COP26 Climate Brief

Country Climate and Development Reports (CCDRs)

The Challenge

Climate change poses serious threats to sustainable development, so countries urgently need to integrate efforts to reduce greenhouse gas emissions (GHG), as well as investments in adaptation, in their development strategies. Climate action can reduce risks and help deliver on development objectives such as reducing poverty[1] and boosting sustainable growth.

Most countries have some form of climate strategy, typically laid out in their Nationally Determined Contributions (NDCs).[2] For some, the priority is adaptation—to keep climate change from reversing development gains. National plans also need to articulate clearly and specifically the paths to reducing GHG emissions that are meaningful and consistent with development, including electricity access. This is especially important for the major emitters.

Many current NDCs remain siloed from national development policies and economic strategies, however. Lack of clarity about responsibility and accountability has contributed to climate plans that are often led by a single ministry and lack buy-in or participation by other parts of the government. As a result, the plans often do not inform the policy and investment decisions made by finance or development ministries. In addition, in many instances, the lack of engagement across ministries results in climate strategies and action plans not being grounded in robust data or integrated multi-sectoral analysis.

What Is Needed?

For countries to undertake low-carbon, resilient development, it will be vital to deploy government-wide approaches that integrate climate and development considerations. This requires new diagnostics to identify and prioritize opportunities for high-impact climate actions that support development and economic growth. Strong analytics and high-quality emissions data—current and projected—are needed to provide the foundations for countries to design and implement their climate strategies.

It is essential that these diagnostics be country-owned: multi-sectoral, whole-of-government exercises with outcomes that inform not only domestic policies and investments, but also decisions by development partners. Country ownership is critical so that the strategic pathways built from the diagnostics are implementable at the country level. Multilateral institutions such as the World Bank Group (WBG) can support countries through strong analytics and policy advice to help connect multi-sectoral issues, strengthen institutions, build capacity, make strategic investments, and help attract the private sector. They can also use their convening power to foster mutual learning across countries.

How Is the WBG Contributing to Solutions?

Integrating climate and development is a pillar of the WBG's new Climate Change Action Plan 2021–2025.[3] To advance this, the WBG has launched a new, core diagnostic tool: The Country Climate and Development Report (CCDR).

How CCDRs will be produced:

» Firmly anchored in a country's development goals;

» Prepared with expertise from World Bank, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA), as well as support from the International Monetary Fund (IMF);

» Developed through active engagement with government counterparts, the private sector, academia, think tanks, and civil society;

» Backed by a CCDR data source to provide country-level climate, sectoral, and development metrics, including a breakdown of sources of current and projected GHG emissions;

» The reports will be publicly available;

» CCDRs are first being produced for 25 countries, but will be rolled out to all WBG countries over the next four years.

What will CCDRs accomplish?

» Help inform country development strategies in a manner that integrates climate and development;

» Support countries as they define, update, and implement their NDCs, by identifying concrete ways to reduce GHG emissions in a manner that supports development;

» Help inform WBG country engagement products, such as Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs);

» Help inform assessments by financiers—in both the public and private sectors—of country climate and development goals, including alignment with the Paris Agreement.

Key questions that CCDRs aim to consider:

Climate impacts and development risks:

» How does climate change threaten poverty eradication and the achievement of development goals in this country?

» What are the key risks and opportunities created by climate policies and actions, at both the domestic and international levels (e.g., through trade and competitiveness)?

» How resilient are the country's economy and public finances to natural disasters and climate change?

Low-carbon transitions:

» What are policy changes and investments that need to be prioritized to achieve a meaningful reduction in GHG emissions?

» What are the costs, challenges, and opportunities from climate action to reduce GHG emissions, increase productivity and growth, and reduce poverty?

» How resilient are the country's economy and public finances to potential drops in demand for fossil fuels? To the introduction of trade policies that favor low-carbon goods and services?

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Financing the transition:

- How will climate-related investment needs be financed?
- What would be the implications for public finance and debt sustainability?
- How can structural policy reforms inform and reduce overall financing needs?
- What are the bottlenecks for private sector investment in climate action, and what regulatory reforms and incentives are needed to facilitate and support the involvement of the private sector, including for capital mobilization?[4]

Understanding the CCDR approach

CCDRs are designed specifically to tackle disconnects between climate and development policies, identify the highest-impact actions to reduce GHG emissions and build resilience. They will add value by drawing out potential inconsistencies or feasibility issues and correcting them, and by identifying opportunities that can be tapped.

CCDRs will explore three broad policy spaces to inform a framework for prioritizing efforts:

First, they will look at sectoral and macroeconomic policies and investments that create **synergies** between climate action and short- to medium-term development objectives. For instance, improving public transit can reduce emissions as well as traffic congestion and air pollution.

Second, CCDRs will examine potential **trade-offs** between policies and investments needed to achieve certain climate objectives—for both GHG emission reduction and resilience-building/adaptation—and other policy objectives. For example, decommissioning coal infrastructure is crucial to reducing GHG emissions, but without additional targeted support for local communities, it could have adverse social impacts. This analysis will include intergenerational trade-offs and potential time-inconsistency aspects: policies that may seem optimal now may not be perceived that way in the future, so it may be better to avoid them. To address trade-offs, CCDRs will explore three options:

- **Complementary measures** that can reduce trade-offs (e.g., recycling of carbon tax revenues);
- **Cost-benefit analysis of the impact of delaying actions** (e.g., lock-in effects and potential stranded assets from building new coal power plants in lieu of renewable energy sources);
- Options to minimize trade-offs by mobilizing various **public and private financing options**, including grant and concessional finance**.**

Third, CCDRs will explore opportunities, reforms, and policy instruments **to leverage private sector resources and solutions** for both climate change adaptation and mitigation.

Examples of Analyses Covered by CCDRs

Increasing climate actions and taking development challenges into account: CCDRs will explore opportunities for countries to increase priority climate action while advancing economic growth, shared prosperity and poverty reduction.

For example:

- » Opportunities where low-cost clean energy opportunities are feasible to reduce GHG and meet energy demand;[5]
- » Opportunities to tighten fuel subsidies or tax fuels to raise revenues at lower costs to the economy than conventional taxes;
- » Risks, including to countries' fiscal positions, from being locked-in to outdated high-carbon technologies;
- » Opportunities to build adaptation and resilience by investing in resilient supply chains and mobility systems, capitalizing on digital technologies for just-in-time-realignment of supply, demand, access to services, and responses.

Balancing short- and long-term mitigation and adaptation objectives: While in the long run, it is difficult to separate mitigation from adaptation, in the near term, CCDRs can open space for prioritizing adaptation while avoiding lock-in to high-carbon paths.

Sahel G5

The Group of Five (G5) Sahel countries are facing numerous development challenges related to fragility and conflict, high rates of extreme poverty, low access to basic services such as electricity, and poor human development outcomes. The Sahel is also one of the most climate-vulnerable regions in the world, making it imperative to integrate climate goals into development strategies. The G5 Sahel CCDR recognizes the urgency for rapid development gains and prioritizes adaptation and local benefits, requiring synergies with pro-poor low-carbon solutions that generate large development benefits. The CCDR will assess opportunities for sustainable urban development, for instance, to help address challenges from rapid and unmanaged urbanization as well as a deteriorating security situation. While adaptation will be the priority, low-carbon actions such as investment in renewable energy access and public transport can have huge development benefits, such as improved health, air quality, and mobility, as well as reduced reliance on imported petroleum products. This, in turn, improves fiscal and external balances. The Sahel CCDR will include country deep dives to reflect the specific challenges and priorities for each country.

Brazil

More than half of GHG emissions in Brazil come from agriculture, land-use, and forestry. To address this challenge, the Brazil CCDR will identify the combination of policy, regulatory, and investment measures that could accelerate climate-resilient growth and low carbon landscape management, while curbing deforestation. It will also examine how Brazil can deepen green value chains (not just in agriculture but also in forestry, energy, water and transport sectors), create jobs, and reduce incentives to convert natural lands—notably in the Amazon. The CCDR will also investigate distributional impacts of alternative scenarios and opportunities for private sector participation.

A people-centered approach that considers the impacts of climate change—and climate policies—on workers and communities, as well as political economy issues: If climate action is to be politically feasible, a people-centered approach is essential, and gains and losses from the transition to a low-carbon, resilient economy must be shared equitably.

The important—and changing—role of the private sector in climate action: There is a broad consensus that the public sector cannot tackle climate action alone; the private sector is an essential part of the solution. This includes investments to spur innovation and large-scale adoption of clean technologies.

Nepal

Over the past 30 years, Nepal has reversed an alarming trend of deforestation and forest degradation by investing in community-based forest management. The CCDR will explore the forests-water-agriculture nexus and explore how Nepal can move from conservation to a sustainable production approach, so it can keep reducing emissions while improving community resilience and providing better livelihoods.

Honduras

In Honduras, climate change-related disasters disproportionately affect areas where the poorest and most vulnerable segments of the population live (women, Afro-descendants, and people with disabilities). The CCDR will collect specific evidence on gender, race, and Indigenous Peoples, and also analyze the impacts of climate change on migration.

Vietnam

In Vietnam, the private sector has gradually shifted from being passive to actively participating in climate action, becoming a strategic partner to the government in realizing climate commitments. Initially, the private sector's agenda mainly focused on sustainable agriculture, forest protection, and clean energy development, including wind and solar energy development. In recent years, the scope of engagement has expanded, particularly to electric vehicles, green buildings, plastics reuse and recycling, and blue/green finance. Vietnam's CCDR will explore priority actions to reduce GHG emissions and identify the enabling policy environment to mobilize private finance for green growth. In general, the CCDRs will elaborate on the integral and transformational role of the private sector in reducing emissions.

Macroeconomic impacts and fiscal incentives: There are multiple challenges in mobilizing climate finance: allocating scarce resources in a context of reduced fiscal space, attracting new finance (public and private), and ensuring that the distributional impacts of those decisions do not fall disproportionately on vulnerable groups. Countries also need to consider the development of new policies and the use of fiscal instruments to incentivize greater investment in climate action, taking into account financial sector stability, public finance resilience, and long-term debt sustainability. CCDRs plan to cover these aspects in detail.

Morocco and Angola

In Morocco, the CCDR will bring in extensive sectoral-level work to the macroeconomic level through an integrative modeling exercise. It will look at the impacts of different scenarios on adaptation and mitigation on growth, fiscal health, and the financial sector. In addition, the CCDR will include an analysis to support the government's efforts to design a new carbon tax (or equivalent tax measures) as included in the newly adopted Framework Finance Law, notably to prepare for the EU's Carbon Border Adjustment Mechanism.

In Angola's CCDR, the economic modeling will explore the fiscal implications of a global shift away from oil, and of the adaptation investments required to diversify the economy away from oil, including an assessment of potential impacts on poverty. It will also look at how Angola can benefit from issuing green or blue bonds to reduce overall financing costs for adaptation investments.

Prioritization of actions: CCDRs will have a framework for prioritizing efforts. For example, the Turkey CCDR is building on the prioritization framework from the World Bank's 2012 report on inclusive green growth[6] to identify urgent and synergetic actions to be included as recommendations in the CCDR (*Figure 1*).

FIGURE 1: A matrix for prioritizing climate actions, used in several CCDRs

	URGENT (delay in action increases the cost of achieving the same end point)	LESS URGENT (delay in action does not increase the cost of achieving the same end point)
SYNERGIES (action facilitates the achievement of other development objectives)	**Synergetic and urgent actions are to be prioritized** and should be part of the recommendations (but important to identify the obstacles that explain why it has not been done already)	**Synergetic actions that can be delayed should be implemented**, but only if implementation capacity allows it. With limited capacity and political capital, it may be preferable to delay them (especially if net benefits are small or uncertain)
TRADE-OFFS (cost of action makes the achievement of development objectives more difficult)	**Actions that create trade-offs but are urgent are the most challenging.** Options to explore include: » **Specific designs** to minimize or reverse trade-offs, or protect the poor (e.g., recycling options with carbon tax) » Opportunities to mobilize **concessional financing** (e.g., climate or development finance) to manage the trade-offs	**Actions that create trade-offs with other development objectives and can be delayed should be delayed**

What Will Success Look Like?

The WBG will consider this effort to be successful if CCDRs help inform policy and institutional reforms, as well as public and private investments, that support high-impact climate action, achieving meaningful GHG emission reductions and improving resilience. For the high-emitting countries, this means in particular integrating GHG reduction with development objectives in their approaches, planning, budgeting, and strategies; and for countries with high vulnerability, integrating approaches that help them prepare better and adapt to the risks of climate change.

As public documents, CCDRs can serve as an important platform for governments, their citizens, and our partners to engage with the development and climate agenda, supported by better coordination at the country level. CCDRs can also be deployed to more effectively mobilize resources from development financiers, including non-traditional donors and the private sector.

Endnotes

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