



World Bank's Safeguard Policies Review and Update Expert Focus Group on the Emerging Area Climate Change Mexico City, Mexico April 9, 2013

On April 9, 2013, a focus group of international experts was held in Mexico City, Mexico, on the subject of Climate Change. This focus group was part of the World Bank safeguard policies review and update process and the topic of Climate Change is one of the emerging areas that stakeholders have asked the Bank to consider during the review. Other emerging areas include: labor and occupational safety, disability, free, prior and informed consent of indigenous people, gender, human rights, land tenure and natural resources. More information about this process is available on the safeguards review [website](#). The terms of reference for participants of focus groups for emerging areas are available [here](#).

Participants in the focus group comprised climate change experts from a variety of civil society, governmental, and research organizations from around the world (see [list of participants](#)). It was agreed at the outset that the focus group would be conducted in accordance with Chatham House rules, and that participants would speak in their individual capacities rather than as representatives of their respective institutions. In addition to participating experts, seven World Bank staff members were present. The meeting was facilitated by Tony Juniper from the University of Cambridge Programme for Sustainability Leadership (CPSL).

The focus group meeting began with a presentation by World Bank staff to help define the purpose and scope of the meeting. The presentation described the rationale, objectives and stages of the overall safeguards review process. A second presentation set the stage for the specific discussion on climate change, development, and safeguards in the World Bank.

The discussion was guided by four questions:

1. How should climate change issues be included in environmental and social assessment processes?
2. What are the key issues that should be considered for managing climate related risks to development and reducing emissions?
3. Do countries have appropriate data, methodologies and approaches to: a) evaluate and select options for climate related risks to people, economies and ecosystems, and b) evaluate and select options for low emissions of greenhouse gases and short-lived climate pollutants?
4. What support might countries need for incorporating climate considerations in environmental and social assessment processes?

Following is a synthesis of key observations of participants during the day. It should be emphasized that these observations are not reported here as necessarily representing the substantive consensus of the group. They are instead summarized here as key issues put on the table by one or more individual experts that received attention during the consultation and that were proposed for further consideration as the process goes forward.

1. General observations

- Participants first pointed out that the World Bank needs to be clear about how climate change is considered in the context of its investment lending. There can be positive benefits from reducing greenhouse gas (GHG) emissions or building climate resilience through project interventions. But projects can also result in net increases in GHG emissions or threaten to reduce resilience. All of these aspects should be taken into account, though not necessarily all through safeguards.
- The World Bank should consider which instruments, other than safeguards for investment lending, could be used to incorporate climate change considerations into its operations (e.g., policy support, country-wide strategies, program-for-results (PforR)).
- Opinions diverged on whether climate change should be addressed through a separate safeguards policy or be integrated into a broader safeguards framework.
- Participants strongly agreed that climate change should be an upstream concern: climate change should be considered at a programmatic level and very early in the project design to influence site selection and activities supported by the project.
- Participants called for a harmonized safeguard framework with other development partners (MDBs/IFIs).
- Future Climate Finance Architecture and safeguard policies: Any safeguard policy changes should be considered in light of the work supported through the Green Climate Fund.

2. How should climate change issues be included in environmental and social assessment processes?

Participants discussed whether safeguard policies would be the most suitable approach to addressing climate change issues in World Bank-financed projects. Some concerns were expressed that safeguards are not applied upstream enough to consider alternatives, may stifle innovation, remove incentives for mainstreaming, lead to increased grievance and criticism, and put too much of a financial burden on the borrower. Participants did agree, however, that climate related issues need to be addressed very early during project planning and design, as well as throughout the entire project cycle. Safeguards are one way of ensuring the early inclusion of climate considerations in World Bank lending.

- **Suitability of safeguards for climate change.** While there was an overall consensus that climate change should be included as part of safeguards to improve the environmental sustainability of World Bank-funded projects, participants expressed some concern that safeguards may not be the best instrument. To illustrate this concern: if climate change considerations are included in

safeguards, then climate change could be treated as an afterthought, which can lead to project teams “checking the box” rather than incorporating climate change considerations up-front into the design of operations, working across sectors, and developing with innovative solutions. Furthermore, countries may turn to other multilateral institutions or donors with fewer safeguards requirements.

- **Climate change as an upstream consideration.** Participants agreed that climate change considerations need to be part of project planning and design. Safeguards could be a useful tool in ensuring early and systematic consideration of potential climate risks, and this is a good time to discuss the effectiveness of safeguards as a tool. However, assessing the risks from climate variability and change is different from environmental impact assessment, in that the latter generally focuses on impacts of project activities on the environment and people. But the assessment of the additional risks from climate change and risk management need to be integral parts of project design. Borrowing countries should have an interest in upstream consideration of climate risks as they would not want to make investments that would be at risk from future climate change and would want to consider opportunities from changed climate or opportunities that can benefit development and climate outcomes. The question is whether the Safeguard Policies can best play this role. If yes, then climate change should be front and center. But if not, how and when should such considerations be taken into account in the decision-making process?
- **Cost of including climate change considerations.** Some participants stated that adhering to GHG or resilience “standards” may result in additional costs during project preparation, e.g., through the use of low-carbon options. Costs will vary from country to country, and some borrowing countries may be unable or unwilling to shoulder the additional cost. Others suggested there may be no additional costs as they should be an integral part of project preparation and the additional multiple local development benefits should outweigh such costs. They also suggested that the pay back may be on quite short-term for some of the additional costs.
- **Incentives.** Borrowing countries as well as World Bank project teams need incentives to incorporate climate change considerations into the planning and design of projects. It was suggested that for country a project be embedded in the country-led low emission development strategy or national adaptation plans. Access to climate funds would provide considerable incentive. Countries’ obligations to international agreements are a further incentive for countries to comply with World Bank safeguards. With regard to project teams and World Bank staff, it was suggested to locate responsibility for safeguards compliance with project Task Team Leaders (TTLs) rather than government officials as TTLs are more likely to have incentives to implement safeguards with considerations of climate change.
- **Adaptation to Climate Change.** With regard to adaptation to climate change, it was pointed out that projects should address climate-related risks. General principles should be “doing good” and avoiding maladaptation. Projects should also include a rigorous climate risk assessment and management plan. Climate change and impacts should be situated in the context of other pressures and changes (i.e., how much of an issue is climate change versus other pressures in a particular location). Guidelines and scoring systems should be developed to help World Bank staff conduct such an assessment. Activities to manage risks of climate change (or adaptation) should be integrated with rural development. Given the number of small holders in many

developing countries, risks of climate change on them and any specific trade-offs applying to them should especially be considered.

- **Mitigation or emission reduction.** Participants generally agreed on greenhouse gas accounting, such as in IFC's Performance Standard 3 (PS 3), but pointed out that short lived climate pollutants such as methane, black carbon, and HFC gases should also be included. There was a critique that PS3 focuses too much on existing systems and not enough on outcomes. Participants suggested it would be important to strike a balance between the transparency, credibility and robustness of tools for accounting and ease of use, data needs and capacity to apply the tools.
- **Programmatic engagement.** It was suggested that the World Bank use its influence to encourage borrowing governments to choose low carbon and climate resilient options in projects. Participants argued that programmatic engagement on climate change considerations in development should go beyond investment lending and cover other instruments of the World Bank portfolio, in particular DPL and PforR. In any case, the World Bank should engage in dialogue with borrowing countries to support countries' climate change agenda (while avoiding political influence).
- **Examples.** Participants quoted a number of examples for climate change policy frameworks, methodologies, work programs, and assessment tools: the American National Standards Organization, a member of the International Standards Organization, is developing metrics for moving beyond emissions footprints to metrics for the effects of emissions and other activities on people and the environment; integrated resource planning; the UN Food and Agriculture Organization (guidance on land tenure); Nationally Appropriate Mitigation Actions (NAMAs); National Adaptation Plans (NAPs); and climate risk assessment tools being tested by other multilateral development banks. ICAEW, an international institute of certified accountants (formerly named The Institute of Chartered Accountants in England and Wales) is seeking to develop a set of metrics for evaluating the sustainability of industries and organizations that go beyond pure economic measures.

3. At the project level, what are the key issues that should be considered for managing climate related risks to development and reducing emissions?

Participants discussed the issues of resilience and inter-generational equity as well as specifics about emissions and emission measurement.

- **Resilience and intergenerational equity.** Resilience and inter-generational equity (the additional burden on future generation if there is no action to address current climate-related risks and reduce emissions) were discussed as key issues to be considered with regard to climate related risks. Long-term impacts should be assessed and included in resilience measures of communities. Impacts from project using non-renewable natural resources need special consideration, as those impacts will affect future generations.
- **Emissions.** Consideration of emissions should include all warming (and cooling) agents beyond the Kyoto gases. If the World Bank intends to set carbon/ pollutant footprint thresholds, it needs to ensure that emissions will be measured appropriately. This could mean that the

metrics relating to emissions distinguish the roles of emissions of long-lived and short-lived species (or emissions of GHG and short-lived climate pollutants). Guidance should be given on how to measure emissions in different sectors. It should be acknowledged upfront that carrying out measurements of emissions is going to be a challenge. It was suggested that World Bank safeguards should establish a hierarchy of emission goals: emission avoidance, emission reduction, offset, and compensation.

- **Resource efficiency.** Participants discussed the need to focus on win-win solutions for climate change, such as the conservation of energy and water resources that could support climate mitigation and improve resilience.
- **Key questions to ask during project design** to guide how and when climate-related risks: (i) When is the past no longer a guide to what may happen in the future? (ii) How strong are the climate signals among all other variables of volatility? (iii) What does the project site look like in 5, 10, 20 years' time taking account of climate risks?
- **Sectoral approach.** Requirements and frameworks for mitigation and adaptation may need to be different for different sectors. Sector-specific guidelines may be needed. It was mentioned that the World Bank Group's Environmental, Health, and Safety Guidelines are currently being updated by IFC, and that there is an opportunity to include climate change considerations in more than sixty sectoral guidelines. However, some participants warned that some agencies have tried this approach, which resulted in an extensive set of often redundant rules. A principle-based approach may be more efficient across sectors.
- **Government involvement.** The World Bank should work with governments to encourage them to update their existing climate related rules and regulations for considering climate change in project design. Responsibility for considering and acting upon climate change impact of and on projects will eventually reside with borrowing governments.
- **Other issues.** Other issues mentioned in the discussion of this particular question included vulnerability, exposure, engineering approaches, climate related risks and their connection to disaster risk frameworks, and public outreach. A question was also raised about how public notice and consultation requirements designed for individual projects could apply to climate investment programs, which increasingly take a national, strategic, programmatic or results-based lending approach as opposed a project-by-project approach.

4. Do countries have appropriate data, methodologies and approaches require to: a) evaluate and select options for climate related risks to people, economies and ecosystems, and b) evaluate and select options for low emissions of greenhouse gases and short-lived climate pollutants?

- **Impact assessment.** Impact assessment was identified as a crucial step toward implementing any safeguards that include considerations of climate change. Translating climate data into impact assessment is still a challenge. Benchmarks should be specific to countries and sectors, responding to their specific needs and circumstances. Climate benefits in development should be measured, as was done in the MEDEC study for Mexico. When assessing impacts of climate change, a number of issues need to be taken into account: for example, innovative projects should not be penalized by safeguards if, for instance, social and environmental effects are high, but long-term climate impacts are low or beneficial and development impact is high.

Furthermore, projects that are specifically tailored to address climate change may need to be assessed differently than those that are not designed to include explicit climate change benefits, but which will affect the climate or climate resilience.

- **Data availability.** Data availability varies across countries and across sectors. Some countries may not have the capacity to gather all necessary data for impact assessment, particularly emissions or social baselines, and other measurements, although some data may already be available. It was suggested that the World Bank could play a major role in strengthening hydro-meteorological services in countries and facilitate getting the data together and making it available within the borrowing countries to support their planning and decision making. The World Bank has played a constructive role in the past, e.g. when doing major climate change related analytical work that brought multiple agencies, ministries and organizations together. Data availability is also hindered by the variety of methodologies used. Therefore, methodologies and data formats should be harmonized.
- **Data gaps.** It was noted that spatially distributed social information is often lacking for conducting impact assessment.

5. What support might countries need for incorporating climate considerations in environmental and social assessment processes? Is support needed for multi-sectoral work, data collection, development of methodology and approached, monitoring and evaluation programs to track outcomes? What incentives, if any, would be needed for countries to adapt and use the proposed principles, standards or safeguards in the environmental, social and decision-making frameworks?

- **Data, tools and methodology.** Countries often do not have access to the best available data and tools. Downscaled results from global climate models are not enough. Countries need to be provided with more useful and applicable climate information. This could include information on: changes in variability and extreme weather; seasonal and spatial shifts in precipitation and impacts on water resources, flooding, and drought; changes in frequency and intensity of conditions that stress public health. There are some intellectual property issues in relation to data sets and access to scientific journals is limited in most countries. The World Bank can also think about the role and approaches to economic analysis/ cost-benefit analysis within its projects.
- **Capacity building.** Adequate capacity of borrowers and World Bank staff to implement safeguards that include considerations of climate change was pointed out as a crucial aspect for the success of this kind of policy, as was access to and ownership of information and knowledge. One participant suggested to establish Adaptation Centers of Excellence in borrowing countries, possibly linked to similar centers in donor countries, to improve borrowing countries' ownership of climate related information and knowledge. In general, countries should be encouraged to take ownership of climate change issues by having access to locally owned solutions that are responsive to country demands. Technical support should provide training with regard to impact measurements, tools, and technologies.

- **Climate financing.** As countries will have to pay the cost for implementing safeguards with considerations of climate change, they should have access to climate financing to help them do so.
- **Ownership.** Country ownership of climate change approaches would be improved if safeguards were built on the country's own safeguard system and embedded in national emission reduction and climate resilience strategies.