.worldbank.org/ramgen/ext/media/1001\\_128kbit.rm](http://streaming3.worldbank.org/ramgen/ext/media/1001_128kbit.rm).

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