

EFI Tip Sheet: Maximizing Climate Co-benefits in EFI Operations

What is climate change and how will it affect my operation?

Climate change affects what the World Bank does as a development institution. Rising temperatures, increasing frequency and intensity of natural disasters, and changing seasonal weather patterns put various aspects of society at risk, exacerbating people’s livelihoods and putting undue pressure on social and economic systems. Without urgent action, the impact of climate change could push an additional 100 million people into poverty by 2030¹. EFI operations can make a significant contribution to addressing these climate-related challenges in client countries and assist them in adopting low-carbon and climate resilient development pathways.

What are climate co-benefits, and how are they assessed?

In response, the World Bank Group has announced a set of targets and commitments to increase its climate action. The 28% climate co-benefits target was announced at the 2015 Annual Meeting and reaffirmed in the Climate Change Action Plan, as a commitment to increase the climate-related share of IBRD/IDA lending to 28% by 2020. Building on the progress made so far on achieving the 28% target, the World Bank Group in 2018 increased its ambition through the 2025 Climate Targets & Actions, committing to increasing the climate co-benefits share of total commitments to an average of at least 35% over FY21-25, covering at least 75% of the World Bank lending operations by 2025.

The WBG classifies a share of its lending as adaptation and/or mitigation finance, or “co-benefits” using the [Joint MDB Methodology for Tracking Climate Finance](#). The definitions and how the WBG assigns climate co-benefits are as follows:

Adaptation Co-Benefits

Adaptation co-benefits are assigned to an activity that enables targeted beneficiaries to adapt to the negative impacts of a changing climate. Projects are assessed based on a context-and location-specific approach.

An activity is eligible for adaptation co-benefits if the following three steps are articulated clearly in the project document:

1. The climate change vulnerability context, which sets out the current and anticipated impacts of climate change on a project’s location, sector, and/or beneficiaries.
2. An explicit statement of intent to address the identified climate risks and vulnerabilities.
3. A clear and direct link between the identified climate risks and vulnerabilities and the specific project activities.

Mitigation Co-Benefits

Climate mitigation promotes efforts to reduce, limit, or sequester greenhouse gas (GHG) emissions.

Mitigation co-benefits are assigned based on a list of activities that are compatible with low-emission pathways. Consequently, not all activities that reduce GHGs are eligible to be counted towards mitigation co-benefits. The list of eligible activities can be found in Annex C of the Joint MDB Report.

To ensure a project’s mitigation co-benefits are captured, the task team should explain under which Components/sub-components, Prior Actions, or DLIs the mitigation activities are taking place.

¹ <https://www.wri.org/blog/2018/06/climate-change-could-force-100-million-people-poverty-2030-4-ways-we-can-step>

Based on the Joint Methodology, projects are assessed at the level of Components/ Sub-components (or a portion of these) in the case of IPFs, of Prior Actions (or a portion of these) in the case of DPFs, and of Disbursement Linked Indicators (DLIs) (or a portion of these) in the case of P4Rs.

What are the roles and responsibilities in this process? Who can help me?

Task teams are encouraged to incorporate climate change considerations in the project design and to include descriptions of the climate-related components of their project in the project document, in line with the requirements of the MDB Methodology.

The CCG is responsible for tracking and reporting on the institution's progress towards its climate co-benefits related commitment. In meeting the commitment, the CCG directly supports task teams in their climate mainstreaming effort by offering a range of services, including by providing a consultation session and/or quantitative estimate of the project's climate co-benefits prior to Board Approval to help task teams maximize climate co-benefits in their operations. For more information, please see **CCKNOW (FURL:/ccknow)**.

While the CCG has worked with the OPCS to automatically receive all Concept & Decision Meeting packages, task teams are welcome to submit the finalized packages in advance of the milestone meeting to climatecobenefit@worldbank.org.

The CCG will perform a final assessment of climate co-benefits for all projects at Board Approval and update the Climate Co-benefits dashboard (FURL:/climatedashboard). The final co-benefits results will be communicated to task teams via the OPCS sector and theme coding validation process.

Each Region and some GPs have a focal point/team available to directly support their task teams. Please do not hesitate to contact them with any questions or concerns.

Has my project been assessed for climate co-benefits? When will my project get assessed next?

All assessment results are updated on the Climate Co-benefits Dashboard (FURL:/climatedashboard). Task teams can use the Dashboard to track when their project was last assessed or contact climatecobenefit@worldbank.org.

Are there any other climate change corporate commitments that are relevant for EFI projects? What are the synergies between those commitments and climate co-benefits?

There are four World Bank Group corporate commitments established to mainstream climate change cross operations: Climate Finance (co-benefits) Tracking; Climate and Disaster Risk Screening; GHG Accounting; and Shadow Price of Carbon.

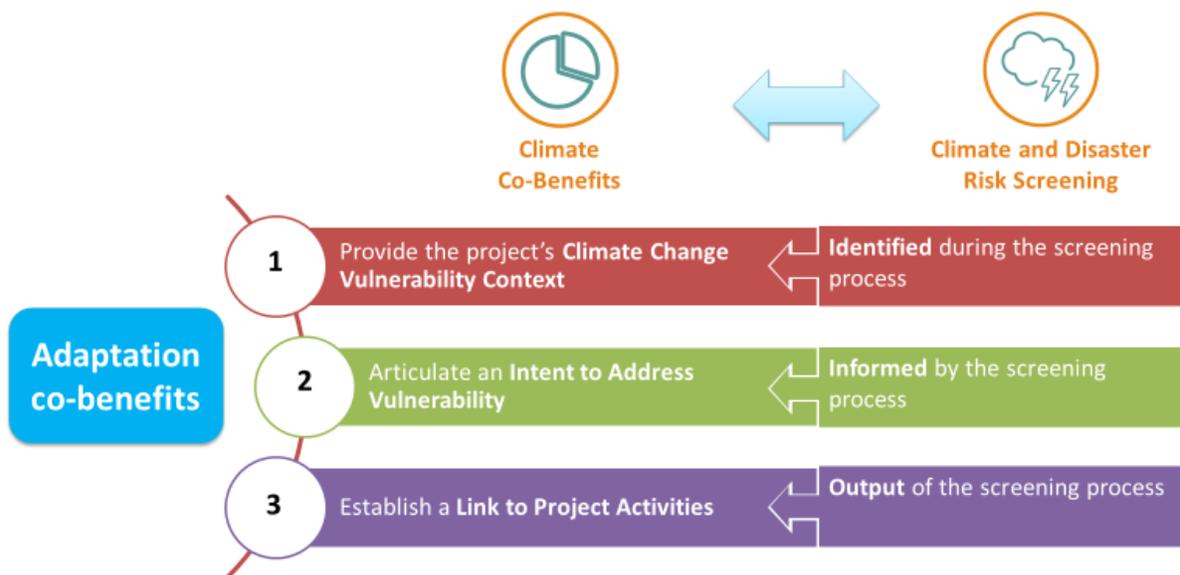
For EFI task teams, only two of the four climate change corporate commitments are relevant: Climate and Disaster Risk Screening and Climate Co-benefits, and there are substantial synergies between the two.

- The Climate and Disaster Risk Screening helps identify how a project, communities, or system served by the project may be exposed to climate-related risks. This narrative on the climate

vulnerability context is the first required step to ensure that project receives adaptation co-benefits according to the joint MDB methodology for tracking climate adaptation finance.

- By conducting the Climate and Disaster Risk Screening and using the results to integrate climate resilient measures into their project design, task teams can also fulfil the other two required steps as per the climate adaptation finance tracking methodology as shown in the graphic below : Step 2) make an explicit statement of intent to address climate vulnerability and risk; and Step 3) articulate a clear and direct link between project activities and the vulnerability context.

Linkage Between Climate Co-Benefits and Risk Screening



What are some of the ways to mainstream climate change considerations into the project design of FCI, MTI, GOV, and POV projects? Are there any past examples?

The tables below show illustrative lists of common activities in the FCI, MTI and POV GPs and how they can mainstream climate considerations on both adaptation and mitigation. Examples of FY17-19 projects that received climate co-benefits for the relevant activities are listed for reference.

Additional resources on integrating climate considerations in DPF operations can be found on CCKNOW (FURL: /ccknow). The Governance GP has also prepared a detailed [guidance note](#) on the integration of climate considerations in Governance projects.

Adaptation Opportunities in Finance, Competitiveness, and Innovation (FCI) Projects

Activity Type	Adaptation Opportunities	Project Examples
1. Start-up & MSME finance	<ul style="list-style-type: none"> • Loan or equity finance to enterprises to reduce their exposure to climate change related risks or recover from damages incurred by impacts of climate change • Develop insurance or other financial products/platforms that help enterprises recover any losses incurred by impacts of climate change (e.g. crop insurance, flood insurance, etc.) • Help enterprises conduct climate vulnerability assessments or recover from natural disasters 	<p>P169156 Expanding Rural Finance Project</p> <p>P168630 Enabling Private Sector and Territorial Development for Inclusive Growth</p> <p>P164536 Madagascar Integrated Growth Poles and Corridor SOP-2</p>
2. Housing Finance	<ul style="list-style-type: none"> • Provide insurance or other financial products to help houses recover any losses incurred by impacts of climate change • Provide loans and/or guarantees to retrofit houses against climate change-related risks such as floods, cyclones, etc. • Require housing loan criteria to incorporate climate risk considerations 	
3. Competitiveness and productivity	<ul style="list-style-type: none"> • Promote use of climate-resilient technologies in sectors or industries vulnerable to impacts of climate change (e.g. drought or flood-resilient seeds, livestock manure management, water conservation) • Raise awareness around climate change and promote skills necessary to help sectors/industries adapt to climate change impacts • Establish dedicated resources to help enterprises assess their climate change vulnerability and implement adaptation measures • Incorporate climate change vulnerability assessments as part of PPP frameworks or other project procurement frameworks 	<p>P157599 Integrated Infrastructure Development for National Tourism Strategic Areas Project</p> <p>P169156 Expanding Rural Finance Project</p> <p>P164536 Madagascar Integrated Growth Poles and Corridor SOP-2</p> <p>P164584 Comoros Integrated Development and Competitiveness Project</p> <p>P163576 Lebanon National Job Creation Program</p>
4. Public works & community grants	<ul style="list-style-type: none"> • Improve resilience of public services by incorporating climate adaptation measures • Provide financial incentives/grants (e.g. cash and in-kind transfers) to help communities prepare for and cope with impacts of climate change, such as construction of flood protection barriers, soil and water conservation measures, agriculture • Provide emergency cash transfers in response to onset of climate-related disasters 	<p>P157599 Integrated Infrastructure Development for National Tourism Strategic Areas Project</p> <p>P162043 Western Balkans Trade and Transport Facilitation Project</p> <p>P164536 Madagascar Integrated Growth Poles and Corridor SOP-2</p> <p>P164584 Comoros Integrated Development and Competitiveness Project</p>

Activity Type	Adaptation Opportunities	Project Examples
<p>5. National strategies/ industry standard</p>	<ul style="list-style-type: none"> • Strengthen building codes and zoning laws to enhance resilience and productivity of industries against climate change-induced natural disasters • Issue industry guidelines/O&M standards to improve climate resilience of publicly-owned/managed assets • Establish programs or policies targeting the population vulnerable to climate change-related risks • Scale-up social safety programs in response to climate change-induced disasters 	<p>P166425 Second Inclusive and Resilient Growth DPO</p> <p>P167674 Mexico Financial Inclusion DPF</p>

Mitigation Opportunities in Finance, Competitiveness, and Innovation (FCI) Projects

Activity Type	Mitigation Opportunities	Project Examples
1. Start-up & MSME finance	<ul style="list-style-type: none"> • Loan or equity to enterprises or to MSME's activities, dedicated to reducing, capturing, or sequestering GHG emissions (e.g. renewable energy, energy audit, energy efficiency, sustainable forest management, climate-smart agriculture, waste management, etc.) • Dedicate grants or grant windows to enterprises in sectors or activities that directly reduce, capture, or sequester GHG emissions (see above) • Support enterprises in industries that contribute to NDCs or other national/regional climate action plans 	<p>P152276 Micro, Small and Medium Enterprise Access to Finance Project</p> <p>P161905 Innovative Startups Fund Project</p> <p>P162835 Catalyzing Entrepreneurship For Job Creation Project</p> <p>P163225 Inclusive Access to Finance</p> <p>P169156 Expanding Rural Finance Project</p> <p>P168115 Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP)</p> <p>P168630 Enabling Private Sector and Territorial Development for Inclusive Growth</p>
2. Housing finance	<ul style="list-style-type: none"> • Introduce housing loan criteria that requires renewable energy integration/ substantial energy efficiency improvement • Provide specific housing loan for EE improvement/RE integration • Promote green building concepts, energy efficiency standards, etc. 	<p>P168582 Egypt Inclusive Housing Finance Program Additional Financing</p>
3. Financial markets & competitiveness	<ul style="list-style-type: none"> • Provide technical/vocational training to develop enterprises, industries, financial markets, or skills necessary to support climate change mitigation activities • Develop guidelines or knowledge products that raise industries and markets' awareness of climate change and advise on climate actions they can take • Provide national, regional, or local technical assistance to promote competitiveness and productivity of industries through activities that directly reduce, capture, or sequester GHG emissions 	<p>P157599 Integrated Infrastructure Development for National Tourism Strategic Areas Project</p> <p>P163225 Inclusive Access to Finance</p> <p>P164584 Comoros Integrated Development and Competitiveness Project</p> <p>P162858 Second Fiscal Sustainability, Competitiveness, and Migration Development Policy Financing</p> <p>P165147 KOSOVO FINANCIAL SECTOR STRENGTHENING (FSSP) PROJECT</p>
4. Public works & community grants	<ul style="list-style-type: none"> • Provide community grants, or support community-level programs that directly 	

Activity Type	Mitigation Opportunities	Project Examples
	<p>contribute to climate change mitigation (e.g. energy audit, energy efficiency improvement, sustainable forest management, climate smart agriculture, waste management, etc.)</p> <ul style="list-style-type: none"> • Support financing of infrastructure or other public goods that directly contribute to reducing, capturing, or sequestering GHG emissions 	<p>P156837 State-Owned Financial Institutions Strengthening Project</p> <p>P157599 Integrated Infrastructure Development For National Tourism Strategic Areas Project</p> <p>P159429 Bangladesh Investment Promotion and Financing Facility Project II</p> <p>P164211 Tourism Development Project</p> <p>P164429 Ethiopia Competitiveness and Job Creation Project-Additional Financing</p> <p>P164536 Madagascar Integrated Growth Poles and Corridor SOP-2</p>
<p>5. National strategies/ industry standard</p>	<ul style="list-style-type: none"> • Develop and enforce industry standards to promote climate actions (e.g. energy efficiency standards, vehicle emission standards, green building concepts, etc.) • Support the issuance of green bonds that will back assets contributing to climate change mitigation • Introduce tax reforms that increase taxes on high-carbon activities (e.g. diesel cars) or decrease taxes on low-carbon activities (e.g. hybrid/electric vehicles) • Introduce carbon tax or develop carbon markets 	<p>P162858 Second Fiscal Sustainability, Competitiveness, and Migration Development Policy Financing</p> <p>P165034 Kenya Affordable Housing Finance Project</p> <p>P168582 Egypt Inclusive Housing Finance Program Additional Financing</p> <p>P155553 Second Programmatic Private Sector Competitiveness Development Policy Operation</p>