

Training workshop on Climate Finance Access in the Arab States Needs-Based Finance Project

Session 1: Overview of technical assessment on climate finance and validation of draft Arab States Climate Finance Access and Mobilization strategy

18 to 20 September 2022, Tunis,
Republic of Tunisia



United Nations
Climate Change Secretariat



Shared Prosperity Dignified Life



TECHNICAL ASSESSMENT OF CLIMATE FINANCE IN THE ARAB STATES

ANNEX TO THE ARAB STATES CLIMATE FINANCE
ACCESS AND MOBILIZATION STRATEGY



Technical assessment is
available at:

<https://unfccc.int/NBF%20Project/Regions#eq-1>



United Nations
Framework Convention on
Climate Change



Shared Prosperity
Digitalised Life



Arab Needs Based Finance Project Milestones



Challenges and Opportunities to be Addressed

Climate Finance Gaps

- Adaptation is priority but **77% of climate finance flows target mitigation and 18% adaptation**
- Concessional finance provided mostly by climate funds (MDBs only 3% grants)
- Unbalanced geographic distribution
 - Majority of flows to 4-5 countries
 - Relatively **low support to LDCs**

Diversify sources of climate finance

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

Barriers to Accessing Climate Finance

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

Regional and Sub-regional Collaboration

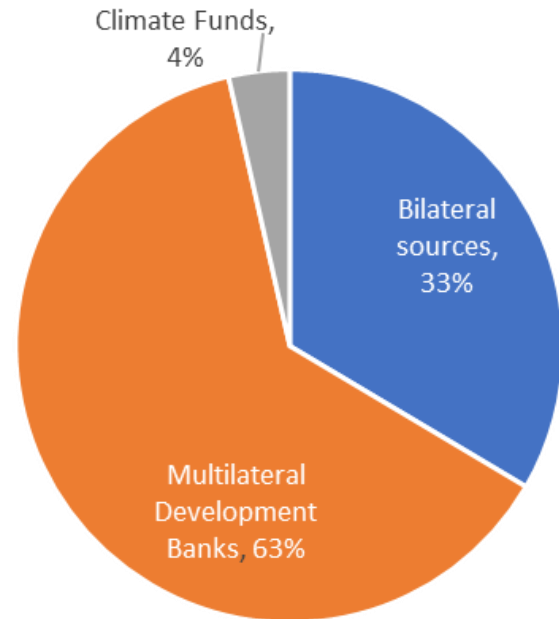
- A country level approach needs to be part of the strategy given diversity
- Multi-country approach can help overcome capacity constraints
- Multi-country approach can address transboundary/sub-regional issues



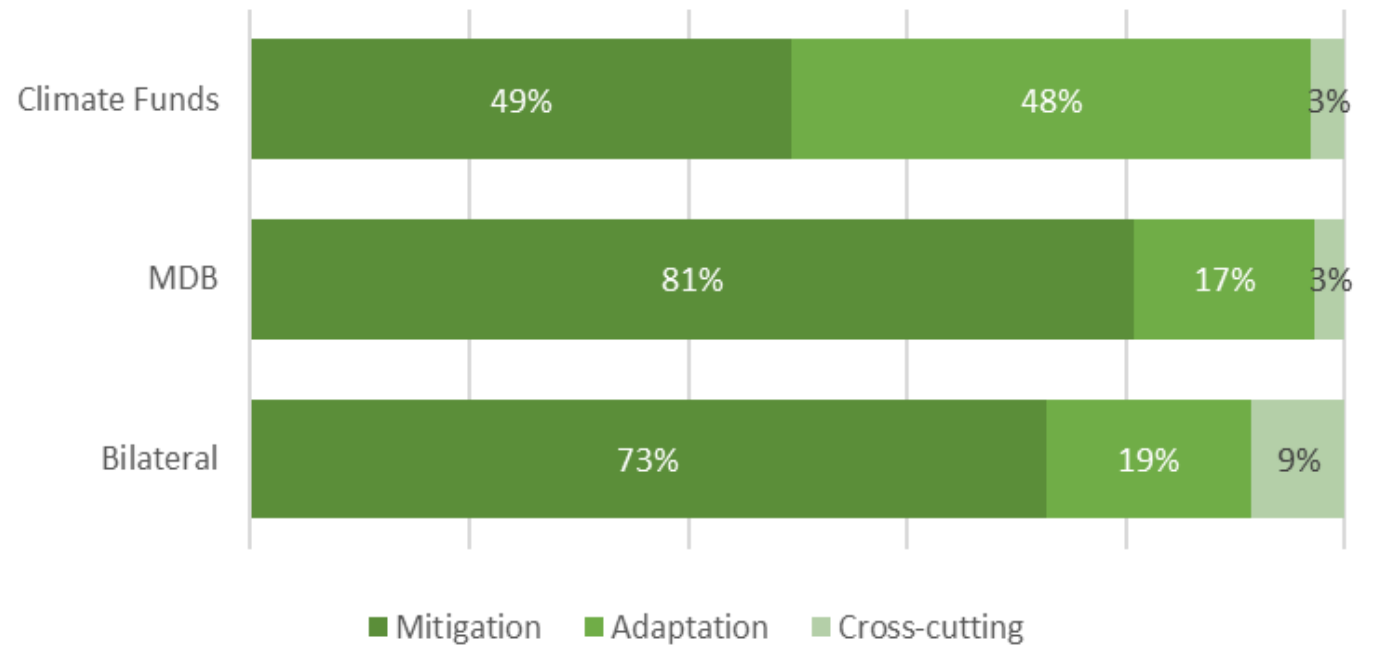
1. Climate Finance Gap

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

Sources of international public climate finance flows 2013–2018



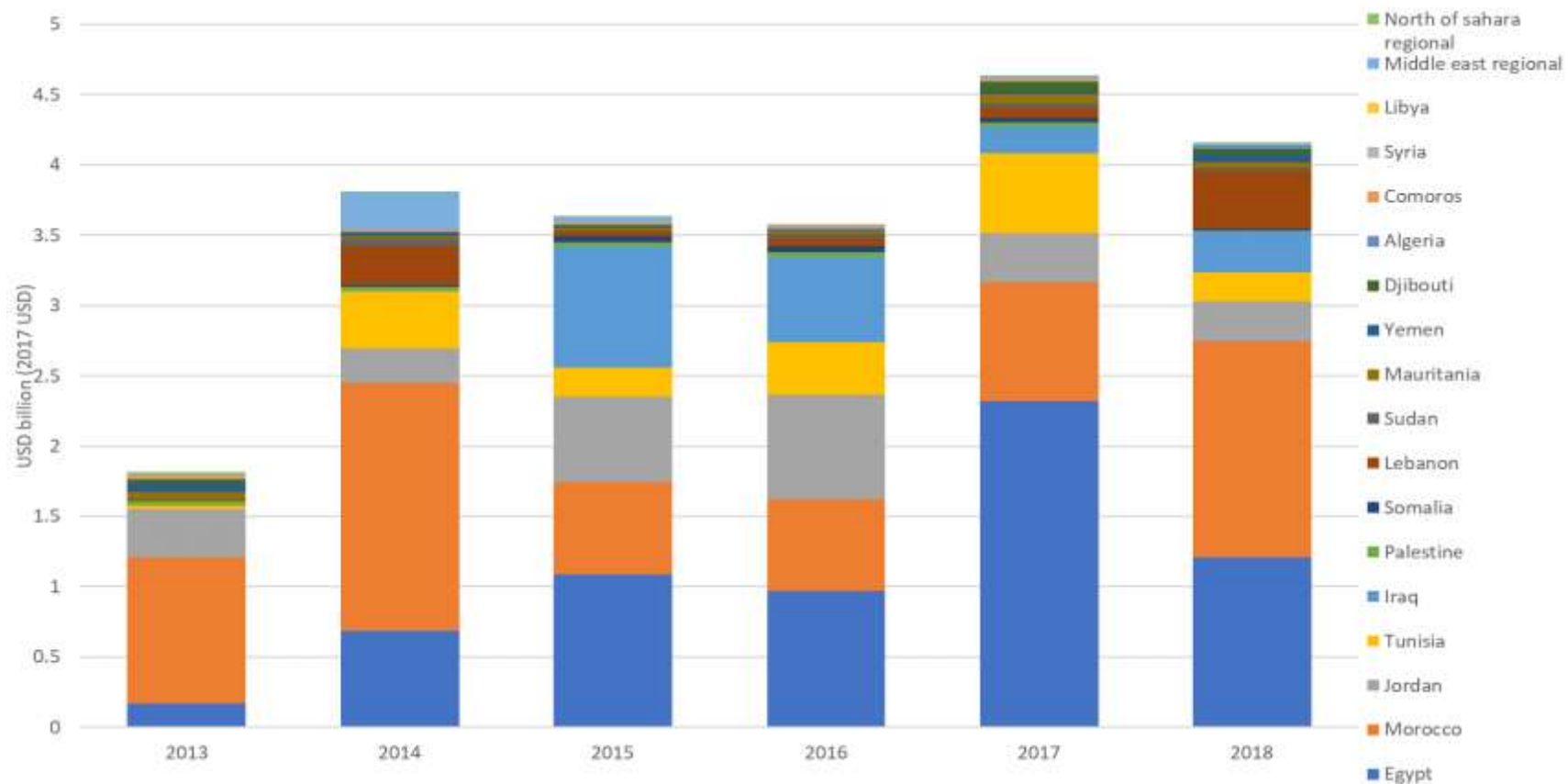
Breakdown of climate themes by source of climate finance 2013–2018



1. Climate Finance Gap

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

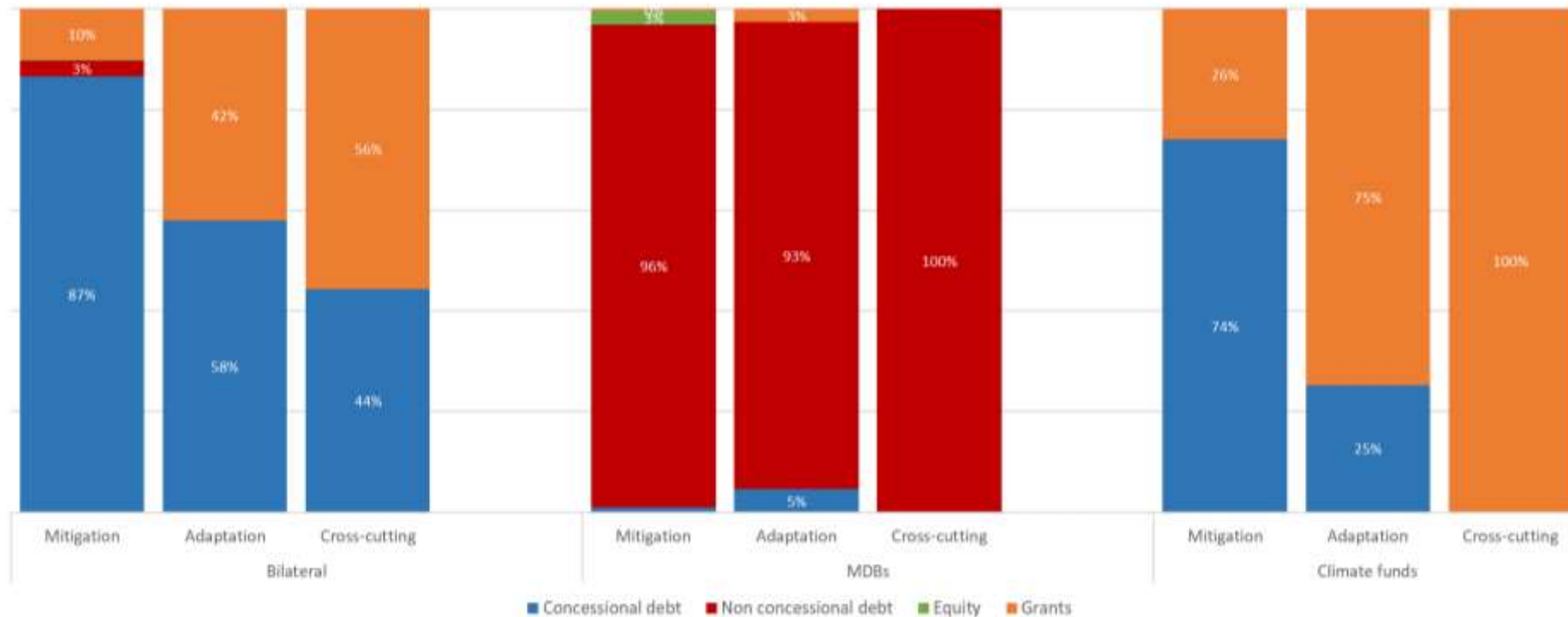
Recipient of international public climate finance 2013–2018



1. Climate Finance Gap

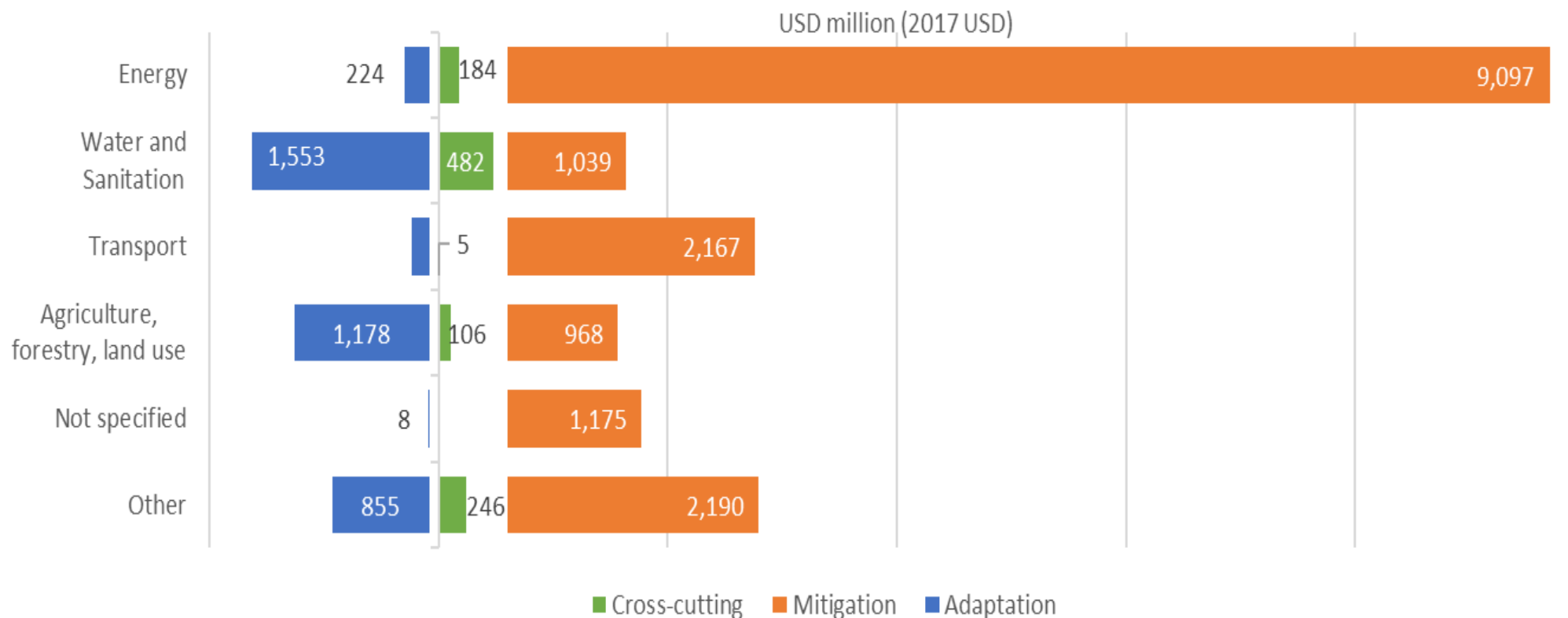
The dominant role of MDBs has effect on level of concessional and grant finance available, particularly for adaptation.

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



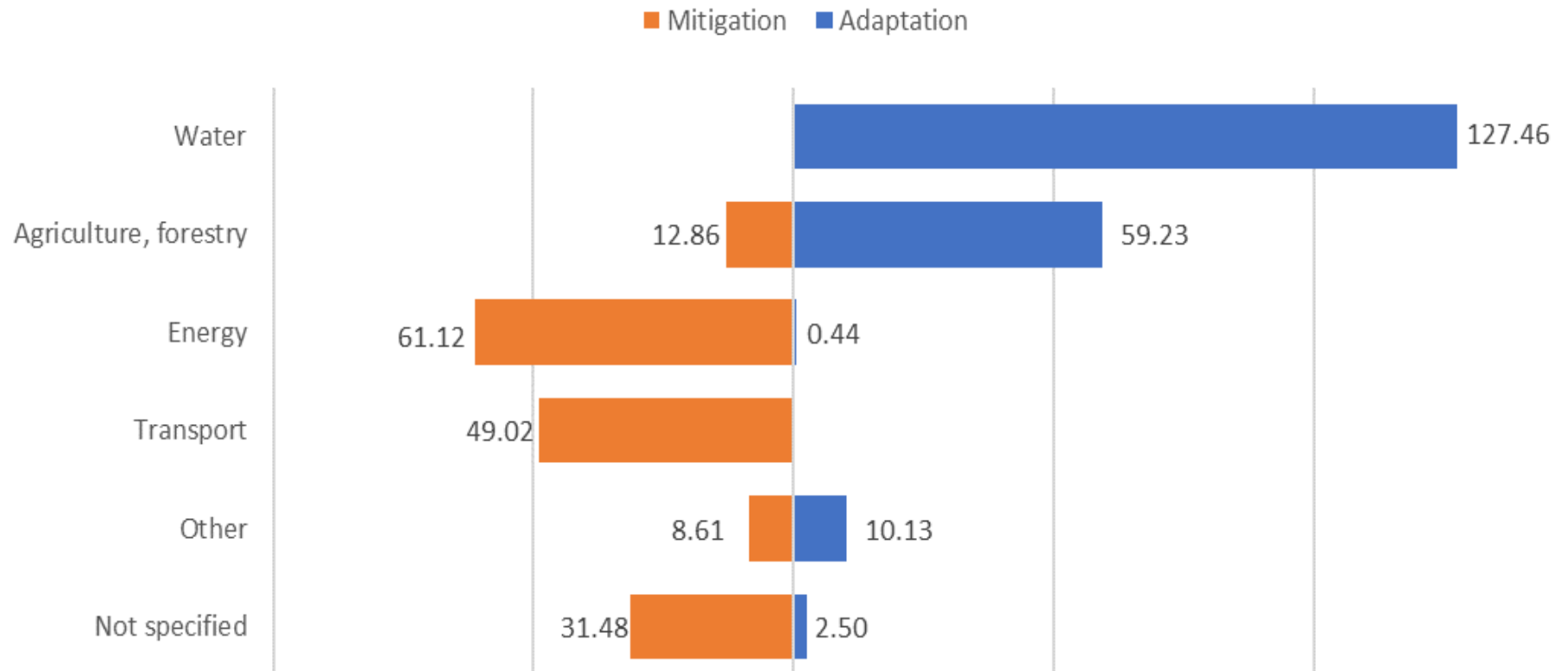
1. Climate Finance Gap

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



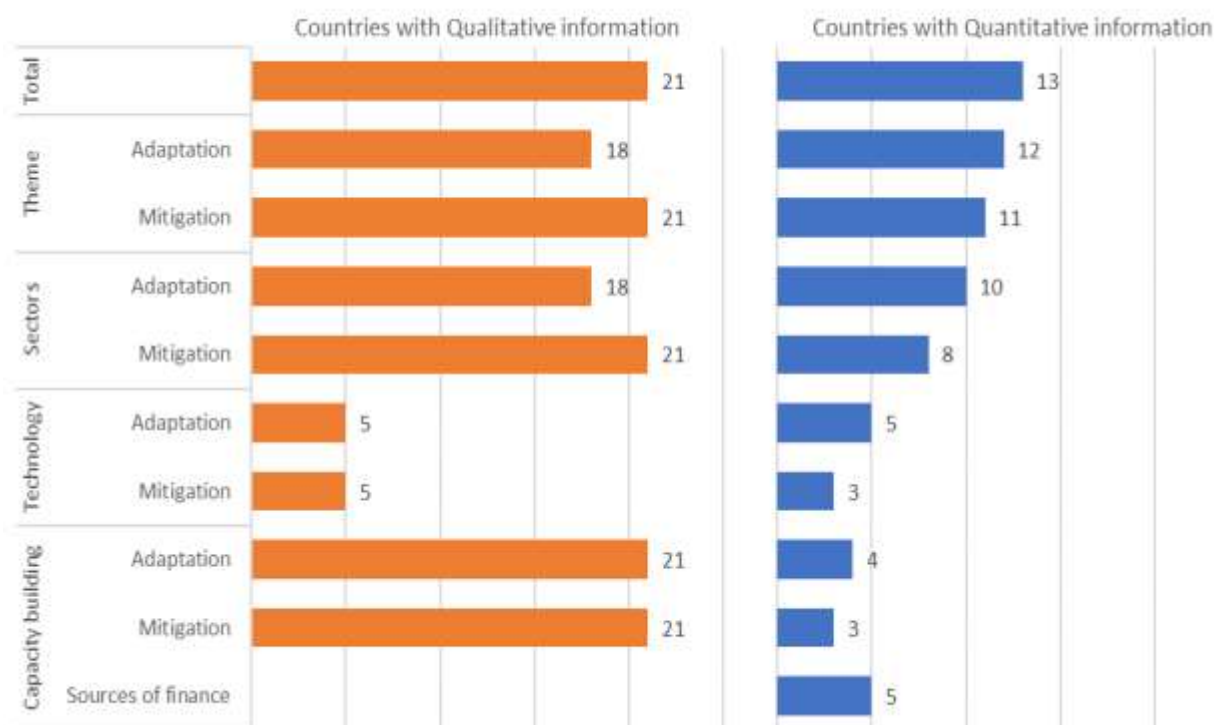
1. Climate Finance Gap

Needs costed by theme and sector (in USD billion)



2. Strengthen assessment and costing of needs

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

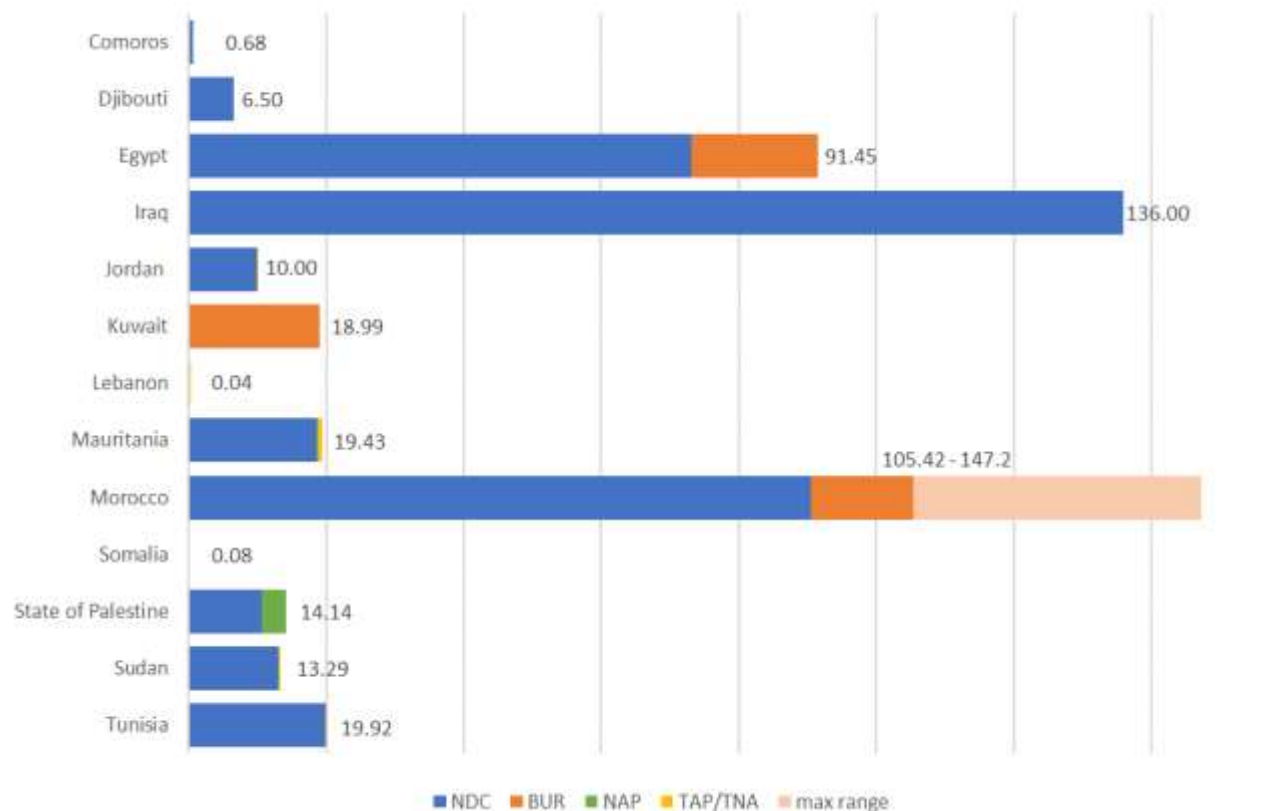
All 21 States identified needs and priorities qualitatively

13 Arab States costed their needs in quantitative terms in one or more submission



2. Strengthen assessment and costing of needs

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



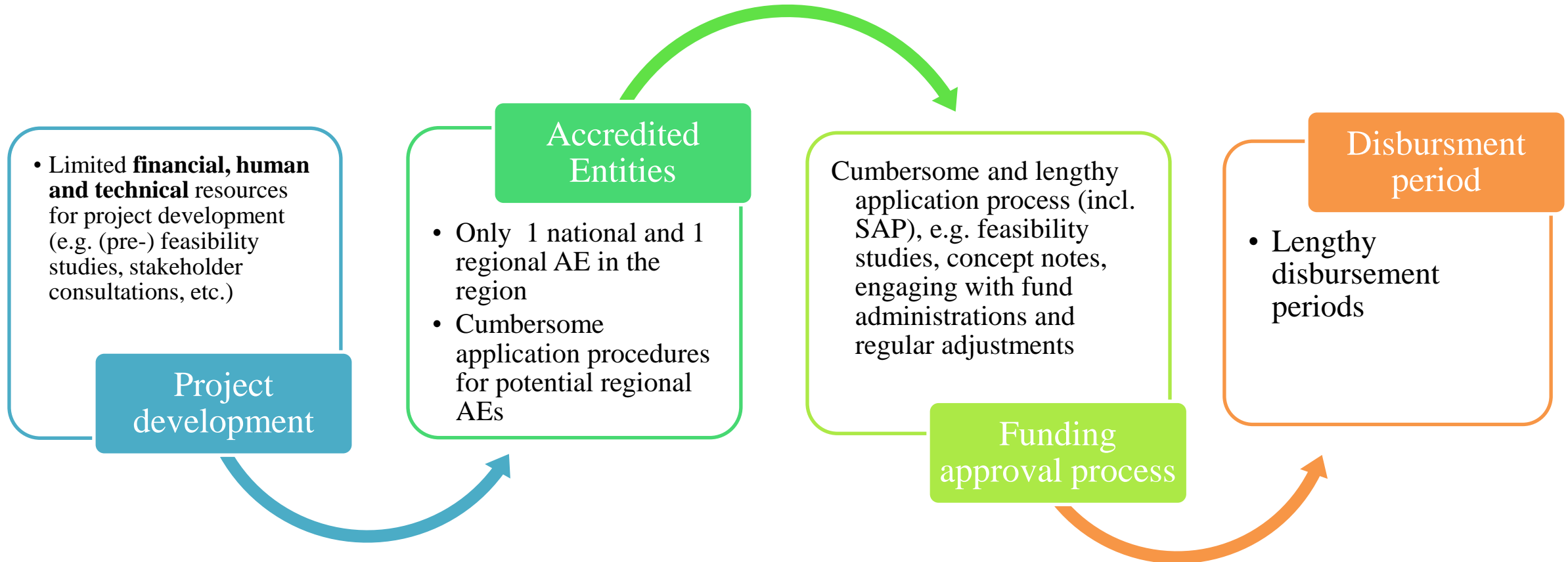
- Half of the Arab States have not costed their climate finance needs.
- Very few have published granular estimates with sector or program specific costs.
- Readiness support funds may help strengthen institutional capacity and develop project pipelines
- There is a need to map a suite of available guidelines,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



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



4. Strengthen and expand regional cooperation for mobilizing climate finance

Substantive opportunities for regional and sub-regional collaboration for mobilizing climate finance

- Agriculture for food security
- Water resources and desalination
- Coastal zone management
- Sustainable use of cooling systems
- Scaling up renewable energy
- Energy efficiency programmes
- Sustainable and green buildings
- Enhancing health services
- The tourism sector



4. Strengthen and expand regional cooperation for mobilizing climate finance



Draft Arab States Climate Finance Access and Mobilization Strategy 2022–2030



Strategic framework

GOAL

Enhance access to, and increase mobilization of, climate finance to address the climate needs and to meet the climate goals of the region.

Objectives

Scale up climate finance and attract climate-related investment

Enhance individual, institutional and systemic capacity

Reduce challenges and barriers, including through enhanced regional cooperation;

Scale up multi-country collaboration

Guiding Principles

International public finance shall be the key source of climate finance

Is policy relevant as opposed to policy prescriptive

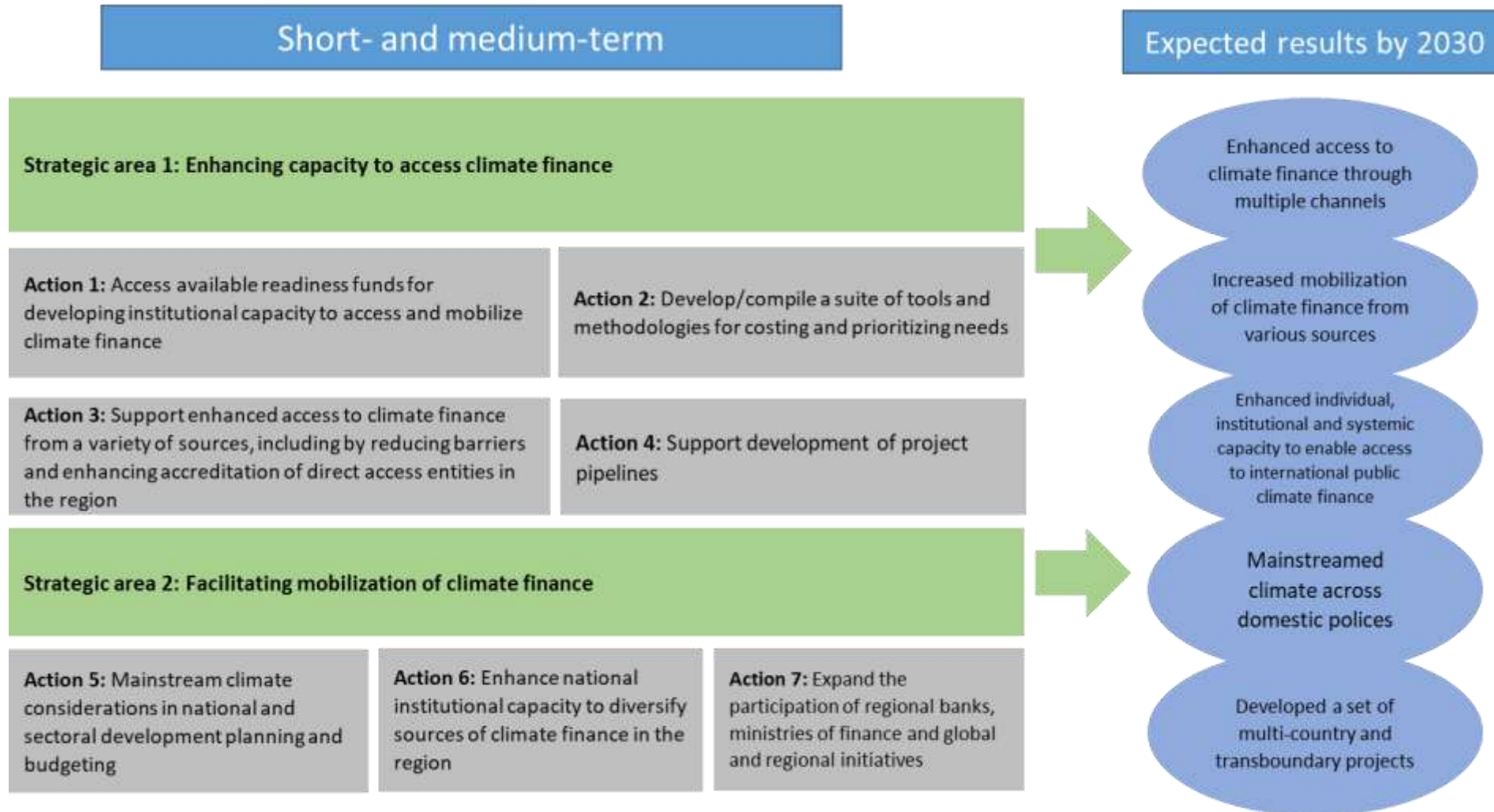
Recognizes that grants are required to assist in meeting adaptation needs

Recognizes and is built upon the diversity of the region;

Recognizes the predominance of adaptation and resilience needs

Encourages regional knowledge-sharing and learning and participation

Framework of the Arab States Climate Finance Access and Mobilization Strategy



Strategic Area 1: Enhancing capacity to access climate finance

Access available readiness funds for developing institutional capacity to access and mobilize climate finance

- Country-driven multi-year plans for readiness funds.
- Strengthen institutional capacity and to develop project pipelines.
- Nominate delivery partners
- Exchange good practices and lessons learned

Support enhanced access to climate finance from a variety of sources, including by reducing access barriers and enhancing accreditation

- Identify potential direct access entities
- Capacity strengthening of potential DAEs
- Trainings on fiduciary standards, safeguards, compliance policies

Develop/compile a suite of tools and methodologies for costing and prioritizing needs

- Toolkits for assessing and costing needs
- Training workshops
- Developing a climate finance data and information platform.

Support development of project pipelines

- Identifying priority needs
- Regional programming dialogues
- Regional or multi-country project pipeline
- Training programmes to prepare project and programme proposals

Strategic Area 2: Facilitating mobilization of climate finance

Mainstream climate considerations in national and sectoral development planning and budgeting

- Toolkits for climate mainstreaming.
- Strengthen capacity for integrated whole-of-government planning and climate-aligned budgeting
- National climate expenditure tracking systems.
- Facilitate data exchange for needs assessment
- Public awareness on the diverse needs of different communities

Enhance national institutional capacity to diversify sources of climate finance in the region

- Financial strategies or road maps for greening finance.
- Incorporate climate risk and opportunities into investment decisions.
- Standardize climate and sustainable finance definitions or taxonomies.
- Expand the range of financial and banking products.
- Share experience of using financial instruments.
- Partner dialogues for matching project developers with financiers

Expand the participation of regional banks, ministries of finance and the private sector in global and regional initiatives

- Raise awareness of and participation in global and regional finance initiatives.
- Increase participation of central banks, financial regulators and other fiduciary stakeholders in climate change and finance.
- Strengthen the provision of private climate finance in domestic capital markets
- Policies and regulations to manage environment-related risks and disclosure.