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Economic and Social Commission for Western Asia

International Climate Finance Flows to the Arab Region

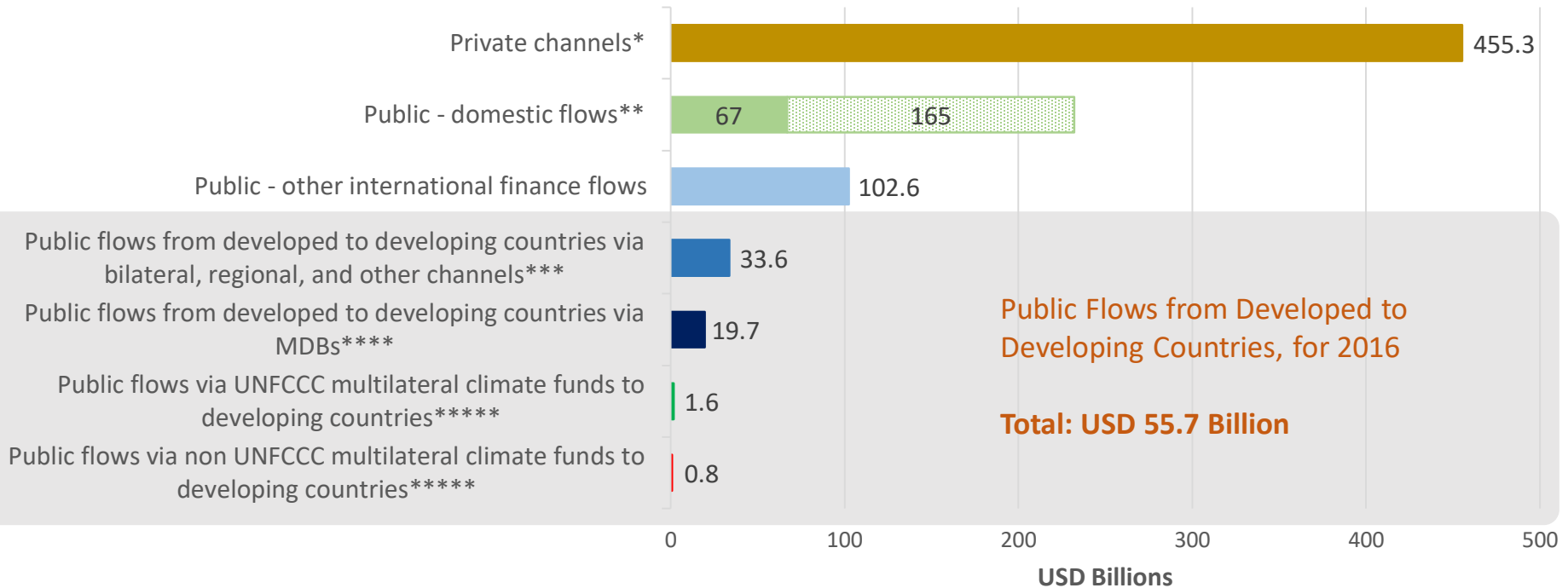
Expert Group Meeting on Mainstreaming Climate Action into National Development Planning in the Arab Region

Amman, 25-27 November 2019

The UNFCCC Standing Committee on Finance Reports USD 681 Billion in Climate-Specific Finance Flows Worldwide in 2016.

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

Global Climate Finance flows reported by the UNFCCC, 2016



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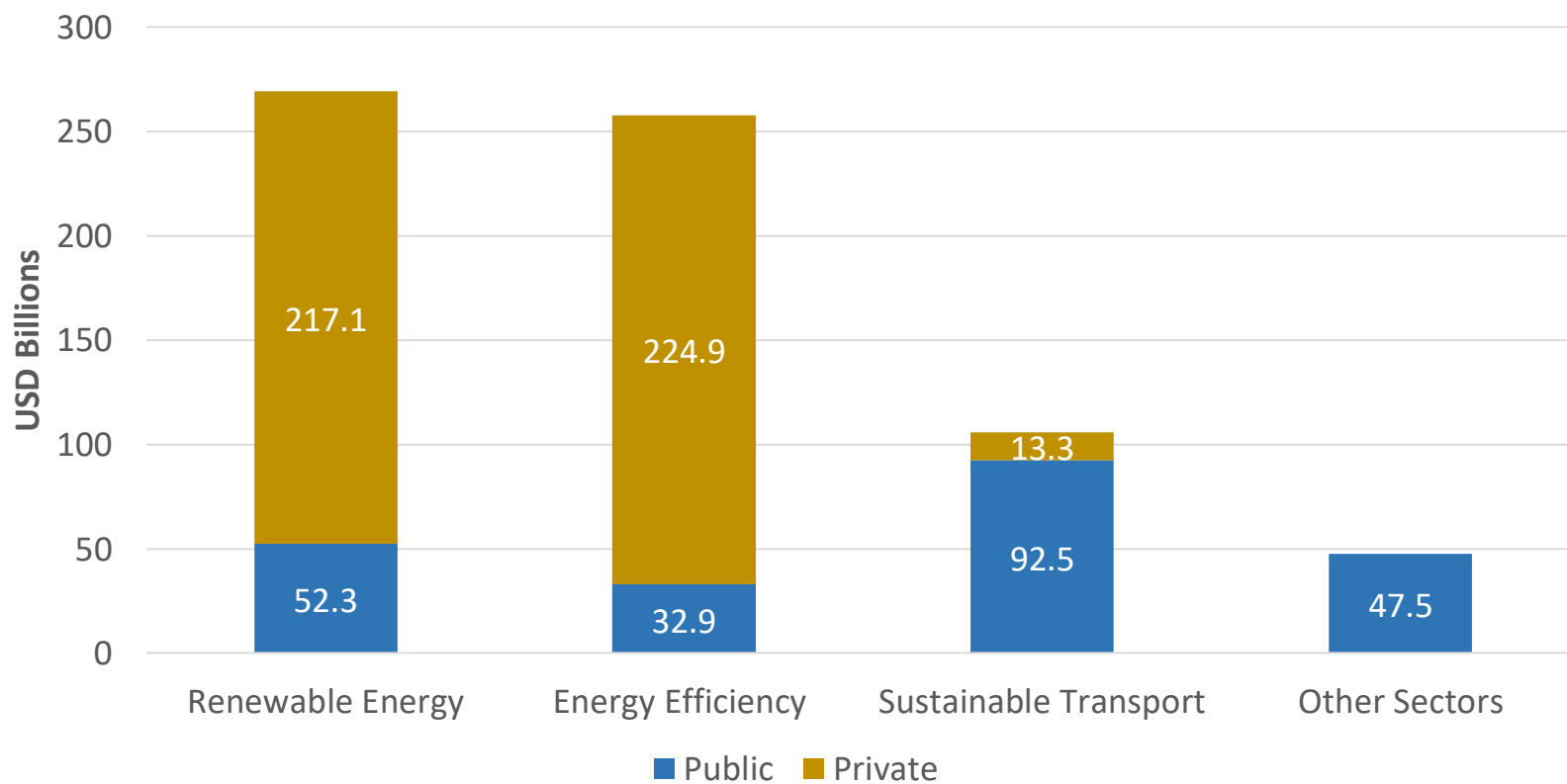
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Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report

Private participation varies by sector.

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

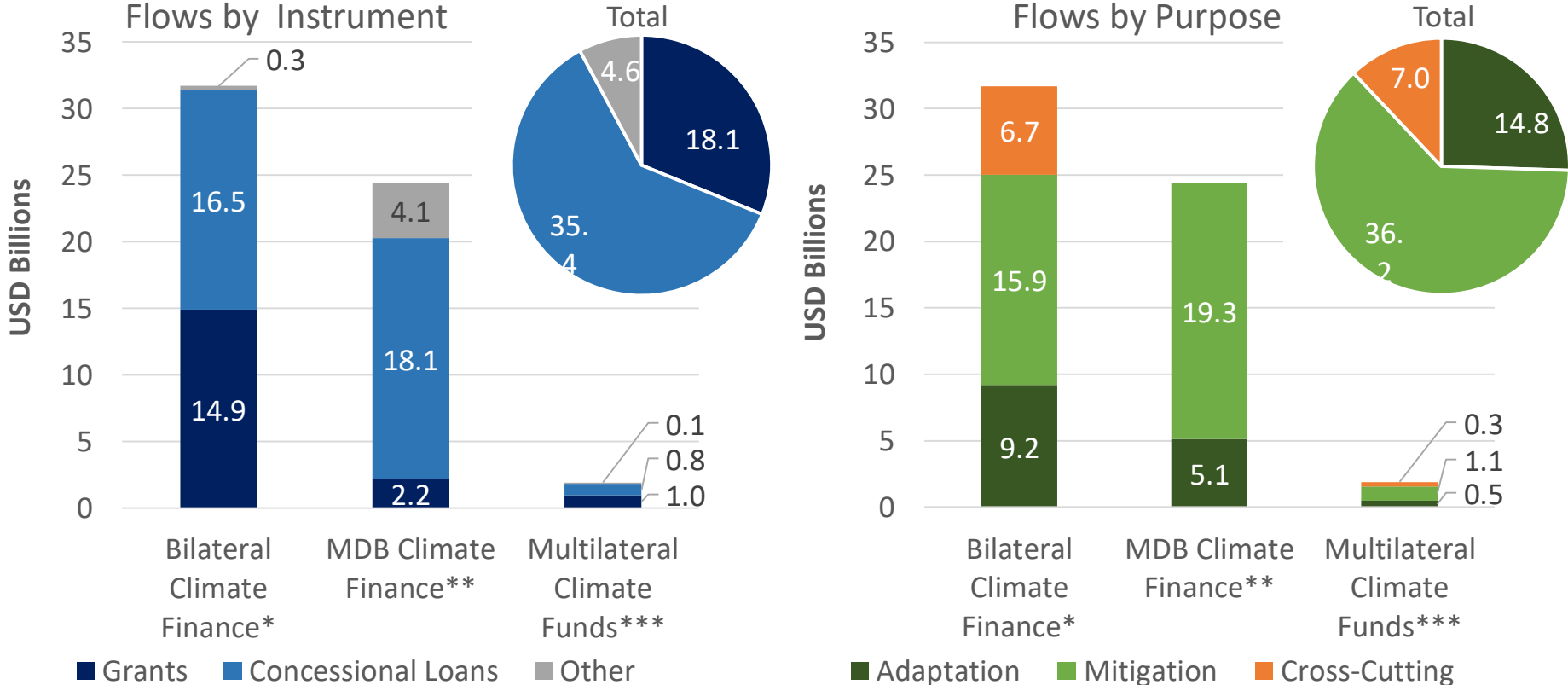


Note: UNFCCC estimated private finance for renewable energy, energy efficiency, and sustainable transport based on available data. Global data on private climate finance in other sectors was not identified by the UNFCCC.

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

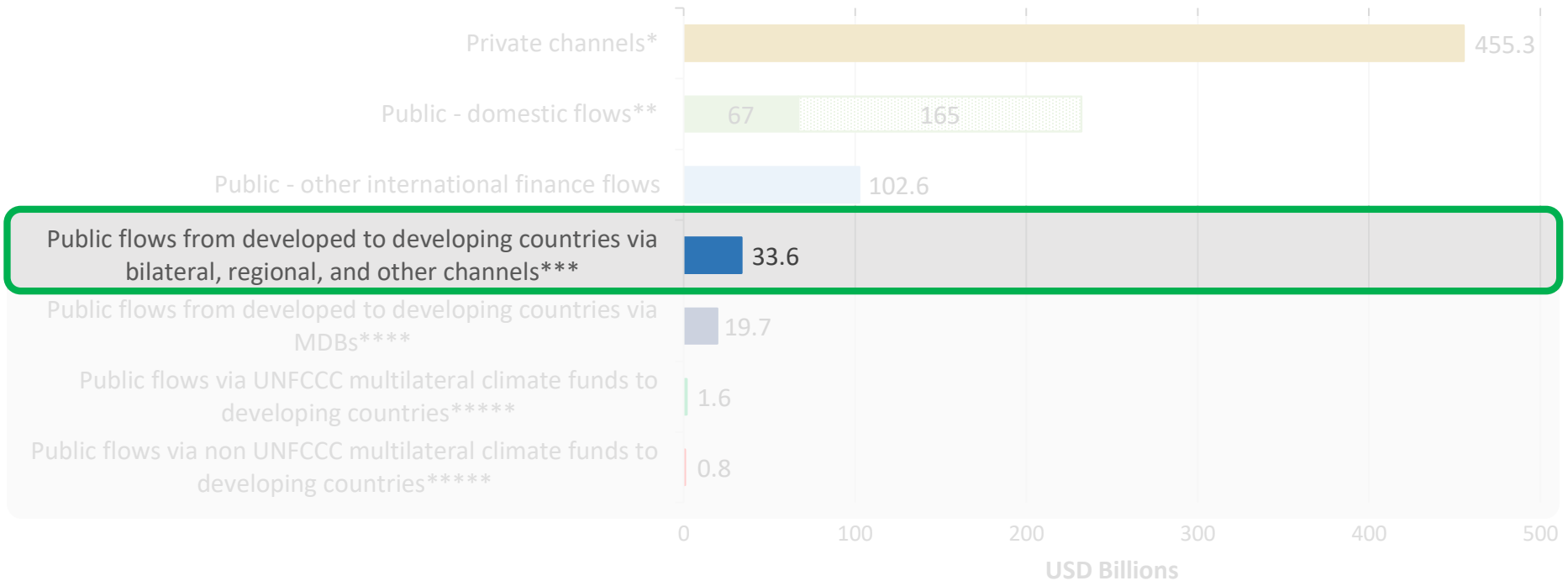


* The UNFCCC SCF 2018 reports this includes only concessional flows from Annex II countries to developing countries
 ** Data on MDB Finance includes all MDB finance flows to developing countries, not just flows attributable to developed countries. USD 19.3 of the total USD 24.4 billion in flows via MDBs 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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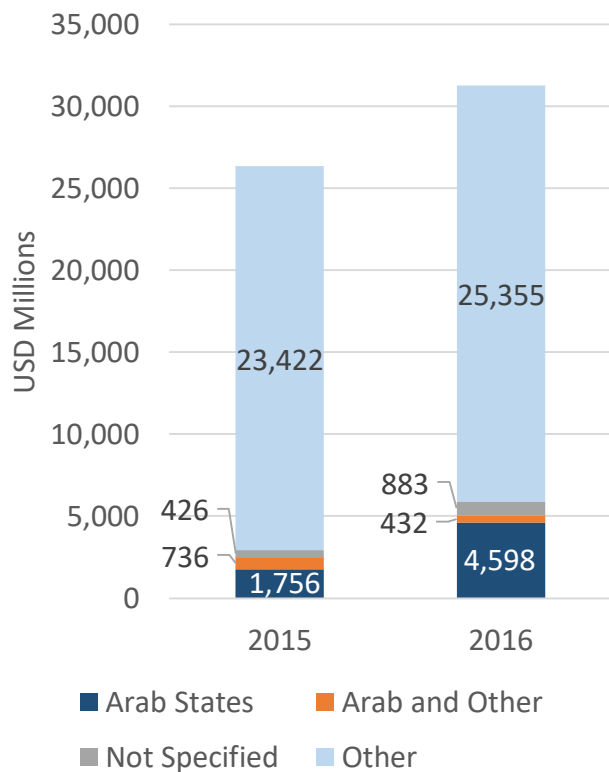
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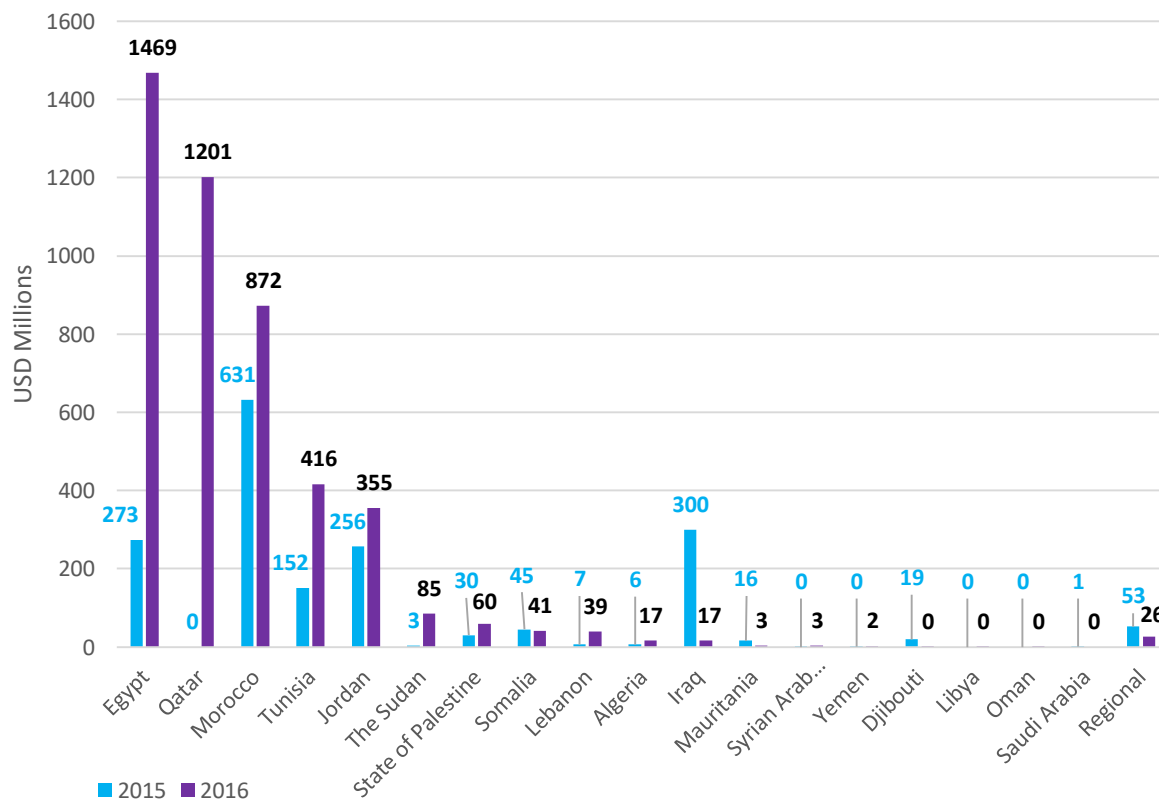
Source: Elaborated by ESCWA based on UNFCCC Standing Committee on Finance 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report

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



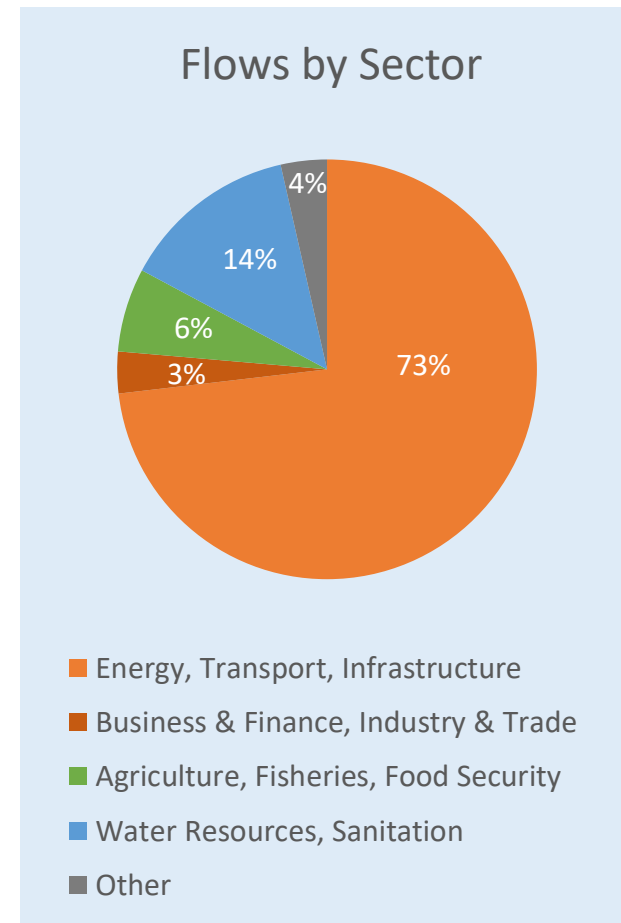
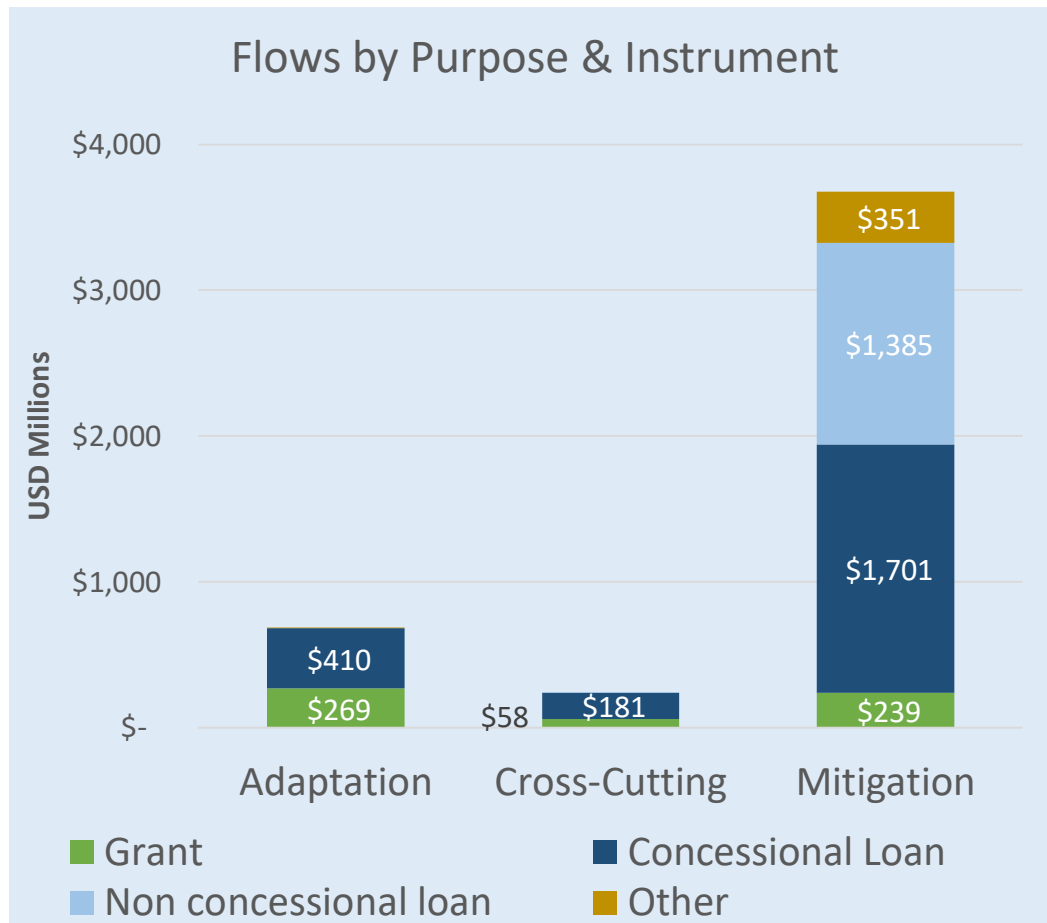
Note: Developed Countries refers to countries listed in UNFCCC Annex II.

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)

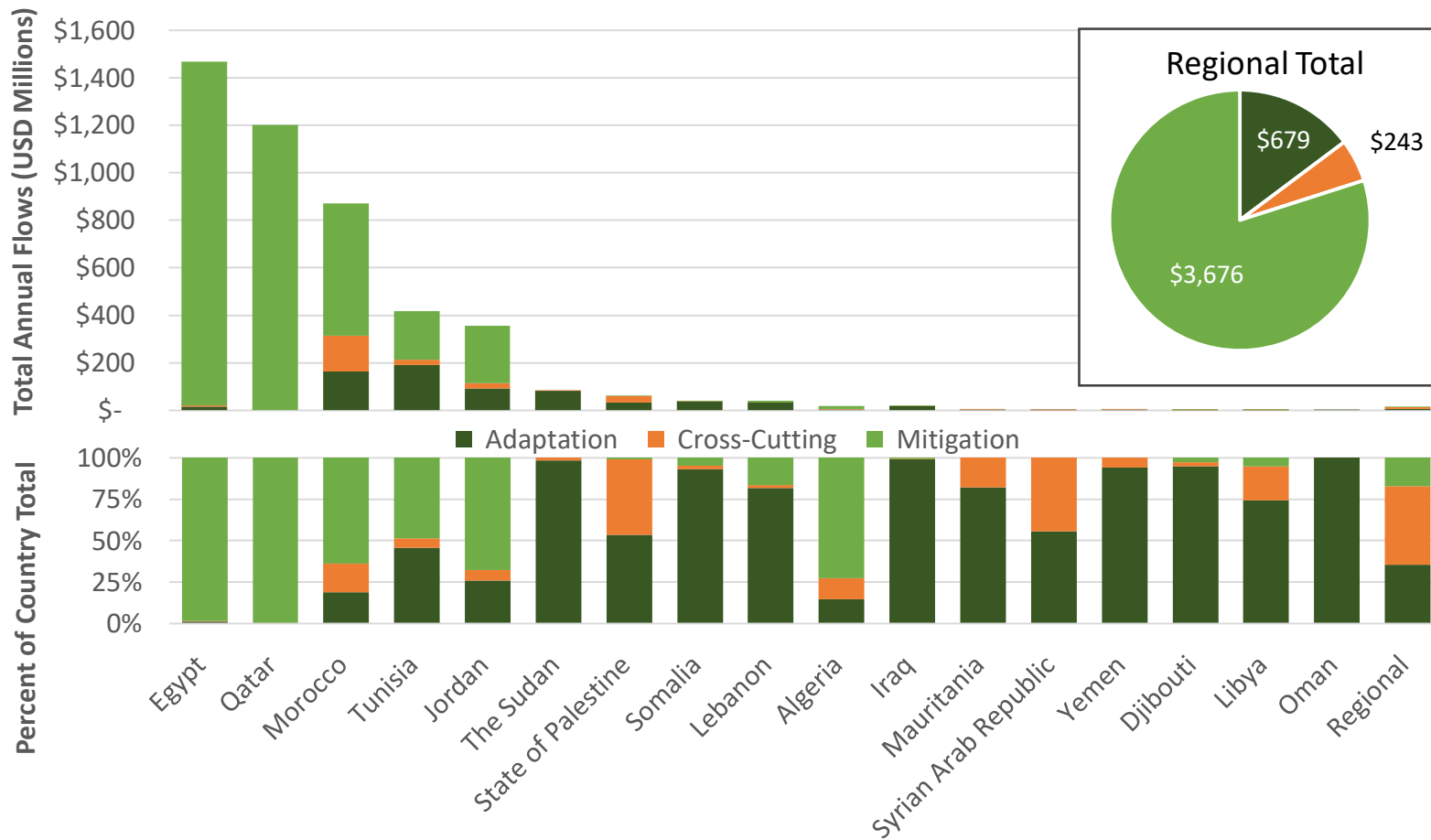


* Note: Includes flows from a single source state to one or more recipient states. Excludes flows via multilateral funds and via multilateral development banks.

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

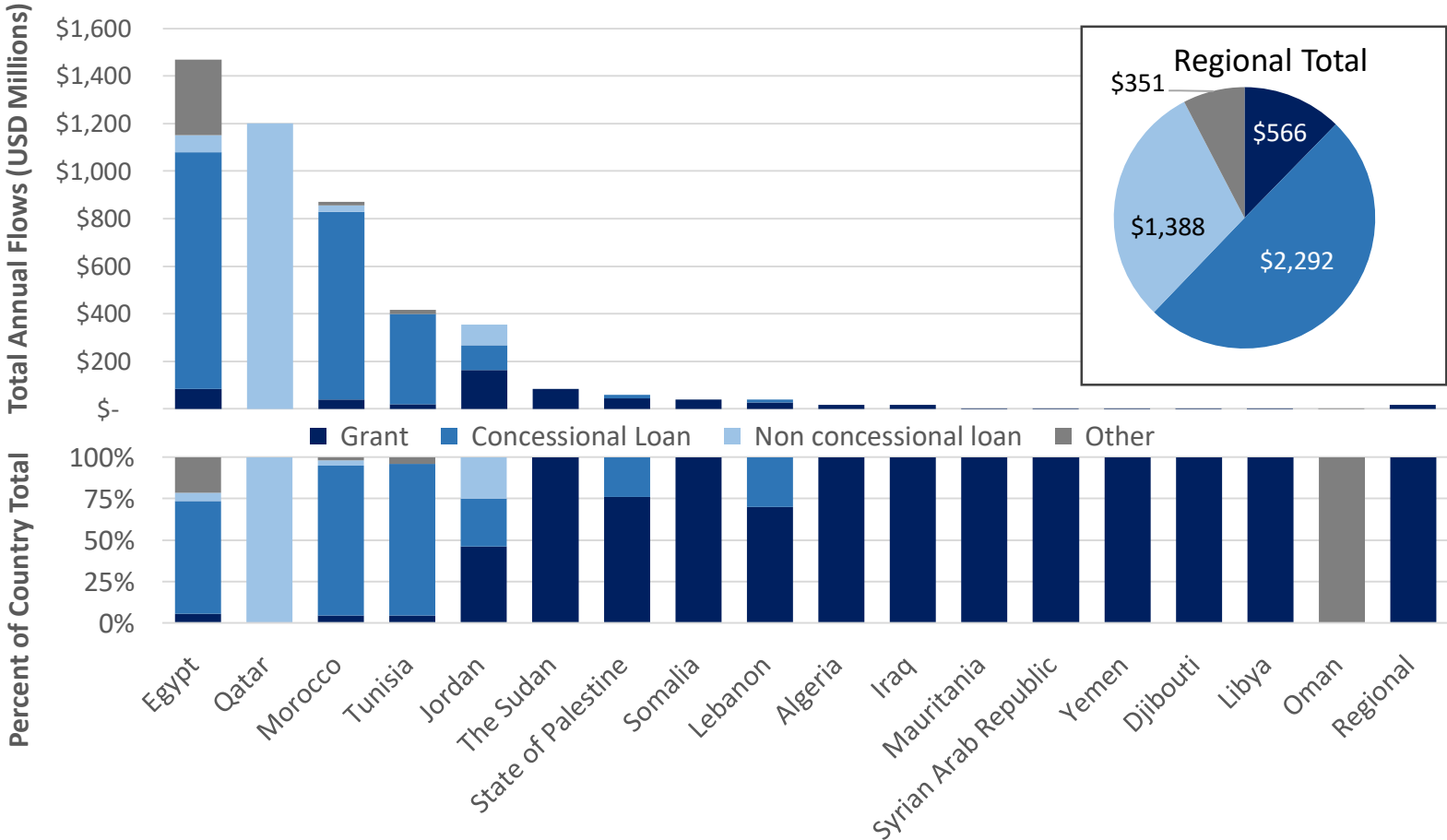
Public Finance Support from Developed to Arab States through Bilateral, Regional and Other Channels, 2016: Purpose of Finance



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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

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

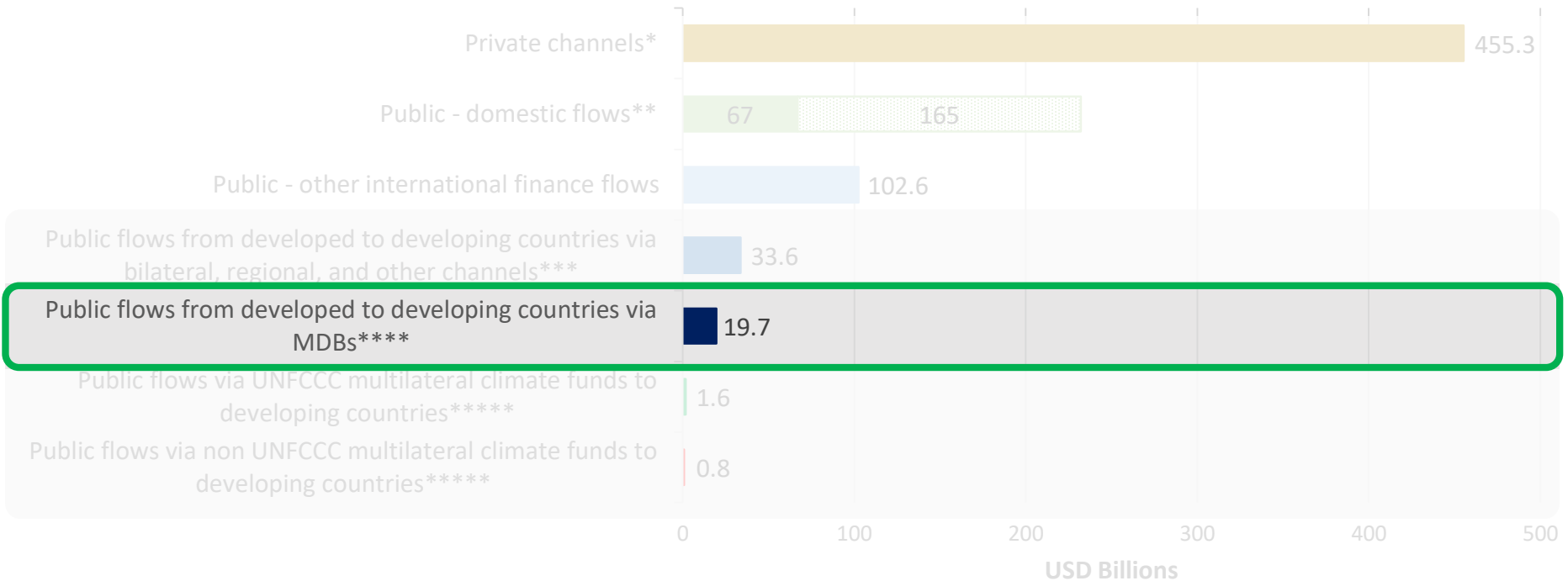


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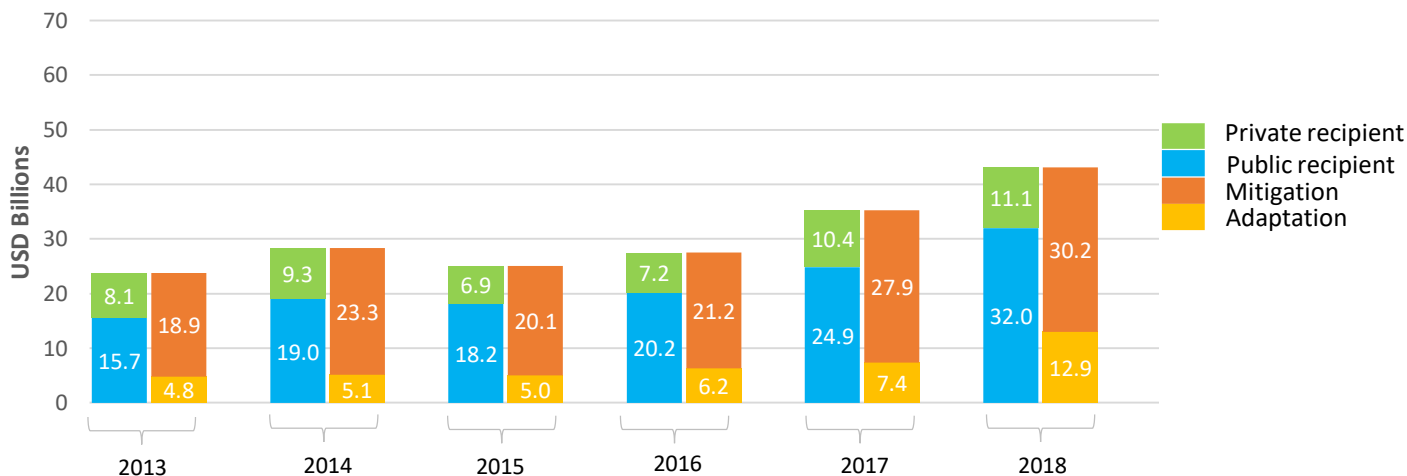
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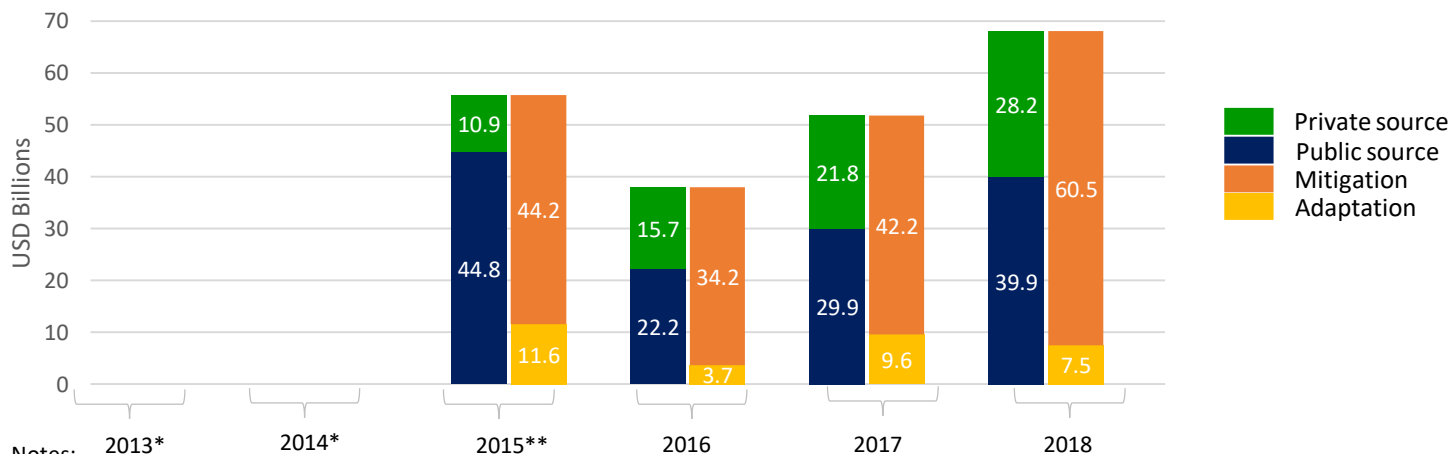
MDBs report USD 27.9 billion in 2016, compared with USD 19.7 billion in discrete flows reported by the UNFCCC Standing Committee.

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

MDB Finance



Co-Finance



Notes:

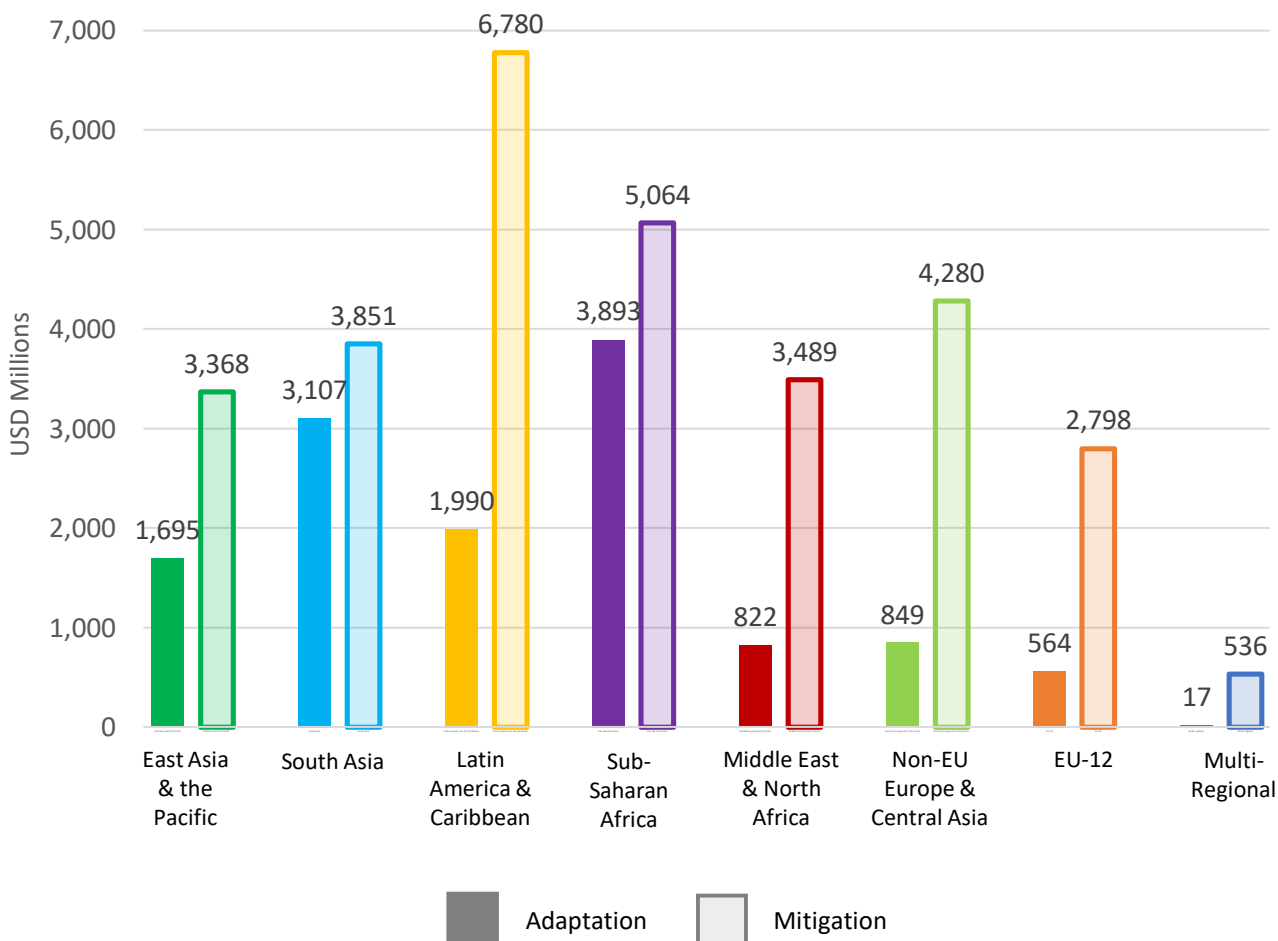
* MDBs did not jointly report on climate co-finance until 2015

**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.

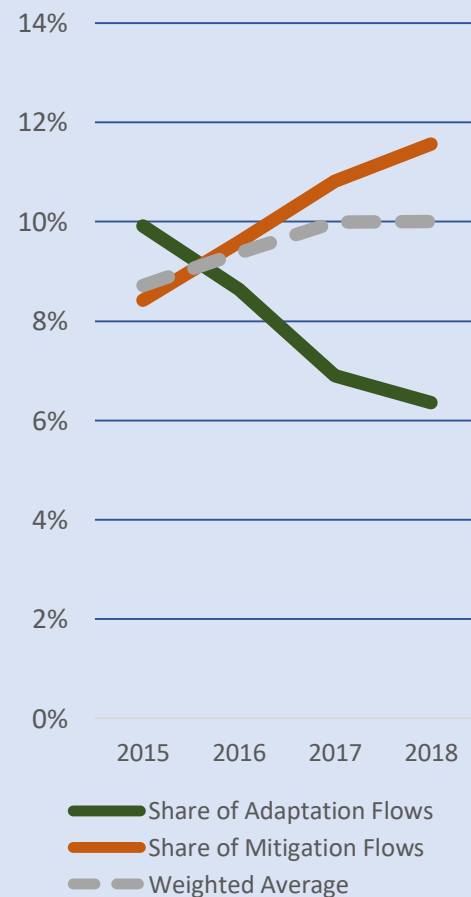
MDBs provide the MENA region >4 times more mitigation finance than adaptation

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

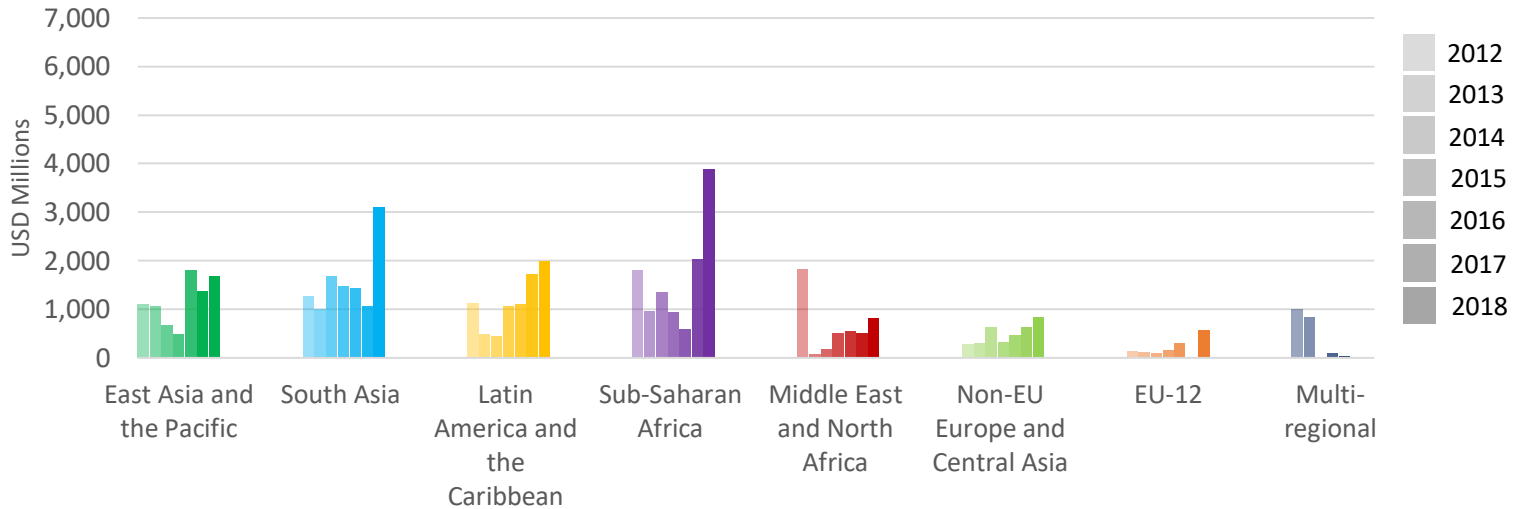


MDB Climate Finance: Adaptation and Mitigation Flows by Region

Mitigation Finance Flows to the MENA Region are Increasing More Than Adaptation Finance Flows

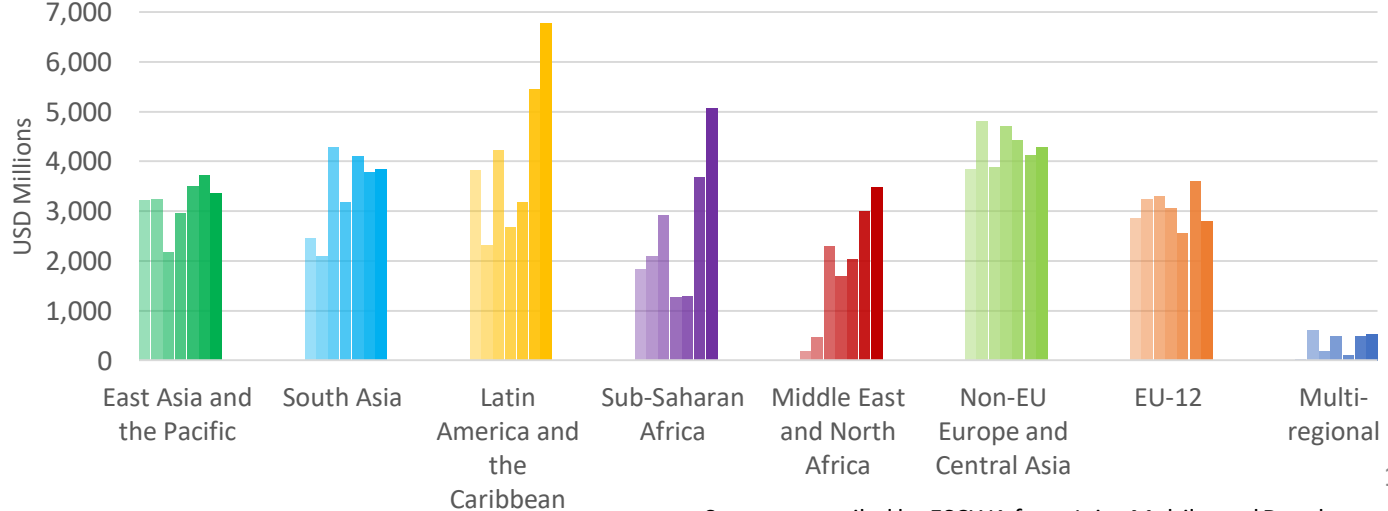
Adaptation

MDB adaptation finance by region for 2012 to 2018



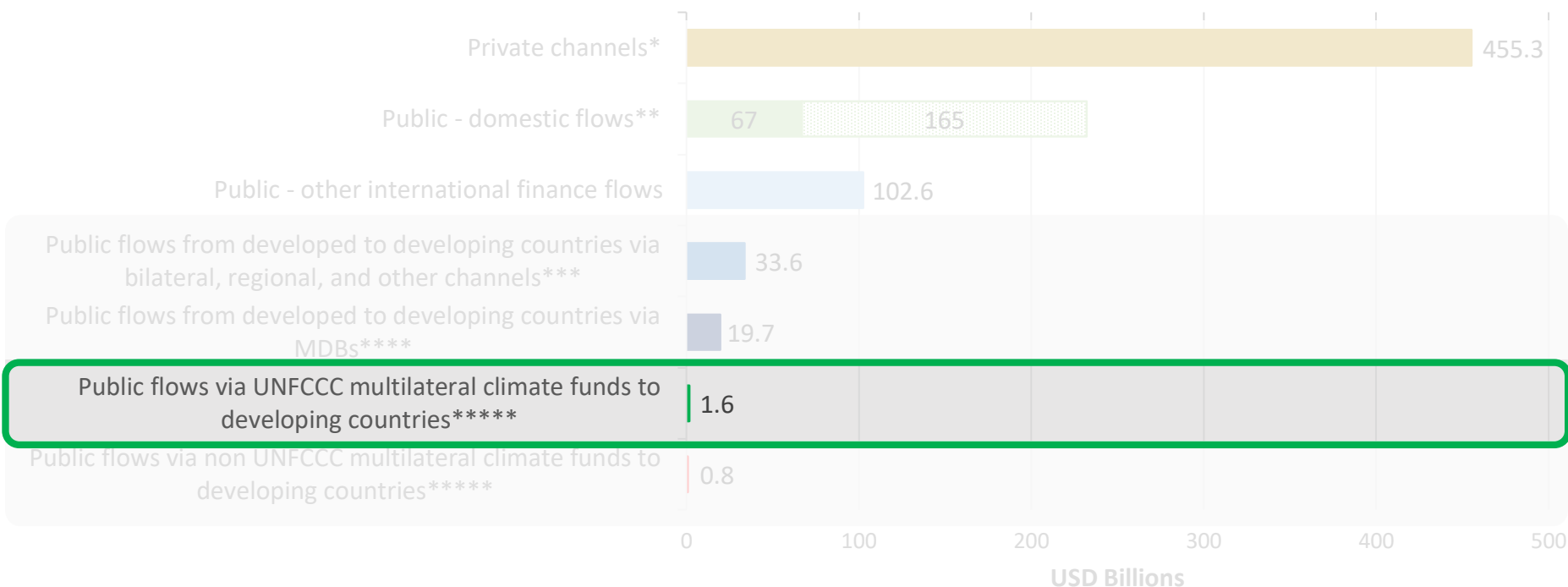
Mitigation

MDB mitigation finance by region from 2012 to 2018



Four Arab States have received Dedicated Financing from the GCF, the flagship UNFCCC Multilateral Climate Fund

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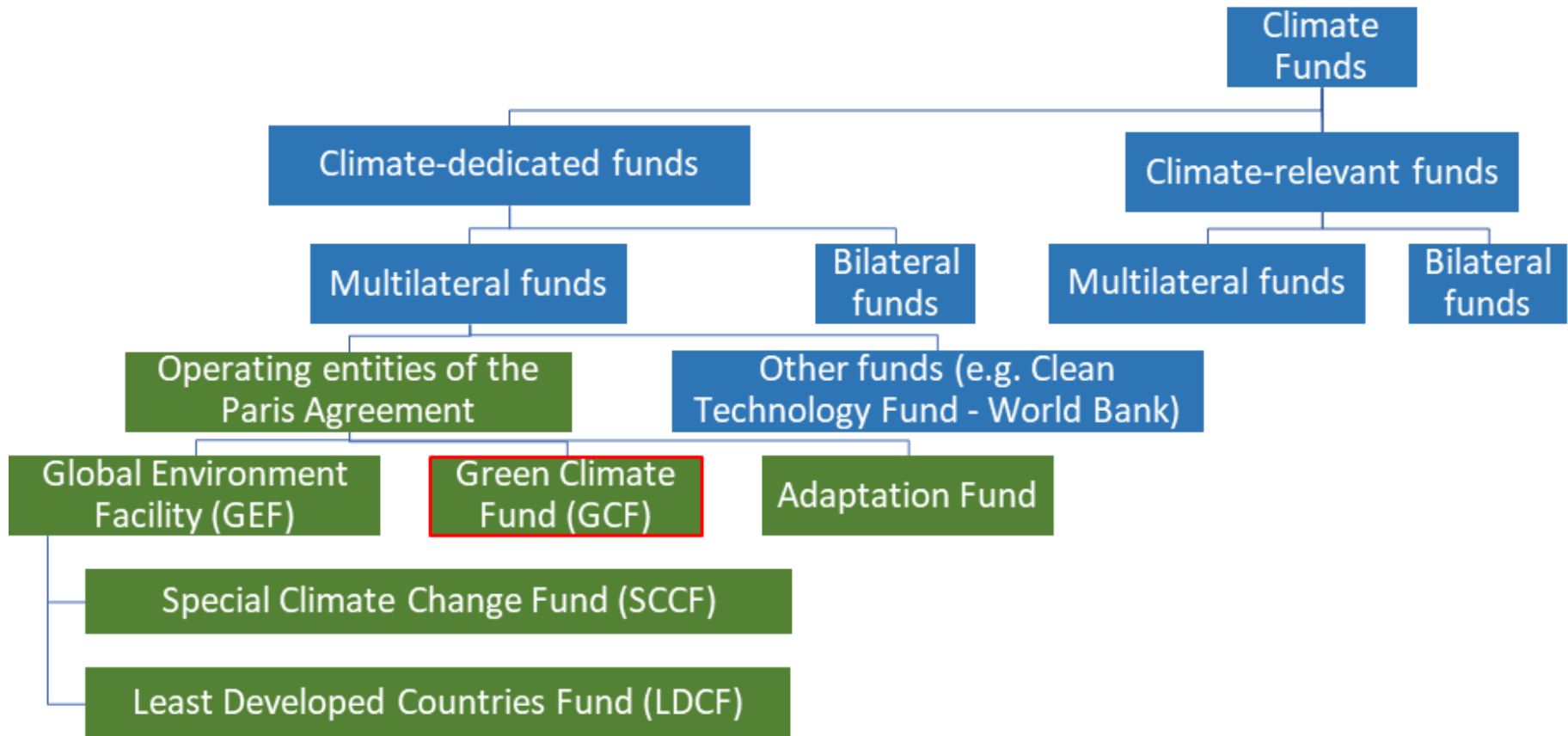
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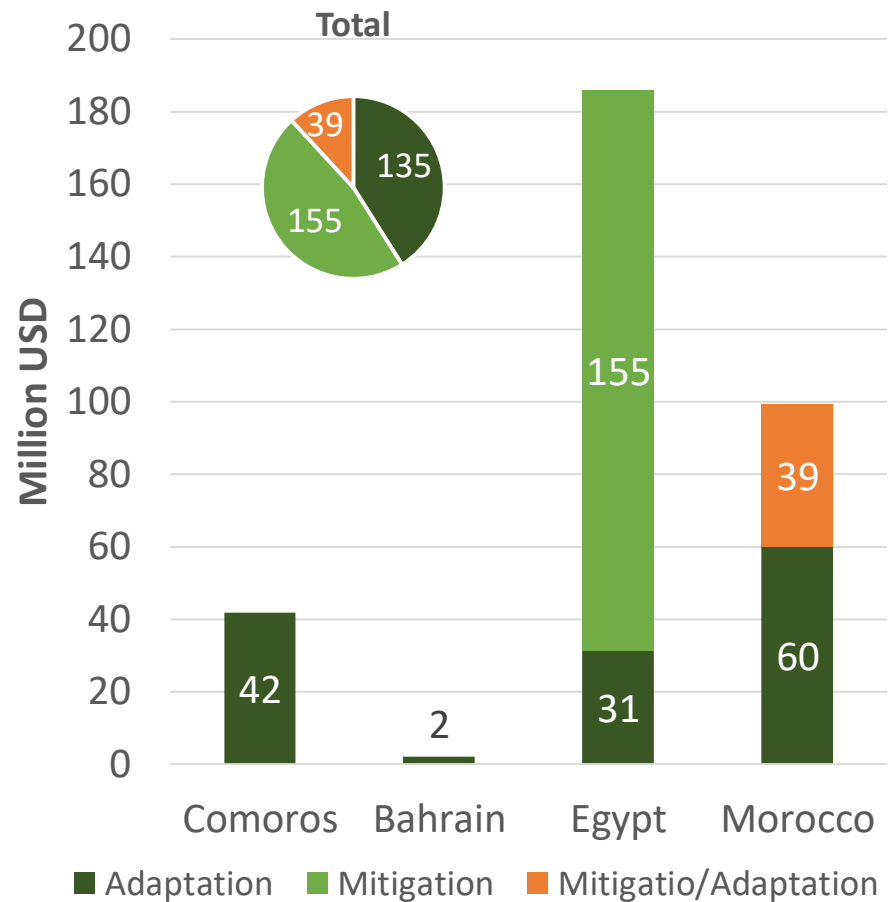
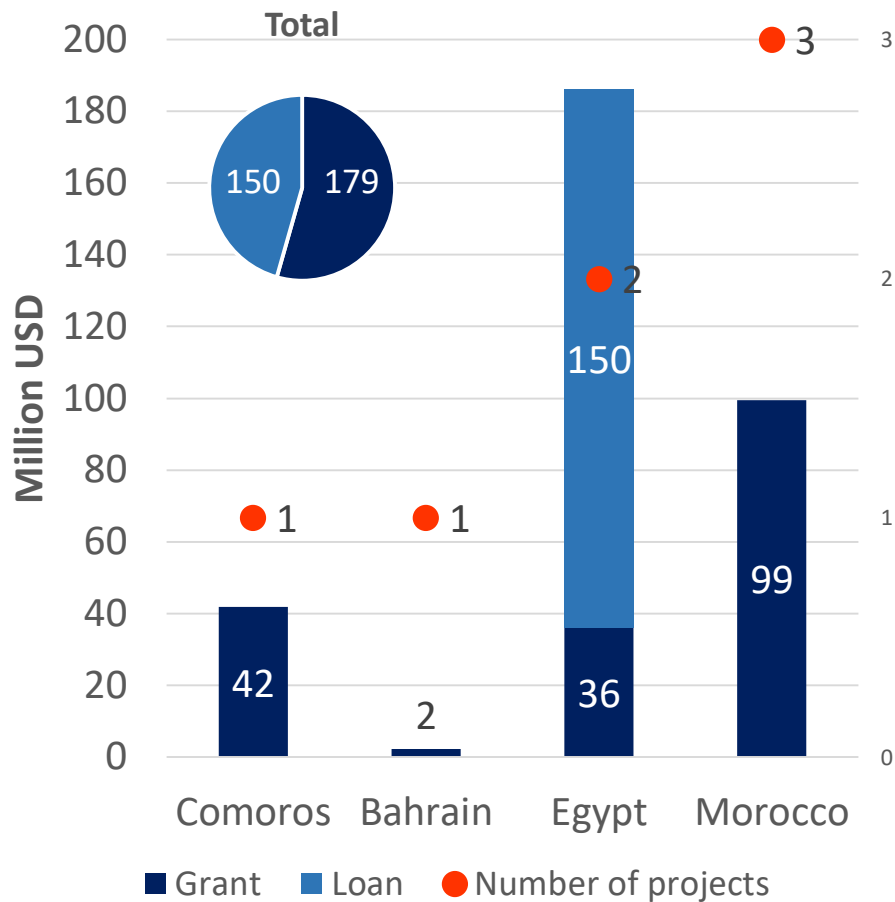
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Overview of Climate Funds

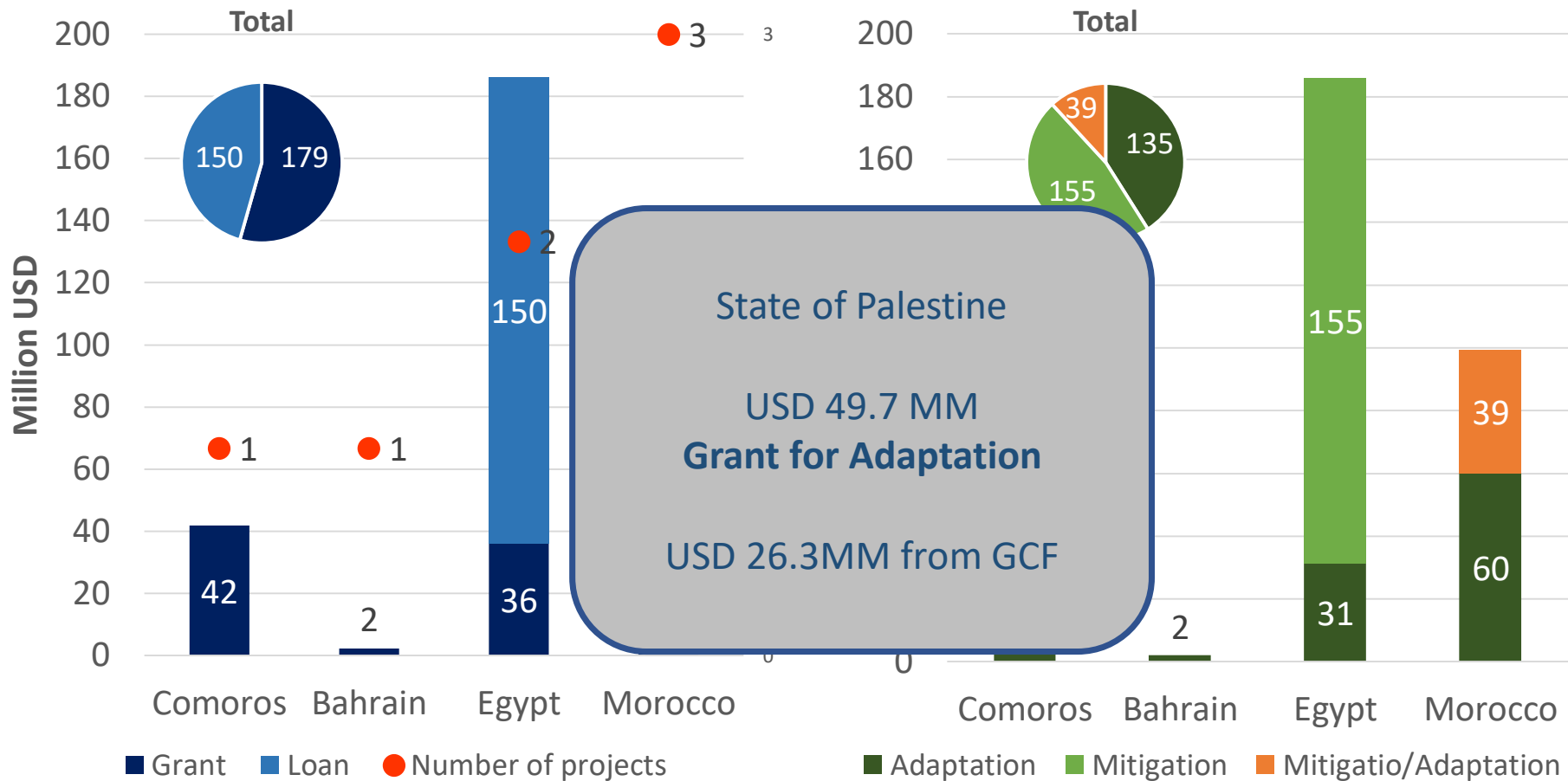


GCF Financing to Arab countries 2016 - Oct 2019



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)

GCF Financing to Arab countries 2016 - Nov 2019



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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.

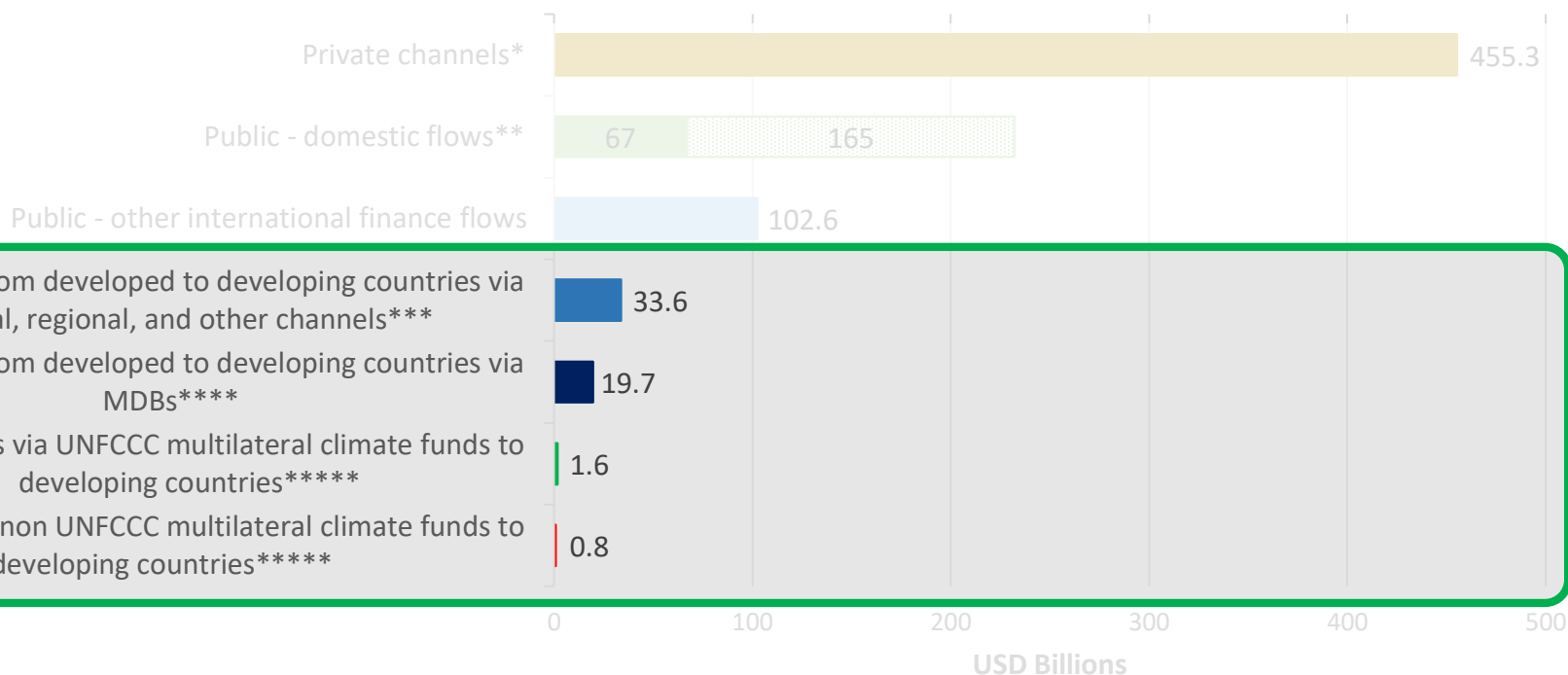
UNFCCC financial mechanisms are a key source of funding

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

Fund	Amount Approved (USD millions)	Projects Approved	Average per Project
Clean Technology Fund (World Bank)	864.8	10	86.5
Green Climate Fund	287.8	6	48.0
Global Environment Facility	108.6	47	2.3
Adaptation Fund	48.7	10	4.9
Special Climate Change Fund	43.6	8	5.5
Least Developed Countries Fund	35.1	8	4.4
Adaptation for Smallholder Agriculture Program	23.0	4	5.8
Global Energy Efficiency and Renewable Energy Fund	16.6	1	16.6
Partnerships for Market Readiness	11.0	6	1.8
MDG Achievement Fund	7.6	2	3.8
Global Climate Change Alliance	3.4	1	3.4
Source: Watson & Schalatek 2019			

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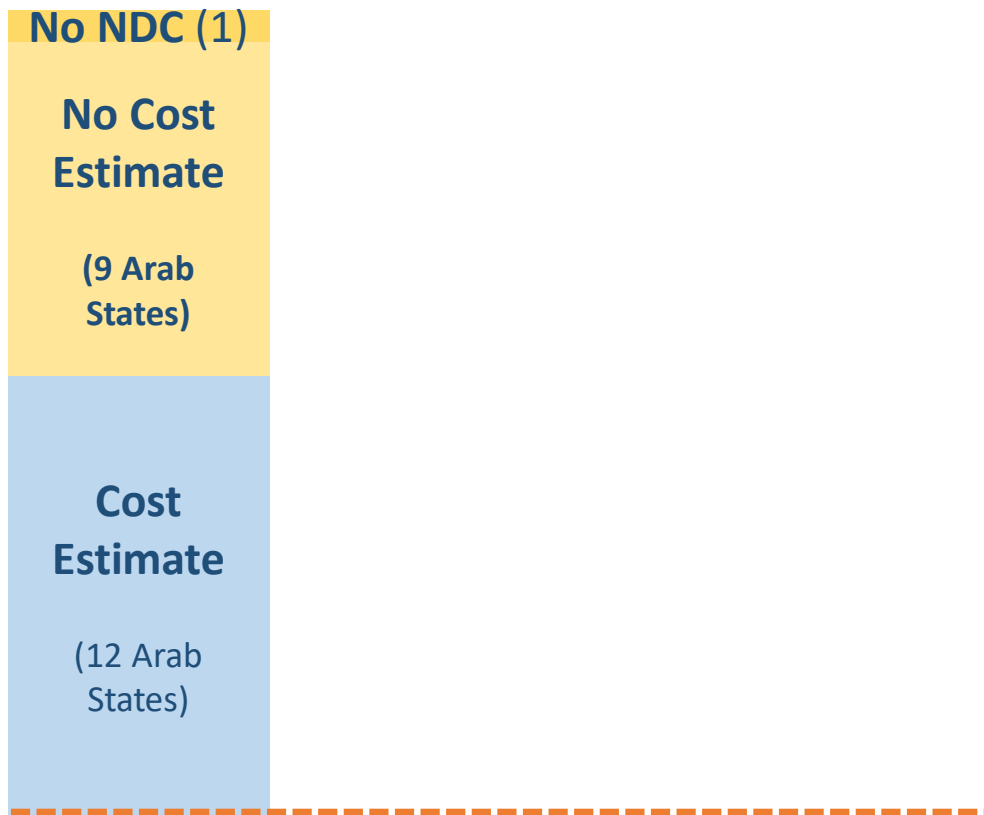
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Just 12 of 22 Arab States estimated implementation costs within their NDCs

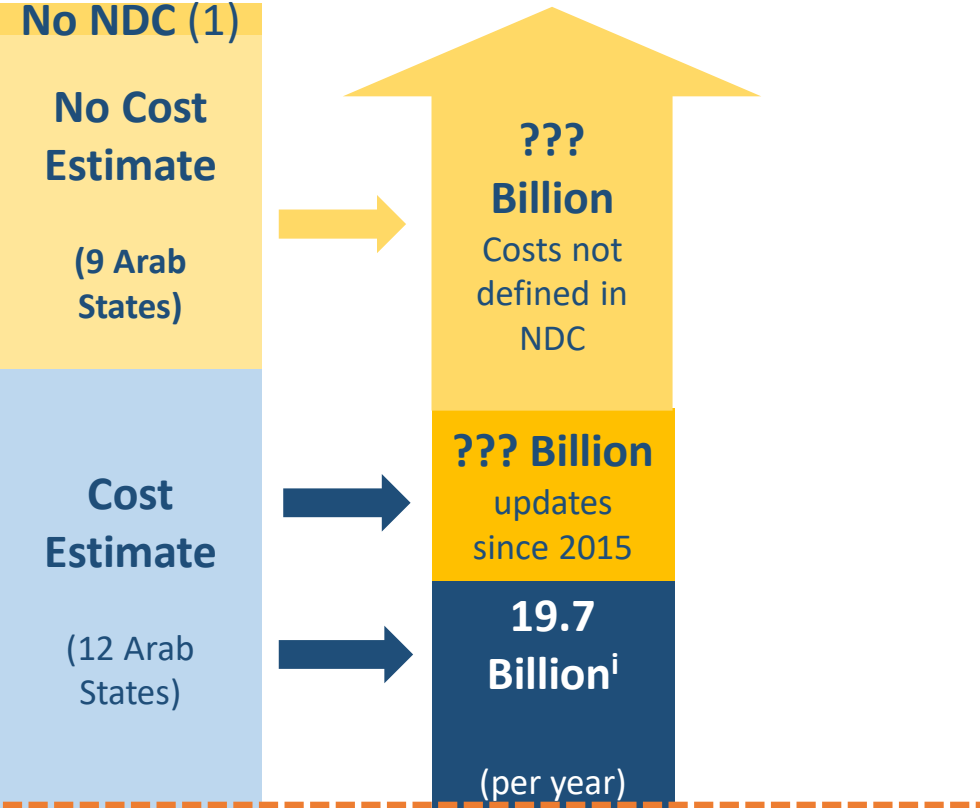


NDC Sample

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



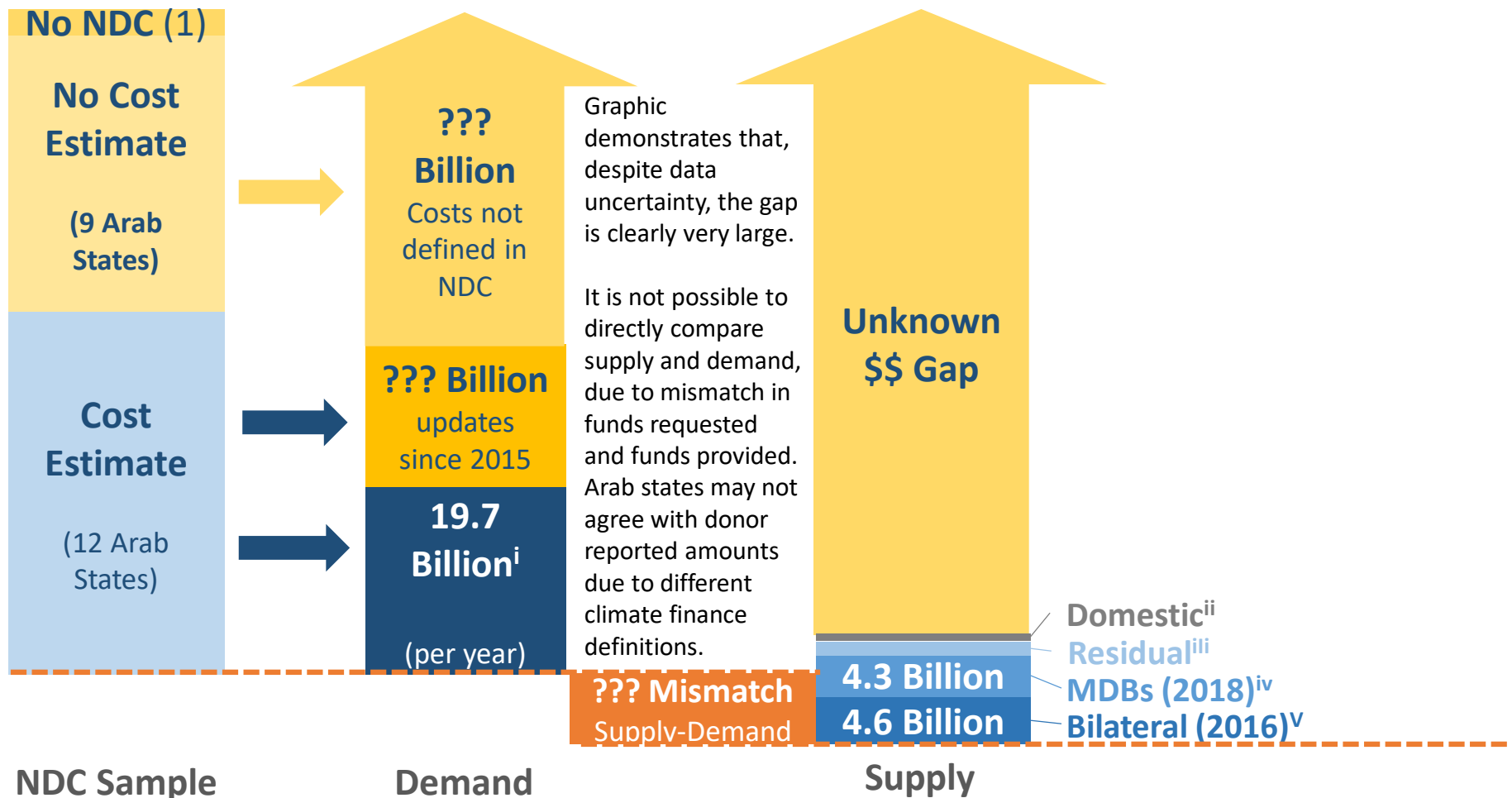
NDC Sample

Demand

Note i: Cumulative annual total of 12 Arab NDCs.

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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



Note i: Cumulative annual total of 12 Arab NDCs.

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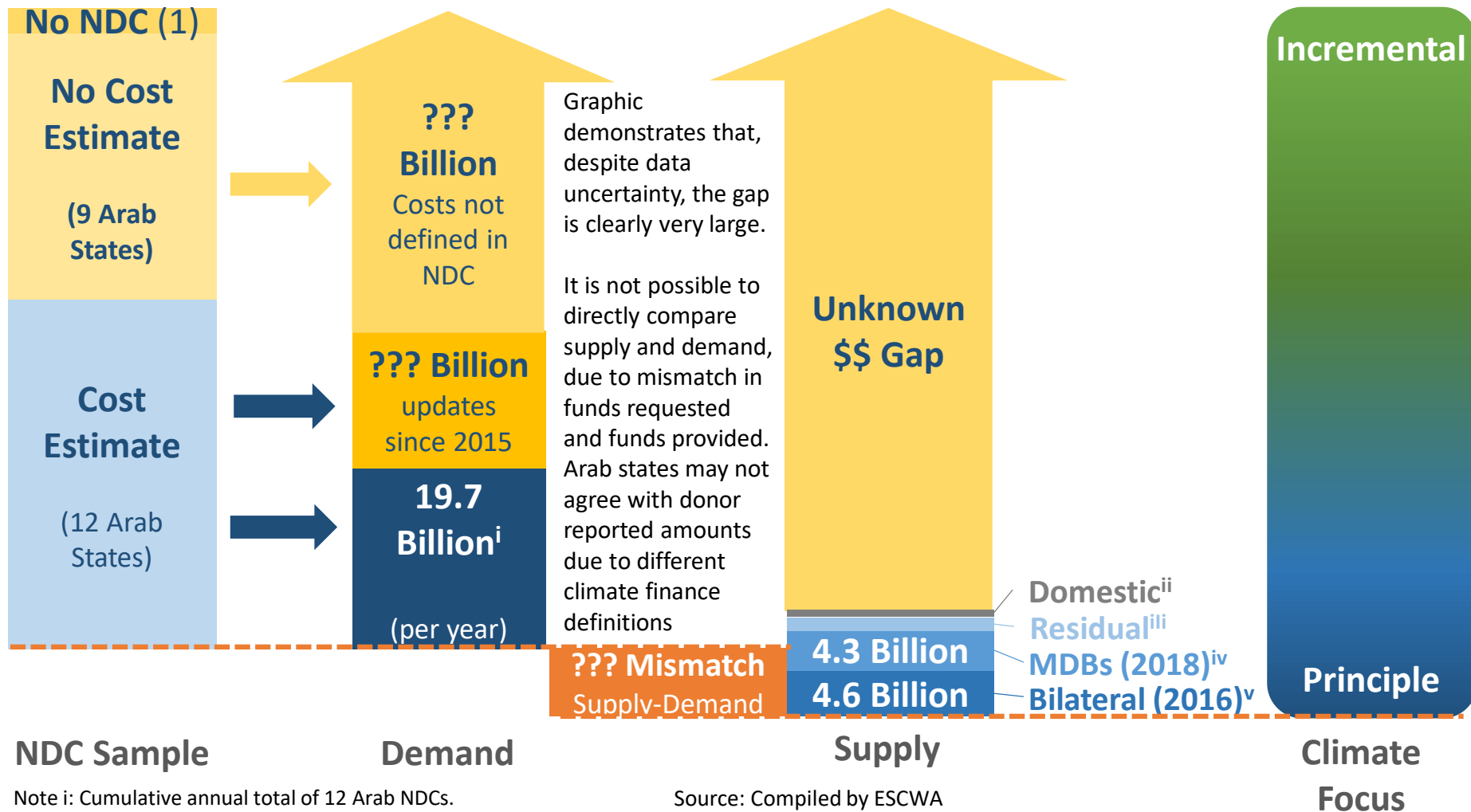
Note ii: The 12 Arab NDCs identify a total of USD 29 billion in domestic sources to finance NDC implementation, or 1.45 billion per year

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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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**¹

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 bilateral² 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).³

Loans exceed grants

Also **by a factor of 5** for bilateral¹ flows (also \$3.7 vs \$0.7 billion) to the Arab region (2016).⁴

Public flows are donor-driven

\$33.6 of \$55.7 billion in public flows from developed to developing states **are bilateral**¹ (2016)

Distribution is uneven

94% of bilateral¹ 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)

Note 1: It 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 adaptation, 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

Economic and Social Commission for Western Asia



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