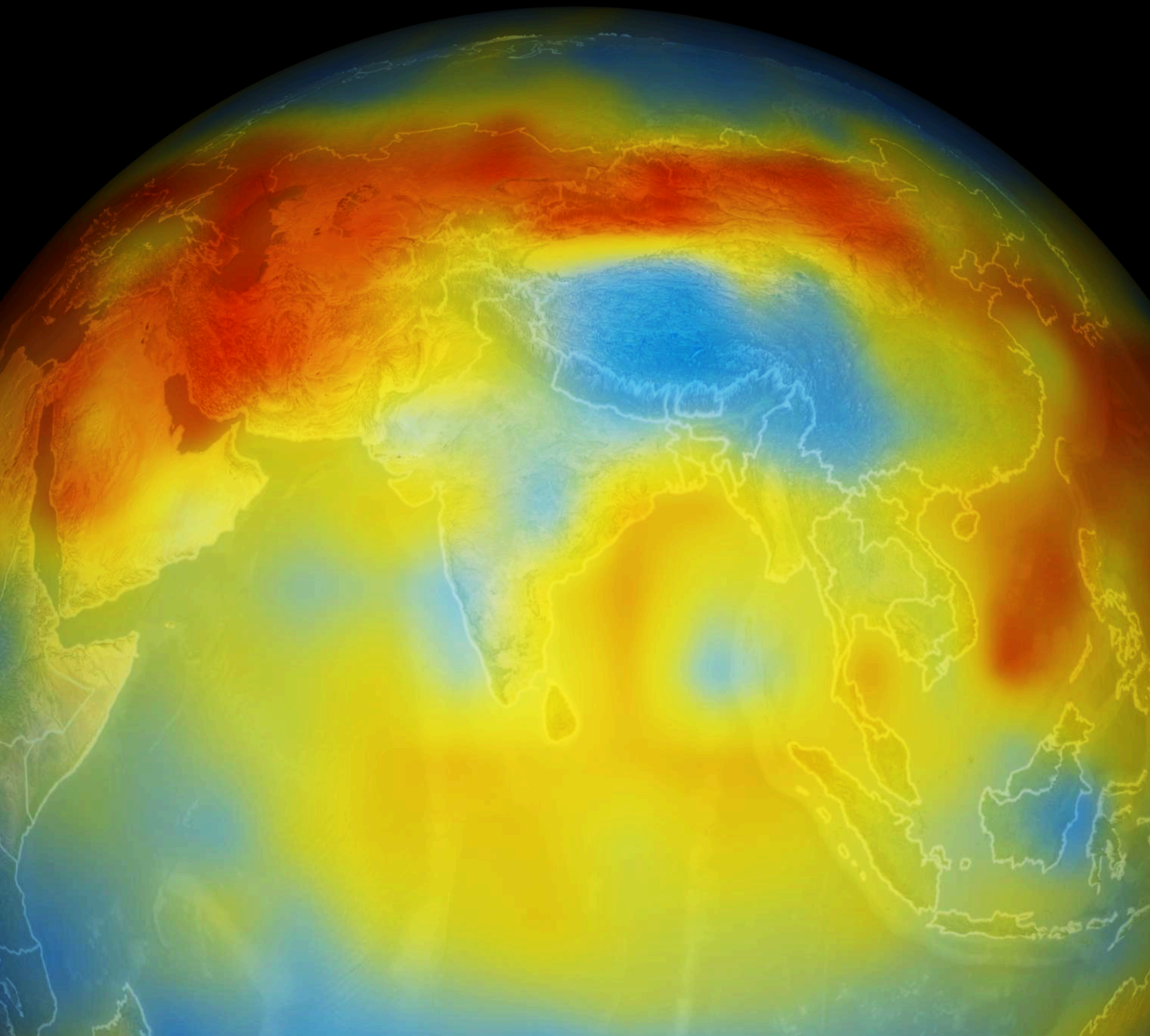
WORKING PAPER

THE BIG SHIFT GLOBAL

ADVANCING GLOBAL CLIMATE ACTION!

Key recommendations for the World Bank's updated plan on Climate Change



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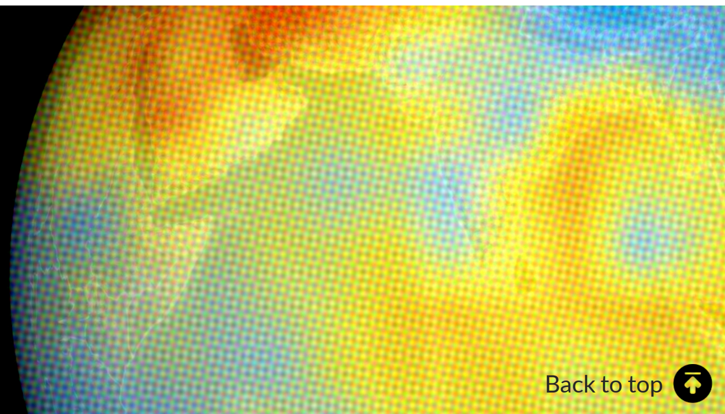
Executive summary

It is of significant importance that the World Bank has a robust corporate strategy to respond to the ongoing climate crisis. The plan shapes WBG's financing, policies, and engagement with client countries to support global climate action and sustainable development by supporting both mitigation and adaptation efforts. It is critical in guiding the WBG's climate finance, energy and policy agenda, emphasising the integration of climate considerations with development goals to achieve sustainable development.

This report presents a critical analysis by the Big Shift Global coalition of the World Bank Group's (WBG) Climate Change Action Plan (CCAP) 2.0 (2021-2025). It highlights perspectives of civil society stakeholders, particularly from Asia, Africa, and Latin America, regarding the plan's shortcomings in areas like fossil fuel financing, Paris Agreement alignment, and accountability. The report then offers policy recommendations for any future strategies on climate, emphasising greater ambition, transparency, and a just energy transition.

Civil society organisations (CSOs) argue that the WBG's ongoing financial support for coal, oil, and gas undermines its commitment to a low-carbon transition and casts doubt on its Paris Agreement alignment. Despite increased climate finance initiatives, investments in fossil gas persist, with the WBG still promoting it as a "transition fuel" even though this stance is inconsistent with limiting global warming to 1.5°C. A major point of contention is the absence of a clear exclusion list for coal, oil, and gas in the CCAP 2.0, which CSOs believe allows for continued indirect financing of fossil fuel projects. The promotion of "false solutions" like carbon capture is also criticised for perpetuating fossil fuel dependence. Concerns are also raised about the ongoing financing of fossil fuel projects through International Finance Corporation (IFC) trade finance.

On the issue of Paris Agreement alignment, civil society stakeholders have expressed scepticism about the WBG's actual commitment to the 1.5 °C goal. When first introduced, the CCAP 2.0 lacked a concrete definition of "Paris alignment", with a weak methodology primarily focused on ensuring projects do not actively undermine a client country's Nationally Determined Contributions (NDCs). Stakeholders describe this as a "do no harm" approach rather than an active strategy for promoting a low-carbon transition. Using aggregate NDCs as a measure is considered to be inaccurate since it does not account for continued fossil fuel investments.



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Introduction

The World Bank Group (WBG) introduced its updated Climate Change Action Plan (CCAP) for 2021-2025 to serve as a corporate strategy to address climate change. It supported mitigation and adaptation efforts and also set mechanisms to prevent non Paris-aligned operations. The plan was critical in guiding the WBG's climate finance and policy agenda, emphasising the integration of climate considerations with development goals to achieve sustainable development.

The CCAP 2021-2025 (often referred to as CCAP 2.0) set out to address the urgent need to reduce greenhouse gas (GHG) emissions amidst the ongoing climate crisis. It highlighted that 800 million people lacked access to energy globally as of 2021, and poorer countries are significantly more vulnerable to natural disasters compared to the 1980s. Importantly, it identified that climate change and ecosystem degradation are pushing the planet towards critical tipping points, making adaptation and resilience crucial alongside mitigation, especially for developing countries.

The CCAP 2.0 focused on aligning climate action with development objectives to ensure sustainable and resilient economic growth. The WBG aimed to provide substantial climate finance, targeting an average of 35% of its total financing for climate-related projects during the 2021-2025 period. The key sectors prioritised were energy, agriculture, cities, transport, and manufacturing, which are vital for emission reductions as the top five sectors responsible for GHG emissions.

The CCAP 2.0 therefore sought to reduce GHG emissions and improve resilience to climate change impacts, particularly in developing countries. The first iteration of the CCAP covered 2016 to 2020. While this initial action plan focused on investing in "green projects" to reduce emissions, the CCAP 2.0 presented a more comprehensive approach to addressing climate change. It also aimed to align all its financial operations with the Paris Agreement goals. The primary objective of the Paris Agreement is to limit the increase in global average temperatures to well below 2°C above pre-industrial levels, and to pursue efforts to limit it to 1.5°C. The alignment of CCAP 2.0 to the Paris Agreement was crucial for reducing the impacts of climate change and included a commitment to make 100% of WBG investments align with the Paris goals by 2025. A significant aspect of this commitment involved taking "key steps [that] may include retiring coal-fired power plants, replacing fossil fuels across the economy, and removing market barriers for green technologies". Perspectives from stakeholders around the world, especially those from Asia, Africa, and Latin America, are essential in understanding how well the CCAP has worked so far. It is also important to consider what can be done to make the CCAP more effective for the needs of the communities in borrowing countries.

Given the evolving multi-crisis world, it is more important than ever that the WBG adheres to the highest standards of transparency and effectiveness to ensure that funds are used equitably and responsibly, maximising their potential

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for long-term positive impact. Adherence to these principles — transparency, accountability, responsible public finance, and the commitment to high standards — is essential for laying the foundation for a more secure, just, and sustainable future.

It is in this context that the WBG prepares for the potential next phase of its strategy for a livable planet, or CCAP (likely starting in 2026). A strategy of this kind is essential for transparency and ambition setting. An updated plan must align more closely with international commitments, and support the development of sustainable renewable energy. While the CCAP 2.0 considered some notions of nature and biodiversity, the revised CCAP is expected to integrate issues beyond climate change, including biodiversity conservation, with an implementation timeline of five years. Civil society organisations, particularly those representing the regions already highlighted — Asia, Africa, and Latin America — must be at the forefront of these discussions to ensure the WBG's commitments reflect the priorities of those most affected by climate and ecological crises.

The Big Shift Global coalition has produced this report with policy recommendations in consultation with civil society stakeholders. Consultations were held with civil society organisations (CSOs) in the Global North as well as stakeholders from Asia, Africa, and Latin America through a series of one-to-one interviews and a questionnaire. The outputs from these consultations were analysed for the perspectives of stakeholders on the WBG's climate action, and policy recommendations were developed.

Towards this end, the objectives of this report are to provide:

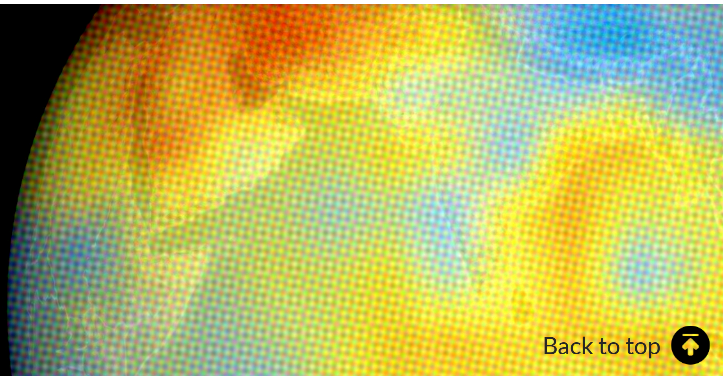
1. **Critical Analysis of the CCAP 2.0**: To critically analyse the World Bank Group's Climate Change Action Plan up to 2025.

2. **Civil Society Perspectives**: Presenting the perspectives of civil society organisations, particularly from Asia, Africa, and Latin America, ensuring their insights and experiences are reflected in policy revisions.

3. **Redirecting Finance**: Providing actionable recommendations for redirecting finance from fossil fuels to sustainable renewable energy.

4. **Biodiversity Integration**: Highlighting the need for enhanced biodiversity integration by incorporating nature-based solutions and biodiversity concerns into broader climate strategies within climate finance frameworks, without weakening the urgent need for climate action.

5. **Transparency and Accountability**: Strengthening transparency and accountability and the application of environmental and social safeguards to public and private investments.



A critical review of CCAP 2.0 from Civil Society Stakeholders

The CCAP 2.0 provided orientation for the WBG to integrate climate into its strategies and plans, mainstreaming climate into its operations and country strategies. When compared to the first iteration, CCAP 2.0 presented a more comprehensive and integrated approach to addressing climate change, aligning closely with broader development goals and focusing on systemic transformations. This was manifested in the sole quantitative commitment to produce 25 Country Climate and Development Reports (CCDRs) in the first year. The CCAP 2.0 further offered the opportunity of continued support to the expansion of energy access in poor countries but via a sustainable clean energy approach. This approach aimed to divert finance from fossil fuels and into renewable energy, distributed energy access, creation of new household electricity connections, and support for a "just transition" for workers, communities, and national utilities. However, it lacked binding emissions targets or a timeline for phasing out fossil fuels. The CCAP 2.0 also followed a flawed Paris alignment methodology, through which the WBG has continued investing in fossil fuels through loopholes. Additionally, it was prepared without any public consultation, which has led to mistrust among communities and civil society, especially in Asia, Africa, and Latin America. The sections below outline some key issues with respect to the CCAP 2.0 as raised by civil society stakeholders.

Development process and civil society engagement

Stakeholders have expressed concerns that the development of the CCAP 2.0 was a top-down process initiated by World Bank management without any meaningful consultations with civil society, affected communities, and stakeholders — civil society organisations (CSOs) reported the absence of a proper consultative process during its development. Some CSOs were informed and given very short deadlines to comment (e.g. two days), which does not constitute meaningful engagement. The absence of early and substantive engagement with stakeholders is detrimental to ensuring that the WBG's CCAP objectives are well-informed, impactful, and practical. The lack of open consultation hinders civil society's ability to provide input and potentially improve the plan. Similarly, the CCDRs were conducted without any mechanisms included for systematic and widespread consultations, despite statements from WBG officials that the formulation of these knowledge products would involve more public participation. This led to poor and insufficient consultations taking place.

Continued support for fossil fuels

The WBG committed to stop financing new coal projects from July 2013 onward, and in most circumstances this was further enshrined in its application of the Joint MDB Methodological Principles for

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Assessment of Paris Agreement Alignment. However, this coal exclusion is not explicitly reaffirmed in the WBG's own strategy documents. Furthermore, there remains scope for captive coal facilities to be financed, notably by the International Finance Corporation (IFC), the WBG's private sector arm, through intermediary lenders.[1] In terms of oil and gas, upstream projects have not been supported through direct finance since 2019. However, their exclusion has similarly not been made explicit in WBG strategy documents. Mid- and downstream oil and gas investments are not excluded, although they are subject to alignment with national development pathways.

Stakeholders have voiced concerns regarding the WBG's continued financial support of fossil fuels like coal, oil, and gas, with many advocating for a complete transition to clean energy. CSOs argue that the ongoing funding of fossil fuel projects undermines its stated commitment to a low-carbon transition and casts doubt on its alignment with the Paris Agreement. Despite increased climate finance initiatives, investments in fossil gas persist, with the WBG still promoting gas as a "transition fuel" through technical assistance and Development Policy Financing (DPF), a stance inconsistent with limiting global warming to 1.5°C.

A significant point of challenge is the absence of a clear exclusion list for coal, oil, and gas. CSOs maintain that this omission allows the WBG to continue indirect financing and support for fossil fuel projects, even as direct funding decreases in some areas. The promotion of "false solutions" like carbon capture, utilisation, and storage (CCUS[2]) and co-firing in fossil fuel plants perpetuates fossil fuel dependence and does not warrant public funds.

While direct sovereign lending for fossil fuels may have declined, the Paris alignment approach for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) is considerably weaker. The IFC's ongoing financing of fossil fuel projects through trade finance is concerning. In FY2023, the IFC committed US$16.1 billion to its trade finance programmes, with 29% of that amount, or US$4.7 billion, estimated to go towards fossil fuel projects. Additionally, the classification of large-scale hydropower projects as "clean energy" is also problematic, particularly given the lack of consultation with affected communities and the adverse environmental and social impacts. There are also worries that the emphasis on mobilising private finance could support fossil fuel projects if adequate safeguards and exclusion criteria are not implemented.

Critics challenge the CCAP 2.0 claim of becoming "Paris-aligned", pointing out that while it excludes coal financing, it permits oil and gas investments deemed Paris-aligned through vague criteria. This loophole is seen to contradict the 1.5°C global warming limit and to enable the continued use of fossil fuels. The United Nations Environment Programme (UNEP) finds that current country pledges under the Paris Agreement (Nationally Determined Contributions, or NDCs) put the world on track for a 2.5-2.9°C temperature rise above pre-industrial levels this century — far above the 1.5°C

[1] In 2020, the International Finance Corporation (IFC, the World Bank's private sector arm) published its 'Approach to Greening Equity in Financial Institutions' (Green Equity Approach or GEA). https://www.ciel.org/wp-content/uploads/2022/06/Ten-Essentials-for-a-Truly-Green-Green-Equity-Approach-Summary-2.pdf

[2] Edison Electric Institute (EEI): "CCS is not yet ready for full-scale, economy-wide deployment, nor is there sufficient time to permit, finance, and build the CCS infrastructure needed for compliance by 2032." https://www.eei.org/News/news/All/eei-statement-on-epa-package-of-final-rules-for-power-plants

limit needed to avoid the worst impacts of climate change. Therefore, the WBG needs to go beyond its policy commitments with countries and add more ambition to its institutional plans.

Paris alignment methodology

In 2017, a group of multilateral development banks (MDBs) announced its intent to develop a comprehensive methodology to ensure projects contribute to the global fight against climate change and align with the Paris Agreement. In July 2023, joint MDB methodological principles were published to guide and facilitate assessment of the "Paris alignment" of all new financing operations. The IFC's Paris alignment commitment is in line with the joint MDB methodological principles and aims to align 85% of new investments with the Paris Agreement by July 1, 2023, with 100% aligned by July 1, 2025. The joint MDB methodological principles aim to ensure that financing helps limit global temperature rise to well below 2°C, with an aspirational limit of 1.5°C, while also supporting the transition to low-GHG and climate-resilient development. The initiative was welcomed by civil society groups as a mechanism to solve the climate crisis through new financing. CSOs provided detailed recommendations on how the WBG's Paris alignment could be strengthened and made robust and ambitious.

Stakeholders consulted as part of the CCAP policy paper development expressed concerns regarding CCAP 2.0's alignment with the Paris Agreement, including the initial absence of a clear definition of Paris alignment, a methodology focused on minimal harm, the existence of loopholes that could lead to carbon lock-in, and an insufficient reliance on NDCs.

In fact, when first introduced, CCAP 2.0 lacked a concrete definition of "Paris alignment," making it difficult for stakeholders to evaluate the WBG's dedication and implementation strategy — its Paris alignment methodology was weak with a focus primarily on ensuring that projects do not actively undermine a client country's NDCs and Long-Term Strategies (LTS). This is a "do no harm" approach rather than an active strategy for promoting a low-carbon transition. Additionally, using aggregate NDCs as a measure of Paris alignment is inaccurate, as it does not account for continued investments in fossil fuels and ecologically damaging activities. For example, the transport sector note within the Paris alignment methodology is particularly problematic, as it treats rural road development as universally Paris-aligned when it does not cause deforestation, even if it supports larger, high-emitting investments. The methodology also contains exceptions that allow for carbon lock-in, especially in high-emitting infrastructure projects, and a noted lack of transparency in determining these exceptions at the project level.

Country Climate and Development Reports (CCDRs)

The CCAP 2.0 aimed to transform critical sectors in developing countries to meet global climate objectives. CCDRs as an instrument were designed to guide and prioritise climate actions, thereby facilitating implementation of the CCAP. These reports have become increasingly influential, shaping the WBG's "prior actions" for DPF and the IMF's Resilience and Sustainability Trust, and aim to inform emerging multi-stakeholder country platforms. The WBG and the IMF announced a collaboration to identify

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climate challenges and necessary policy reforms for each country, informed by CCDRs, according to a May 31, 2024 press release.

Despite being intended as a key tool for integrating climate and development, stakeholders have voiced concerns regarding the quality and impact of CCDRs (see reviews of the CCDRs for Türkiye, Brazil, the G5 Sahel Region, Vietnam, and Peru). There are significant questions whether they align with ambitious 1.5°C climate scenario goals, or even 2.0°C. Additionally, there are concerns over the lack of meaningful public consultation during the drafting and revision of CCDRs, as there is no clear disposition on how these documents should be consulted. This raises questions about the ownership of a CCDR by the stakeholders within a country, and the lack of participation of civil society and local experts. CCDRs were largely viewed as a WBG-led initiative, with minimal collaboration from other MDBs and national development banks (NDBs) that might possess more "on the ground" knowledge. In their current form, the CCDRs do not drive a transformative approach to climate action, with the WBG maintaining a business-as-usual, project-by-project approach. Some view CCDRs as guidance rather than a strategy that would drive energy transition in a country.

Accountability and transparency

A significant concern with the CCAP 2.0 is the absence of clear outcomes, indicators, and measurable milestones for tracking the implementation and progress of its high-level goals, which makes assessing the plan's success and the WBG's accountability difficult.

Stakeholders have found it challenging to track and report tangible outcomes, such as net emission reductions, resilience gains, and socioeconomic benefits from CCAP 2.0 initiatives, hindering transparency. References to climate co-benefits within the CCAP 2.0 are also unclear, and do not help to ensure a real transfer of climate finance or transformation, raising accountability concerns about the actual impact of financed projects.

There is a lack of transparency at the project and at the sub-project level regarding what is being tagged as climate finance. This lack of disclosure regarding the specific components of projects classified as climate finance makes it difficult for stakeholders to verify the legitimacy and effectiveness of these investments.

Even within programmes framed as supporting clean energy and delivering energy transition, such as Development Policy Financing (DPF), there is a lack of transparency and accountability in how funds are utilised. This potentially allows for continued support of fossil fuel-related activities at the country level. There needs to be a disclosure of the WBG's analysis on climate impacts for each relevant prior action within DPF. Furthermore, DPF is not adequately considered in the corporate Scorecard, making it less accountable. The Scorecard, intended to measure the WBG's performance, acts more as an aggregate measure that can hide business-as-usual projects. A single carbon accounting measure does not provide a clear trajectory of improvement for the WBG portfolio on individual projects, and the Scorecard currently lacks environmental sub-indicators or methodological components for

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sustainable transport. The CCAP 2.0's focus on “direct” operations, while largely neglecting indirect finance through financial intermediaries (FIs) and trade finance, also raises significant accountability concerns. It is difficult to hold the WBG accountable for the environmental and social safeguards and climate commitments of projects funded through these indirect channels. There is therefore a need for disclosure on indirect finance, and mechanisms to align FIs and trade finance with the Paris Agreement.

As mentioned above, monitoring and reporting outcomes such as net emission reductions, resilience gains, and socioeconomic benefits remain challenging due to a lack of clear indicators and milestones for implementing high-level goals. The reference to climate co-benefits is opaque and does not ensure effective climate finance transfer. In this context, civil society organisations have voiced concerns regarding the accuracy and transparency of the WBG's climate finance reporting — inconsistencies in methodology have led to inflated figures, with one investigation suggesting that the WBG could have inflated its climate finance by up to 40% in fiscal year 2020. Furthermore, the WBG does not always disclose details of which components of projects are counted as climate finance, especially for the IFC and MIGA.

Private sector first approach

The WBG's reliance on the private sector through entities like the IFC and MIGA hinders the achievement of universal energy access, as their investments tend to favour corporations and prioritise profit. A private sector-led energy transition that benefits large corporations over small and medium-sized enterprises (SMEs), as frequently promoted via energy conditionalities linked to DPF, has not delivered substantial private investments or a just energy transition. The WBG frames private sector participation as crucial for mobilising the vast financial resources needed for the green transition. Governments and MDBs act as “de-risking agents” through measures like guarantees, tax breaks, and favourable contracts to attract private capital to renewable energy projects. The WBG's diagnostic, planning, and policy formulation methods remain top-down, which has caused corporate interests to benefit from WBG energy projects, while the call to expand energy access has remained unfulfilled.

The WBG's approach does not adequately consider just transition[3] aspects either. The pursuit of private investment has led to highly extractive projects, where profits are expatriated, hindering genuine green economic transformation. Mobilising private finance has turned climate initiatives into transactional activities, with undemocratic decisions occurring without parliamentary oversight. Some so-called “green” projects are focused on exports to developed countries while the host country continues to rely on fossil fuels, frequently creating neocolonial dynamics. For example, green projects such as solar power in Morocco are developed with plans for an interconnector cable to the UK. They are designed for export to Europe, even while the project country continues to import fossil fuels for its own energy needs.

The WBG's approach does not adequately create space for borrowing countries to implement their own industrial and green industrial strategies, potentially reflecting a double standard

[3] The International Labour Organisation (ILO) defines it this way: “Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.”

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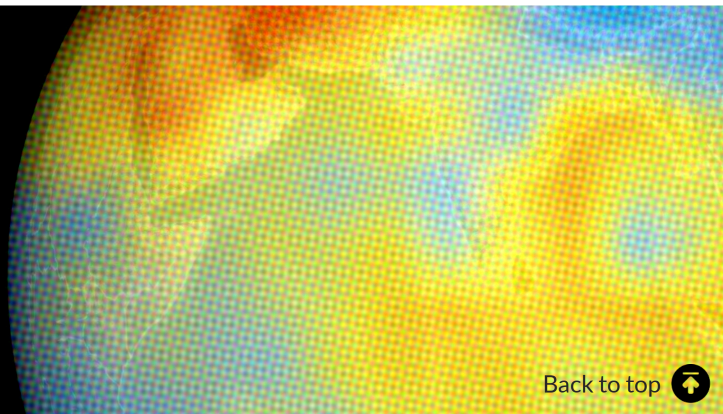
compared to how developed countries achieved their own development. Private businesses involved in projects are often unwilling to engage with local populations and consequently these projects can lack the necessary community-level consultation and approval.

The financial architecture is biased towards formal, large-scale, male-owned projects in the traditional economy, overlooking smaller, informal, and innovative solutions for climate change. The focus on funding only "bankable" projects impacts negatively on transformative approaches, energy efficiency, or the demand management necessary for deep decarbonisation.



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Stakeholder perspectives for a new strategy for a just energy transition and climate action

The next iteration of the CCAP provides an opportunity for the WBG to support a just energy transition to sustainable and secure renewable energy, and an end to energy poverty around the world. Civil society stakeholders have put forward perspectives and recommendations for the next strategy, emphasising the need for a more ambitious, transparent, and impactful plan. Some salient perspectives are discussed below.

Accountability and transparency

Stakeholders have expressed concerns regarding the WBG's approach to accountability, particularly in evaluating its climate performance. Its current Scorecard aggregates project impacts, making it challenging to assess the success or failure of individual initiatives. A key recommendation is the need for comprehensive disclosure of GHG emissions at the project level to enhance transparency. Furthermore, there is a call for a more detailed project-by-project scorecard to help identify and exclude investments that do not align with climate objectives, such as continued support for fossil fuels.

Tracking and reporting outcomes like net emission reductions and resilience gains under the CCAP 2.0 have been difficult due to a lack of clear outcomes, indicators, and milestones. Recommendations include establishing robust climate finance accounting and disclosure mechanisms at the project level, including the GHG footprint of investments (gross and net emissions, baselines, sector-wide impacts). Additionally, investment-specific accountability for DPF with disclosure of climate impact analysis for each prior action is crucial. Independent scrutiny of the WBG's strategy implementation is also suggested to ensure effective oversight. CSOs have urged IFC and MIGA to take action and expand their expertise and resources to actually adhere to their board-adopted policies applicable to climate change.

Biodiversity

Stakeholders urge the WBG to incorporate biodiversity and nature conservation considerations into all its projects. They stress that climate finance should not only focus on reducing carbon emissions, but also on preserving ecosystems that act as natural carbon sinks. The Intergovernmental Panel on Climate Change's sixth assessment report (IPCC AR6) notes that nature conservation holds significant mitigation potential, similar to energy transition. The absence of a clear biodiversity strategy within the CCAP framework is seen as a critical gap, particularly in preventing infrastructure and agriculture projects from causing deforestation or ecosystem degradation. However, while it is important to build in the emphasis on biodiversity, this should not in any way water down commitments to ambitious action on climate.

Conservation and restoration of natural habitats, along with sustainable agriculture, offer cost-effective solutions to address both climate and biodiversity crises, achieving mitigation and adaptation goals. It is essential that the WBG's biodiversity objectives align with the Kunming-Montreal Global Biodiversity Framework. The new CCAP should include specific targets for biodiversity policy and project finance, such as conservation targets and the volume of finance needed to achieve them. This is in line with the final outcomes of the Conference of the Parties to the UN Convention on Biological Diversity (CBD COP16) in 2024. The new CCAP should include specific targets for biodiversity policy and project finance, such as conservation targets and the volume of finance needed to achieve them. This is also in line with CBD COP16 final outcomes.

The next strategy should also present a comprehensive approach to green infrastructure, which should be integrated into all project finance. This approach should include an explicit commitment to payment for ecosystem services, including increased direct funding for areas with high carbon stocks and high conservation value, such as peatlands, forests, and mangroves. The WBG's strategy should outline concrete steps for mainstreaming biodiversity within WBG bodies, processes, and operations. It should also articulate how biodiversity will be prioritised more broadly by the WBG, including within Country Partnership Frameworks (CPF) and CCDRs.

Country Climate and Development Reports (CCDRs)

The introduction of CCDRs under the CCAP 2.0 was seen as a positive step, but stakeholders expressed concerns that these reports are not consistently aligned with the global 1.5°C climate target. There is uncertainty about how CCDRs are influencing policy decisions at the country level and whether they effectively support meaningful climate action. A key suggestion is for the WBG to clearly define how CCDRs drive implementation and ensure that they translate into concrete, measurable climate action rather than serving as purely analytical reports.

Policy recommendations for future CCDRs should explicitly model pathways compatible with 1.5°C scenarios, building on their current success in exceeding many NDC ambitions. This requires integrating the latest climate science and clearly quantifying residual risks under different warming trajectories. The drafting process should involve deeper partnerships with MDBs, NDBs, and regional institutions to harmonise strategies and leverage complementary expertise. This aligns with the CCDRs' goal of informing global climate-development synergies and attracting funding for high-impact projects.

Stakeholders also recommend robust and meaningful consultations while providing extended feedback periods for civil society and local communities. Summaries of all documents need to be translated into local languages to ensure accessibility. These consultations should also provide a space for incorporating Indigenous knowledge and addressing equity gaps, particularly for vulnerable groups impacted by climate policies.

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Country platforms

Related to CCDRs, a mechanism emerging in the consultation was the role of country platforms in driving climate action. Instead of relying on the CCAP as the primary mechanism, stakeholders suggested that the WBG strengthen country-led climate strategies and integrate the CCAP within these platforms. This would ensure that climate finance and technical assistance are tailored to national priorities, allowing for a more context-specific and effective approach to addressing climate challenges.

In 2024, MDBs produced a joint statement outlining how country platforms could serve as a powerful mechanism to support the development and implementation of a country's strategies, including NDCs and National Adaptation Plans (NAPs). They could also mobilise finance for climate action by involving a country-led coordinated process and partnership bringing together key stakeholders to build a common understanding and concerted way forward.

The revised CCAP strategy must ensure that these platforms are truly inclusive, transparent, and accountable so that they remain a tool for transformative and equitable climate action.

Climate finance indicators

The WBG target of allocating 35% of its annual funding to climate finance under CCAP 2.0 was a welcome commitment, but stakeholders questioned whether this goal is being met in any meaningful way. Many raised concerns about how climate finance is measured, emphasising the need for clear indicators that track not just the amount of funding, but also its quality and impact. There was also evidence that raised questions about the inclusion of certain projects under the climate finance umbrella, particularly those that still support fossil fuel-based infrastructure. Stakeholders called for a more rigorous methodology to ensure that climate finance truly aligns with sustainable development goals.

Debt

The relationship between debt and climate finance emerged as a critical issue for civil society stakeholders. Many argued that countries with high levels of debt are less able to invest in climate resilience and clean energy transitions. They urged the WBG to incorporate debt relief mechanisms into its climate financing strategy, ensuring that developing countries are not forced to choose between debt repayment and essential climate investments. Moreover, the WBG is increasingly prioritising "bankable" private sector projects and public private partnerships (PPPs), relying on loans that intensify debt stress, where national governments bear the economic liabilities. A high reliance on debt compared to equity makes financing more challenging, especially for high capital cost projects like large-scale renewable energy developments. Countries are typically required to repay loans in hard currency, driving project structures that prioritise making profits and reaching new markets over benefiting communities.

An important recommendation is that climate finance should be structured as grants or concessional loans, rather than adding to the debt burden of vulnerable nations.

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Phase out of fossil fuel investments

Despite pledges to reduce fossil fuel financing, stakeholders have observed that investments in fossil gas[7] continue through indirect financing and policy-based lending. Concerns have arisen regarding the WBG's ongoing support for fossil fuel projects, often justified by energy access or transition needs. This situation has prompted calls for a more explicit and enforceable policy to exclude fossil fuels from funding and policy support as part of the WBG's Paris alignment approach.

Stakeholders insist that the WBG's strategy for phasing out fossil fuels needs to be clearer and more consistent, ensuring that climate finance does not support carbon-intensive infrastructure. CSOs recommend the new strategy explicitly states that investments in fossil fuels, including fossil gas, are incompatible with the Paris Agreement and should not receive WBG support. They advocate for formalising the exclusion of upstream oil and gas projects and ultimately ending all fossil fuel investments and policy support.

The predominant recommendation from CSOs is that the WBG's continued engagement with fossil fuels significantly hinders the achievement of the Paris Agreement goals and obstructs a genuine transition to a low-carbon future. There is a strong push for the WBG to adopt a comprehensive policy that excludes all investments and technical assistance related to fossil fuels.

A just energy transition

A major topic of discussion among stakeholders was the need for a truly just energy transition. They stressed that simply shifting from fossil fuels to renewables is not enough – the shift must be done in a way that is equitable and inclusive. There is concern that the clean energy transition could replicate existing inequalities if not managed properly. For example, large-scale renewable energy projects could lead to land grabs or resource extraction that displace local communities.

The new strategy should pursue setting the policy agenda for an active Just Energy Transition (JET) approach by investing in renewable energy, electrification, and related infrastructure. The primary goal is to reduce dependence on the volatile fossil fuel market and transition towards fully sustainable renewable energy systems. This transition must be just, orderly, and equitable, ensuring that local people and communities directly benefit from energy investments. As such, smaller-scale projects that directly benefit local communities should be prioritised, and JET strategies should focus on building national capacities to construct, manage, and maintain renewable energy systems.

A just transition must be fair and equitable, preventing the exploitation of fossil fuel deposits in Asia, Africa, and Latin America, and prioritising renewable energy access for communities. Additionally, stakeholders emphasised the importance of addressing "green extractivism," where minerals required for clean energy technologies are sourced through environmentally and socially harmful practices. There were

[7] Stopping investments in fossil gas is required to meet the goals of the Global Methane Pledge. "Accelerating and substantially reducing non-carbon-dioxide emissions globally, including in particular methane emissions by 2030" Outcome of the first global stocktake. Draft decision -/CMA.5. Proposal by the President

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suggestions to find an alternative to extractivism and follow a feminist sufficiency-based economic model of development that prioritises wellbeing and sustainability. There needs to be a greater emphasis on grassroots initiatives and community-centric renewable energy projects in Asia, Africa, and Latin America.

Gender and climate

Integrating gender issues, which were largely overlooked in the CCAP 2.0, is essential for the upcoming action plan. The term "gender" appeared only twice in the 60-page document, highlighting a significant oversight.

Energy investments should be accountable for their contributions to various aspects of the corporate Scorecard, such as gender equality, education, and job creation. The new strategy must illustrate how these investments support other Sustainable Development Goals (SDGs), including gender equity and decent work opportunities for all energy projects, not limited to decentralised initiatives.

All energy investments should adhere to gender sensitivity standards that extend beyond merely training and employing women in large infrastructure projects. They must also focus on building local capacities among women and ensuring direct benefits from energy investments reach women. This approach counters the misconception that energy projects are gender-neutral, particularly in Africa, where gender dynamics are crucial.

A robust strategy should adopt a public sector approach that prioritises gender-responsive needs and tracks gender-disaggregated data. It should draw insights from case studies that demonstrate the gender impacts of development projects.

Moreover, the strategy should emphasise inclusive, cross-sectoral planning to ensure services are tailored to meet local needs, especially for marginalised and vulnerable groups, thereby promoting gender equality and social inclusion (GESI). Responding to gender and biodiversity impacts must also be built into the revised strategy because biodiversity loss disproportionately affects women when they lose access to and control over natural resources.

Recognising the complexities of climate issues related to gender is vital and there must be no rollback in the WBG's commitment to implementing its Gender Strategy 2024-2030. This understanding must be central to the new strategy. Although the WBG claims to prioritise gender within its reforms, this commitment has not been effectively implemented in the CCAP 2.0.

The consultation process for developing the new strategy must incorporate perspectives from marginalised communities most vulnerable to climate change, including women. Measurement indicators should assess how affected community members disaggregated by gender feel about WBG projects, including their involvement in decision-making processes.

Paris Agreement alignment

Although the WBG has stated its commitment to the Paris Agreement and implemented its Paris alignment approach across its global programmes, stakeholders expressed scepticism about its actual alignment with the 1.5°C climate goal. There was specific criticism regarding how the Paris alignment methodology (of both the World Bank and IFC) leaves the door open for fossil fuels, which contradicts the WBG's

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climate commitments. Additionally, some stakeholders argued that relying on NDCs as the primary metric for success is problematic since these vary in ambition and implementation across countries.

Instead, stakeholders called for the WBG to set its own internal climate targets and ensure that all funded projects align with a clear, science-based trajectory toward 1.5°C. This alignment should be a core component of the new strategy, ensuring that all investments support this overarching objective. The current Paris alignment methodology is insufficient, as it only requires projects to not actively hinder a country's NDCs and includes exceptions that allow for carbon lock-in without transparent disclosure.

To improve this situation, the Paris alignment methodologies should be revised and made more ambitious to respond to the scale of the climate crisis, incorporating recommendations from CSOs. This revised methodology should be adopted by the board and be included in the WBG's Environmental and Social Framework (ESF). The new strategy should clearly state that all investments in fossil fuels, including fossil gas and other high-emitting activities such as industrial animal agriculture, are not aligned with the Paris Agreement and thus ineligible for support. It is important to rigorously assess all projects by ensuring each one that receives finance is aligned with the Paris Agreement's 1.5°C objective, and not with the NDCs or LTS in the country where the project is located. Stakeholders are advocating for a complete phase-out of fossil energy investments, with a publicly disclosed timeline. Additionally, reporting of scope 1, 2, and 3 emissions must be mandatory, including disclosure of GHG emissions, alternatives/mitigation analysis, and mitigation measures for public review. This approach would ensure a more just and equitable transition, aligning financial flows with the Paris Agreement's objectives.

Adaptation targets

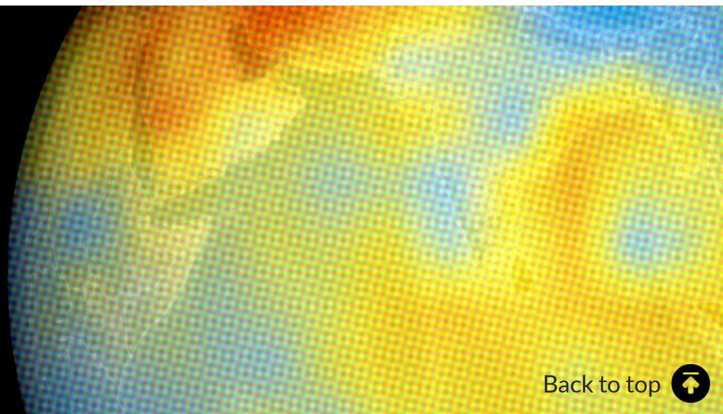
A key gap identified in the WBG's climate strategy is the lack of explicit targets for adaptation finance. Stakeholders pointed out that much of the climate finance discussion focuses on mitigation (reducing emissions) rather than adaptation (helping countries and communities cope with climate impacts). Many developing countries require urgent investments in climate resilience, such as flood defences, drought-resistant agriculture, and disaster preparedness. Stakeholders urged the WBG to set clear adaptation finance goals and ensure that climate finance is equitably distributed between mitigation and adaptation efforts. Some stakeholders believe that adaptation targets should not be tied to a ratio with mitigation finance, as this could hinder overall mitigation efforts. Instead, adaptation finance should be seen as an additional and essential component of climate finance. There were suggestions for a more targeted and needs-based approach to allocating adaptation funds. Similar to mitigation, setting targets for adaptation within key sectors can help the WBG demonstrate tangible impacts on the ground.

Political context

Stakeholders recognised the challenging political context which may impact the ambition and feasibility of a new strategy for a livable planet/CCAP.

But given the WBG's growing role in climate finance, especially as mandated by the G20 and the UNFCCC, it is more crucial than ever that it develops a comprehensive, ambitious action plan. Despite the geopolitical challenges, the WBG must leverage its position to catalyse transformative climate action, particularly in low- and middle-income countries. As a central financial institution supporting climate adaptation and mitigation, it must help meet the Paris Agreement's goals by driving systemic change. This includes ensuring that climate finance is both ambitious and equitable, with a focus on those most vulnerable to climate impacts.

Climate action is necessary to support energy security, energy sovereignty, and the cost-effectiveness of renewables. Despite the political headwinds, maintaining a strong stance against backsliding on fossil fuel financing and in support of the Paris Agreement climate goals is vital.



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Towards a new climate strategy: Policy recommendations

1. **Meaningful engagement with CSOs and other stakeholders:** Early and substantive engagement with diverse stakeholders, particularly CSOs and marginalised groups vulnerable to climate change, is a key recommendation. Stakeholders emphasise that the process should be transparent with a clear timeline, proactively sharing information and incorporating diverse perspectives. The consultation process for CCAP 3.0 should learn from the shortcomings of CCAP 2.0, which had limited formal CSO consultation. A process similar to the evolution roadmap consultation, including calls for input and meetings between CSOs and the WBG, is recommended. Capacity building workshops in various languages are also suggested to ensure wider participation. It is also imperative that a transparent process is followed in the drafting of the CCAP, with the draft policy published for public comment and sufficient time provided for formal submissions. Stakeholders also emphasise the need to integrate gender issues into the new strategy, which was largely absent in the CCAP 2.0. All energy investments should comply with gender sensitivity, focusing on building local capacities of women and women-headed SMEs, and ensuring direct benefits to women. Gender also needs to be considered in the type of investments made in renewable energy projects.

2. **Strengthened climate finance goals:** The WBG's next strategy must include new and strengthened commitments on "Paris alignment," moving beyond the avoidance of undermining NDCs only. Alignment with the 1.5°C goal is essential. There needs to be acknowledgment that investment in fossil fuels and other high-emitting activities, including false solutions, is not Paris-aligned. It is recommended that a measurable trajectory for 1.5°C alignment based on IPCC and International Energy Agency (IEA) requirements is set. Rather than solely focusing on increasing the target, stakeholders emphasise the need to focus on the quality of climate finance and its actual impact.

3. **Explicit adaptation targets:** Explicit targets for adaptation finance that are complementary to mitigation targets and that do not limit mitigation efforts should be included by the WBG. Adaptation finance should address specific climate impacts, and should not only be viewed as a profit making endeavour.

4. **Measurable and accountable targets:** The updated CCAP should include new, strengthened, and updated measurable and timely actions, including a portfolio-wide GHG emissions target serving as the WBG's "Institutionally Determined Contribution" (IDC), similar to NDCs. Stakeholders also call for sector-specific GHG and adaptation targets.

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An increase in the climate finance lending target, in alignment with other MDBs, is also recommended. Enhanced climate finance accountability and transparency tracking is crucial. This includes project-level accountability, robust disclosure of GHG footprints, the analysis behind baselines, and reporting on sector-wide impacts. Stakeholders recommend a project-by-project scorecard that rules out high-carbon projects. Measurement indicators should also include feedback from affected people, disaggregated by gender. Independent scrutiny of the Action Plan's implementation by the WBG's internal evaluation department is also recommended.

5. **Integration of biodiversity:** Addition of a component on biodiversity to the CCAP, aligned with the Kunming-Montreal Global Biodiversity Framework, is recommended along with specific targets for biodiversity. Green infrastructure should be mainstreamed into all project finance.

6. **Fossil fuel phase-out:** A key recommendation for the new strategy is to explicitly commit to a timeline for the full phase-out of investment in fossil fuels, including coal, oil, and gas. Stakeholders advocate for an exclusion list for all fossil fuel projects. The strategy should clarify how the WBG will help clients redirect resources away from fossil fuels and towards green investments.

7. **Addressing indirect finance:** The WBG's revised strategy needs to address indirect finance through FIs, development policy finance, guarantees, technical assistance, and trade finance, outlining how these will be aligned with the Paris Agreement. Stakeholders call for increased transparency and accountability for all investments, including those through policy lending and through intermediaries.

8. **Just Energy Transition (JET):** The strategy should prioritise projects focused on transformative energy systems towards national just transition strategies, emphasising renewable energy, electrification, energy efficiency, and grid modernisation. A JET approach should be fair and equitable, ensuring energy access for communities and building national capacities in the renewable energy sector in accordance with the criteria developed by the Banking on Renewables Campaign. The WBG's strategy should also promote a non-extractive model of JET, where emphasis is placed on grassroots initiatives and community-centric renewables projects in countries in Asia, Africa, and Latin America.

9. **Rethinking the private sector approach:** While acknowledging the role of the private sector, stakeholders caution against the risks and dangers of a "private sector first" approach, advocating for targeted concessional financing and grants that do not exacerbate debt burdens. They emphasise that public money should be used to establish good practices and to drive the transition, while private money should deliver development outcomes aligned with SDGs. Guardrails for private sector involvement are needed to ensure space for green economic transformation.

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10. **Leveraging CCDRs:** The WBG's new strategy needs to assess and report on the development and influence of CCDRs, ensuring they are aligned with a 1.5°C scenario and developed through a transparent process with stakeholder participation. The development of CCDRs should be collaborative, involving other MDBs and local and Indigenous expertise. Their influence in shaping Country Partnership Frameworks (CPFs) and country platforms also needs to be clarified.

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List of acronyms

CBD	Convention on Biological Diversity
CCAP	Climate Change Action Plan
CCDR	Country Climate and Development Report
CCUS	Carbon, Capture, Utilisation, and Storage
COP	United Nations Conference of Parties
CPF	Country Partnership Framework
CSO	Civil Society Organisation
DPF	Development Policy Finance
EEI	Edison Electric Institute
ESF	Environmental and Social Framework
GAP	Gender Action Plan
GEA	Green Equity Approach
GESI	Gender Equality and Social Inclusion
GHG	Greenhouse gas
IDC	Institutionally Determined Contribution
IEA	International Energy Agency
IFC	International Finance Corporation
ILO	International Labour Organisation
IPCC AR6	Intergovernmental Panel on Climate Change's sixth assessment
JET	Just Energy Transition
LTS	Long-term Strategies
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
NAP	National Adaptation Plan
NDB	National Development Bank
NDC	Nationally Determined Contribution
PPP	Public Private Partnership
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprises
UNEP	United Nations Environment Programme
WBG	World Bank Group

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