

Climate Finance Flows for Water in the Arab Region

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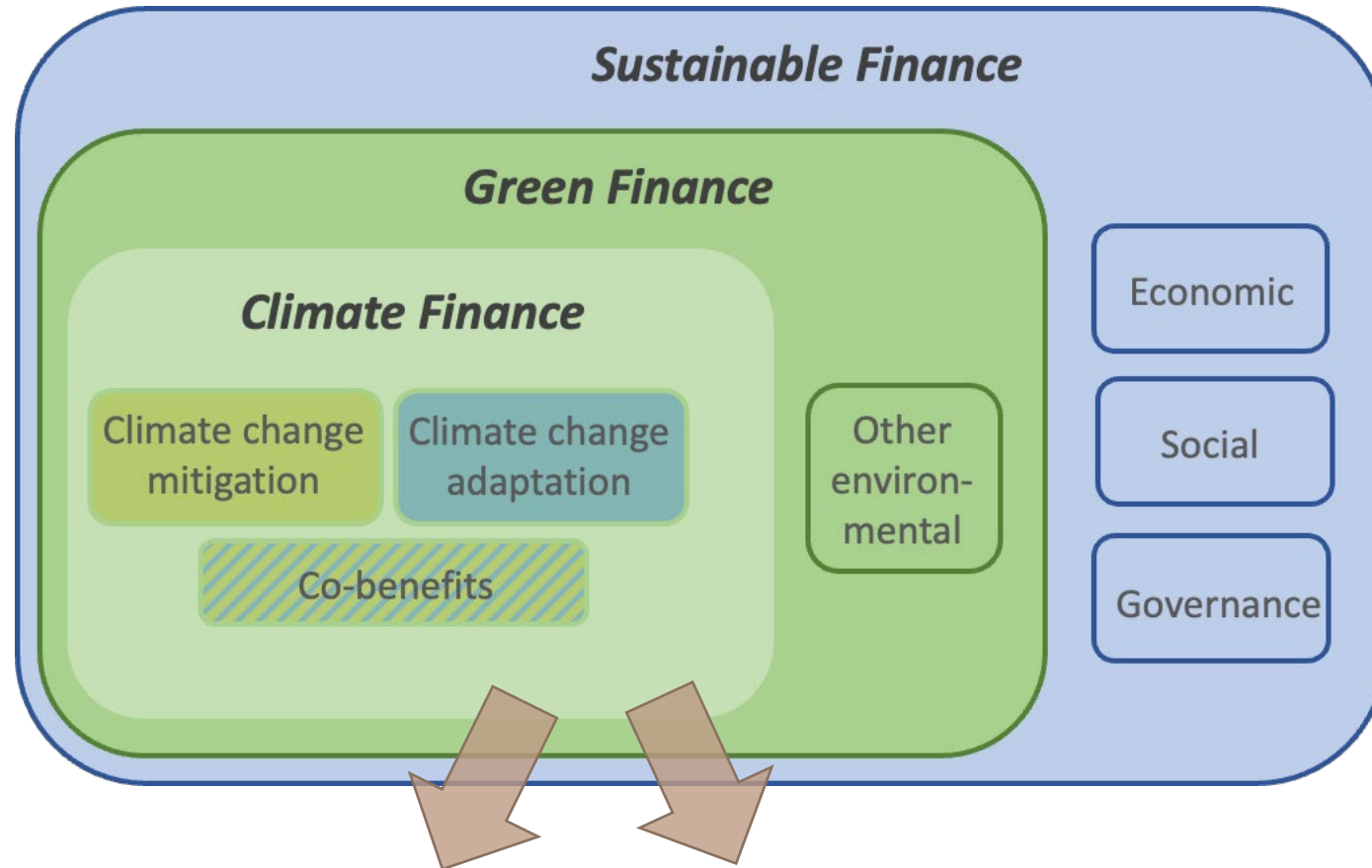
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Tracking green and climate finance: Rio markers and the OECD database on climate-related development



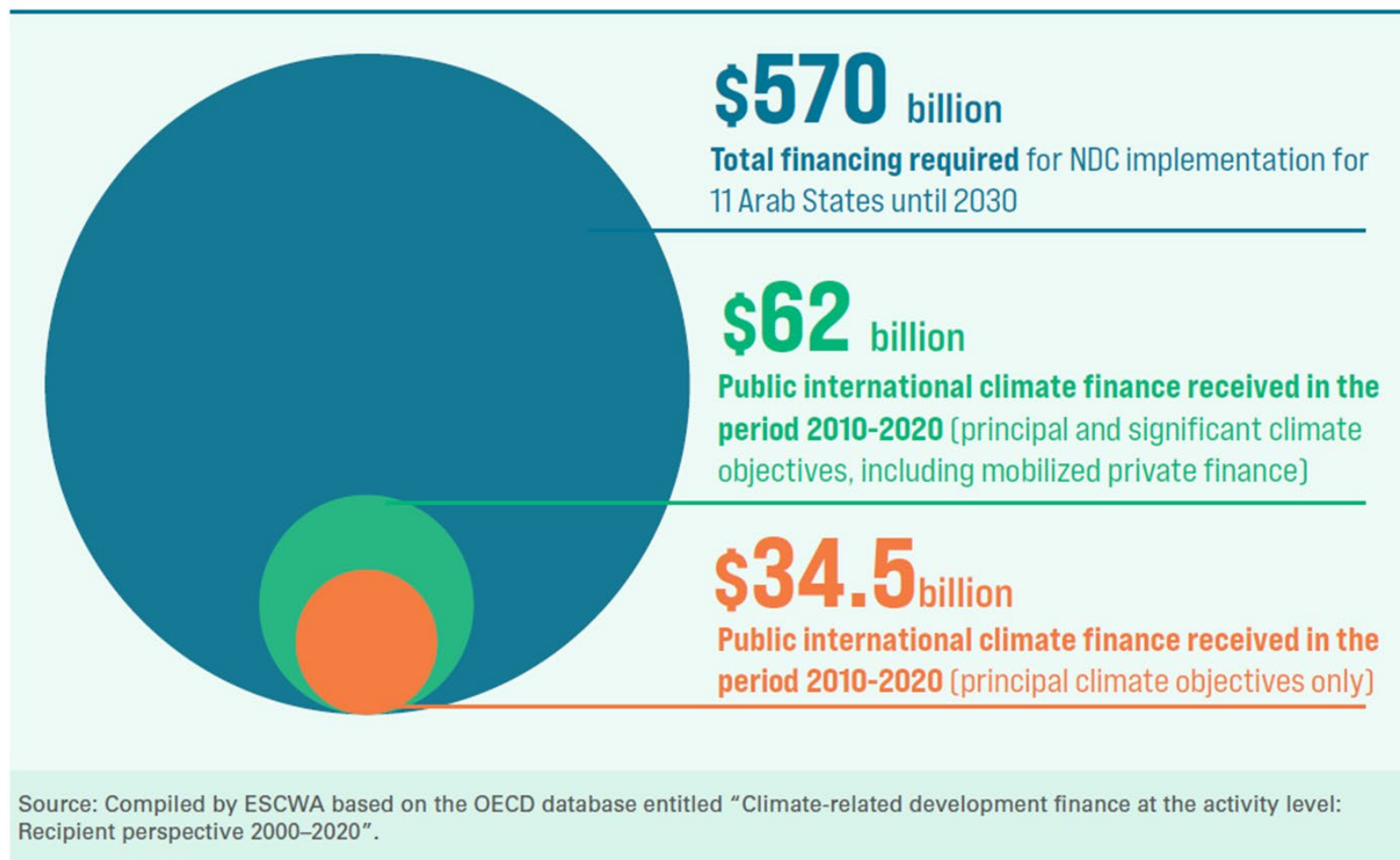
Principal green/climate objective
= “**pure**” green/climate finance, activity would **not** have been undertaken or funded without the climate objective

Significant green/climate objective
= activity has **other prime objectives** but has been **formulated or adjusted** to help meet the green/climate policy objective

- **Rio markers** were developed to **monitor and report** on financing targeting the **3 Rio conventions** signed at the 1992 Earth Summit on Biodiversity, Desertification and Climate Change
- **Rio Markers** for climate help to **categorize and track** climate finance

Sources: https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf and <https://europa.eu/capacity4dev/public-environment-climate/wiki/short-guide-use-rio-markers>, and UNEP, 2016: Inquiry: Design of a Sustainable Financial System – Definitions and Concepts Background Note (https://wedocs.unep.org/bitstream/handle/20.500.11822/10603/definitions_concept.pdf)

Public Climate Finance Flows to Arab States (2010-2020) Do Not Meet Articulated Needs



Climate finance needs and flows in the Arab region

E/ESCWA/CL1.CCS/2022/Policy Brief.1

Introduction

The Arab region is highly vulnerable to climate change. The adverse effects of climate change are already being felt by rural and urban communities and across sectors. Regional climate models project that the average annual temperature could increase by almost 5°C before the end of the century under the high emission scenario.¹ Precipitation levels are projected to follow a decreasing yet volatile trend overall. More frequent droughts and forest fires will be witnessed in some areas, while an increase in the number of flash floods is expected in others. This is affecting water security, agricultural productivity, tourism, ecosystems and health. Socioeconomic and environmental impacts are projected to worsen in the future, with risks to security and stability. To enhance resilience, countries need to reinforce their adaptive capacity. This includes

Average annual temperature could increase by almost **5°C**

¹ ESCWA and others, Arab Climate Change Assessment Report: Main Report, 2017, p. 82.

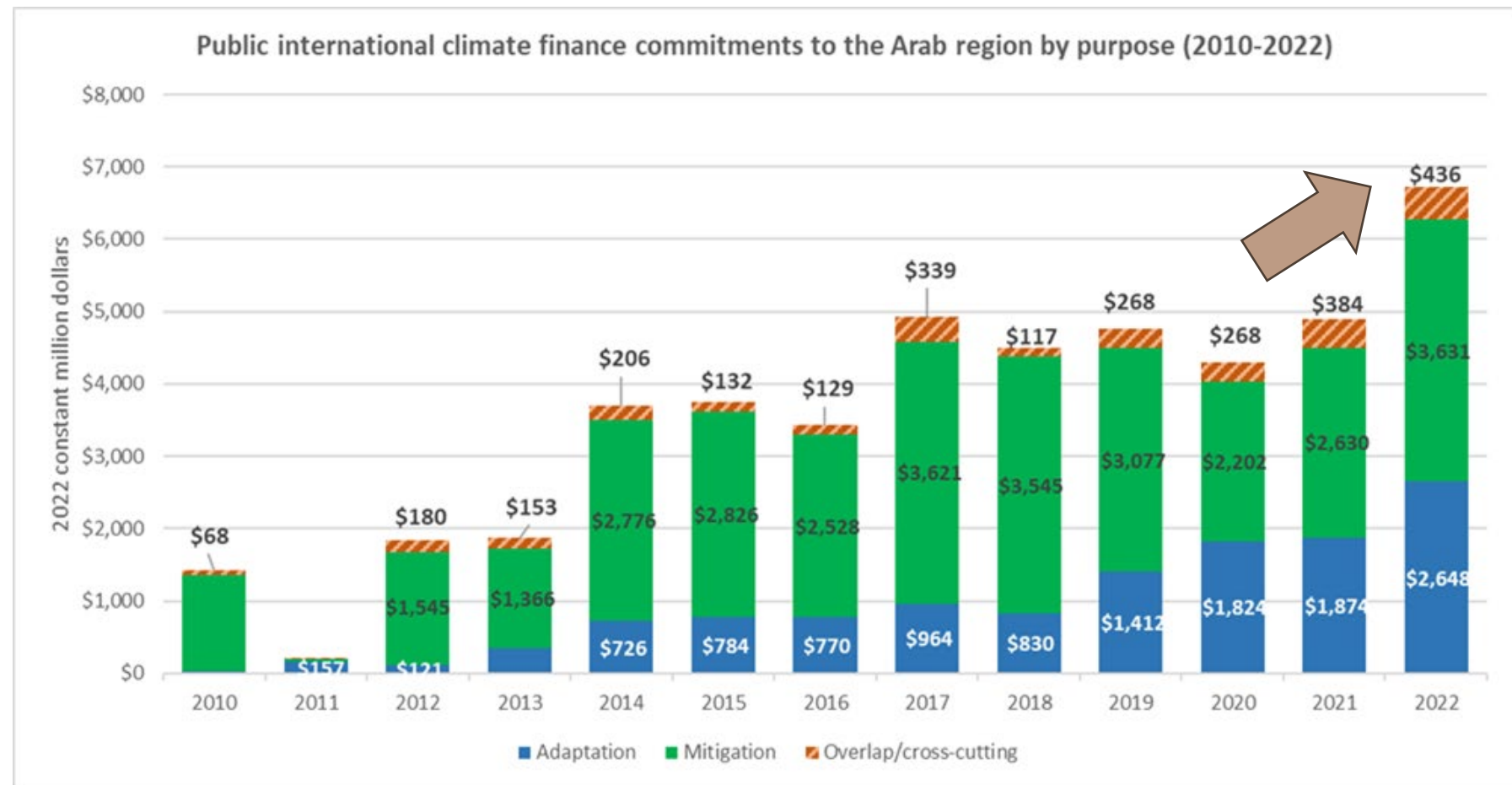
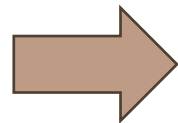
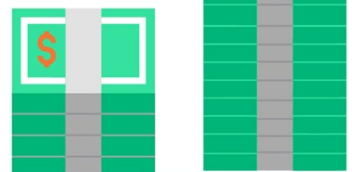
Total climate finance increasing, but mitigation (\$ 31.1 billion) is 2.5 times greater than flows for adaptation (\$ 12.5 billion), 2010-2022

Flows to mitigation summed

\$24.84 billion

were
three times greater
than flows to adaptation

\$7.75
billion
over the period
2010-2020




Source: Compiled by ECWA based on the OECD database entitled "Climate-related development finance at the activity level: Recipient perspective 2000-2022". It includes commitments with climate marked as a principal objective (Rio tag) as well as climate components reported by multilateral development banks. Flows with climate marked as a significant objective are not included. Numbers are in 2022 constant million dollars.


Investing in Water is Challenging, but Inaction Costly

Financing water is **difficult** and **complex**:

 Water infrastructure is **capital intensive** with high sunk costs

 **Long pay-back** periods for water infrastructure

 Water often perceived as public good: clearly defining revenue streams can be challenging and water as a resource and associated benefits are often **undervalued**

 **Transboundary** nature of water flows complicates financing arrangements, particularly when there is limited cooperation

 **Inefficient** water management and rising operation and maintenance costs contribute to declining revenues

Multi-sectoral impacts from water stress and water-related risks:

 Agriculture

 Health

 Industry & manufacturing

 Power generation

 Trade

 Transport ...



Water insecurity is estimated to cause **economic losses** of

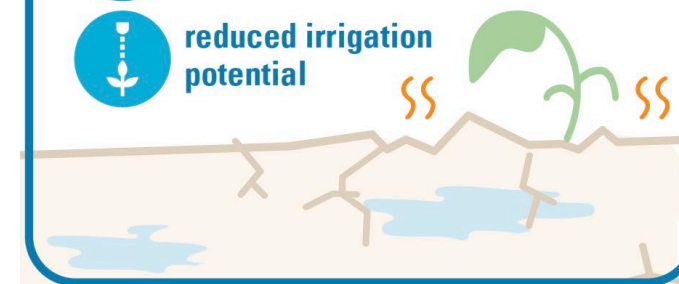
\$474 billion each year

Causes:

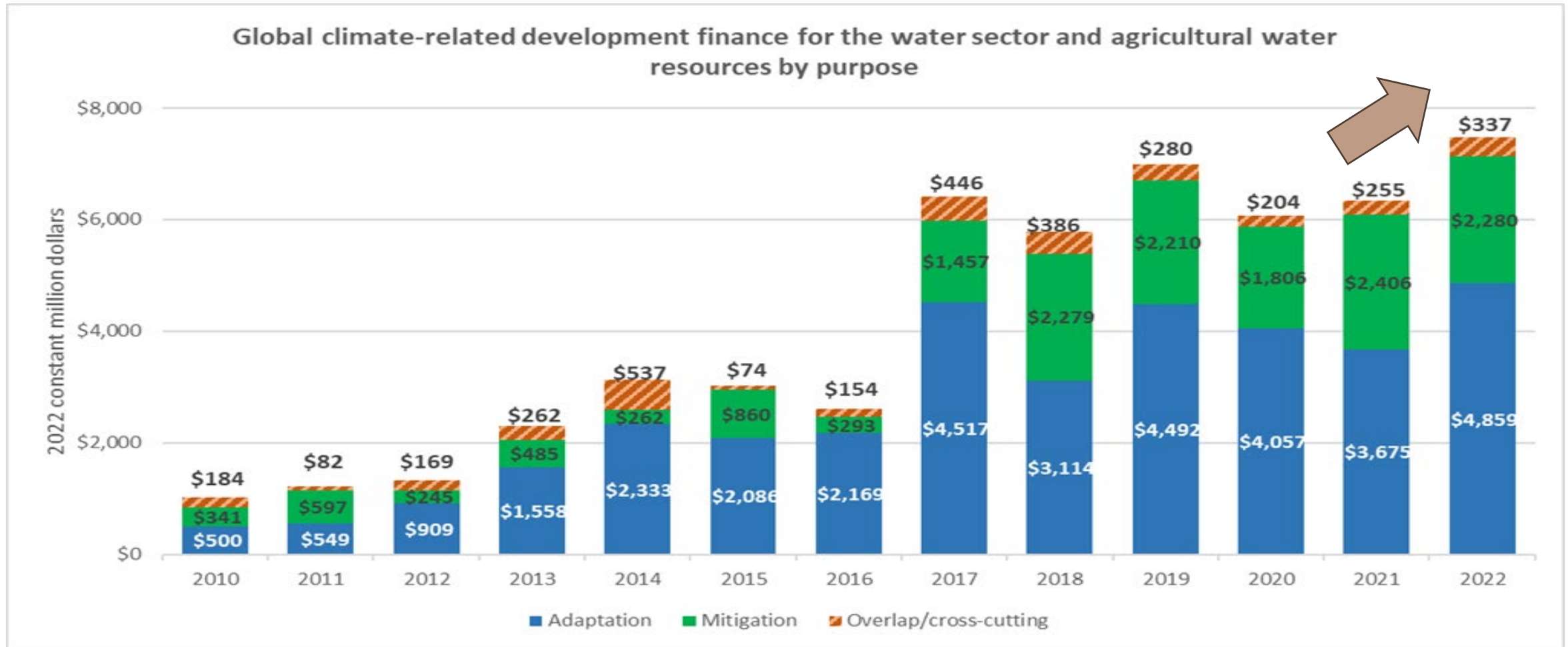
 **inadequate water and sanitation**

 **increased flood damage**

 **reduced irrigation potential**

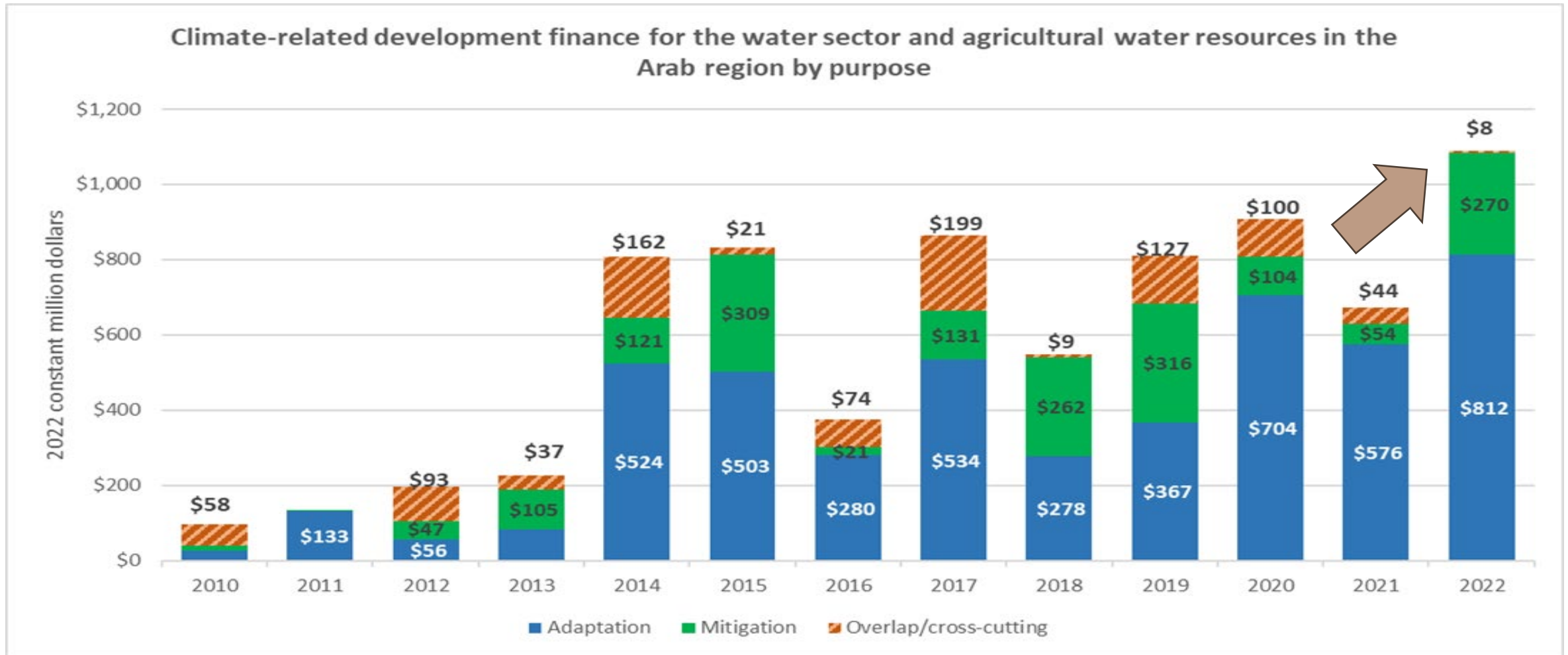


Globally: \$7.5 billion in water finance in 2022



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Arab Region: \$1 billion in climate finance for water 14.6% of global total (2022)



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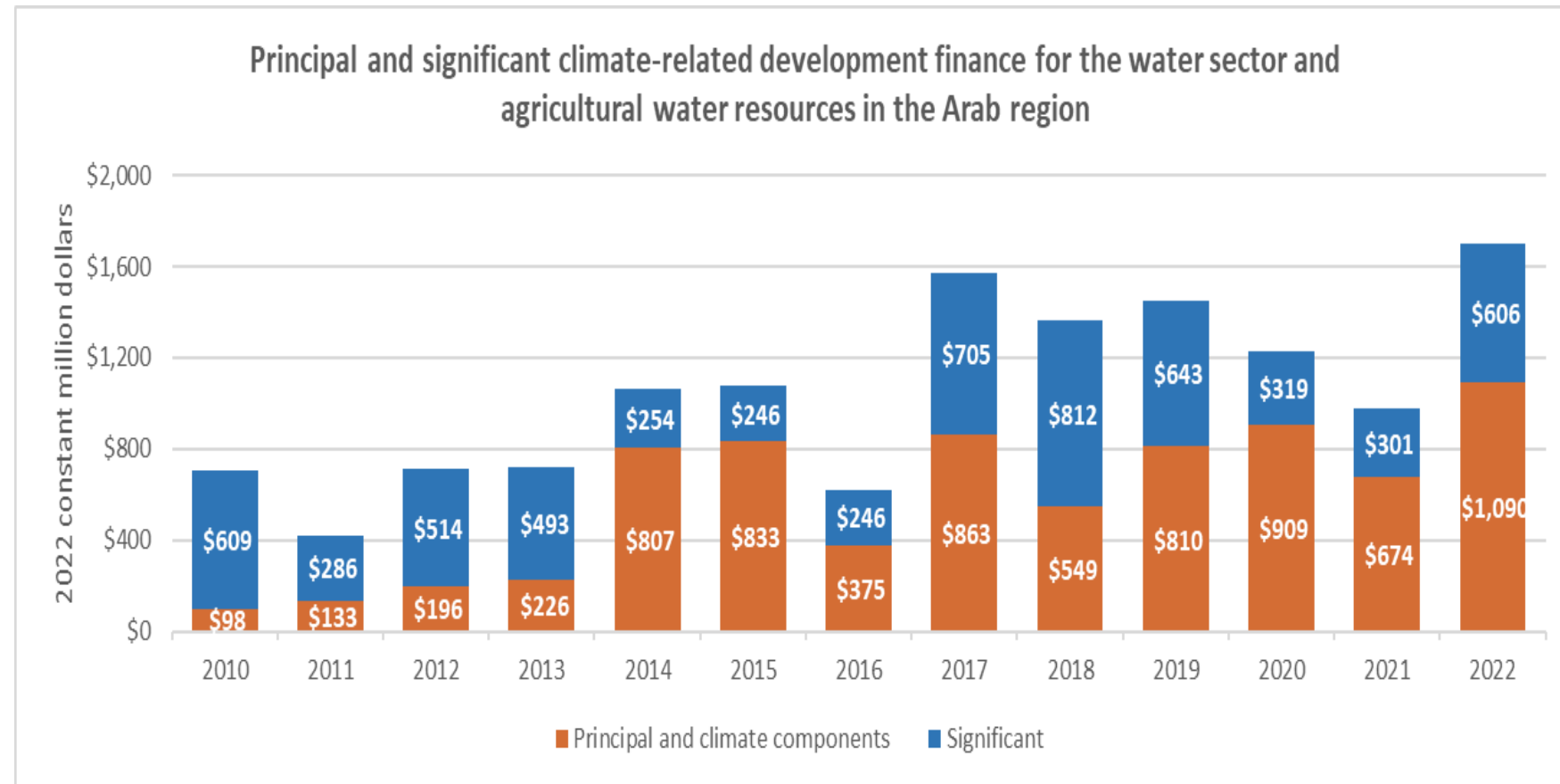
Most Climate Finance to Water is Principally for Climate Action in the Arab Region

Principal green/climate objective

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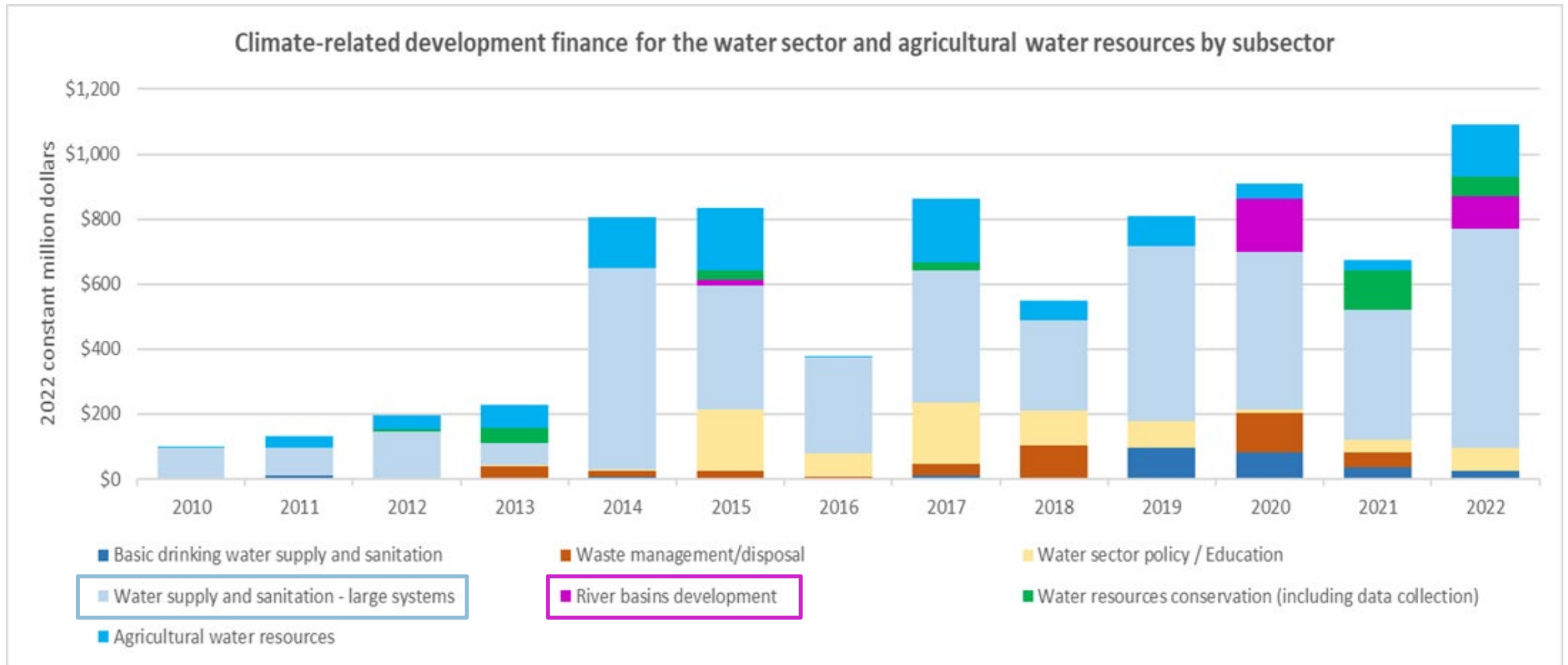
Significant green/climate objective

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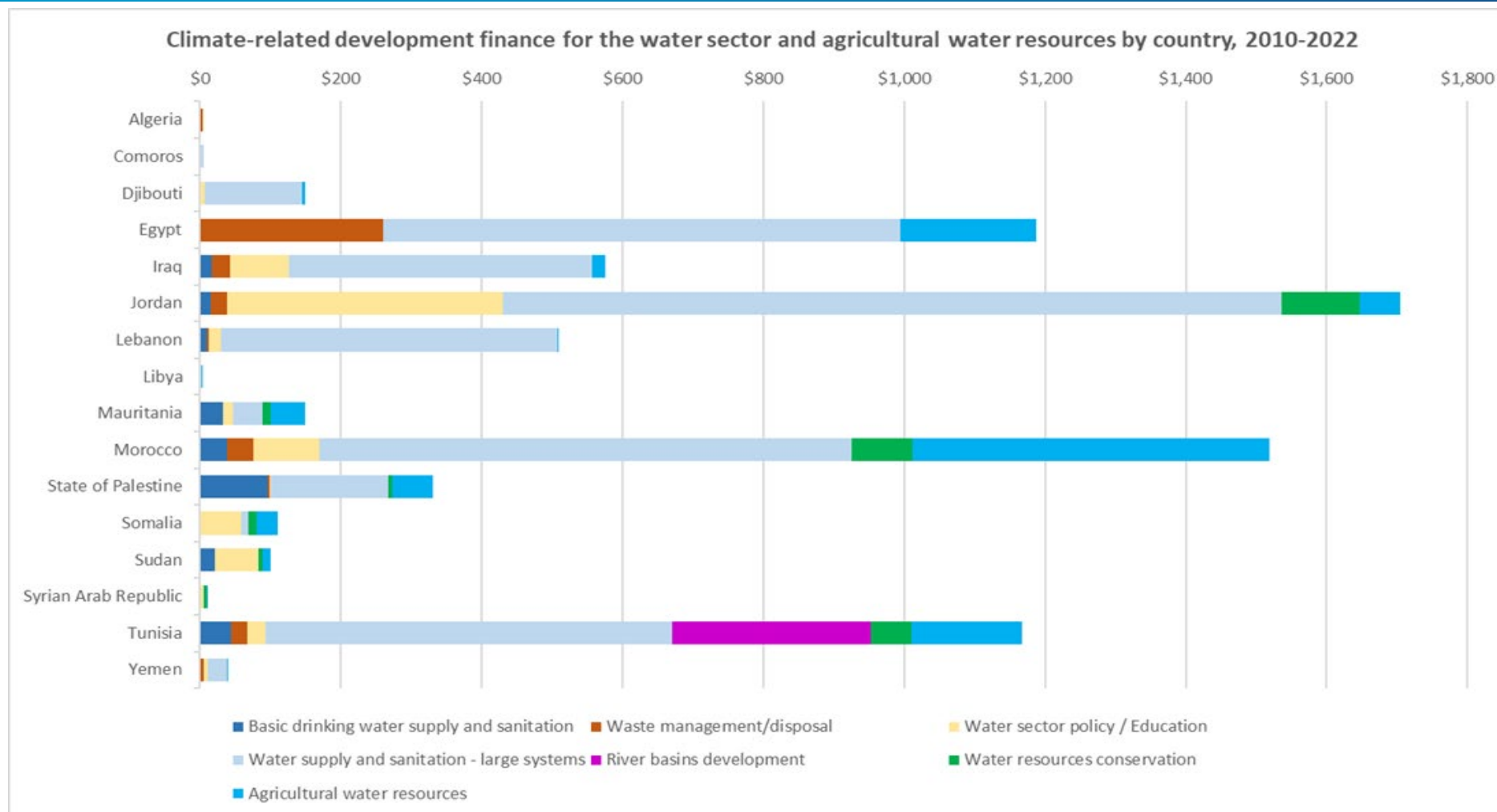
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Climate finance for water & agricultural water resources



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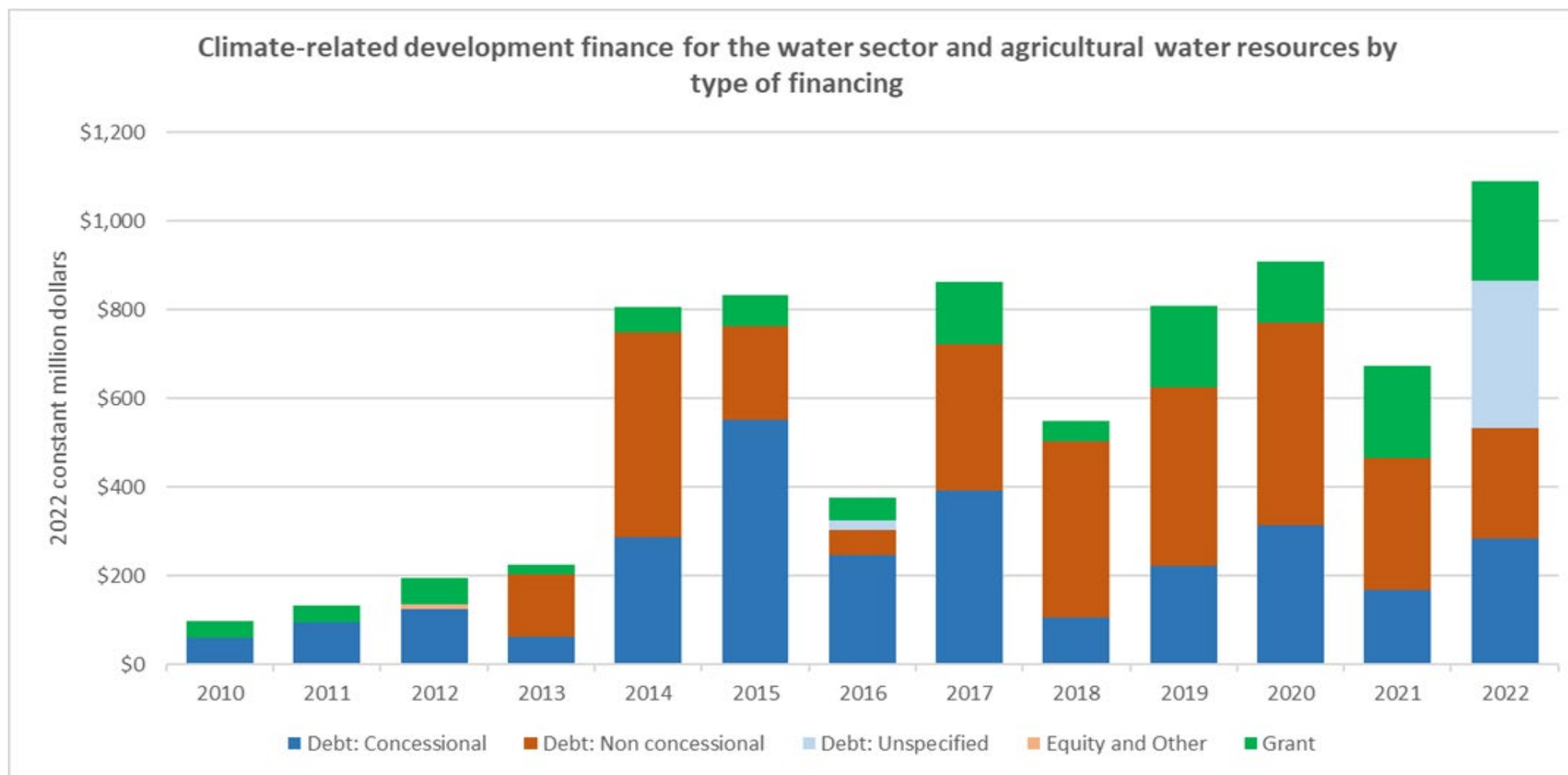
Climate finance flows for water to Arab States (2010-2022)



The 6 Arab LDCs received least water-related financing

Source: Compiled by ECWA based on the OECD database entitled "Climate-related development finance at the activity level: Recipient perspective 2000-2022". It includes commitments with climate marked as a principal objective (Rio tag) as well as climate components reported by multilateral development banks. Flows with climate marked as a significant objective are not included (except for figure 3 significant objective are included). Numbers are in 2022 constant million dollars.

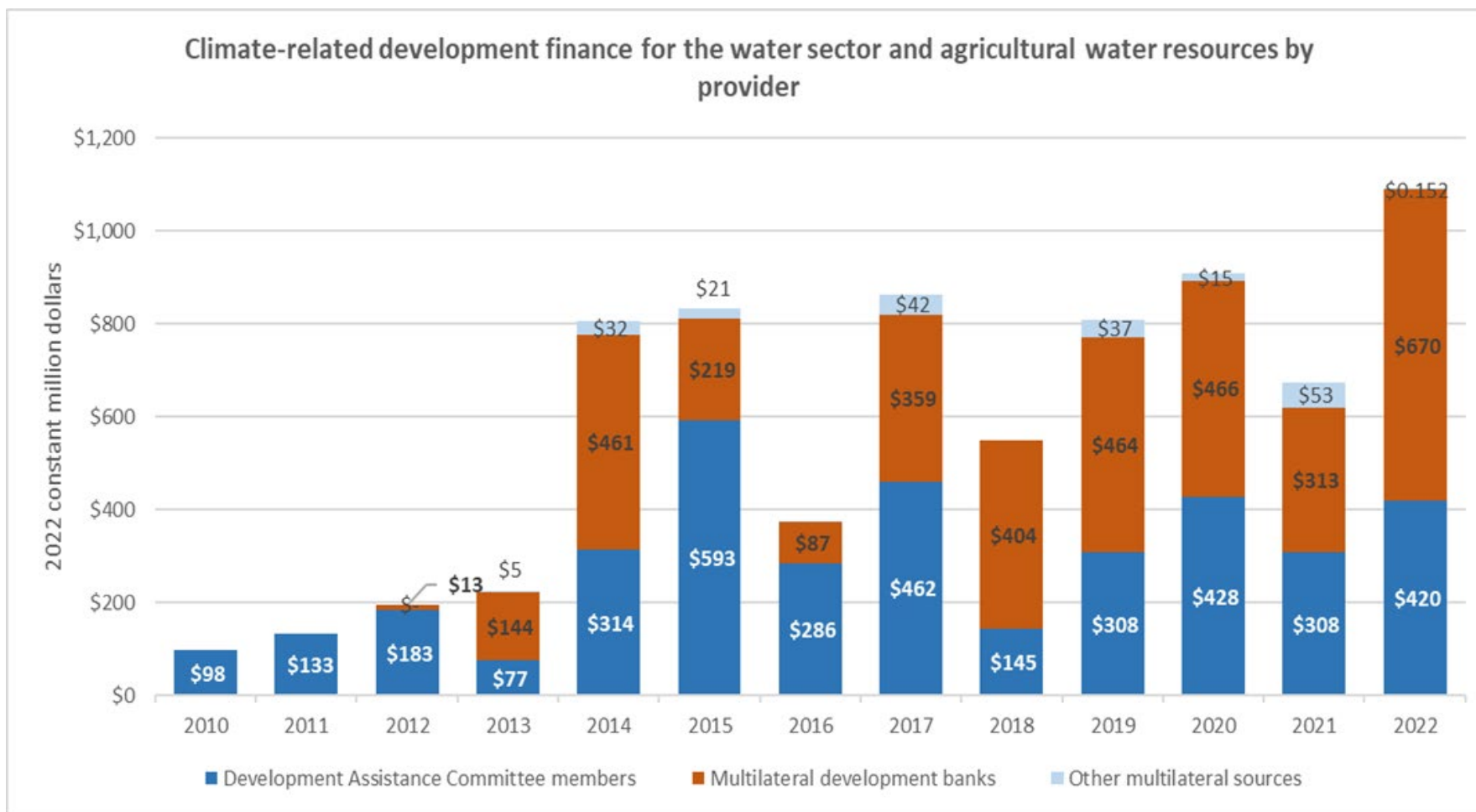
Climate finance for water becoming more diversified



Share of **grants** is improving, but total is still mostly **debt**

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MDBs providing most climate finance for water; but of total climate finance flows to water/agriculture just half of energy/transport



Energy & transport sectors combined received **44%** of all climate finance flows to Arab region during **2015-2022**

Water & agricultural sectors received a combined **22%** of all climate finance flows to Arab region during **2015-2022**

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Regional Initiatives for Mobilising Climate Finance in the Arab region

Arab Regional Forums on Climate Finance

Beirut, 15 Sept 2022 – Dubai, 6 Nov 2023

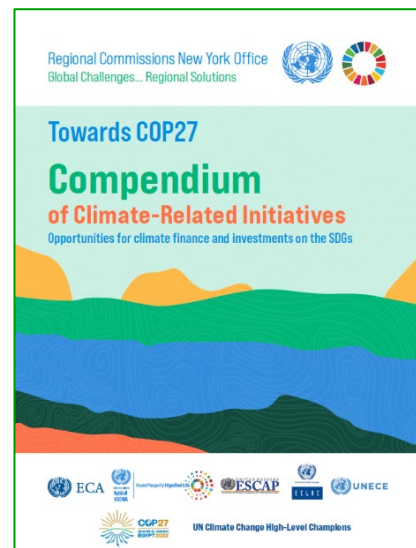
- Mobilising climate finance for country-driven projects in Arab States
- \$4.2 billion in adaptation & mitigation projects proposed by Arab States



UN CLIMATE CHANGE
HIGH-LEVEL CHAMPIONS



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Arab Initiative to Mobilize Climate Finance for Water (AIM Climate Finance for Water)

- **Water Action Agenda commitment** in support of the Water Action Decade
- Seeks to **build regional capacity** to mobilize finance for water action



IsDB
البنك الإسلامي للتنمية
Islamic Development Bank



GREEN
CLIMATE
FUND



Food and Agriculture Organization
of the United Nations



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ARAB FUND FOR ECONOMIC
& SOCIAL DEVELOPMENT



In collaboration with:

www.unescwa.org/events/towards-cop27-arab-regional-forum-climate-finance

www.unescwa.org/events/towards-cop-28-second-arab-regional-forum-climate-finance

Regional Initiatives for Mobilising Climate Finance in the Arab Region

Needs-based Climate Finance Strategy for Arab States

- Technical Annex (2022) informed consultations
- Strategy under review for adoption by CAMRE (2024, tbc)
- Seeks to **develop capacity** for **assessing financing needs** and priorities, **accessing climate finance** and **mobilising resources from global funds**



United Nations
Climate Change

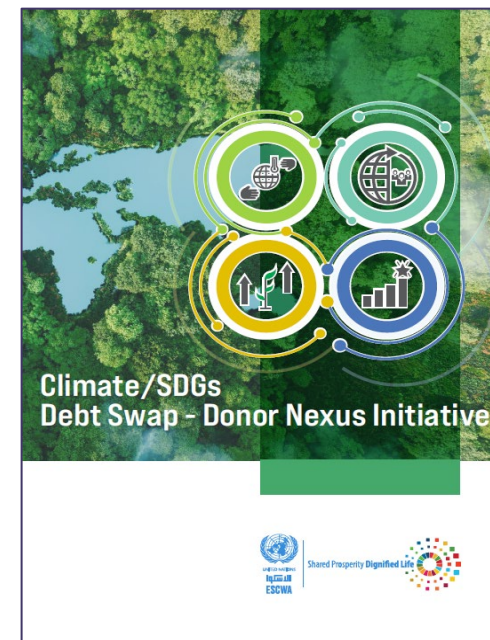


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Climate/SDGs Debt Swap – Donor Nexus Initiative

- **Innovative** financial instrument to secure reliable and **long-term** financing
- Seeks to **reduce** countries' **debt burdens**, improve climate finance, and **accelerate implementation** of the Paris Agreement and the 2030 Agenda
- Focus on Jordan & Tunisia



www.unescwa.org/debt-swap

Arab Initiative to Mobilize Climate Finance for Water



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In collaboration with:



Thank you

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www.unescwa.org

www.unescwa.org/acccp

<https://sdgs.un.org/partnerships/arab-initiative-mobilizing-climate-finance-water-aim-climate-finance-water>

*Update Prepared with
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