THE BIG SHIFT GLOBAL

World Bank Group Spring Meetings 2023 Cheat Sheet

Wednesday April 5th 2023

This briefing is from the 55 NGOs and thinktanks behind The Big Shift Global, a campaign calling on the world's Multilateral Development Banks to protect the climate by facilitating the transition to clean energy.

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Why this moment matters

With a new President now lined up via the usual gentleman's agreement led by the World Bank's primary stakeholder the United States, the world is waiting to see how far the Bank will go in reforms. Decisions made at this year's Spring Meetings will shape the agenda Ajay Banga inherits.

The World Bank Group should be a pillar of equitable, social and environmental transformation in the multilateral system. But repeated failures to align with the Paris Climate Agreement, and a notable lack of transparency on climate issues, make us doubt whether this goal will be met in the interests of the people in the poorest regions and the ecosystems we all depend on.

At the Big Shift we focus on fossil phase-out issues, but we urge the Bank's upcoming reform process to acknowledge the link between climate change and other global challenges. Austerity, gender inequality, loss of species, war and conflicts, rising energy and food costs, poverty and injustice are all exacerbated by rising temperatures and natural disasters.

The Bank cannot fulfil its mandate for sustainable development and poverty reduction without tackling climate change. It is a sad irony that by continuing to fund fossil fuels it is working against its own mission.

David Malpass's legacy is a Bank that has stepped away from aligning with the Paris Agreement, and strengthened ties to gas expansion in client countries, even while such expansion has been largely for export rather than access to safe, clean, and affordable electricity – which 770 million people globally still lack. The 2023 Spring Meetings are an opportunity to build a to-do list for the new president and flag key issues.

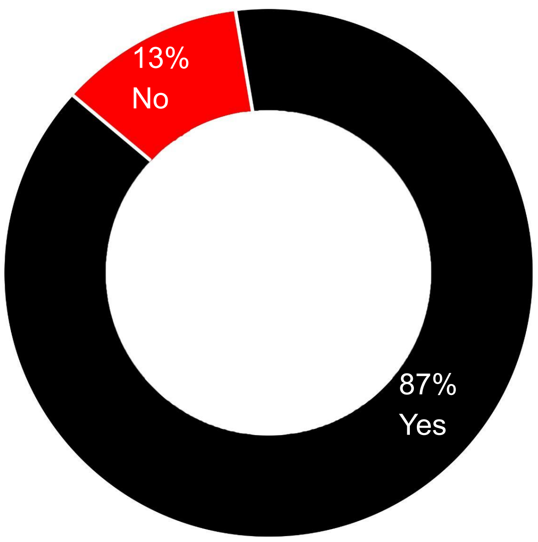
We are calling for a more robust approach to climate justice in general, and the just transition in particular - encompassing the phase-out of all fossil fuels.

What World Bank Group Employees Think

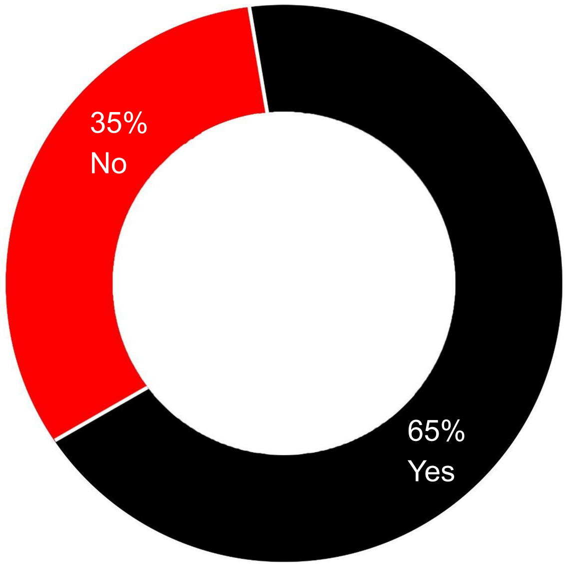
We reached out to World Bank Group employees via LinkedIn to ask for their opinions on the Bank's climate policies at the end of 2022.

90 employees shared their views, here are the results:

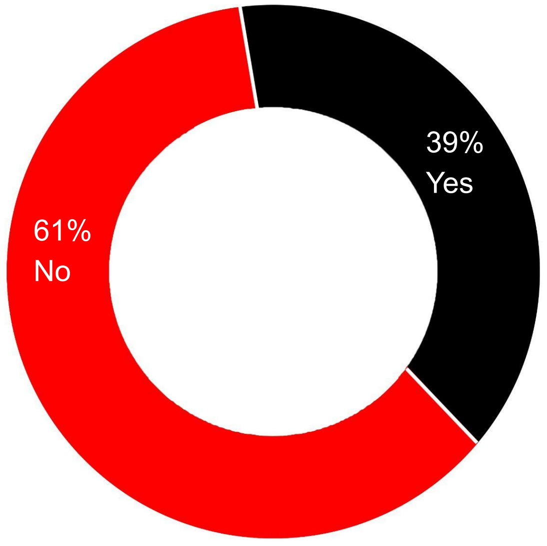
1. Do you think the World Bank needs to be more transparent about its climate finance?



2. Do you think the World Bank should stop all fossil fuel financing?



3. Do you think the World Bank is doing enough to align with the Paris Agreement?



Redrafting the Evolution Roadmap

Recent shareholder asks on the World Bank Evolution Roadmap have paved the way for critical choices at this year's Spring Meetings. The current draft of the Roadmap fails to meet the mandate provided by COP27[1] for MDBs to reform and significantly increase climate ambition. Instead, it mostly just proposes to expand its current model. The G7+ and Bank management failed to consult with developing countries or civil society, and instead created the draft Roadmap in a silo. This risks further entrenching an inequitable global financial architecture.

Transformational reform is needed at the World Bank Group and across the MDBs to make them fit for purpose to deal with current crises. Key reforms such as ending finance for fossil fuels, rejecting a misguided bias towards private finance, and re-evaluating regressive policy advice are some of the first steps needed for truly sustainable and just development solutions.

Lastly, we believe the nomination process for the next World Bank president must be overhauled. Any new World Bank president should be appointed through a merit-based, transparent process with criteria publicly available and candidates being able to present their platform. How can the World Bank claim to be transparent and accountable when its President isn't even democratically elected?

World Bank Action Day Manila

[1] Relevant text from the Sharm el-Sheikh Implementation Plan: "The Conference of the Parties…37. Calls on the shareholders of multilateral development banks and international financial institutions to reform multilateral development bank practices and priorities, **align and scale up funding, ensure simplified access and mobilize climate finance** from various sources and encourages multilateral development banks to define a new vision and commensurate operational model, channels and instruments that are fit for the purpose of adequately addressing the global climate emergency, including deploying a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burdens, and to address risk appetite, with a view to substantially increasing climate finance; 38. Calls on multilateral development banks to contribute to **significantly increasing climate ambition using the breadth of their policy and financial instruments** for greater results, including on private capital mobilization, and to ensure higher financial efficiency and maximize use of existing concessional and risk capital vehicles to drive innovation and accelerate impact" [emphasis added]

True or false: What's the Bank's real position on fossils?

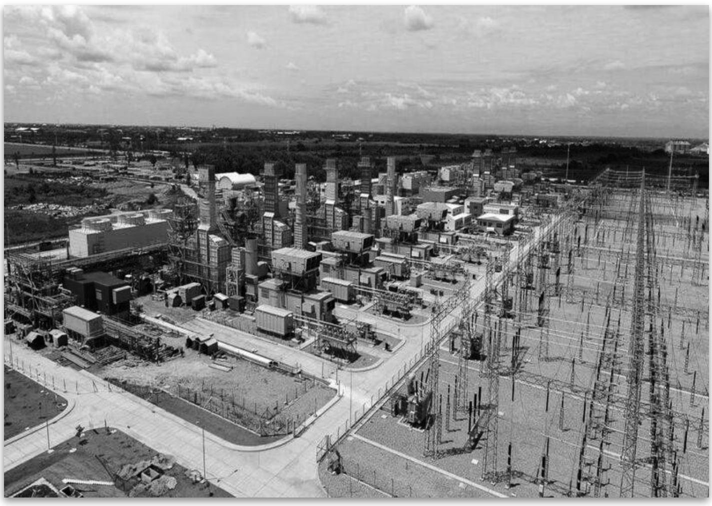
The World Bank Group invested zero in fossil fuel financing in fiscal year 2021

TRUE **FALSE**

This claim which the Bank has repeated in several forums, such as this blog, is misleading because it does not include all modalities of finance or all organisations within the World Bank Group. The World Bank Group is made up of five institutions: IBRD, IDA, MIGA, IFC and International Centre for Settlement of Investment Disputes (ICSID).

So why do statements like this leave out two parts of the group?

In truth: MIGA and IFC continue to finance fossil fuel projects and the IBRD and IDA support fossil fuels through budget finance, policy reforms, associated infrastructure, and technical assistance (See p8 below). None of these forms of fossil fuel finance are included in the Bank's "zero fossil fuel financing" claim. MIGA and IFC's direct support, and IBRD and IDA's trackable indirect support added up to $1.6 billion in fossil fuel finance in 2021.



MIGA issued guarantees of more than $250million for Mozambique's Central Térmica de Temane gas-fired power station

Example fossil projects funded by the World Bank Group in fiscal year 2021:

Bhola-2, Bangladesh

In June 2022 MIGA issued guarantees totalling **US$407 million** to cover the acquisition and refinancing of Nutan Bidyut Limited, the project enterprise that owns and operates the Bhola-2 220 MW dual fuel (gas/HSD) combined cycle power plant.

Ressano Garcia gas plant acquisition, Mozambique

MIGA guarantees worth almost **US$200 million** allowed Sasol to offload its stake in the gas-fired Centrica Termica de Ressano Garcia power plant in southern Mozambique into the hands of Azura Power.

Central Térmica de Temane, Mozambique

On December 8, 2021, MIGA issued guarantees totaling **US$251.3 million** to Globeleq Africa Limited, Sasol Africa Proprietary Limited, and Moz Power Invest, S.A. for their equity and quasi-equity investments in the Central Térmica de Temane gas-fired power plant project in Mozambique.

This project consists of the design, construction, ownership, operation, maintenance, financing and management of the 450 MW (net capacity) greenfield gas-fired power station.

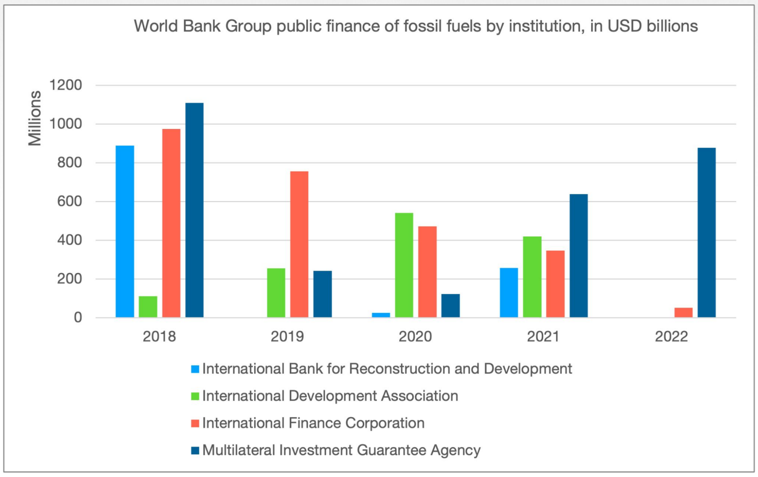
ACWA Power Sirdarya, Uzbekistan

In 2021 MIGA provided **$638.2 million** for the ACWA Power Sirdarya combined cycle single fuel (gas) (CCGT) power generating facility in Uzbekistan.

True or false: What's the Bank's real position on fossils?

The World Bank remains the biggest funder of fossil fuels of all of the MDBs

TRUE **FALSE**



Source: Public Finance for Energy Database, energyfinance.org

According to research by Oil Change International, the World Bank Group funds more fossil fuels than any other MDB, providing **$930 million** in trackable fossil fuel finance in 2022[2], with an estimated 94 per cent attributed to fossil gas. Of this **$876 million** came from MIGA.

This is just the tip of the iceberg. See p8 for many more finance flows to fossil projects via indirect methods that are not fully represented here.

Fossil gas is a viable transition fuel

TRUE **FALSE**

The Bank's insistence on using gas as a transition fuel is a mistake. Science states that the world must undertake no new fossil fuel projects to keep temperature increase below 1.5C degrees. Our planet and its living beings do not have time for fossil transition fuels. Arguments against the use of fossil gas are damning – stranded assets, fossil fuel lock-in, and displacing finance from renewable energy to name a few.

Civil Society in Africa says: "*Scaling up cost-effective, clean, decentralized, renewable energy is the fastest and best way to end energy exclusion and meet the needs of Africa's people." (Don't Gas Africa)*

[2]Oil Change International, "MDBs are still funding fossils," March 2023, http://priceofoil.org/new-2022-MBD-data.
[3]Indeed, gas expansion is a deliberate legacy of the World Bank's 2013 energy strategy. See Bank Information Center (2021), World Bank Energy Directions: Has the Bank fulfilled its commitments? What needs to change? and full report: Has the World Bank Met its Targets for Sustainable Energy?

Six cheats: How the World Bank is supporting fossils through the backdoor

1. Technical Assistance

The World Bank Group provides technical assistance to support fossil fuel development, including data gathering, feasibility studies, drafting policies and regulations, marketing and advising on transactions. From 2016 to 2020, the World Bank gave over $450 million in technical assistance to increase fossil fuel investments in at least 12 countries including Mozambique's coal and liquified natural gas blocks, Guyana's offshore oilfields, Brazil's offshore oil fields and Afghanistan's coal and gas fields.

2. Trade Finance

Trading oil, gas and coal around the world involves a particular type of trade finance, with banks offering letters of credit guaranteeing payment for cargoes. The World Bank's private sector arm, the International Finance Corporation (IFC), provides these trade finance loans and guarantees. While this short-term trade finance is transaction-specific, none of these transactions are disclosed to the public. From 2019 to 2021, non-profit human rights organisation Urgewald found at least $7 billion in unaccountable IFC trade finance including $1 billion to cover trade in Nigeria and $500 million for Mozambique, two countries with significant oil, gas and coal trading.

3. Policy Reforms Benefiting Fossil Fuels

The World Bank insists countries accept certain policy reforms if they want to receive budget finance (known as Development Policy Finance operations). The two most important policy reforms the World Bank commonly requires to incentivize fossil fuel investments include lowering tax rates and increasing energy tariffs to incorporate higher rates of return. From 2016 to 2019, the World Bank required energy tariff reforms in 29 countries and tax reforms in 41 countries. In Pakistan, Bank-required electricity tariff reforms made new coal-fired plants the most profitable in the world and further exacerbated Pakistan's unsustainable energy sector debt problems.

4. Financial Intermediaries

On-lending to fossil fuel projects through financial intermediaries – the World Bank Group makes more capital available by lending through financial intermediaries (FIs), e.g. commercial banks and equity funds. The projects and companies being financed by these banks and funds,which are typically not disclosed to the public, include projects and companies tied to fossil fuels. Additionally, many new oil, gas, or coal projects potentially qualify as small and medium enterprises (SMEs) because at the time finance is provided, i.e. before they commence operations, they do not yet generate revenue, have significant assets or have many employees (see Urgewald, page 12).

5. Finance For Fossil Fuel-enabling Infrastructure

The World Bank funds billions in infrastructure, such as transmission lines to evacuate power from newly built coal power plants (e.g. see Urgewald, Table 6, $783 million guarantee to Eskom Holdings) and gas power plants; and port infrastructure to handle coal (e.g. equity in Port Qasim), oil, and gas exports and imports. Alarmingly, the MDBs have put such fossil fuel-enabling infrastructure on the list of project types considered to be aligned with the Paris Climate Agreement.

6. Government spending on fossil fuel development through non-earmarked World Bank budget finance

Through non-earmarked government budget support, the World Bank provides on average $10 billion a year in budget finance to governments with no restrictions on coal, oil, or gas funding. Thus, governments are allowed to use this finance to provide loans, equity or guarantees to fossil fuel projects and/or fund government expenses related to fossil fuel developments. Urgewald research shows that from 2016 to 2019, 81 countries received budget finance. In many cases, these operations specifically target the energy sector in countries expanding coal and upstream oil and gas (e.g. India, Indonesia, Pakistan, Mozambique, Guyana, Nigeria and Egypt). To end this pernicious practice the WBG must place coal, oil and gas on its exclusion list.

The Big Shift is calling on the World Bank Group to:

1. **Ensure the Bank's Evolution Roadmap and reform plans include** a whole of institution phase out of finance for fossil fuels including fossil gas. This must be accompanied by the Bank's wealthiest shareholders providing new and additional forms of international climate finance (including bilaterally and via UNFCCC-based climate funds), to kickstart and sustain green economic transformation in developing countries.

2. **Fulfil the Bank's mandate to alleviate poverty by ending developing countries' reliance on fossil fuels**, redirect funds to support a just, renewable energy transition to ensure energy access for all and gender equality, in line with SDGs 5, 7 and 13.

3. **Add coal, oil and gas to the World Bank Group's exclusion list**. Historically, when shareholders do not want activities funded by the World Bank Group, such as nuclear power, weapons and tobacco, these items are put on an Exclusion List or Excluded Expenditures List. All coal-, oil- and gas-related activities must be added to the Exclusion Lists for all types of World Bank Group finance (i.e. direct and indirect finance, e.g. budget finance and financial intermediaries).

4. **Provide full transparency**, improved reporting, audits on trade finance at the transaction level and on climate finance at the project level and the use of funds including those that flow indirectly via financial intermediaries or to countries via budget or policy support.

5. **Raise its ambition on climate change** and a renewed drive to keep temperatures below a 1.5C degrees increase, not 2 degrees. Rhetoric is not enough. 1.5C cannot be maintained if the World Bank continues to finance fossil gas and other fossil fuels.

6. **Commit to open and transparent public consultation** on its Paris Alignment process on an annual basis in line with EBRD plans.

The following organisations are supporting the Big Shift Global:
11.11.11, 350.org, Abibiman Foundation, ACCESS Coalition, ACT Alliance, Africa Coalition for Sustainable Energy & Access (ACSEA), Africa Coal Network, African Climate Reality Project, Alternative Law Collective, Arab Watch Coalition Asia Climate Change Consortium (ACCC), Bank Information Centre, Both Ends, The Bretton Woods Project, CEDLA, Center for Earth Ethics, Centro Humboldt, Climate Action Network (CAN), Counter Balance, Christian Aid, Church World Service (CWS), E3G, Fossil Free South Africa, Gender Action, Global Catholic Climate Movement, Groundwork, Grupo de Financiamiento Climático para América Latina y el Caribe (GFLAC), GreenFaith, FEMAPO, Friends of the Earth US, Fundación Ambiente y Recursos Naturales, Inclusive Development International, Jeunes Volontaires pour l'Environnement (JVE), Maryknoll Office for Global Concerns (MOGC), Oil Change International, The Natural Resources Defense Council, NGO Forum on ADB, Pan African Climate Justice Alliance (PACJA), Philippine Movement for Climate Justice (PMCJ), Power Shift Africa, Recourse, Reclaim Power, Season of Creation, Sierra Club, Solutions for Our Climate, Stand.Earth, SustainUS, Swedish Society for Nature Conservation, Tearfund, The Energy Mix, Trend Asia, Vasudha Foundation, Urgewald and World Future Council.