International Climate Finance Flows to the Arab Region

Expert Group Meeting on Mainstreaming Climate Action into National Development Planning in the Arab Region

Amman, 25-27 November 2019

This increases to USD 846 billion based on unverified estimates of domestic flows.

Global Climate Finance flows reported by the UNFCCC, 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>USD Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private channels*</td>
<td>455.3</td>
</tr>
<tr>
<td>Public - domestic flows**</td>
<td>67</td>
</tr>
<tr>
<td>Public - other international finance flows</td>
<td>165</td>
</tr>
<tr>
<td>Public flows from developed to developing countries via MDBs****</td>
<td>33.6</td>
</tr>
<tr>
<td>Public flows via UNFCCC multilateral climate funds to developing countries*****</td>
<td>19.7</td>
</tr>
<tr>
<td>Public flows via non UNFCCC multilateral climate funds to developing countries*****</td>
<td>1.6</td>
</tr>
<tr>
<td>Public flows from developed to developing countries via bilateral, regional, and other channels***</td>
<td>0.8</td>
</tr>
</tbody>
</table>

USD 55.7 Billion

Notes: Data on public international flows reported by the UNFCCC includes risk capital as well as grant finance. While reporting formats are not standard, many biennial reports submitted by the parties include Official Development Assistance (ODA) as well as Other Official Flows (OOF).

* The UNFCCC notes “High-quality data on private investments in mitigation and finance in sectors such as agriculture, forests, water and waste management are particularly lacking.”
** USD 67 Billion is officially reported by the UNFCCC Standing Committee on Finance, based on a 32 country dataset. While comprehensive data is not available for all countries, the UNFCCC SCF estimates USD 157 billion in domestic public expenditure by developing countries and USD 75 billion by developed countries, giving a global total of USD 232 billion.
***Developed countries refers to OECD Development Assistance Committee (DAC) members, except Republic of Korea. Developing Country refers to countries that are not members of the OECD DAC. MDBs are multilateral development banks. Flows are attributed to developed countries based on their ownership share in MDBs, and only include the own resources of MDBs; funds from other sources channeled through MDBs are not counted.
****Developed countries refers to UNFCCC Annex II, Developing Countries refers to countries not listed in UNFCCC Annex I
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Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report
Private participation varies by sector.

Global climate finance flows from public and private sources, by sector (2016)

- **Renewable Energy**: $217.1 billion
  - Public: $52.3 billion
  - Private: $164.8 billion
- **Energy Efficiency**: $224.9 billion
  - Public: $32.9 billion
  - Private: $192.0 billion
- **Sustainable Transport**: $13.3 billion
  - Public: $92.5 billion
  - Private: $0 billion
- **Other Sectors**: $47.5 billion
  - Public: $0 billion
  - Private: $47.5 billion

**Note**: UNFCCC estimated private finance for renewable energy, energy efficiency, and sustainable transport based on available data. Global data on private climate finance in other sectors was not identified by the UNFCCC.

**Source**: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report
Globally, most grants and adaptation finance are provided bilaterally; Multilateral Development Banks provide mostly debt finance.

Public International Flows to Developing Countries
Annual Average 2015-2016

*The UNFCCC SCF 2018 reports this includes only concessional flows from Annex II countries to developing countries.

**Data on MDB Finance includes all MDB finance flows to developing countries, not just flows attributable to developed countries. USD 19.3 of the total USD 24.4 billion in flows via MDBs are attributed to developed countries by the UNFCCC.

***Data on flows via multilateral climate funds includes funds that serve the UNFCCC as well as other funds (for full list, see UNFCCC SCF, 2018. Page 10).

Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report, table 3.1

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Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report
Bilateral Climate Finance Flows to the Arab region increased nearly threefold from 2015 to 2016, of which over 2 billion was from Japan (over half as OOF). Flows are not consistent year-to-year.

Public financial support from developed to Arab countries through bilateral, regional and other channels, 2016

Public Finance Support from Developed to Arab Countries through Bilateral, Regional and Other Channels, 2015 & 2016

Note: Developed Countries refers to countries listed in UNFCCC Annex II.
Note: Data presented in these charts corresponds to public international flows from Annex II parties to the UNFCCC to Arab States, through bilateral, regional, and other channels, based on data reported by Annex II states to the UNFCCC in their third biennial reports. While reporting formats are not standard, many biennial reports submitted by the parties include Official Development Assistance (ODA) as well as Other Official Flows (OOF). Regional flows are not reported to a specific state, or are reported to multiple states. The charts do not include domestic public flows, multilateral flows, or private flows. Of the 33.6 billion in flows reported by the UNFCCC from developed to developing countries through bilateral, regional, and other channels in 2016, a total of USD 31.3 billion are included in the dataset presented above. United States was not available and is not included. Data from the United Kingdom is based on the official PDF submission of the 3rd Biennial Report.

Source: Elaborated by ESCWA based on data downloaded from the UNFCCC Biennial Reports Data Interface
Adaptation is the priority in the Arab Region, but the quality & quantity of flows does not meet the need.

Bilateral, Regional, & Other Flows* to Arab States & MENA region reported by developed countries to UNFCCC, 2016 (most recent reporting year)

* Note: Includes flows from a single source state to one or more recipient states. Excludes flows via multilateral funds and via multilateral development banks.

Source: Elaborated by ESCWA based on data downloaded from the UNFCCC Biennial Reports Data Interface
Mitigation accounted for the majority of flows in the region in 2016, although adaptation is more of focus in some countries.

Public Finance Support from Developed to Arab States through Bilateral, Regional and Other Channels, 2016: Purpose of Finance

Data presented in this chart corresponds to public international flows from Annex II parties to the UNFCCC to Arab States, through bilateral, regional, and other channels, based on data reported by Annex II states to the UNFCCC in their third biennial reports. While reporting formats are not standard, many biennial reports submitted by the parties include Official Development Assistance (ODA) as well as Other Official Flows (OOF). Regional flows are not reported to a specific state or are reported to multiple states. This chart does not include domestic public flows, multilateral flows, or private flows. Of the 33.6 billion in flows reported by the UNFCCC from developed to developing countries through bilateral, regional, and other channels in 2016, a total of USD 31.3 billion are included in the dataset presented above. United States was not available and is not included. Data from the United Kingdom is based on the official PDF submission of the 3rd Biennial Report.

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Grants accounted for just 12% of public international climate finance flowing to the region through bilateral, regional, and other channels in 2016.

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Source: Elaborated by ESCWA based on data downloaded from the UNFCCC Biennial Reports Data Interface.

This increases to USD 846 billion based on unverified estimates of domestic flows.

Global Climate Finance flows reported by the UNFCCC, 2016

- **Private channels***: 455.3 USD Billions
- **Public - domestic flows**: 19.7 USD Billions
- **Public - other international finance flows**: 33.6 USD Billions
- **Public flows from developed to developing countries via bilateral, regional, and other channels**: 165 USD Billions
- **Public flows from developed to developing countries via MDBs**: 102.6 USD Billions
- **Public flows via UNFCCC multilateral climate funds to developing countries**: 67 USD Billions
- **Public flows via non UNFCCC multilateral climate funds to developing countries**: 1.6 USD Billions

Notes: Data on public international flows reported by the UNFCCC includes risk capital as well as grant finance. While reporting formats are not standard, many biennial reports submitted by the parties include Official Development Assistance (ODA) as well as Other Official Flows (OOF).

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Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report
MDBs report USD 27.9 billion in 2016, compared with USD 19.7 billion in discrete flows reported by the UNFCCC Standing Committee.

Flows to Mitigation are higher; most co-finance comes from public sources.

Notes:
* MDBs did not jointly report on climate co-finance until 2015
** 753 million in dual-benefit flows were reported in 2015. In this chart, 50% of these flows have been allocated to adaptation and 50% to mitigation. For dual benefit flows in all other years, the banks defined the percent of dual benefit flows to report as adaptation and as mitigation.
MDBs provide the MENA region >4 times more mitigation finance than adaptation.

Since the Paris Agreement, the share of MDB adaptation finance flowing to the MENA region has decreased.

MDB Adaptation and Mitigation Finance by Region (2018)

MDB Climate Finance Flows: share to MENA
Mitigation Finance Flows to the MENA Region are Increasing More Than Adaptation Finance Flows

Source: compiled by ESCWA from Joint Multilateral Development Bank Reports
Four Arab States have received Dedicated Financing from the GCF, the flagship UNFCCC Multilateral Climate Fund

Global Climate Finance flows reported by the UNFCCC, 2016

**Public flows via UNFCCC multilateral climate funds to developing countries*****: 1.6 USD Billion**

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Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report
Overview of Climate Funds

- Climate-dedicated funds
  - Multilateral funds
    - Operating entities of the Paris Agreement
      - Global Environment Facility (GEF)
      - Special Climate Change Fund (SCCF)
      - Least Developed Countries Fund (LDCF)
    - Green Climate Fund (GCF)
  - Bilateral funds
    - Adaptation Fund

- Climate-relevant funds
  - Multilateral funds
  - Bilateral funds
    - Other funds (e.g. Clean Technology Fund - World Bank)
GCF Financing to Arab countries
2016 - Oct 2019

Note: Some Arab States have also received funding through five multiple country projects. These include: Djibouti, Egypt and Tunisia (part of two projects), Jordan and Morocco (part of three projects)

Source: Compiled by ESCWA from Green Climate Fund
GCF Financing to Arab countries 2016 - Nov 2019

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Source: Compiled by ESCWA from Green Climate Fund
Historically, the Clean Technology Fund is a key source of climate finance in the Arab Region, however it focuses on large projects. Other funds are better suited to smaller projects. UNFCCC financial mechanisms are a key source of funding.

### Climate Fund Financing in the Middle East and North Africa 2003 - 2018

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount Approved (USD millions)</th>
<th>Projects Approved</th>
<th>Average per Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Technology Fund (World Bank)</td>
<td>864.8</td>
<td>10</td>
<td>86.5</td>
</tr>
<tr>
<td>Green Climate Fund</td>
<td>287.8</td>
<td>6</td>
<td>48.0</td>
</tr>
<tr>
<td>Global Environment Facility</td>
<td>108.6</td>
<td>47</td>
<td>2.3</td>
</tr>
<tr>
<td>Adaptation Fund</td>
<td>48.7</td>
<td>10</td>
<td>4.9</td>
</tr>
<tr>
<td>Special Climate Change Fund</td>
<td>43.6</td>
<td>8</td>
<td>5.5</td>
</tr>
<tr>
<td>Least Developed Countries Fund</td>
<td>35.1</td>
<td>8</td>
<td>4.4</td>
</tr>
<tr>
<td>Adaptation for Smallholder Agriculture Program</td>
<td>23.0</td>
<td>4</td>
<td>5.8</td>
</tr>
<tr>
<td>Global Energy Efficiency and Renewable Energy Fund</td>
<td>16.6</td>
<td>1</td>
<td>16.6</td>
</tr>
<tr>
<td>Partnerships for Market Readiness</td>
<td>11.0</td>
<td>6</td>
<td>1.8</td>
</tr>
<tr>
<td>MDG Achievement Fund</td>
<td>7.6</td>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td>Global Climate Change Alliance</td>
<td>3.4</td>
<td>1</td>
<td>3.4</td>
</tr>
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</table>

Source: Watson & Schalatek 2019
Four Arab States have received Dedicated Financing from the GCF, the flagship UNFCCC Multilateral Climate Fund

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Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report
Just 12 of 22 Arab States estimated implementation costs within their NDCs

<table>
<thead>
<tr>
<th>NDC Sample</th>
<th>No NDC (1)</th>
<th>No Cost Estimate</th>
<th>(9 Arab States)</th>
<th>Cost Estimate</th>
<th>(12 Arab States)</th>
</tr>
</thead>
</table>

Note i: Cumulative annual total of 12 Arab NDCs.

Source: Compiled by ESCWA
These 12 States identified 197 Billion in costs from 2020 to 2030

<table>
<thead>
<tr>
<th>NDC Sample</th>
<th>Demand</th>
</tr>
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<th>( \text{??? Billion} )</th>
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<td>Costs not defined in NDC</td>
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<th>Cost Estimate</th>
<th>( \text{?? Billion updates since 2015} )</th>
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<td>( \text{19.7 Billion} ) (per year)</td>
<td>(12 Arab States)</td>
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</table>
Existing Flows to Arab States are well below the Need Estimated in Arab NDCs; important data gaps and a mismatch of supply and demand mean the full magnitude of the financing gap is unknown.

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**Graphic**

Demonstrates that, despite data uncertainty, the gap is clearly very large.

It is not possible to directly compare supply and demand, due to mismatch in funds requested and funds provided.

Arab states may not agree with donor reported amounts due to different climate finance definitions.

Source: Compiled by ESCWA

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**NDC Sample**

**Demand**

No NDC (1)

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<th>Supply-Demand</th>
<th>Unknown $ Gap</th>
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<td>No Cost Estimate (9 Arab States)</td>
<td></td>
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<tr>
<td>Cost Estimate (12 Arab States)</td>
<td>19.7 Billion (per year)</td>
<td>4.3 Billion Mismatch</td>
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**Notes**

Note i: Cumulative annual total of 12 Arab NDCs.

Note ii: The 12 Arab NDCs identify a total of USD 29 billion in domestic sources to finance NDC implementation, or 1.45 billion per year.

Note iii: Other public multilateral sources, such as GCF, GEF, Adaptation Fund, private funds, among others.

Note iv: Data reported by MDBs has not been verified by Arab States, which may not agree with underlying definitions or resulting totals.

Note v: Data reported by developed country donors has not been verified by Arab States, which may not agree with underlying definitions or resulting totals.
Estimating the gap requires evaluating the costs of activities with climate action as a principal objective, but also the incremental cost of incorporating climate resilient, low emission pathways into the design of climate actions.

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<th>MDBs (2018)$$$$$$</th>
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<td>Supply</td>
<td>Climate Focus</td>
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Context: The Arab Region faces a dual challenge: the quality & quantity of climate finance does not meet the need

**Quantity**

The *supply* of international public climate finance is insufficient to meet the need. This is a *quantity* problem.

- **Flows below $ Needs in NDCs:** Available data suggests majority of **19.7 Billion needed** per year (NDCs) is **not provided**

- **Gaps in Defining Need Imply Larger $ Gap:** Available **data is becoming dated**; 10 Arab States have **no cost estimates in NDCs.**

- **Arab States Report Insufficient Access:** Arab States repeatedly report **insufficient finance and barriers to access** during consultations.

**Quality**

The *type* of climate finance does not match the demand nor the objectives of the Paris Agreement. . This is a *quality* problem.

- **Mitigation exceeds Adaptation:** By *a factor of 5* for bilateral flows ($3.7 vs $0.7 billion; 2016) and by a factor of 4 for Multilateral Development Bank flows ($3.5 vs 0.8 billion; 2018).

- **Loans exceed grants:** Also *by a factor of 5* for bilateral flows (also $3.7 vs $0.7 billion) to the Arab region (2016).

- **Public flows are donor-driven:** $33.6 of $55.7 billion in public flows from developed to developing states are **bilateral** (2016)

- **Distribution is uneven:** 94% of bilateral climate finance flows to the Arab region went to **5 countries** (2016).

- **Distribution is not need-based:** Arab LDCs received just **2%** of bilateral flows to the region (2016)

- **Private sector is largest source:** Accounting for **$455 out of $681 billion** in climate finance flows globally (2016)

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Note 1: Git is not possible to compare NDC need with flows reported by donors and MDBs, due to mismatch in supply and demand.

Note 2: Bilateral refers to “bilateral, regional, and other flows” from developed countries to Arab States, which are self-reported by developed countries to the UNFCCC. This does not include flows via multilateral development banks nor multilateral climate funds.

Note 3: Islamic Development Bank (IsDB) is not included in joint multilateral bank reported total. IsDB reported USD 351 million in 2018, of which 65% was dedicated to mitigation, 22% to adaption, and the remaining 13% to dual-benefit projects.

Note 4: Regional data for multilateral development bank flows by instrument was not available. Globally, 80% of MDB finance was some sort of loan in 2018.
Thank you