

# Findings and Recommendations of the Technical Assessment of Climate Finance for the Arab States

Consultation on the Technical Assessment of Climate Finance for the Arab States to inform the Arab Climate Finance Mobilization and Access Strategy

Virtual Consultation, 25 May 2021  
10h00-12h00 Beirut



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# Project Background, Objective, and Approach



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# Background



Under a long-term finance mandate Parties, in decision 6/CP.23 requested the UNFCCC secretariat to explore ways and means to assist developing country Parties, in assessing their **finance & investment needs and priorities**, in a country-driven manner, including technological and capacity-building needs, and in **translating these needs into action**.

In collaboration with  
Operating Entities,  
UN agencies,  
bilateral, regional  
and other multilateral  
channels

## Needs-based finance project



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# Needs Based Finance Project for the Arab States



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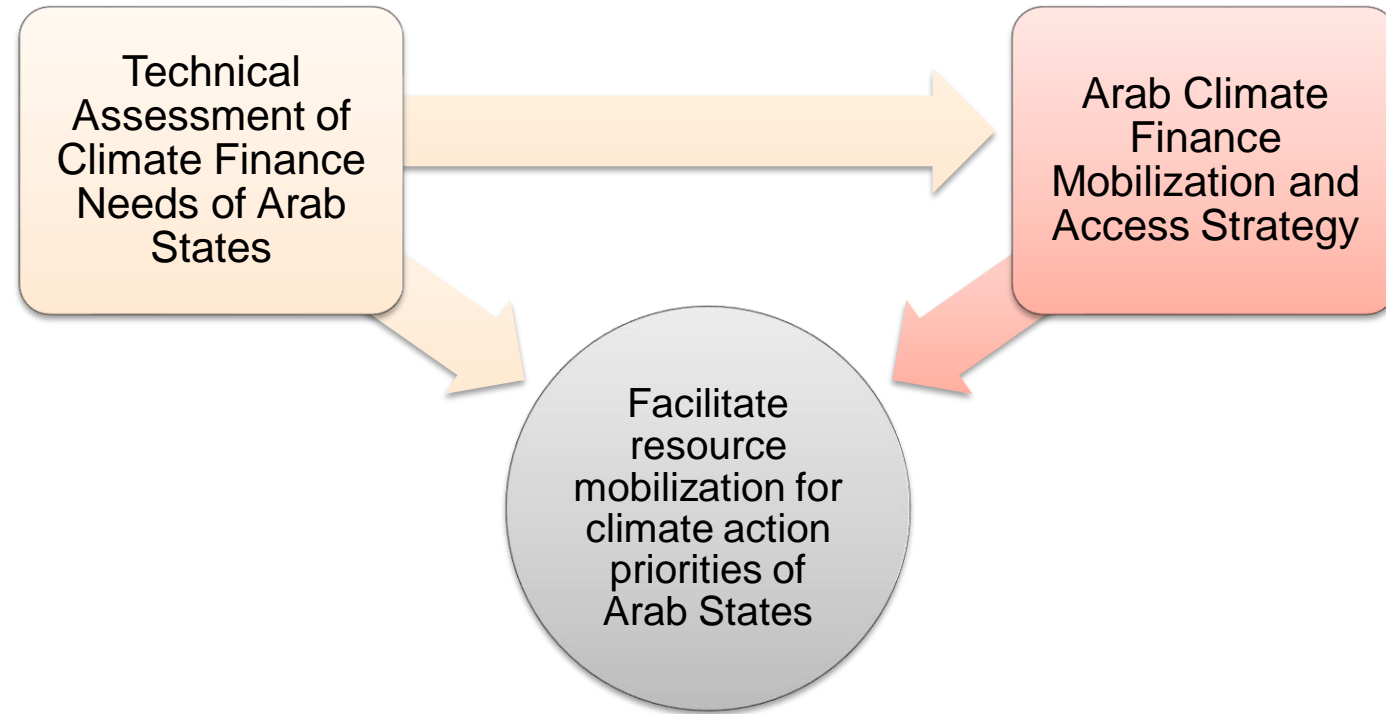
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# Project Objective

The project will assist Arab countries:

- 1) To assess their climate finance barriers and prioritise climate finance and investment needs at the regional level
- 2) To develop a Arab Climate Finance Mobilization and Access Strategy (inclusive)
- 3) Used to facilitate mobilization and access to climate finance (partnerships)



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# Arab Needs Based Finance Project Milestones



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# Key Findings and Recommendations



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# Challenges and Opportunities to be Addressed

## Climate Finance Gaps

- Adaptation is priority but **77% of flows target mitigation; just 18% to adaptation**
- Insufficient concessional finance support
- Unbalanced geographic distribution
  - Majority of flows to 4-5 countries
  - Relatively **low support to LDCs**

## Barriers to Accessing Climate Finance

- Capacity and procedural challenges obtaining project approval
- Not availing of existing readiness funds
- Few direct access entities with accreditation

## Domestic Market Development

- Improving needs assessment capacities
- Enhancing policy mainstreaming & integration
- Economic diversification
- Learning from international networks to enhance domestic regulatory environments

## Multi-Country and Sub-Regional Collaboration

- A country level approach needs to be part of the strategy given diversity, but;
- Can help overcome capacity constraints
- Can address transboundary/sub-regional issues



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# Recommendations for the Consideration of Arab States

1. Diversify sources of climate finance to increase flows for national climate priorities
2. Strengthen assessment of climate vulnerabilities at national level
3. Increase flows from climate funds
4. Mainstream climate into national and sectoral development planning and budgeting
5. Develop domestic financial markets that help finance national climate objectives
6. Support country-specific approaches to assess needs and mobilize finance
7. Strengthen and expand regional cooperation for mobilizing climate finance
8. Engage in regional and global networks that can support efforts to mobilize and access climate finance



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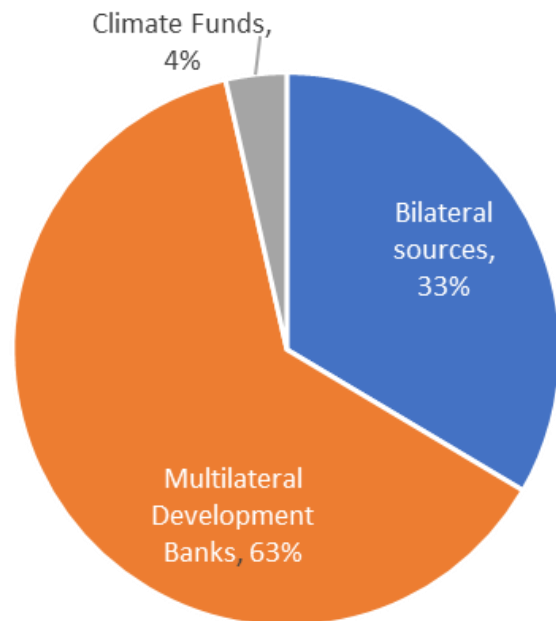


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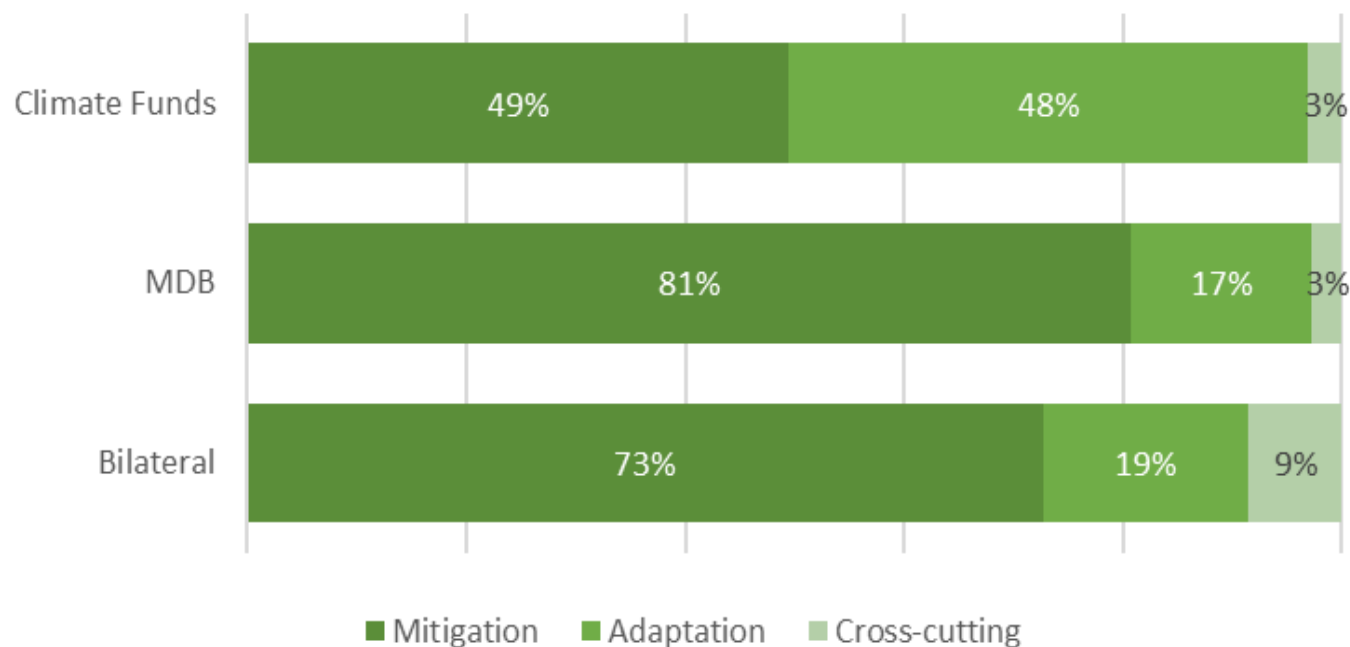
# 1. Diversify sources of climate finance to increase flows for national climate priorities

**Almost two-thirds of climate finance flows derive from MDBs, which tend to fund mitigation**

Sources of international public climate finance flows 2013–2018



Breakdown of climate themes by source of climate finance 2013–2018



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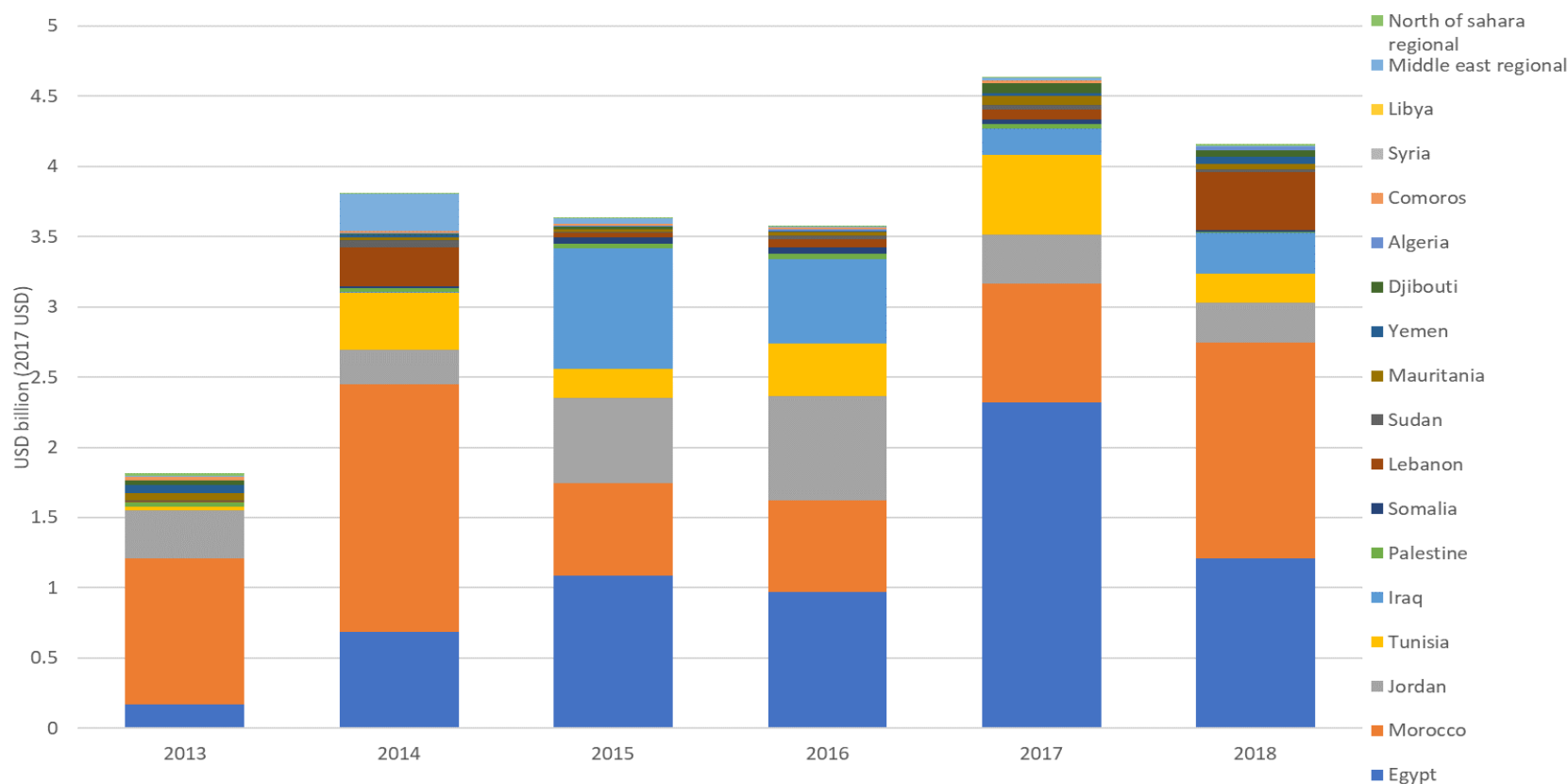
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# 1. Diversify sources of climate finance to increase flows for national climate priorities

Geographically, **flows concentrate in four to five countries** although needs are identified across the region

### Recipient of international public climate finance 2013–2018



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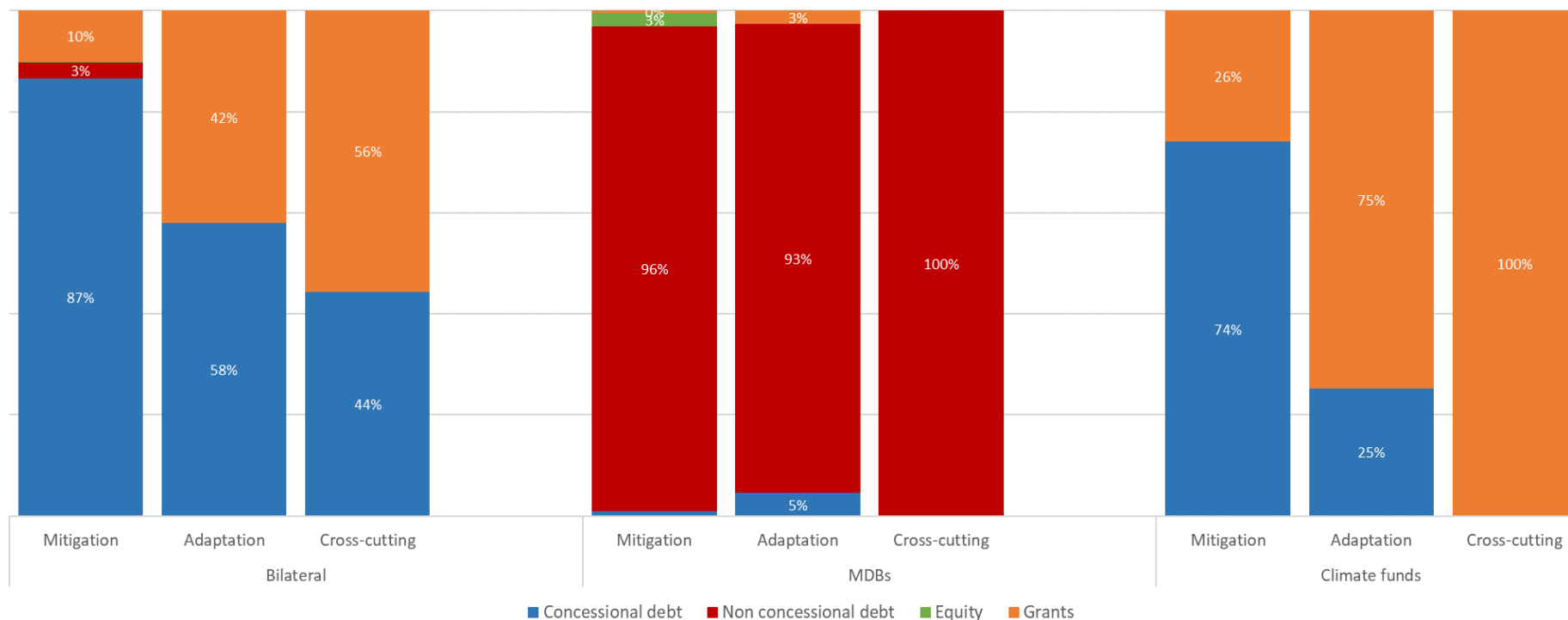


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# 1. Diversify sources of climate finance to increase flows for national climate priorities

**The dominant role of MDBs has effect on level of concessional and grant finance available, particularly for adaptation.**

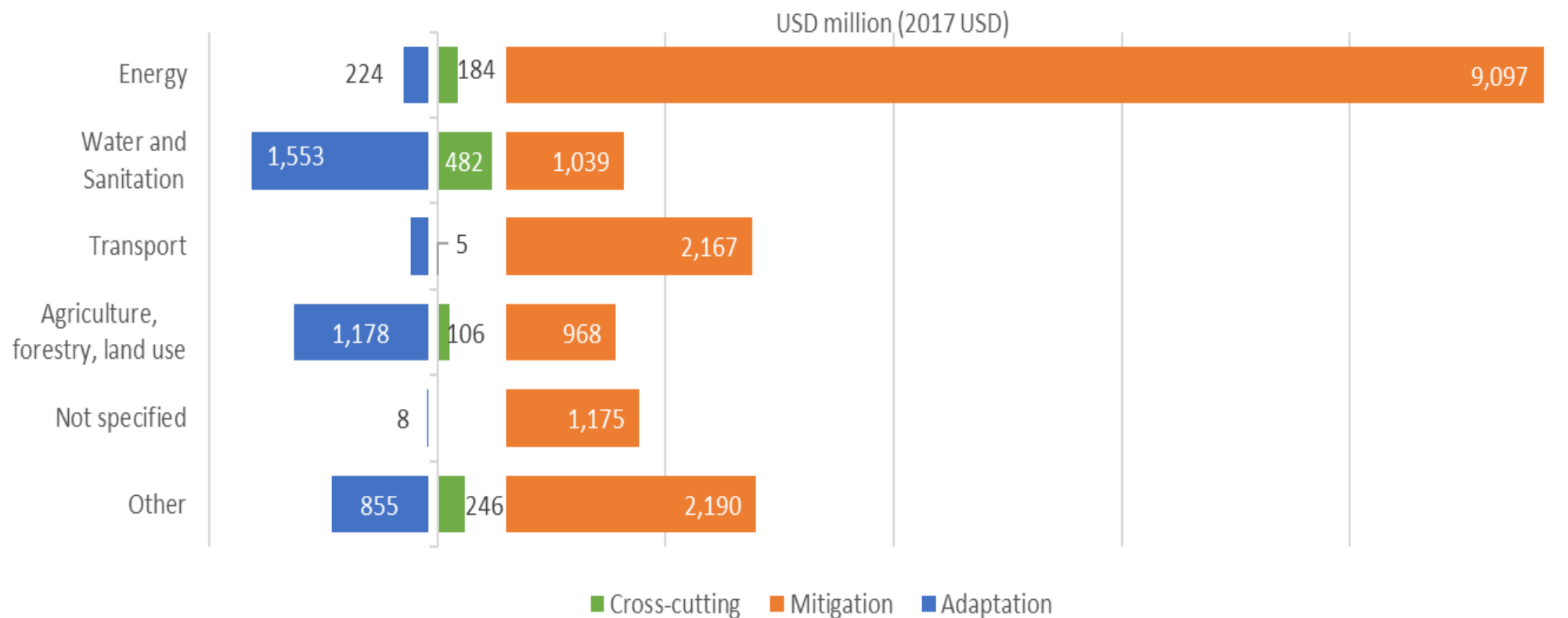
Financial instruments by source and theme in international public climate finance 2013–2018



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# 1. Diversify sources of climate finance to increase flows for national climate priorities

## Breakdown of international public climate finance by sector and theme 2013–2018



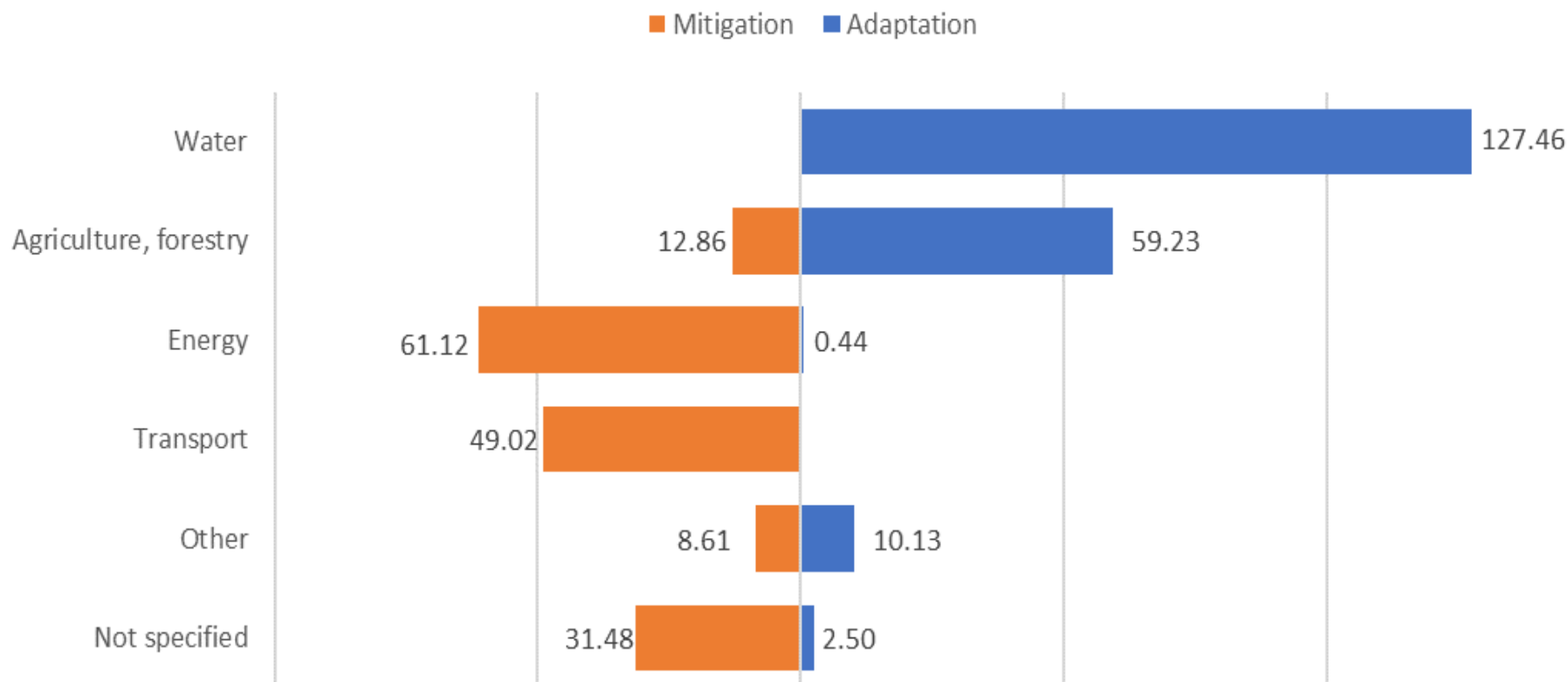
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# 1. Diversify sources of climate finance to increase flows for national climate priorities

Needs costed by theme and sector (in USD billion)



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## 1. Diversify sources of climate finance to increase flows for national climate priorities

- Improvements in access to concessional sources of climate finance can help
- Scale up private sources of finance from domestic and international sources
- Explore intra-regional sources and collaboration, including support to countries needing technical or capacity support
- Innovative instruments like debt swaps for climate can provide an alternative source of funding

\*\* Note: Other forms of diversification include domestic market development and mainstreaming in national and sectoral plans and budgets; these are discussed as discrete recommendations



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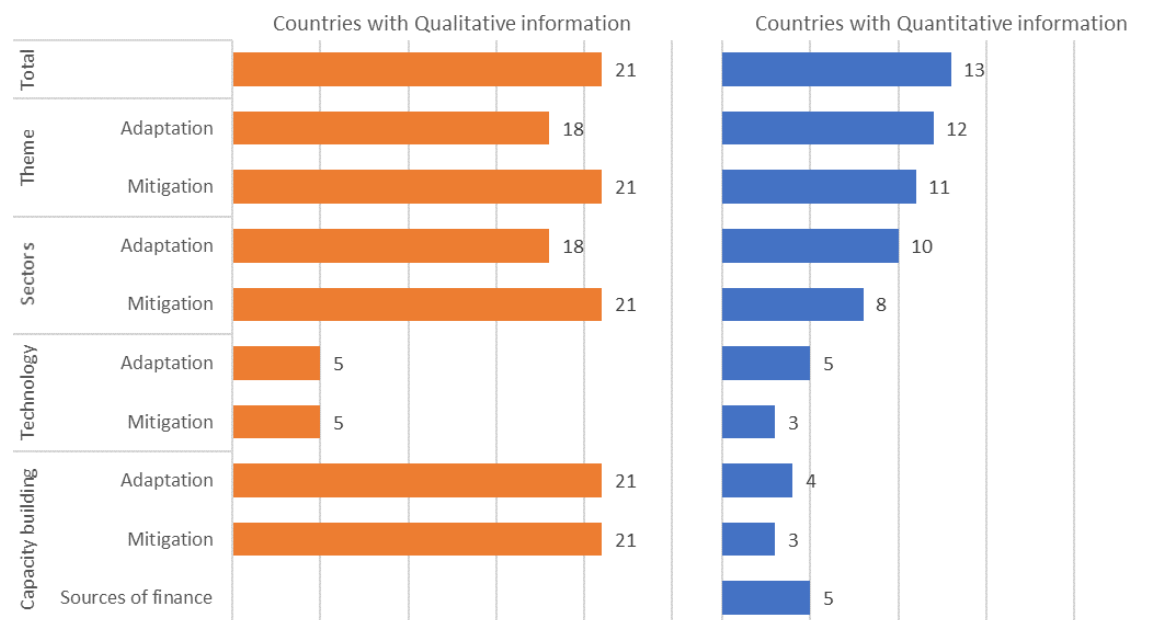


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## 2. Strengthen assessment of climate vulnerabilities at national level

### Overview of information on needs and priorities provided by Arab States to UNFCCC



- 21 Arab States submitted national reports to the UNFCCC
  - NDC -Nationally Determined Contribution
  - NAP - National Adaptation Plan
  - TNA - Technology Needs Assessments
  - TAP - Technology Action Plans
  - BUR - Biennial Update Report
- All 21 States identified needs and priorities qualitatively
- 13 Arab States costed their needs in quantitative terms in one or more submission



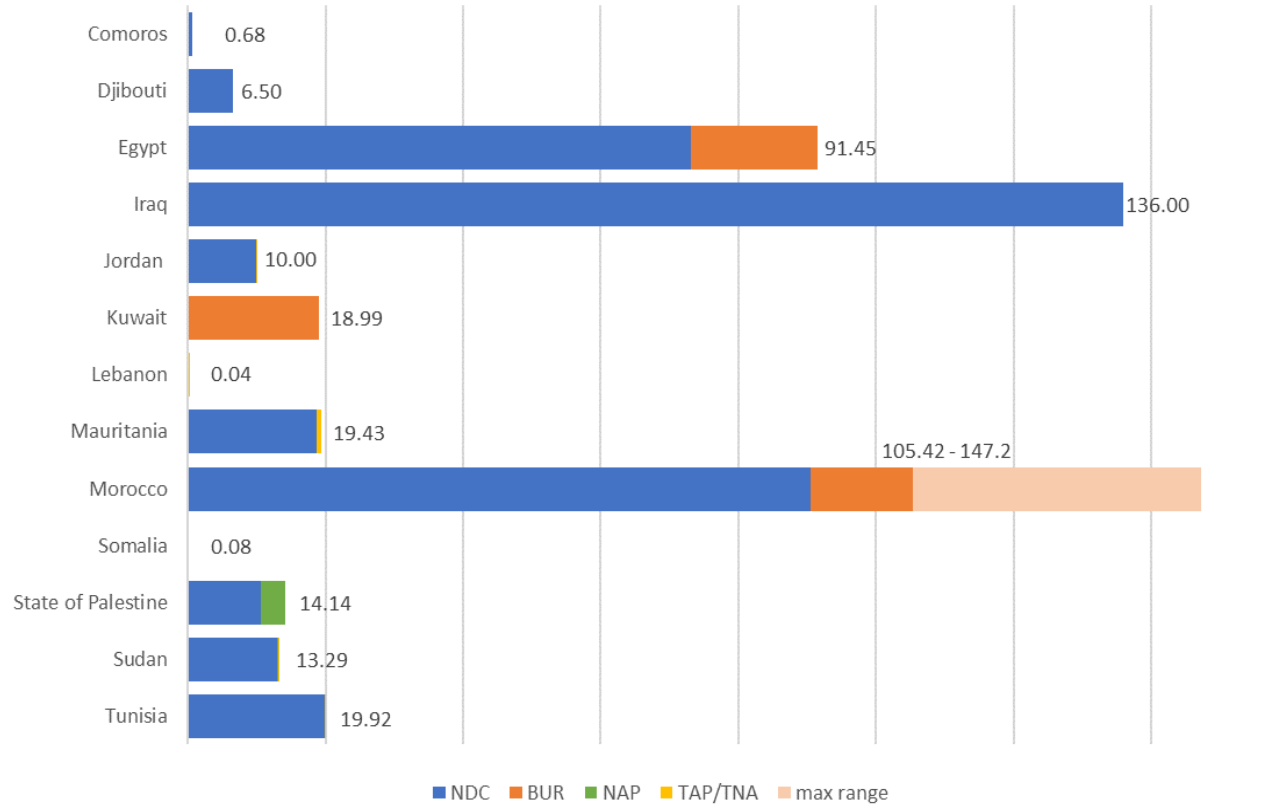
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## 2. Strengthen assessment of climate vulnerabilities at national level

Costs of needs identified by Arab State (in USD billion)



Despite submission of their NDCs and associated climate action plans, many Arab States have not estimated their climate finance needs, and very few have published granular estimates with sector or program specific costs



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## 2. Strengthen assessment of climate vulnerabilities at national level

- Many Arab States have not estimated their climate finance needs
- Very few have published granular estimates with sector or program specific costs.
- Readiness support funds may help strengthen institutional capacity and develop a project pipeline
- There is a need for mapping a suite of available guidelines, methodologies & approaches.



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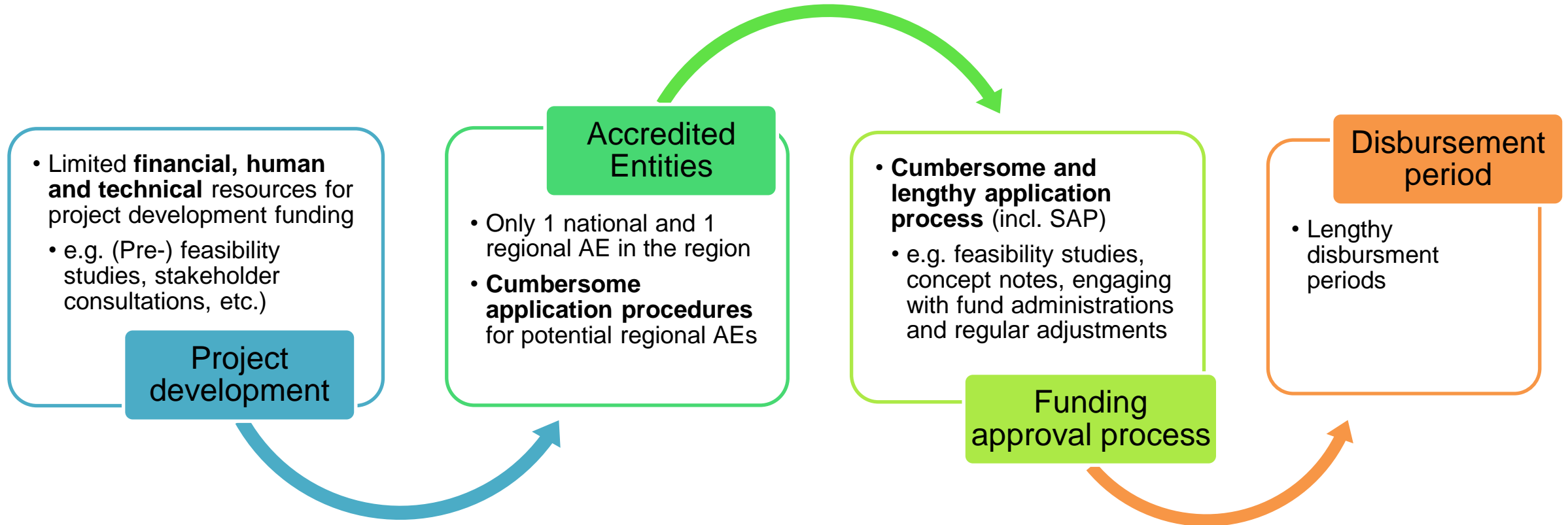


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### 3. Increase flows from climate funds

#### Barriers to accessing climate finance persist

Illustrative examples of challenges encountered by the Arab States in accessing climate finance



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### 3. Increase flows from climate funds

#### 1. Avail of readiness funds

- Arab States could have availed of a total of USD 110 million of readiness support in addition to USD 66 million for adaptation planning.
- However, only USD 16.8 million has been accessed as of June 2020, including for adaptation planning.

#### 2. Support national entity accreditation

#### 3. Explore multi-country collaborations and sub-regional projects on common priorities



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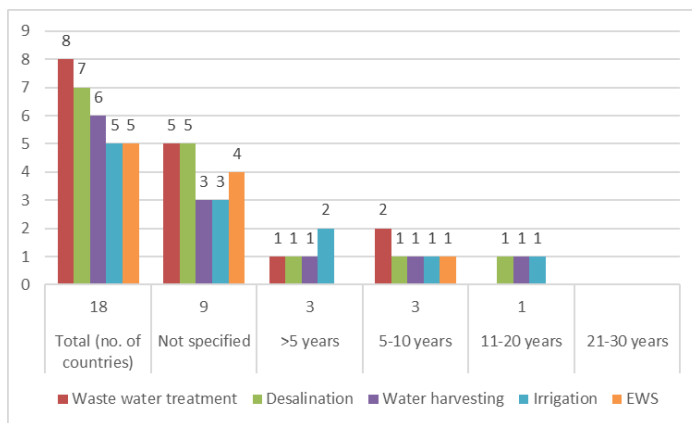
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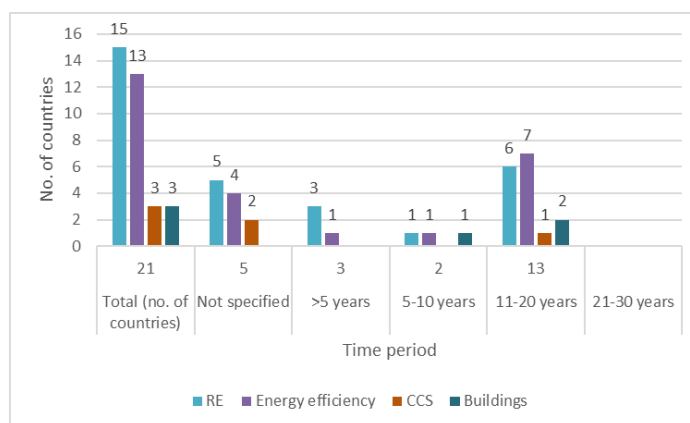
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# 4. Mainstream climate into national and sectoral development planning and budgeting

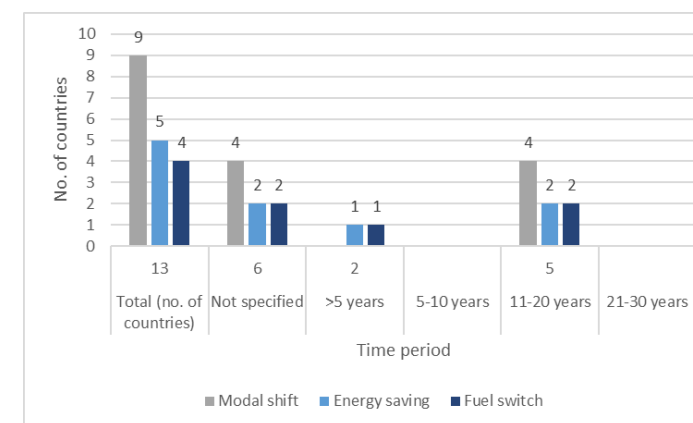
## Water needs by sub-sector



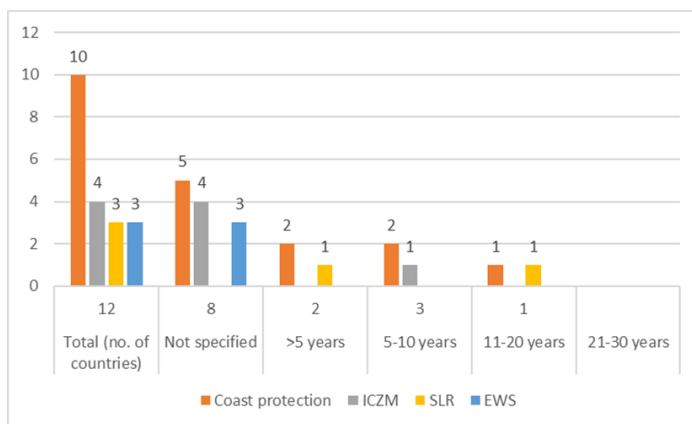
## Energy needs by sub-sector



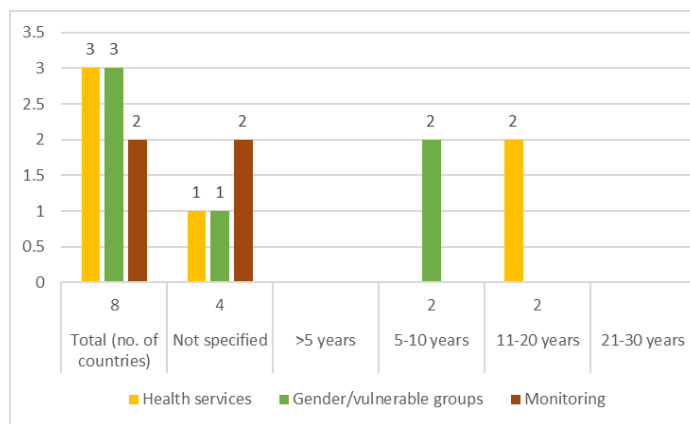
## Transport needs by sub-sector



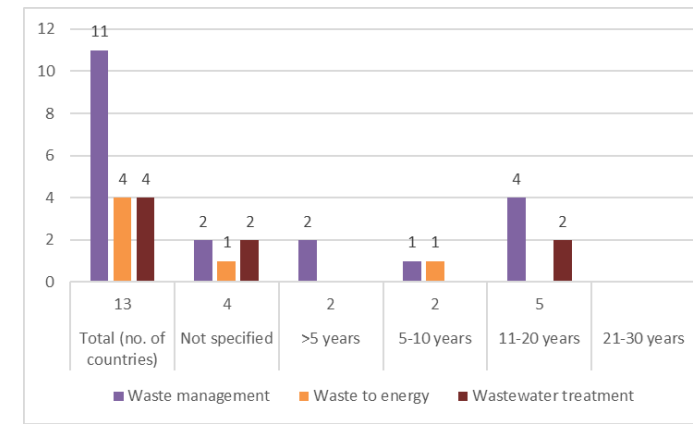
## Coastal zone needs by sub-sector



## Health needs by sub-sector



## Waste management needs by sub-sector



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## 4. Mainstream climate into national and sectoral development planning and budgeting

- Facilitate project prioritization, encourage cross-cutting initiatives and helps to clarify when grant or highly concessional finance is needed.
- Identify design alternatives and foster integrated approaches that do not increase costs or do so only incrementally and, thus, may reduce strains on scarce public resources via synergies.
- Strengthen integrated whole-of-government planning and budgeting and develop strong pipelines of bankable projects and climate-aligned expenditure programs.
- Establish national climate expenditure tracking systems.
- Enhance collaboration across ministries to facilitate data exchange for needs assessments and align positions in international fora.



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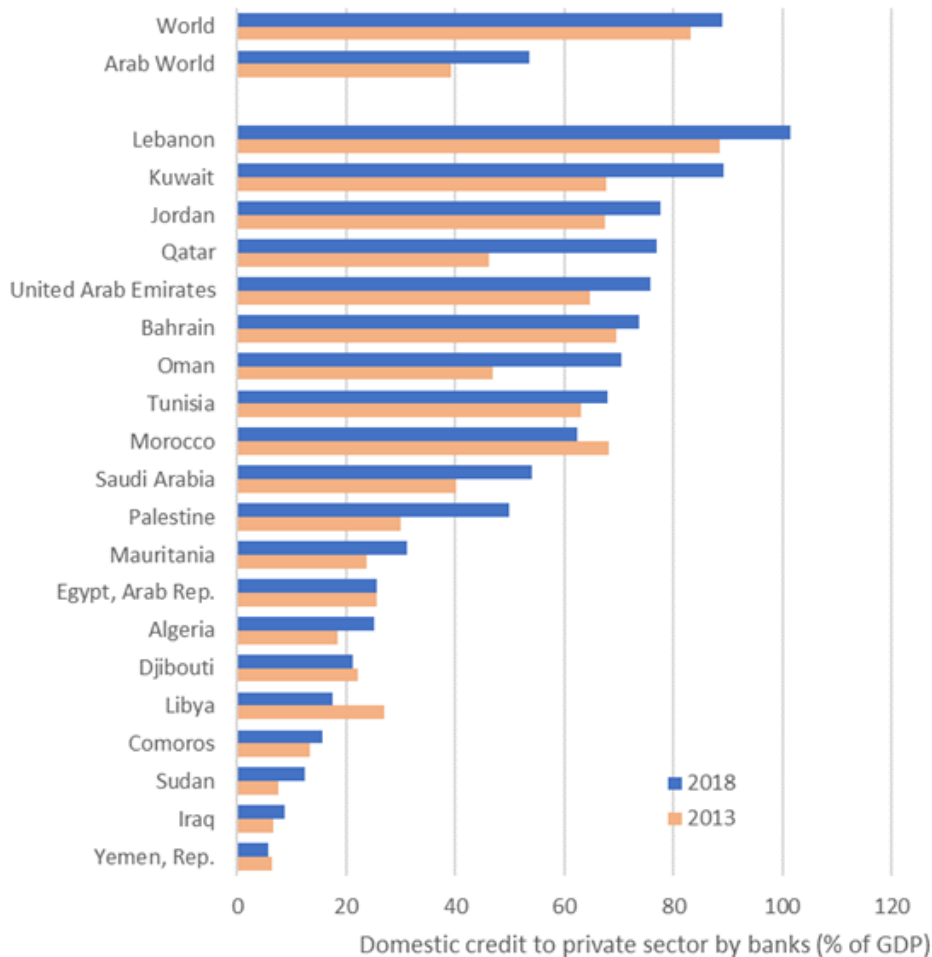
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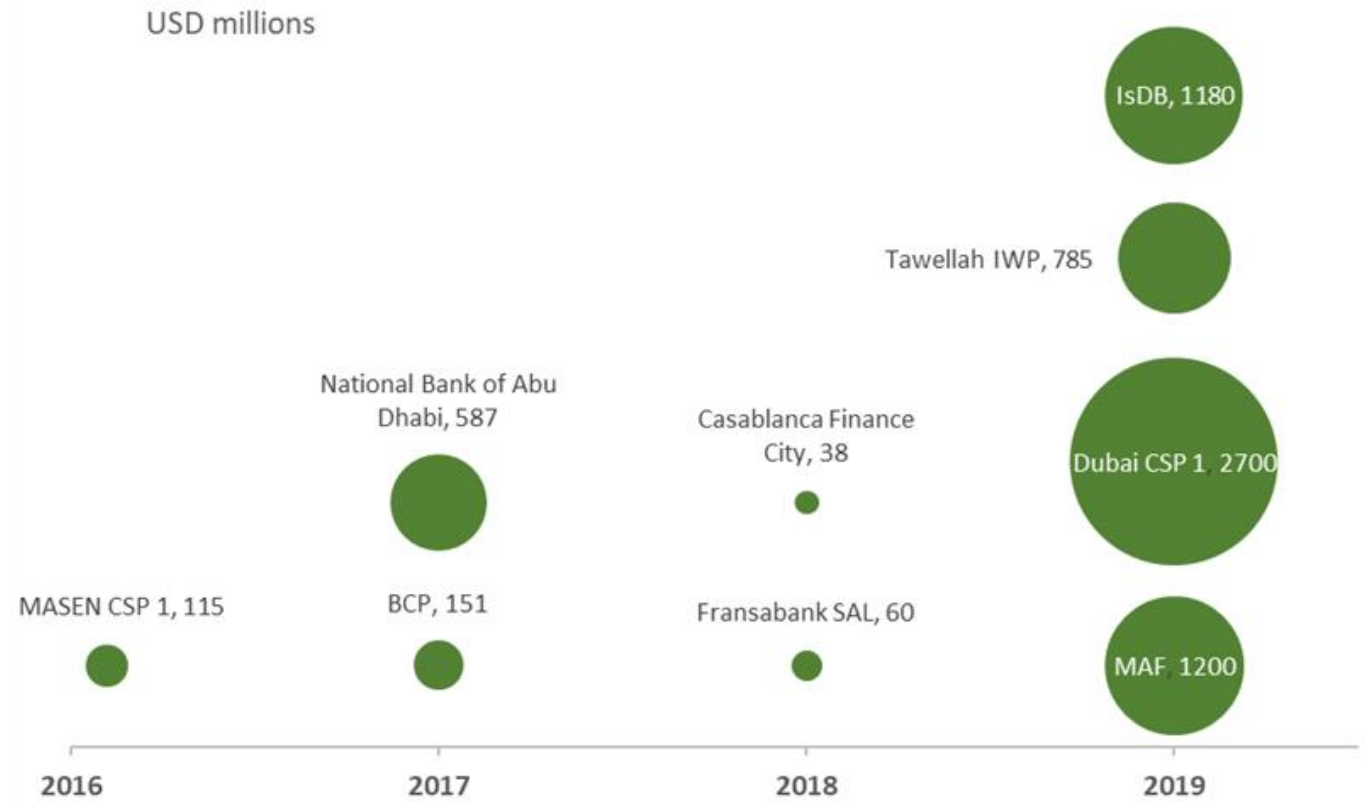
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## 5. Develop domestic financial markets that help finance national climate objectives

Domestic credit to private sector by banks  
(% of GDP)



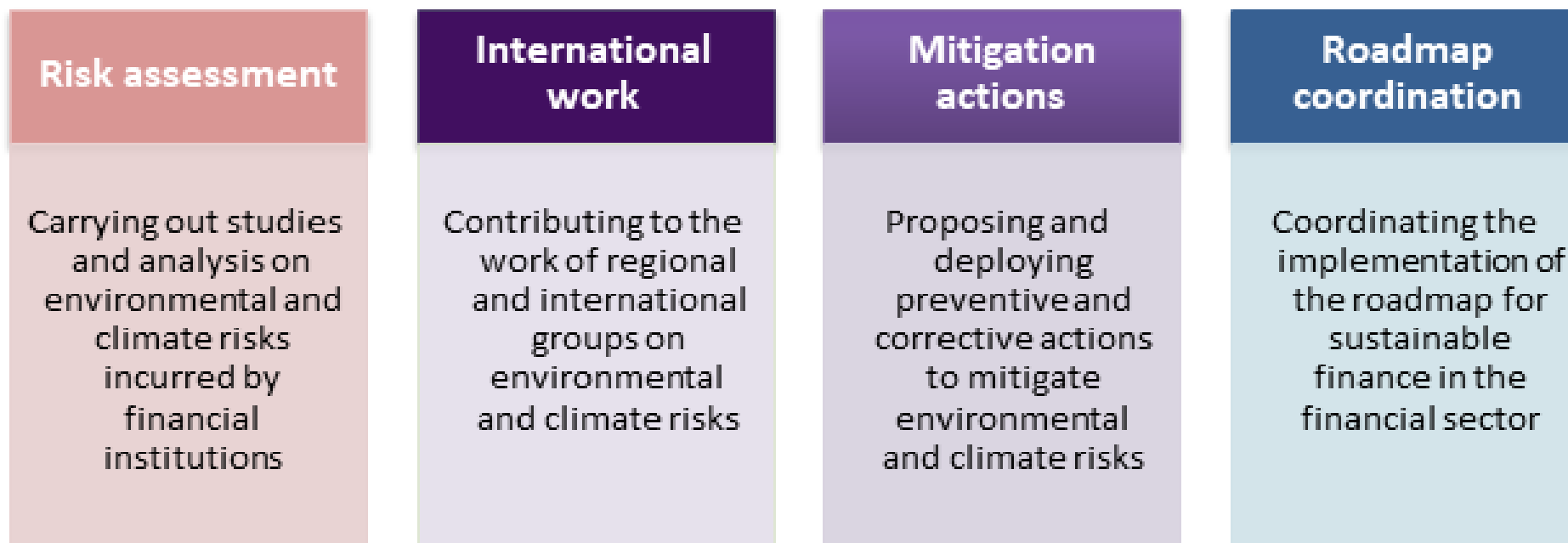
Green bonds issued in the region 2016–2019



## 5. Develop domestic financial markets that help finance national climate objectives

Ministries of Finance and Central Banks can play an important role in mobilizing and accessing public and private climate finance

Case study example: Bank Al Maghrib Green Finance Unit



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## 5. Develop domestic financial markets that help finance national climate objectives

- Remove the technical and financial barriers that banks and financial institutions may face
- Provide targeted public support to expand range financial & banking products aligned with national climate action objectives
- Standardize climate and sustainable finance definitions or taxonomies to facilitate the growth of domestic capital markets
- Expand Islamic banking and microfinance
- Green banks can play an important role in raising finance, including in local currency



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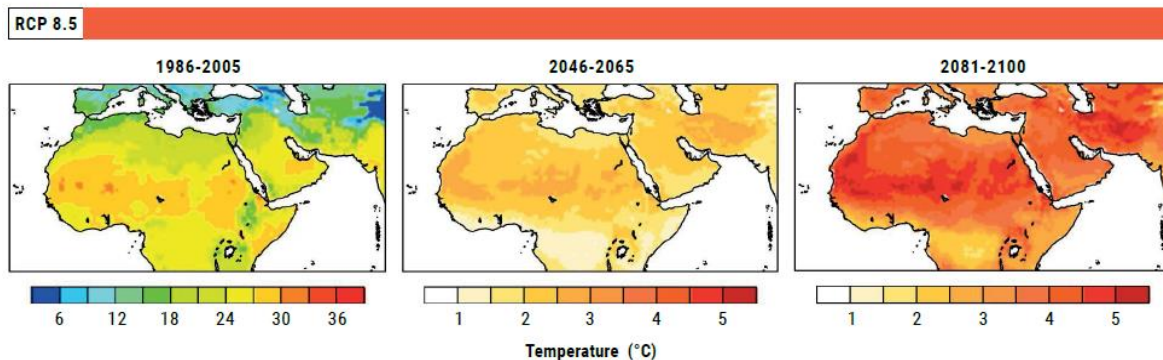
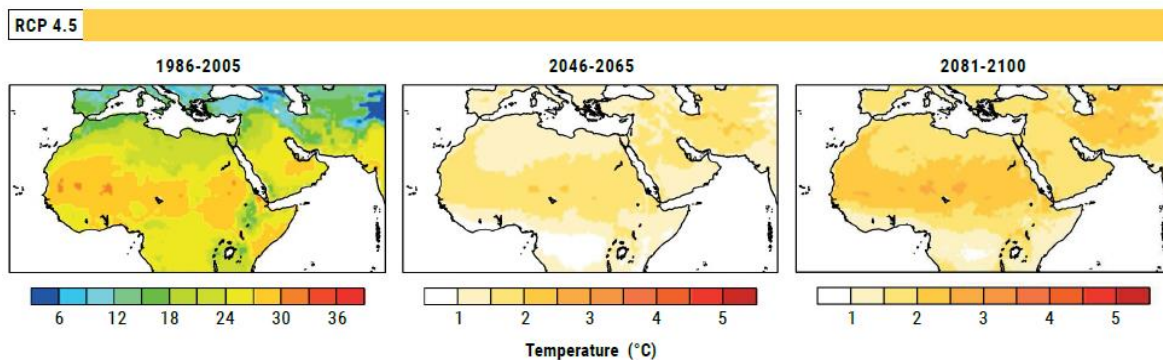


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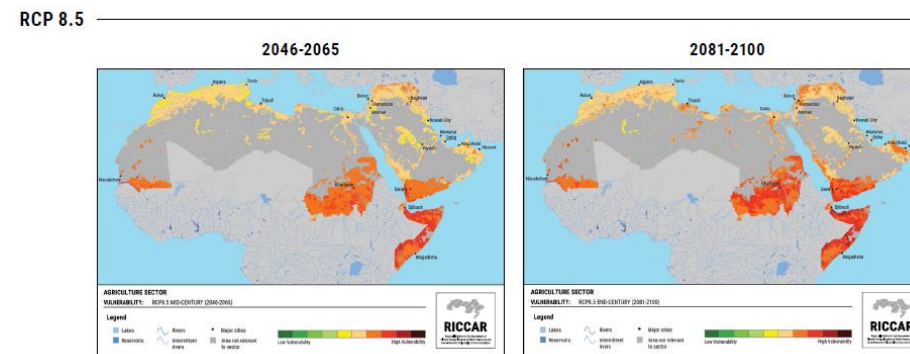
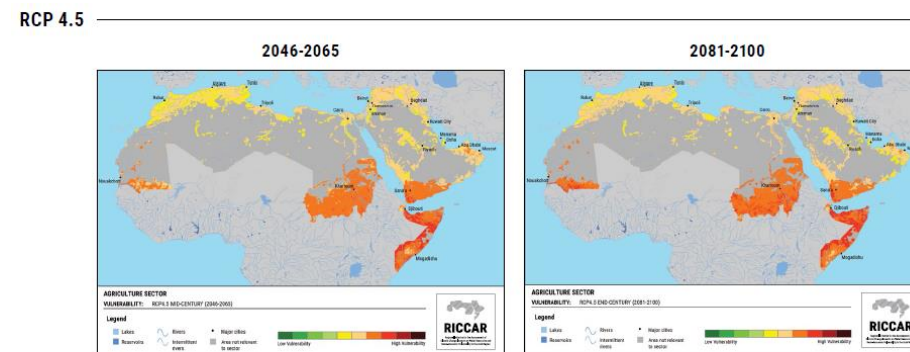
## 6. Support country-specific approaches to assess needs and mobilize finance

### Arab States face different changes in climate and present different levels of vulnerability

Mean change in annual temperature (°C) for the Arab/MENA Domain at mid- and end-century for RCP 4.5 and RCP 8.5 projections compared to the reference period



Vulnerability of the agricultural sector in the Arab region to climate change at mid-century and end-century for RCP 4.5 and RCP 8.5 projections



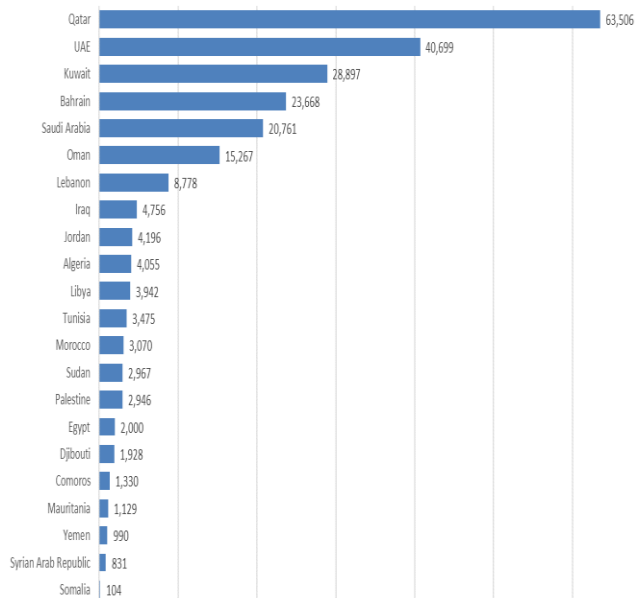
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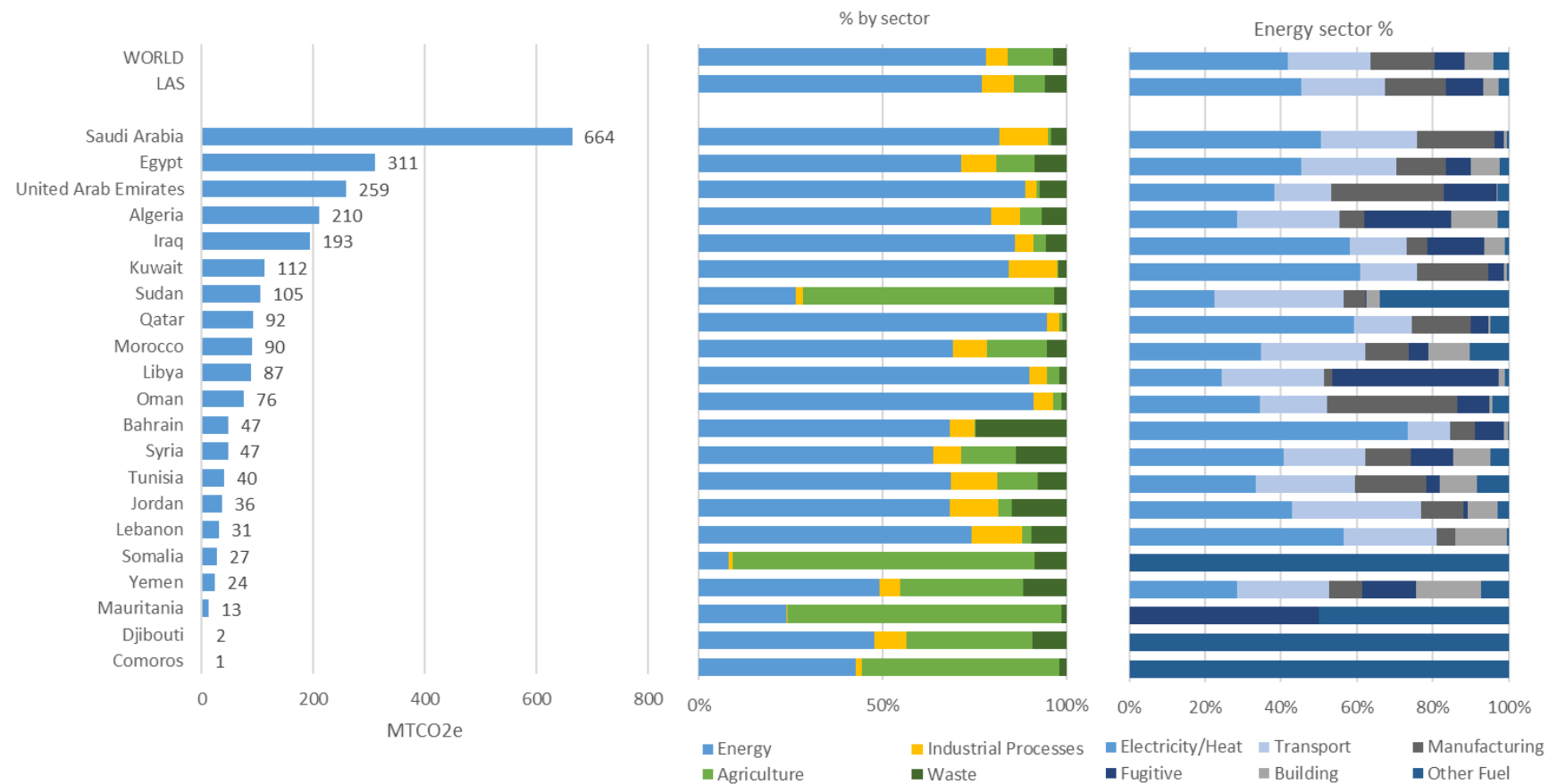
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## 6. Support country-specific approaches to assess needs and mobilize finance

### GDP per capita



### Emissions profiles of LAS member states in 2016



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## 6. Support country-specific approaches to assess needs and mobilize finance

Arab States present important levels of diversity, including in needs expressed and capacity to respond and mobilize resources.

**→ Provision of tools and resources at country level is necessary as part of the regional strategy**

Tools, resources, and support needs cross-cuts the previous recommendations:

1. Diversify sources of climate finance to increase flows for national climate priorities
2. Strengthen assessment of climate vulnerabilities at national level
3. Increase flows from climate funds
4. Mainstream climate into national and sectoral development planning and budgeting
5. Develop domestic financial markets that help finance national climate objectives



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## 7. Strengthen and expand regional cooperation for mobilizing climate finance

### **Substantive opportunities for multi-country and sub-regional collaboration for mobilizing climate finance**

- Knowledge and data gaps on climate vulnerabilities, early warning systems, etc.
- Water, energy, and food security
- Agritech solutions
- Energy efficiency in cooling and desalination
- Methane emission reductions
- Support renewable electricity markets, for example grid inter-connections, harmonized regulatory frameworks e.g. for feed in tariffs, etc.
- Coastal zone management
- Etc.



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## 7. Strengthen and expand regional cooperation for mobilizing climate finance

### **Build on existing and new initiatives, coordination mechanisms, & institutions**

- LAS Ministerial Councils including the Council of Arab Ministers Responsible for the Environment (CAMRE)
- Arab Group of Climate Change Negotiators
- Regional Strategies under LAS
- Green Middle East Initiative
- African Financial Alliance for Climate Change (AFAC)
- RICCAR - UN-LAS Regional Initiative for the Assessment of Climate Change Impacts on Water Resources and Socio-Economic Vulnerability in the Arab Region
- Arab Centre for Climate Change Policies (ACCCP)



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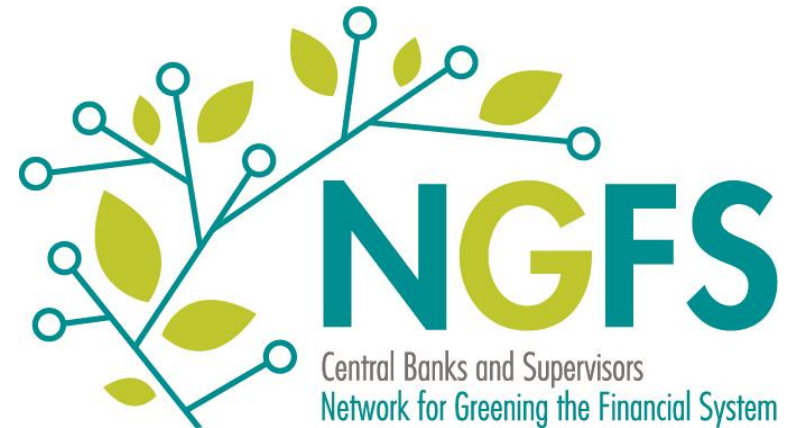


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8. Engage in regional and global networks that can support efforts to mobilize and access climate finance



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## 8. Engage in regional and global networks that can support efforts to mobilize and access climate finance and inform enabling environment actions

Participate in global and regional initiatives that provide opportunities for best practice exchange and collaboration with peers, and access to technical assistance.

This may support national efforts to:

- Develop institutional arrangements for climate finance
- Enact enabling interventions and targeted support to strengthen the provision of private climate finance in domestic capital markets
- Strengthen the integration of climate in national budgeting processes and market supervision
- Anticipate the impact of global regulatory trends in the national context, and inform negotiating positions



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# Thank you!



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