

The World Bank is firmly committed to helping developing countries achieve their climate goals under the Paris Agreement. The World Bank's 2021 Climate Change Action Plan (CCAP)<sup>1</sup> builds on a decade of climate leadership with an ambitious strategy:



Scale climate action with **new diagnostic tools**



Increase climate finance to **35% of all WBG financing** on average from FY21-25 (with at least half of World Bank climate financing for adaptation)

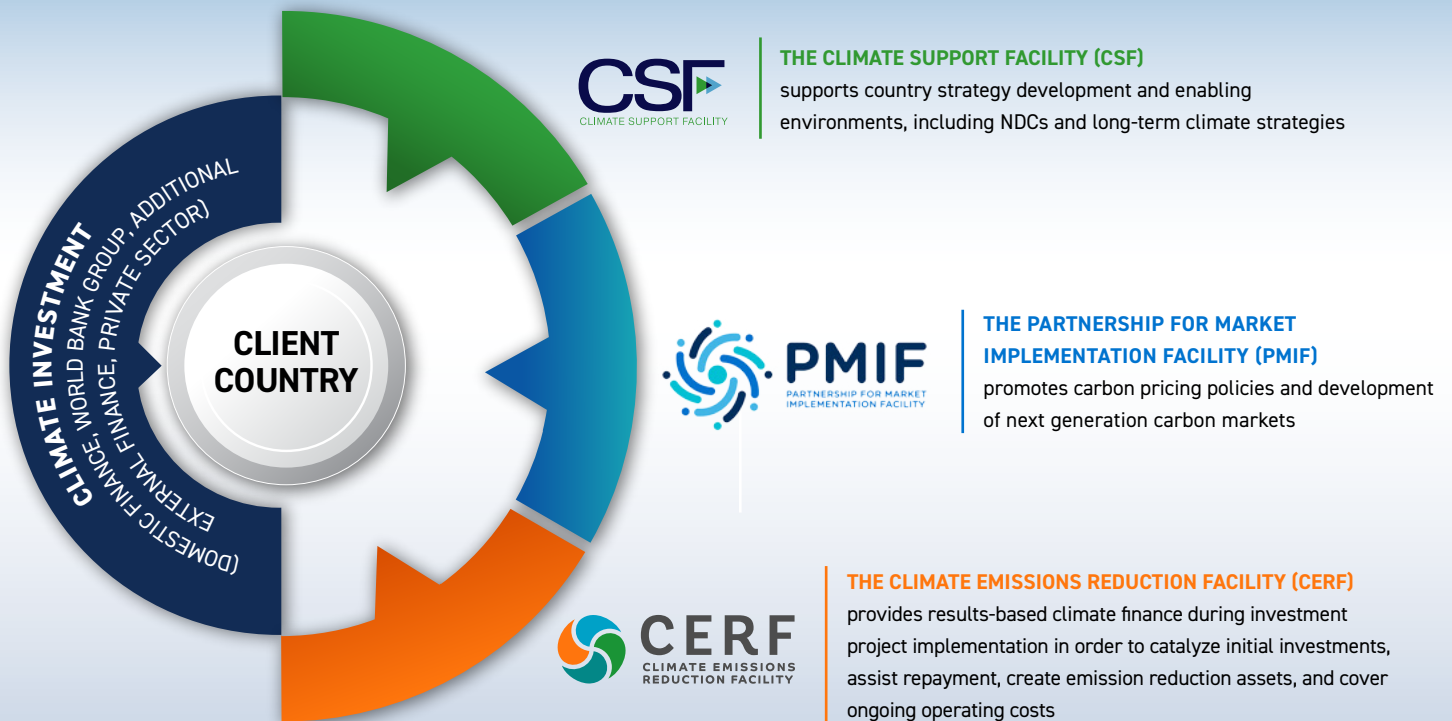


Provide **targeted support** for key sectors with the highest emissions

To help achieve the CCAP, the World Bank is complementing its core lending and advisory services with three umbrella trust funds that consolidate existing climate funds to better position them to fill specific knowledge and financing gaps for low-carbon and resilient development.

These trust funds catalyze, inform, and enhance the growing levels of funding available for climate investments by influencing climate policies, market creation, and project design before investments are made, and then by supporting project operation following the investment. The umbrella trust funds leverage the convening power, global footprint, high-level country engagement, and lending power of the World Bank.

## Umbrella trust funds catalyze climate action for World Bank clients



Together, these trust funds work across the project cycle in synergy with other World Bank financing to address global climate challenges and support countries' continued sustainable development.

<sup>1</sup> World Bank Group. 2021. World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/35799> License: CC BY 3.0 IGO.

## Supporting the Transition to a Low-Carbon, Resilient Future

The next 10 years are critical for setting the world on a long-term path that avoids the worst effects of climate change. Systemic economy-wide transformation is needed at an unprecedented rate and scale.

In the context of a global pandemic, the choices that countries make to restart their economies and protect their populations from future crises will play a key role in their ability to build back stronger and better, while meeting longer-term goals, including climate commitments.

The Climate Support Facility (CSF), a new World Bank umbrella program, was established in 2020 to support developing countries in their efforts to accelerate the transition to low-carbon economies and resilient communities.

### The CSF aims to:



Ensure climate change mitigation and adaptation is at the core of economic recovery efforts in the wake of COVID-19



Enable governments to deliver ambitious climate action through their Nationally Determined Contributions (NDCs)



Help countries take a long-term view of climate change as a core part of their development planning

## How the CSF works



### COVID-19 GREEN RECOVERY

Embed green recovery measures in World Bank-financed budget support packages, government spending programs, and investments.

Provide specialized climate and economic expertise in key government ministries responsible for implementing economic recovery measures.

Develop and apply tools and methodologies to design and evaluate policies and measures for climate action.



### NDC AND LTS DEVELOPMENT

Support the implementation and enhancement of NDCs through a whole-of-government approach.

Promote the development of national decarbonization pathways and long-term development strategies (LTS).

The CSF is the Climate Change Group's fund dedicated to integrating long-term climate considerations into the World Bank's advisory services and operations, including support to expedite project preparation and facilitate post-COVID green stimulus projects. As it draws together targeted technical assistance and analytics from across the World Bank to support project preparation, capacity building, and implementation with a strategic climate lens, the CSF is expected to be a key contributor to achieving corporate commitments and priorities, including those outlined in the World Bank's CCAP.

For more information: [climatesupportfacility@worldbank.org](mailto:climatesupportfacility@worldbank.org)

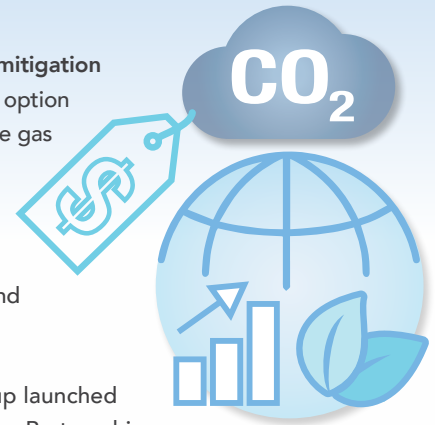
## Meeting the Growing Need for Carbon Pricing Support

Under the Paris Agreement's Article 6, carbon pricing and markets has been identified as a key mitigation mechanism to cost-effectively reduce carbon emissions. More than 100 countries included it as an option in their NDCs. In 2020, carbon pricing initiatives covered more than 20 percent of global greenhouse gas emissions and generated \$53 billion in revenue.

Emerging trends show an increase in carbon pricing initiatives globally, as well as increasing client demand for the World Bank Group's technical support on carbon pricing. Countries are seeking an integrated perspective of how carbon pricing policies can advance environmental, fiscal, sectoral, and technical expertise.

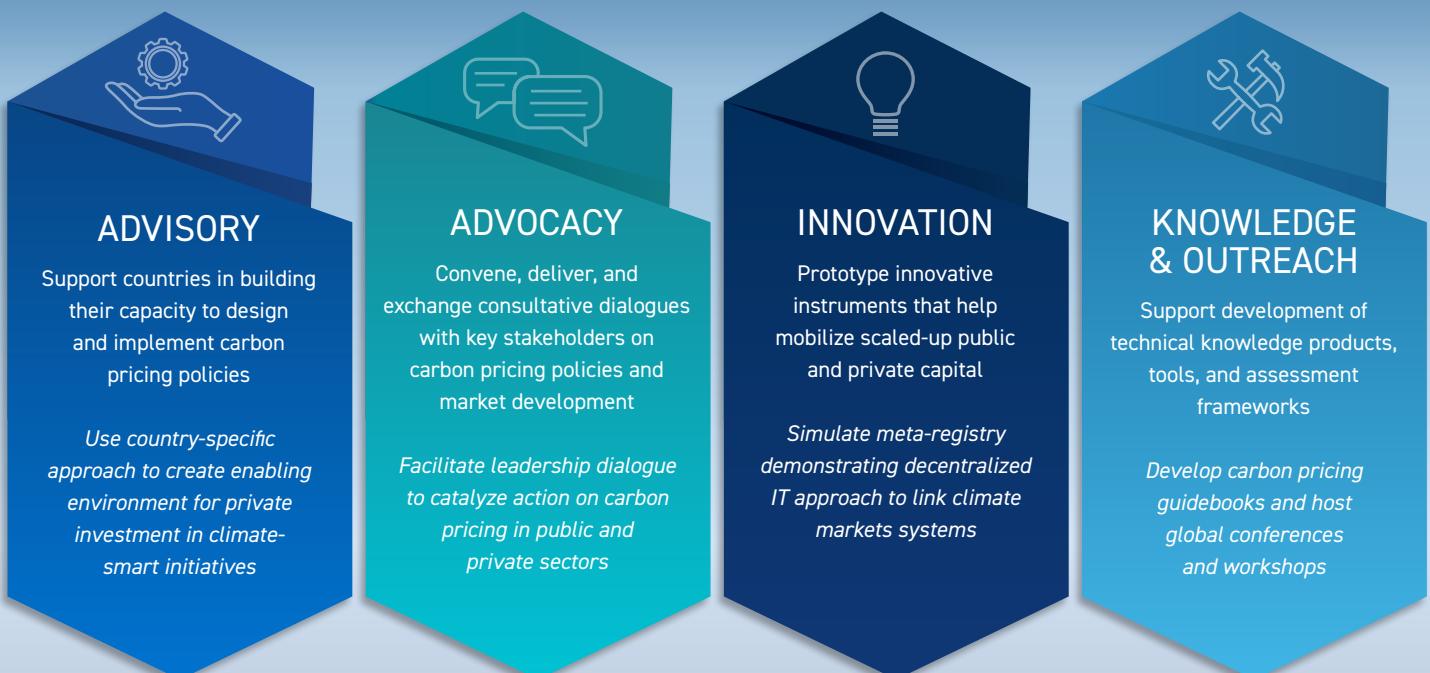
The World Bank Group is uniquely placed to provide this support:

- **Mandate to support clients in design and implementation of carbon pricing and markets**, effectively redirecting investments towards lower-emissions development
- **Strong expertise in carbon finance and markets** to develop the next generation of carbon markets
- **Leadership in climate action and enhanced climate ambition through advocacy for carbon markets and innovation**, building capacity, and mobilizing capital



The World Bank Group launched the global, multi-donor Partnership for Market Implementation Facility (PMIF) as an umbrella program in 2021 to contribute to the acceleration of global decarbonization efforts. The PMIF aims to be the one-stop shop for helping client countries design and deploy carbon pricing policies/programs appropriate to their domestic context and compatible with their sustainable development priorities; and catalyzing the development of the next generation of international carbon markets.

## How the PMIF works



The PMIF is implemented in collaboration with World Bank Group regions, country management units, global practices, and, where relevant, the International Finance Corporation and the Multilateral Investment Guarantee Agency to leverage and support operations.

For more information: [PMIclimate@worldbank.org](mailto:PMIclimate@worldbank.org)

## A One-Stop Shop for Results-Based Climate Finance

The Climate Emissions Reduction Facility (CERF) is the World Bank's new one-stop shop for deploying results-based climate finance to drive transformative climate action.

Results-Based Climate Finance (RBCF) - payments for achieving agreed climate-related results - is crucial to incentivize climate action and support increased ambition in countries' Nationally Determined Contributions (NDCs). However, currently less than 4 percent of climate finance is paid on the basis of results achieved during project operations.

As the only umbrella trust fund that provides finance at scale for countries' emission mitigation efforts, CERF builds on the World Bank's two-decade history with carbon finance and pioneers a new business model that mainstreams RBCF to leverage the organization's convening power, country engagement, global footprint, and lending volumes.

Increasing results-based climate finance for developing countries brings multiple benefits as part of an overall climate finance package:



**Incentivizes ambitious climate goals and action** from client countries by rewarding delivery of scaled emissions reduction targets and other results



**Increases successful project delivery** by providing an additional revenue stream to cover ongoing operating costs



**Generates verifiable emissions reductions** for client countries and development partners to cover NDC commitments and stimulate international carbon and offsets markets



**Catalyzes upfront capital investments** for climate action by providing the collateral of an ongoing revenue stream during project operation to crowd in upfront investment, including by private sector actors

## How CERF works

### NATURAL CLIMATE SOLUTIONS (NCS)

#### TARGET SECTORS:



Agriculture, forestry, land-use, oceans, and other sectors that support natural capital assets

#### EXAMPLE PROJECT:

*Payments for forest and land use credit stacking - realizing both carbon and endangered species credits by maintaining and managing forests*

### SUSTAINABLE INFRASTRUCTURE SOLUTIONS (SIS)

#### TARGET SECTORS:



Energy, water, transport, urban, and other sectors that provide public goods for economic growth

#### EXAMPLE PROJECT:

*Payments for verified emission reductions from low-carbon cities with low-carbon transport, infrastructure, and services*

### FISCAL AND FINANCIAL SOLUTIONS (FFS)

#### TARGET SECTORS:



Financial, banking, budgeting, and macroeconomic sectors where interventions mobilize private capital

#### EXAMPLE PROJECT:

*Payments made for reducing emissions using green banking practices or removing fossil fuel subsidies*

By providing payments during project implementation, the CERF umbrella complements other funding sources inside and outside the World Bank that focus on project preparation and initial capital costs. CERF also includes the World Bank's Enhancing Access to Benefits while Lowering Emissions (EnABLE) trust fund, which enhances gender equality and social inclusion in all the fund's projects.

For more information: [CERF@worldbank.org](mailto:CERF@worldbank.org)