United States Senate

WASHINGTON, DC 20510

February 16, 2023

David Malpass
President of the World Bank Group
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr. Malpass and World Bank Board of Executive Directors,

The recent announcement that you will step down in June as president presents a key opportunity for the World Bank to chart a more effective and more sustainable course related to climate action management and efforts. By failing to sufficiently finance climate action and by continuing to finance fossil fuel projects, the World Bank is falling short in its efforts to achieve its twin goals of ending extreme poverty and promoting shared prosperity. The World Bank needs new leadership to enact reforms that will address climate change and provide more financial support to developing countries, which suffer far more from climate change than high-income countries.[1] It must halt its financing of fossil fuel projects, increase financing for climate action that is truly green and equitable—especially in the form of grants to climate-vulnerable countries—and improve transparency, including by engaging with stakeholders as it develops and implements climate finance reforms. Only an increased and sustained climate financing commitment with greater transparency and accountability by the World Bank can help move the needle on slowing and ultimately reversing climate change, as well as addressing irreversible losses and damages. We ask that you respond to and consider the concerns in this letter as the Bank determines its future course and its new leadership.

We are alarmed by the lack of support the World Bank provides to developing countries to address climate change. Climate change will only exacerbate extreme poverty worldwide—including through crop failures, resource scarcity, and forced migration—and continued investments in fossil fuels contribute to that worsening crisis. Although the World Bank has taken steps toward increasing its climate financial commitments, it has simultaneously and contradictorily continued to fund climate destruction. Reportedly, since the adoption of the Paris climate agreement in 2015—despite an overall downward trend—World Bank spending on fossil fuel projects still totaled more than $14.8 billion.[2] The lack of transparency around reporting of financing means this amount is likely to be an underestimate of the total spent on fossil fuel financing. If we are to have any hope of meeting the scientifically necessary timeline for reducing global greenhouse gas emissions,[3] the World Bank must immediately end all fossil-fuel-project financing, particularly fossil fuel supply projects and gas-fired power plants. The

[1] *Approaches to reducing and managing losses and damages from climate change,* OECD (Apr. 15, 2021), https://www.oecd.org/environment/cc/Background_paper-second-workshop-climate-losses-and-damages.pdf.
[2] *Investing in Climate Disaster: World Bank Group Finance for Fossil Fuels*, Big Shift Global (2022), https://bigshiftglobal.org/Investing_In_Climate_Disaster.
[3] *Pathway to critical and formidable goal of net-zero emissions by 2050 is narrow but brings huge benefits, according to IEA special report*, IEA (May 18, 2021), https://www.iea.org/news/pathway-to-critical-and-formidable-goal-of-net-zero-emissions-by-2050-is-narrow-but-brings-huge-benefits.

World Bank must stop supporting projects like Ghana's Sankofa offshore gas project, which has caused crushing fiscal pain for the country.[4] The World Bank also must halt all indirect finance support for ongoing fossil fuel development, including through its provision of technical and budget assistance, trade finance, or intermediary lending.

Further, the World Bank must dramatically increase financing for renewable energy and other sustainability and climate projects, as well as be more transparent about how it measures them.[5] The World Bank recently set a five-year target of committing 35 percent of its totaling lending to "climate finance."[6] But other than stating that this "metric . . . accounts for the share of project finance that actively mitigates or adapts to climate change,"[7] the World Bank does not clearly define "climate finance" or "climate action" or disclose how or why it chooses climate projects. This lack of transparency means that the World Bank's climate commitments are nearly impossible to independently audit and verify, and could be off by as much as 40 percent.[8] The World Bank should set an example for other multilateral development banks by providing detailed public disclosures of its climate investments. This should include an explanation of why the Bank considers an investment to be climate finance or climate action before and during a project implementation, and identify the methodology applied to both past and present projects. Most importantly, along with this increased transparency, the World Bank should increase its climate financing commitment to at least 50 percent by 2025, which would support a global just transition to renewable energy and be consistent with targets set by many other multilateral development banks, including the European Bank for Reconstruction and Development, European Investment Bank, and Asian Infrastructure Investment Bank.[9]

Simultaneously, the World Bank needs to reform its mission and policies so that it can better support climate-vulnerable countries in accessing the Bank's funds. While the World Bank's recently issued Evolution Roadmap provides a framework for how the Bank can issue more below-market rate loans to middle-income countries for climate-related projects, it should ensure that this concessional financing is effective and does not come at the expense of support to low-income countries.[10] Principally, the World Bank must shift more of its support from loans to grants and build in a debt-forgiveness process for developing countries disproportionately

[4] *Ghana's Sankofa gas project – backed by the World Bank – brings fiscal pain,* Brettonwoods Project (Apr. 7, 2020), https://www.brettonwoodsproject.org/2020/04/ghanas-sankofa-gas-project-backed-by-world-bank-brings-fiscal-pain/.
[5] *Net Zero by 2050: A Roadmap for the Global Energy Sector*, International Energy Agency (May 2021), https://www.iea.org/reports/net-zero-by-2050
[6] *What You Need to Know About the World Bank Group's 2nd Climate Change Action Plan*, The World Bank (June 22, 2021), https://www.worldbank.org/en/news/feature/2021/06/22/what-you-need-to-know-about-the-world-bank-group-2nd-climate-change-action-plan.
[7] *Id*.
[8] *Unaccountable Accounting: The World Bank's unreliable climate finance reporting,* Oxfam (Oct. 2022), https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621424/bp-world-bank-unreliable-climate-finance-reporting-031022-en.pdf?sequence=4.
[9] *Refreshing the World Bank Group for Climate Action*, Natural Resource Defense Council, (Oct. 17, 2022), https://www.nrdc.org/sites/default/files/refreshing-world-bank-group-climate-action-recommendations-20221014.pdf.

impacted by climate disasters. Many developing countries already hold heavy debts and face renewed and ongoing financial stress from reoccurring climate-fueled natural disasters. Loans, even at concessional rates, risk increasing those countries' debt burden. The countries that have done the least to cause the climate crisis—many of which are most at risk—should not have to incur even more debt to survive a crisis manufactured by their lenders.[11] The World Bank and multilateral development banks provided only 15 percent of their adaptation finance and less than five percent of mitigation finance through grants—a shockingly low fraction of assistance compared to multilateral climate funds, which issued grants for 99 percent of adaptation finance and 30 percent of mitigation finance.[12] The World Bank should dramatically increase the amount of climate financing it provides in grant form and begin to forgive the debts of climate-vulnerable countries. These investments would help the World Bank better meet its stated aim of increasing shared prosperity, particularly among developing countries.

Finally, the World Bank must meaningfully engage with stakeholders, including leaders from climate-vulnerable countries, representatives from vulnerable and frontline communities, and local and international members of civil society as it develops and implements climate finance reforms, its Evolution Roadmap, Country Partnership Frameworks, long-term strategies, and new Country Climate and Development Reports. Increased consultation on how the World Bank measures and allocates climate investments will ensure that designated projects genuinely support countries' social and environmental priorities.

None of these critical reforms has been made under your leadership. The World Bank must actively recruit a new president who understands the challenges of nations already affected by climate change. In order to enable a more successful approach to international climate finance, we ask for World Bank leadership to help us better understand how it approaches international climate financing by providing written responses to the following questions by March 9, 2023:

1. Will the World Bank publicly commit to ending financing for all fossil fuel projects, through all financing channels, including indirect methods such as financial intermediaries and policy-based operations? If not, why not, and please include in your response an explanation how continued fossil fuel project financing is consistent with the science on the actions needed to reduce global greenhouse gas emissions, and its mission of ending poverty and boosting shared prosperity. If so, what is the Bank's timeline for ending those projects?

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[10] *Evolving the World Bank Group's Mission, Operations, and Resources: A Roadmap, World Bank* (December 18, 2021), https://documents1.worldbank.org/curated/en/099845101112322078/pdf/SECBOS0f51975e0e809b7605d7b690ebd20.pdf.

[11] Chris Mooney, *The people who'll be most hurt by climate swings did the least to cause them, study says*, Washington Post (May 2, 2018), https://www.washingtonpost.com/news/energy-environment/wp/2018/05/02/scientists-just-showed-why-climate-change-is-enormously-unfair/.

[12] *Summary and Recommendations by the Standing Committee on Finance,* United Nations Framework Convention on Climate Change (Nov. 1, 2022), https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20BA5%202022%20Summary_Web_AW.pdf.

2. Will the World Bank commit to matching other multilateral development banks in increasing its climate financing commitment to 50 percent of its total lending? If not, why not?

3. How does the World Bank define “climate action” and “climate finance” in connection with its current target of thirty-five percent of its funding going to addressing climate change? How does the World Bank identify these projects and ensure that its investments address climate change and align with the Paris climate agreement.

4. For all projects reported to have climate finance, will the World Bank take steps to increase transparency in how it defines, calculates, and allocates its climate finance, in a manner that allows for independent verifications of its claims? If so, how? If not, why not?

5. Will the World Bank commit to increasing the amount of climate financing it provides in grant form and increasing debt forgiveness to climate-vulnerable countries? If so, how? If not, why not?

6. How does the World Bank currently engage with stakeholders on climate change? Does the Bank have any plans to improve or expand that engagement?

Thank you for your prompt attention to these questions.

Sincerely,

Edward J. Markey
United States Senator

Martin Heinrich
United States Senator

Elizabeth Warren
United States Senator

cc:

World Bank Board of Executive Directors

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