

Report

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

25 May 2021

Session I - Opening

- Roula Majdalani started the meeting by welcoming all participants and reiterating the importance of the needs-based finance project to assist developing countries in assessing their finance and investments needs priorities through a country driven process and translating this into actions. She added that ESCWA is pleased to collaborate with LAS and UNFCCC on this project in the Arab Region. Based on the review draft that was shared in November 202, the purpose of this meeting is to be the final vetting of the technical assessment and it is also an opportunity to provide your input on how you see the regional climate finance mobilization strategy. Based on this input a draft strategy will be prepared to be presented to CAMRE
- Mahmoud Fathalla also gave his welcoming remarks by echoing the importance of discussing the findings and recommendations of technical assessment and learning from experience of other regions and the way forward to develop Arab climate finance mobilization and access strategy. He added that climate finance is a crucial issue for the Arab region taking into consideration the severe consequences of climate change on the Arab countries that have diverse economic structure and making it a priority of strategy and finance instrument both mitigation and adaptation measure. The outcome of this meeting will be submitted to CAMRE next October.
- Ayman Shasly also welcomed all participants on behalf of the Arab group Climate Negotiators that is keen and interested in this exercise and is looking forward to completing the discussion and develop recommendations going forward. He added that climate finance is a difficult agenda you can't go to save climate change if no funding available and this includes adaptation and mitigation. Funding always can be measure but to source it and have access to it can be quite challenging. He also thanked all experts who helped drafting the report, the Arab Region being among the first region to assessing its climate finance. This document will help governments explore opportunities that they can take in term of financing from different sources (public or private). This project will also help in implementing NDCs with a lot of Arab countries have submitted their NDCs on natural resources that are conditioned to the availability of finance.

Session II – Drawing upon the Technical Assessment to inform the Arab Strategy and Next Steps

The key recommendations of the technical annex which were presented by Pdraig Oliver and Daniel Griswold:

The mandate for this work dates back to 2017 in COP, as there was a decision that request secretariat to explore ways or means to systematically help countries in assessing finance needs and priorities in a country driven manner and translate these needs into action. This the foundation of the Needs Based Finance project. There are several projects in the world and this one is for Arab Region.

The objective of this project includes a Technical Assessment of Climate Finance needs of Arab States from which an Arab Climate Finance Mobilization and Access Strategy should be developed to move forward to the implementation phase to facilitate the mobilization of these financial resources. Padraig also gave a quick overview of the milestones from November 2019 until present.

The key findings and recommendations were referred to different data points or evidenced based in the technical assessment, summarized as follow:

1. Diversify sources of climate finance to increase flows for national climate priorities – background to this is that almost two thirds of climate finance flows that we were able to analyze come from Multilateral Development Banks (MDBs) with almost 1/3 going from bilateral sources making up the rest of the sources of climate finance). The types of themes that are being financed balance between mitigation and adaptation.
2. Strengthen assessment of climate vulnerabilities at national level - Overview of the information that were looked at on needs and priorities provided by Arab States NDCs, NAP, TNA, TAP, BUR etc.
3. Increase the flows from climate funds – the report covers the barriers that exist in accessing climate finance not only knowledge and capacity barriers but also the cumbersome application process.
4. Mainstream climate into national and sectoral development planning and budgeting – needs expressed in submissions to the UNFCCC by Arab States unsurprising cross-cut many different sectors and so acting upon all of these can be enhanced by mainstreaming considerations on climate objectives in national sectoral planning.
5. Develop domestic financial markets that help finance national climate objectives – there is also a great opportunity to engage central banks, ministries of finance with ministries responsible for climate and sectoral ministries to advance risk assessment, international work, mitigation actions and roadmap coordination.
6. Support country-specific approaches to assess needs and mobilize finance – looking at the sectoral breakdown we notice very different economic structure in Arab member states.
7. Strengthen and expand regional cooperation for mobilizing climate finance – is an opportunity to collaborate regionally and have intra-regional support.
8. Engage in regional and global networks to support efforts to mobilize and access climate finance- many actions already exist at the global level and it is import for Arab states to know their position globally.

Carol opened the floor for discussion and questions from the audience.

- Walid Ali asked whether the analysis included in this report will be or is planned to be based on the revised NDCs that are being submitted now by many countries and that include possible changes in action and finance needs. The second question was whether there are other measures that will be suggested and tailored specifically for fragile countries to accelerate their access to climate finance because they don't have enough infrastructure.
- Ayman Shasly added that he can see the problems in terms of availability of granular information, accessibility to finance and disparity in finance for mitigation and adaptation (adaptation is not receiving the fair share of financing) and the instruments of financing remain primarily non concessional loans. He added that we could wish to see balance in financing (adaptation and

mitigation) and any loans to be given for climate action will have to be transitional loans. The question that he asked is what can we do about them? He thinks that there is a new exercise for the region in terms of looking at how we managed to define what is climate finance vs. development finance in our assessment. How did we manage all of that and bring this in a compacting story to governments?

- Randa Mounir also highlighted few things and said that the COVID-19 pandemic had an economic and social impact on countries which are coming now with 2050 reductions of CO2 emissions, with that being said she asked whether this would put more strain on the climate finance and if that was considering in the exercise of technical assessment – her second question was on the new narratives on Nature Based Solutions and the effect of technology (energy transition and green hydrogen) how will these be looked at and how can we bring the attention of the international committee when there is a huge GAP in technology in the region.
- Najwa Mouhaouri from Central Bank of Morocco also added that the recommendations that were presented reflect similar barriers that they are facing in Morocco to get further finance from international climate funds. Her question was whether any regional taxonomy or common definition is being considered on what is really meant by climate financing or climate action and whether domestic financing development is considered to support green financing from banking sector.
- Mahmoud asked since the access for climate finance is getting more difficult post COVID-19 what is the expected impact on the changing activities of needs to finance - are there any measure to deal with this problem and are there any changes in recommendations of this study.
- Pdraig answered some of the above-mentioned questions by saying that they are trying to balance across the recommendations – and that is with a view of making sure that fragile countries needs are also supported. On NDCs update we haven't yet made a decision on whether we should include NDC update because we are looking to move forward on assessing a distinct strategy document if there are NDCs that come through we are not sure if any of the qualitative will change. For climate finance, our starting point is the **needs** and looking at what are countries saying are there priorities what are these needs? and it is simply whether they have mentioned any needs or not. Moving on from that to look at, how are they being met by current flows we try to focus on the data that is available at a sector level because so much of the needs are broken down in to sub sector or technologies.
- Daniel added that the report is based on the input provided during regional consultation and the purpose of today's meeting is the audience's input and what updates could be included. On climate change we are looking at the finance flows, those that have primary objectives, but in terms of region there are some recommendations coming through on developing common definitions, something that is lacking in the region and could make that discussion we are talking about green bonds. Concerning the impact of COVID – a long term strategy is really a focus for us and so there have been impacts of finance on covid-19 the data on that is very preliminary and is very difficult to say in terms of climate finance.
- Yolando had a question on the definition of climate finance which is crucial for the region. While there is call for mainstreaming climate finance in different sectors and synergies but it's also a question of what do you mainstream and what do you synergies if there is no clear understanding of what climate finance is? The whole exercise that we are conducting even with SCF we are constrained with what is available right now and what is being reported. Slowly we are learning

on what are the context of how they define climate finance for example water itself in the Arab region has a different nuance in different sub regions.

- Hanadi mentioned that Sudan is now getting grant project from GCF through FAO amounting to about \$50M that was reduced to \$10M and asked what are the considerations for this reduction - it is a large project but when we come to negotiate the amount of money it decreased. We need to know the criteria that should be followed. If we have signed a project thru GCF is it prohibited or can we get another project from any other funds.
- Ahmad Qabany added that from a financing perspective he agrees with Yolando that defining climate finance in the region is a major issue. This is a problem for all developing but not the only problem. Multilateral development banks are reviewing this year the definition of adaptation and mitigation finance to make it clearer and less grey. Looking at this year's MDB report once again the MENA region is the lowest than most other region despite all the adaptation needs that we say, finance is still lower than other region in terms of the whole climate finance and adaptation in specific. Last thing is the mainstreaming national plan that is mentioned explicitly in the report but lacks enough mention of the long-term strategies – Looking at long term strategies is important specifically in terms of how its aligned with the Paris Agreement and other long term commitments.
- Grant Kirkman gave a presentation on the Global Needs Based Finance projects. He started by giving a quick rundown of the whole NBF project globally that includes a quite number of initiatives by giving a sense of areas of focus in terms of designing cohesive regional climate finance strategy. A very strong mandate given by the COP to facilitate this process it also allows countries to think more clearly about structuring and what is more important for them.
- Clarity on mobilization and access of climate finance stand at the heart of the NBF project. Definitions and parameters bound within Climate Finance should be clearly defined and it needs to support the needs identified in all the national reports. Throughout all the regions a lot of these information is coming from NDCs which are being updated. NBF is building on existing finance work and it shouldn't be replacing existing initiatives, it should basically help build and provide cohesive umbrella around it.
- There are 3 phases to the project and typically we are partnering with regional organization like LAS and Arab group – what we are doing today is looking at technical aspect and flows, barriers, needs and come out with a clear definition of priorities and pillars around climate finance strategy.
- The next phase of the project is to move into implementation – we are seeing this across all project and the level of urgency has really picked up pace since COVID.
- He talked about 12 different initiatives currently running which cover at least 100 countries with many partners and with the secretariat and obviously Arab region and LAS. We have one in West Africa and the Eastern Caribbean states – we also got project in LDCs – and two new ones that just joined from ESCAP.
- Key areas of climate strategies – include limiting complexity to access and increase capacities to design projects, scaling up finance approaches, placing expertise in market, scaling up approaches on gender, poor communities and being responsive to climate finance and enhancing coordination between and within governments and looking at what private sector can do.
- He added that they are about to publish all the technical notes of the assessments and documents and strategies to be available publicly. They are also updating their brochure and producing video

broadcasts of country success stories. Capacity building workshops and webinars will also be designed around next year in addition to private sector matching.

- Grant added that the strategy should be short, concise, and a high-level document that can be placed with CAMRE, not more than 8 pages and with 6 to 8 pillars or action items. The annex to the strategy is the technical assessment with an action plan.
- Ayman added that from GCF perspective there are different requirements for the projects, the larger the project is the greater the requirements and safeguard. He commented on Grant's presentation by saying that we need to have a very clear disclaimer on the use of the data that we have and the assessment we have developed for several reasons, of which the fact that not all Arab countries provided their comments. This strategy is made as much as possible relevant but not perspective in term of telling governments what to do. When we do that, we take away those strategies forward we need to be mindful – that we cross check it against the principles of the convention and the Paris agreement which are guiding frameworks. We need to make clear distinction between financing for adaptation and finance for enhancing resilience.
- Ahmad Qabany came back to clarify the Paris alignment thing by saying that there is a difference between *saying* and between *dealing* with the reality of where the money is coming from and unfortunately where we are coming from whether we like it or not the ultimate goal is to facilitate financial flows and increase the financial flows. All MDBs and IFIs have committed to alignment with the goals of the Paris agreement which entails two things: the temperature goals and resilient pathways which are really flagging and pushing on as South-South Multilateral development bank. Now saying that the money is conditional or tight to something (whether said explicitly or non-explicitly) 3 of 9 MDBs have already put a timeline on that, EIB already started this year EBRB has already committed by 2023 and World Bank already announced that by Mid 2023 100% of its financing will be in line with the goals of Paris Agreement. The reason why I am flagging this here is because it would be unrealistic for us to have projects and cite them as climate projects and then we see that they don't meet the mitigation goals. Simply money will not come. Whether its conditional or non-conditional it's not the issue but realistically speaking (looking in the finance last year how much money is coming to the MENA region compared to other regions) it's because again of the straining, how we could have a very good project that ends up not being financed because it is in a sector that for example is perceived to be in a high emission and not in line with the country needs. These 1.5 and 2 degrees is not a one size fit all. So, when we talk about Turkey its different than talking about Somalia etc. It is not a global degree goal and arbitrary number, but it is customized to the country needs. However, these numbers should be set by the countries themselves. And this is why we are happy to see plans by Saudi Arabia, Egypt, Morocco the ones that are looking at long term strategies because then they say this is how I see my development, resilience, low carbon development in the long term Horizon and no one is going to tell me whether this fits 1.5 degrees or not. This is to clarify that it is country driven for us and therefore we are pushing countries to develop their own country plans. The earlier we move on that front We are just anticipating and preparing – if we put this in part of our strategy here, not as a commitment that would in any way reduce the financing but the idea is making them more informed to get this consensual finance that we are requesting not the market based financing.

Session III – Next Steps and Closing

- Yolando facilitated the final session by saying that the technical assessment is just the first in the region but among the different regions and the Arab group has produced this in depth technical assessment on the needs in fulfilment of the COP decision and hopefully it will not be the last and we need to continue to evolve it- another round of assessment of needs and some of this gaps will be addressed by them. Issues around climate finance are critical and this is one of the recommendations that have been identified in terms of tracking and monitoring of finance in the region – now the next steps for this projects it's not just about producing the technical assessment but also translate them into actions and now we are in the phase of transition into action plan. Regarding alignment with PA we also got some time that we need to align with the convention and not only the PA when we refer to alignment and implementation it has to be in the context of both convention and PA. Quickly on the next steps: moving towards strategy development next stage will be drafting and these will form a smaller set of representatives from the region to start drafting the strategy based on the technical assessment, recommendations and principles that you would like to pursue and specific actions that could be undertaken. From that strategy it will be presented for discussion and approval by the larger membership of the Arab group and also while preparing for the draft strategy might be worth to start exploiting implementation activities example in terms of building capacities of experts in terms of mobilization and accessing climate finance from different sources including issues raised.
- Mahmoud concluded by saying that needs assessment is a must have start for the needs of Arab states but the next very important step is the implementation and specially taking into consideration the case of LDCs in the Arab region and the priority of mitigation and adaptation. I think the outcome of the report is very important and we are looking forward to the next steps and present to CAMRE to take action.
- Ayman also concluded by thanking everyone for putting the efforts and trying to help the region to mobilize climate finance and we look forward to the strategies that we will take to the ministers for them to learn from. The Arab group has the honor of drafting the PA and we have put paragraph 4.7 that talks about co-benefits adaptation in the form of mitigation.
- Roula concluded by saying that we have a lot to further build on – we know there are knowledge gaps and that it's very important to add to this information if we want to access more funding and bring in the table good and solid climate projects for financing. We need finance but we need the appropriate type of finance we need finance that is appropriate in terms of the terms of funding the sector it addresses and the geographical distribution it address even though there has been some progress in access but not enough. In that maybe someone cannot stress enough how much access to data is important and I think it's very important also to remember that unless we are fully engaged in the process, we cannot help the process. The role that the LAS has played in terms of emphasizing how important it adaption in the process it has heightened that process and I will urge to look at climate finance and how much we engaged in that process we will be updating the report and technical assessment and we hope and are commitment that the strategy will reflect the outcome and recommendations of the report and will be influenced by what the finding are and how to address the gaps and barriers.
- As much as we like to see coherence with PA we also want to see coherence at the regional level we have also start talking about contribution in our region and to hold an investment forum within the regional climate week and we should look at more conversion in the regional climate week.