

Economic and Social Commission for Western Asia

Climate Finance Flows for Water and Biodiversity

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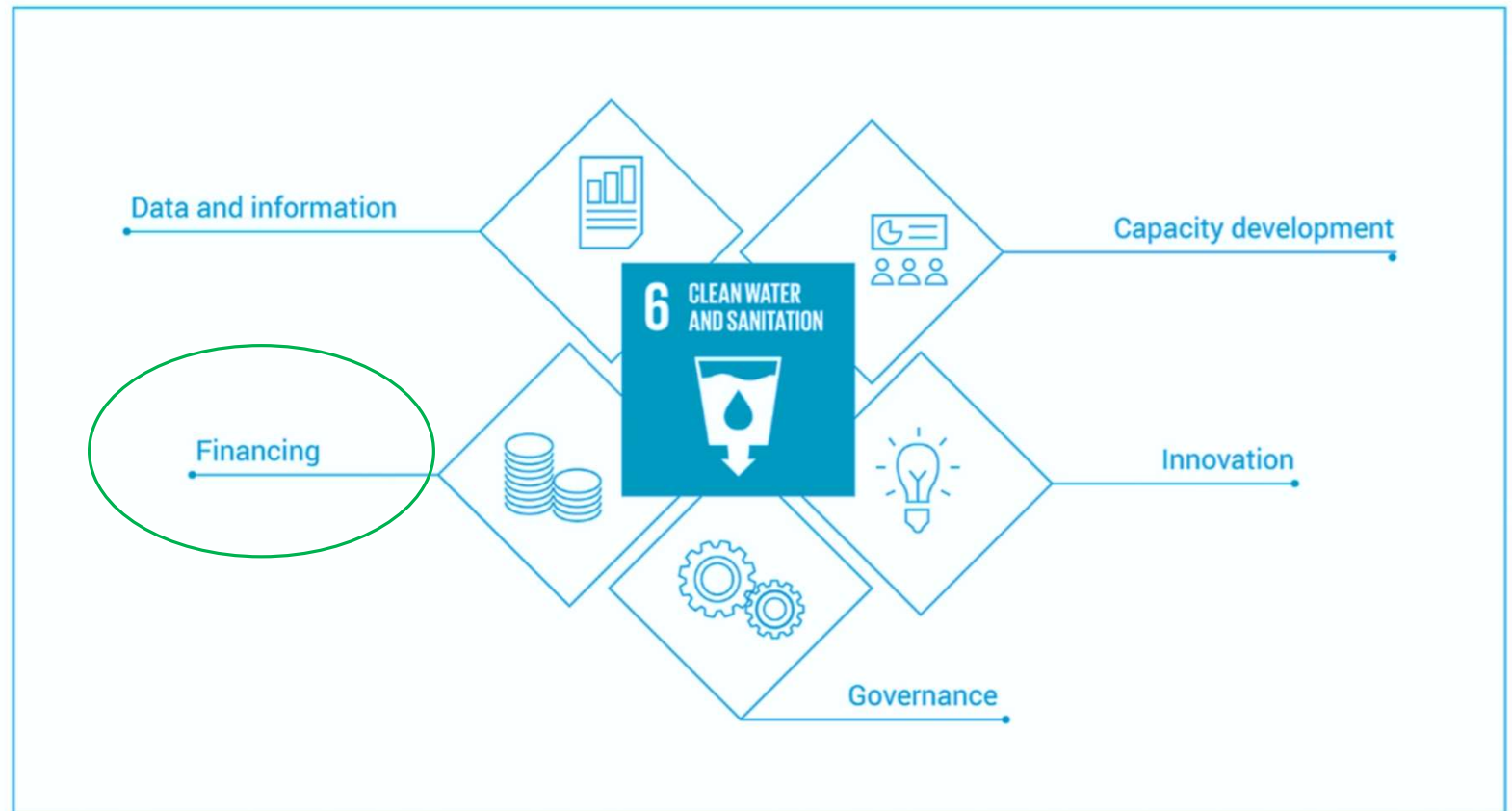
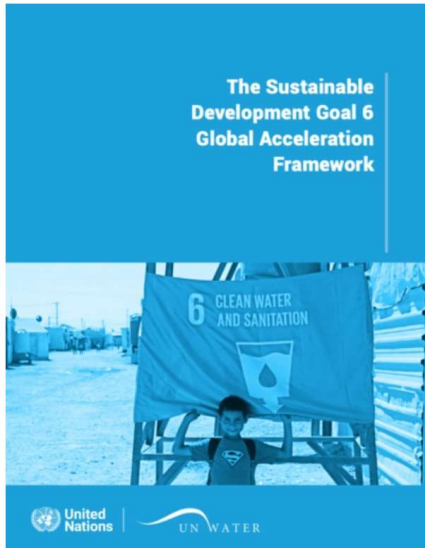
Workshop on Protecting Water Quality and Biodiversity for Improved Water Management | Beirut, 10 July 2024



Shared Prosperity **Dignified Life**








SDG6 Global Acceleration Framework



<https://www.unwater.org/our-work/sdg-6-global-acceleration-framework>

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
-  Biodiversity

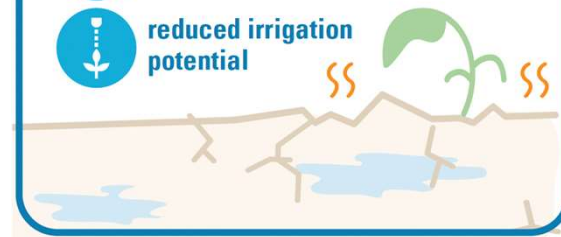


Water insecurity is estimated to cause **economic losses** of

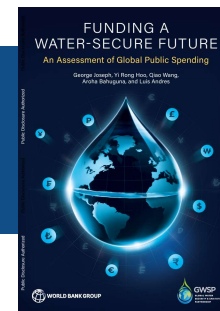
\$474 billion each year

Causes:

-  **inadequate water and sanitation**
-  **increased flood damage**
-  **reduced irrigation potential**



World Bank: Water Finance Gap



The World Bank estimates:

- spending in the water sector for developing countries is about **US\$ 165 billion** annually, with **91% covered by the public sector**
- the global financial gap for water supply and sanitation is about **US\$ 141 billion**
- report encourages private sector participation



Source: George Joseph; Hoo, Yi Rong; Wang, Qiao; Bahuguna, Aroha; Andres, Luis Alberto. **Funding a Water-Secure Future: An Assessment of Global Public Spending** (English). Washington, D.C.: World Bank Group, 2024.
<http://documents.worldbank.org/curated/en/099050624154572979/P172944100adb1042188ab1d289e7f2f00b>
<https://www.worldbank.org/en/topic/water/publication/funding-a-water-secure-future>

Water & Finance in the Rio Conventions

UN Framework Convention on Climate Change (UNFCCC)

- **Sharm El-Sheikh Declaration** - COP27 (November 2022) was first time water referenced in COP outcome document:
 - “Emphasizes the importance of protecting, conserving and restoring water and water- related ecosystems, including river basins, aquifers and lakes, and urges Parties to further integrate water into adaptation efforts”
 - Recognized “interlinked global crises of climate change and biodiversity loss” in the SDGs
- **UAE Consensus & Presidential Action Agenda** emphasized importance of water security with \$150 million committed to address water scarcity. Need for adaptation finance highlighted.
- **New Collective Quantified Goal on Climate Finance** is under negotiation and targeted delivery in Baku at COP29 to secure **over US\$ 100 billion per year** in climate finance for developing countries.

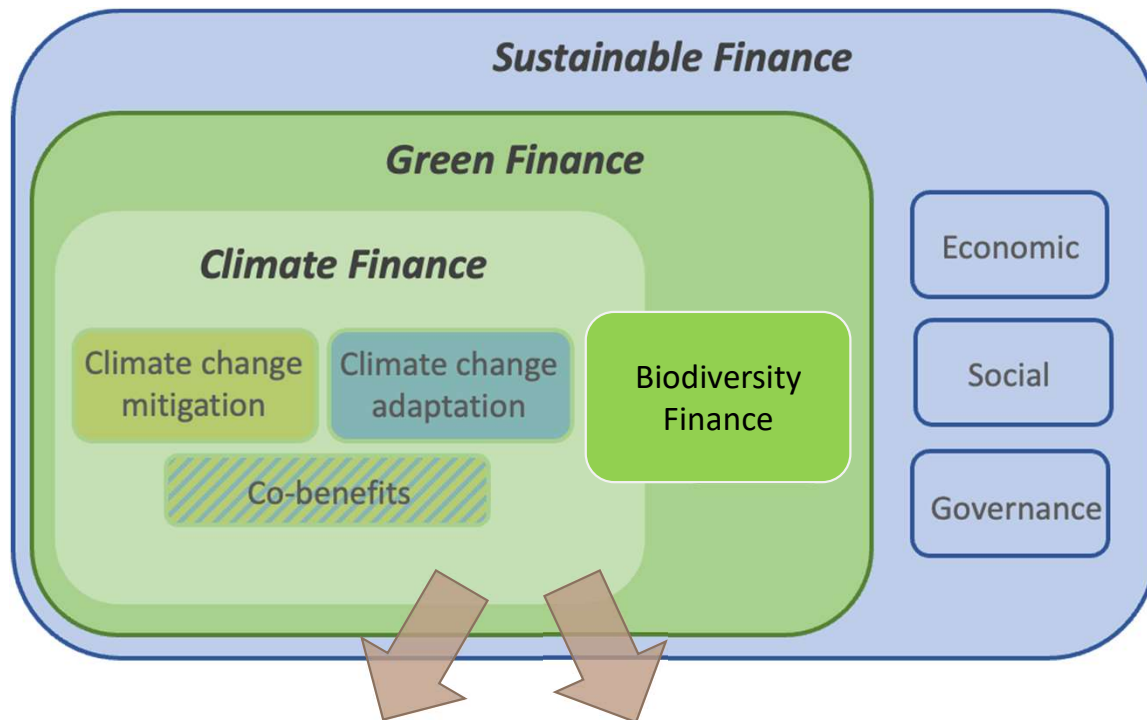
UN Convention on Biological Diversity (CBD)

- The **Kunming-Montreal Global Biodiversity Framework** - COP15 (December 2022) urges the global community to “mobilize by 2030 at least **\$200 billion per year** in domestic and international biodiversity-related funding from all sources – public and private,” which includes finance for water ecosystems.

UN Convention Combat Desertification (UNCCD)

- Guidance Note on Drought Finance (2021)
- COP16 in December 2024 to be hosted by Saudi Arabia, with strong focus on water expected to strengthen resilience
- ❖ KSA committed US\$ 100 billion to a trust fund to establish a World Water Organization

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

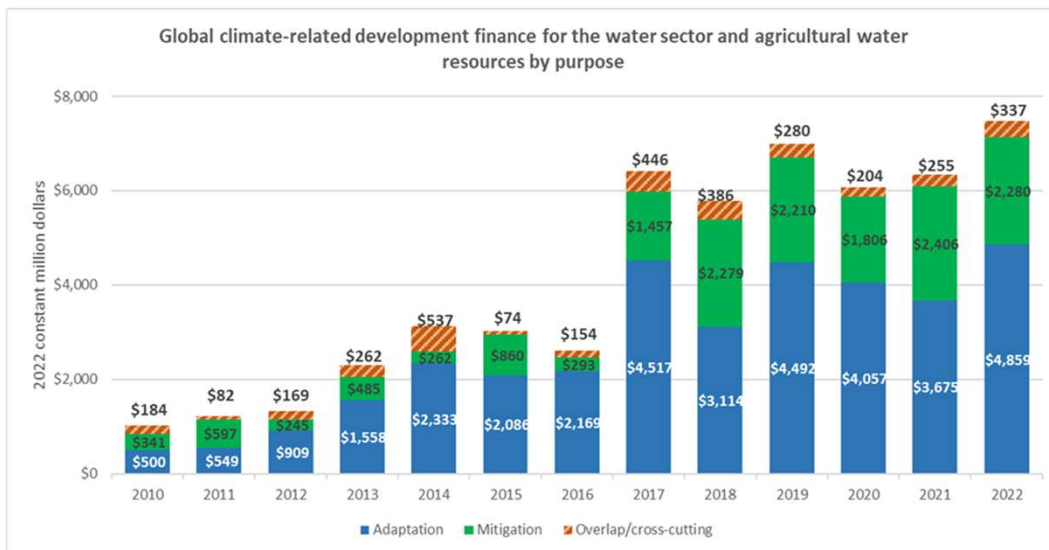
- **Rio markers** were developed to **monitor and report** on financing targeting the **3 Rio Conventions** signed at the 1992 Earth Summit on:
 - Climate Change
 - Biodiversity
 - Desertification
- **Rio Markers** for climate help to **categorize and track** climate finance

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)

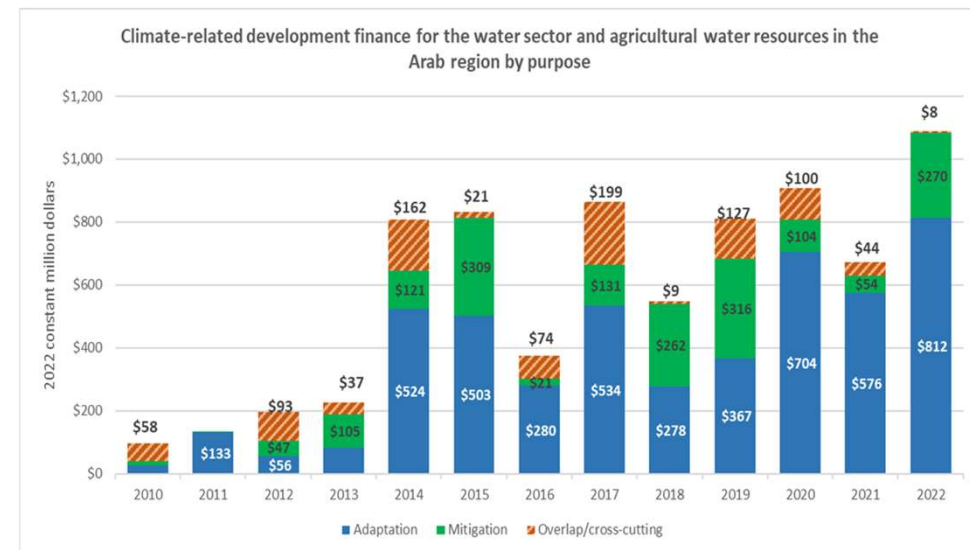
Globally: US\$ 7-7.5 billion in climate finance for water in 2022

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

Globally for Water



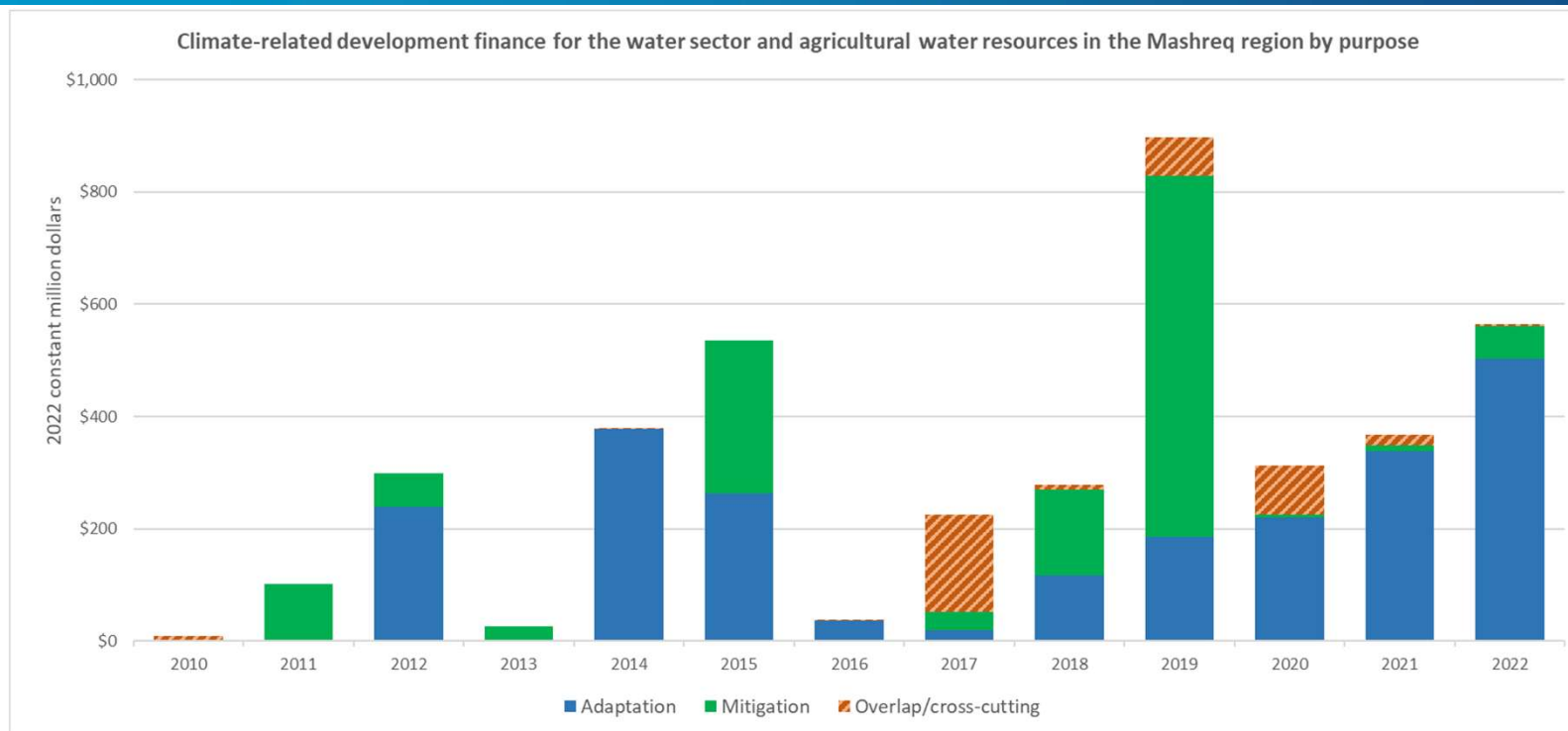
Arab Region for Water



Source: Compiled by ECWA based on the OECD database entitled “Climate-related development finance at the activity level: Recipient perspective 2000-2022”.

- 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 and in these or subsequent graphs, unless specifically referenced in the figure.
- Numbers are in 2022 constant million dollars.
- Above graphs include OECD Water Supply and Sanitation sub-category “Waste Management & Disposal”, which accounts for about US\$ 500 million in 2022 globally (waste sub-category excluded in subsequent figures for the Mashreq)

Mashreq: US\$ 566 million climate finance for water (2022)



Mashreq for purposes of this and subsequent figures covers: Iran, Iraq, Jordan, Lebanon, Syrian Arab Republic and Türkiye

Source: Compiled by ESCWA 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.

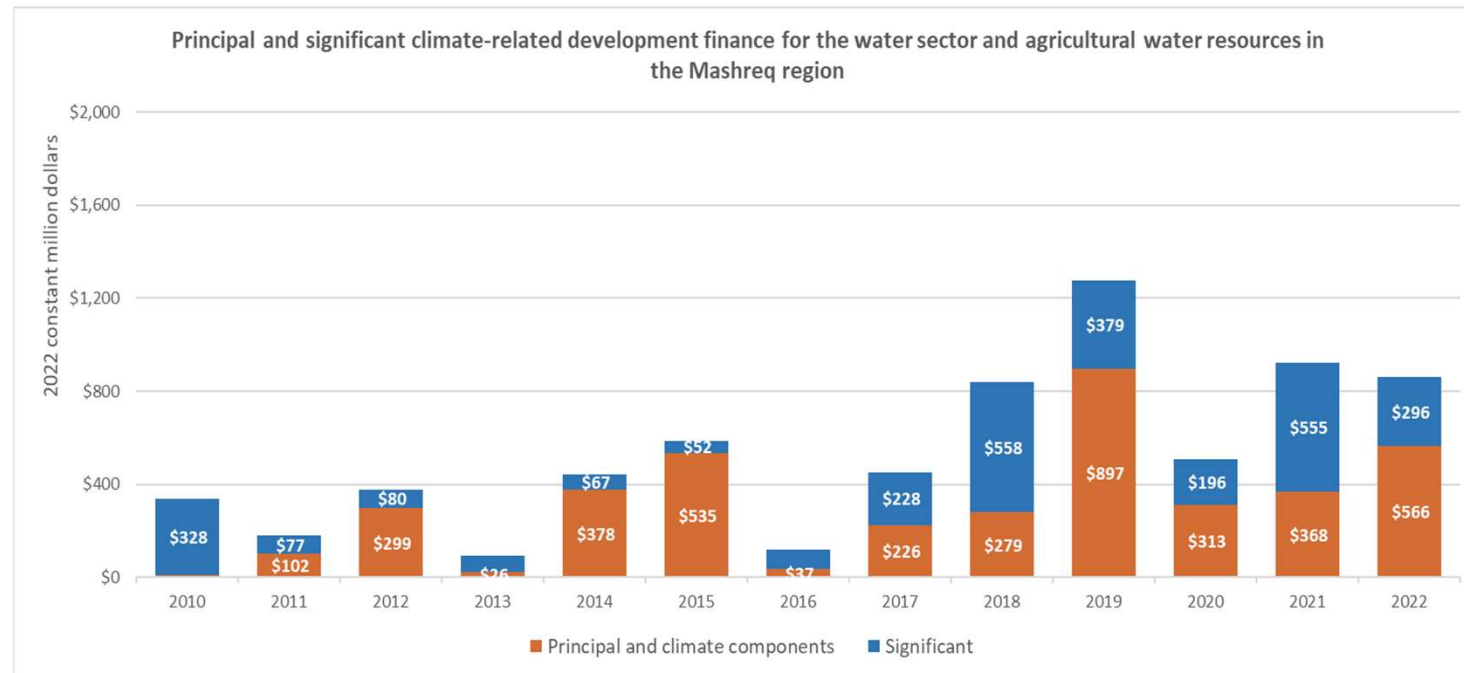
Most Climate Finance to Water in the region is Principally for Climate Action

Principal green/climate objective

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

Significant green/climate objective

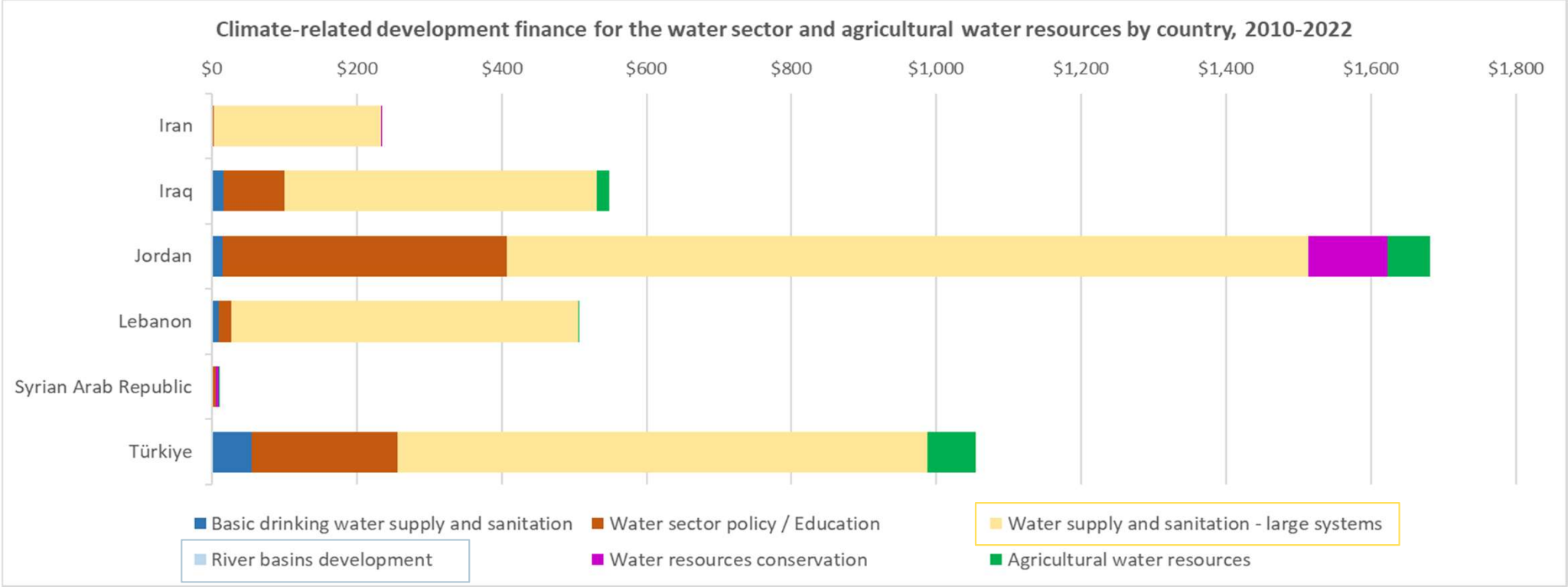
= activity has **other prime objectives** but has been **formulated or adjusted** to help meet the green/climate policy objective



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. Numbers are in 2022 constant million dollars. Excludes waste management. Represents flows to: Iran, Iraq, Jordan, Lebanon, Syrian Arab Republic and Türkiye

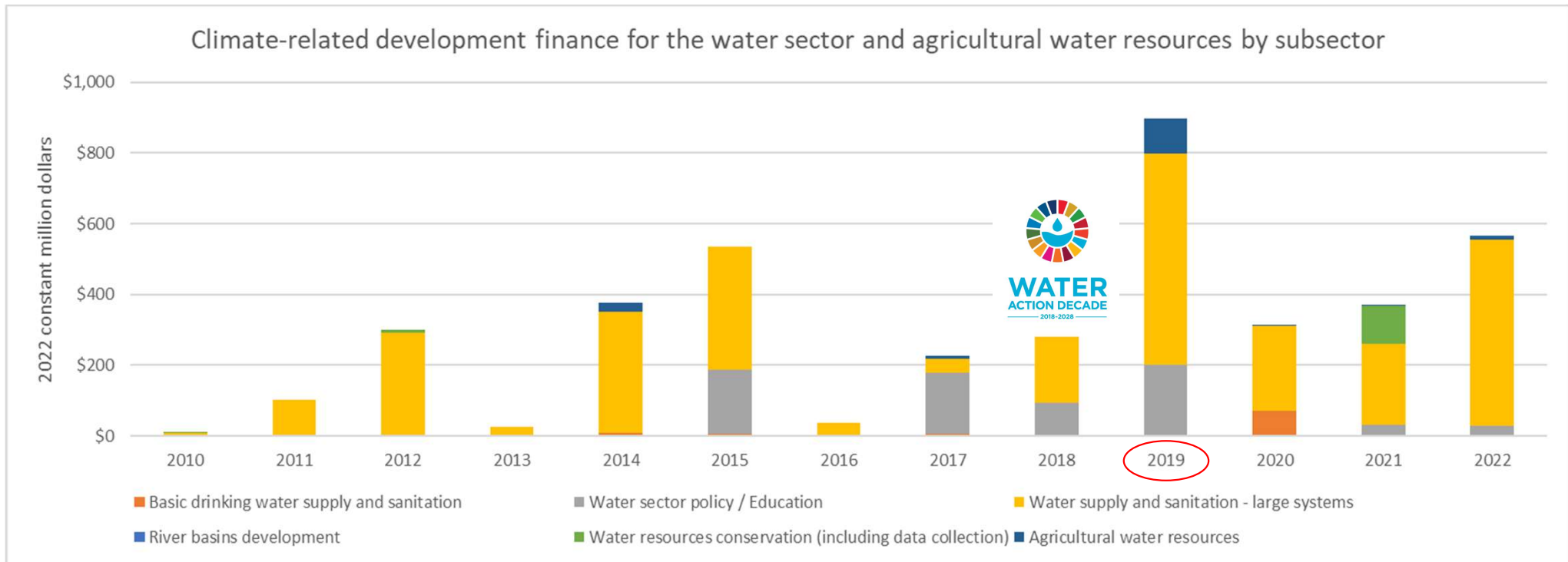
Climate finance flows for water by country (2010-2022)

2022 USD thousand



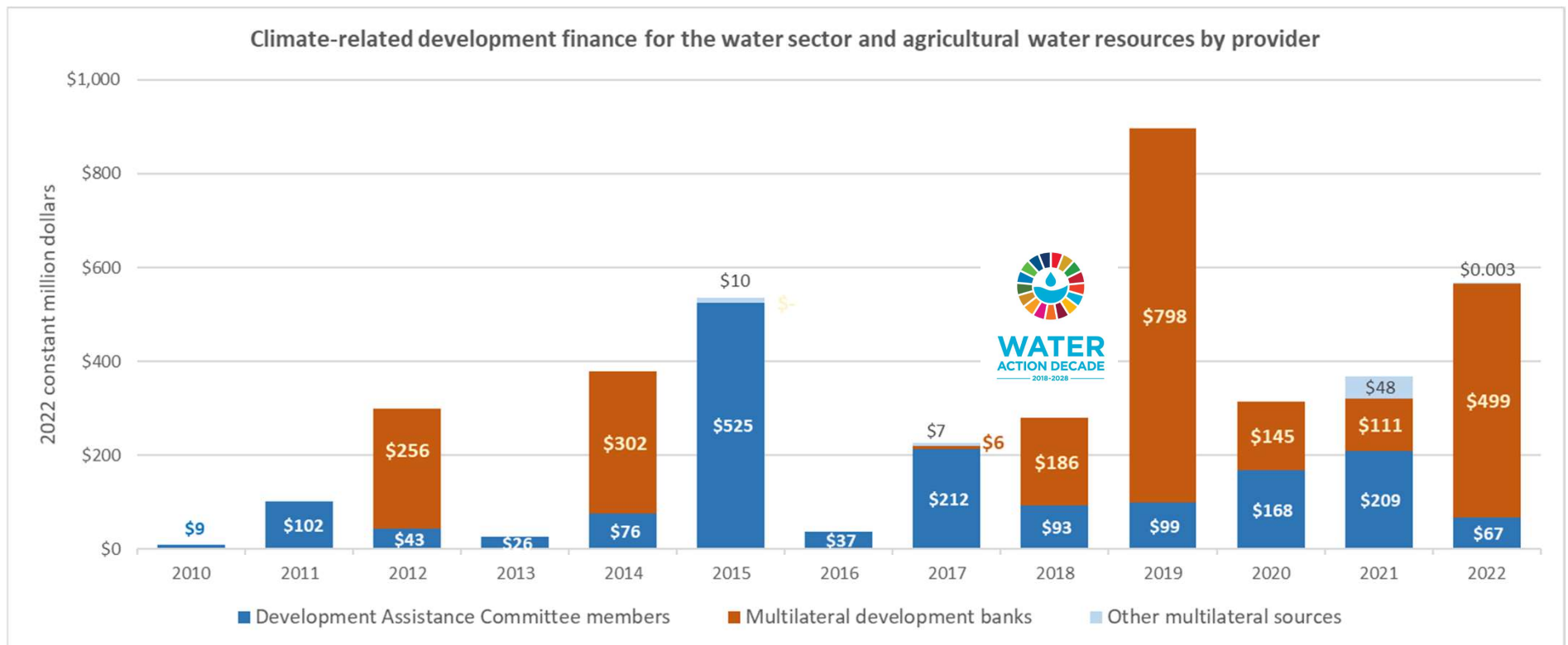
Source: Compiled by EsCWA based on the OECD database entitled "Climate-related development finance at the activity level: Recipient perspective 2000-2022". It includes commitments with climate marked as a principal objective (Rio tag) as well as climate components reported by multilateral development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

Climate finance for water over time: peaked year after WAD



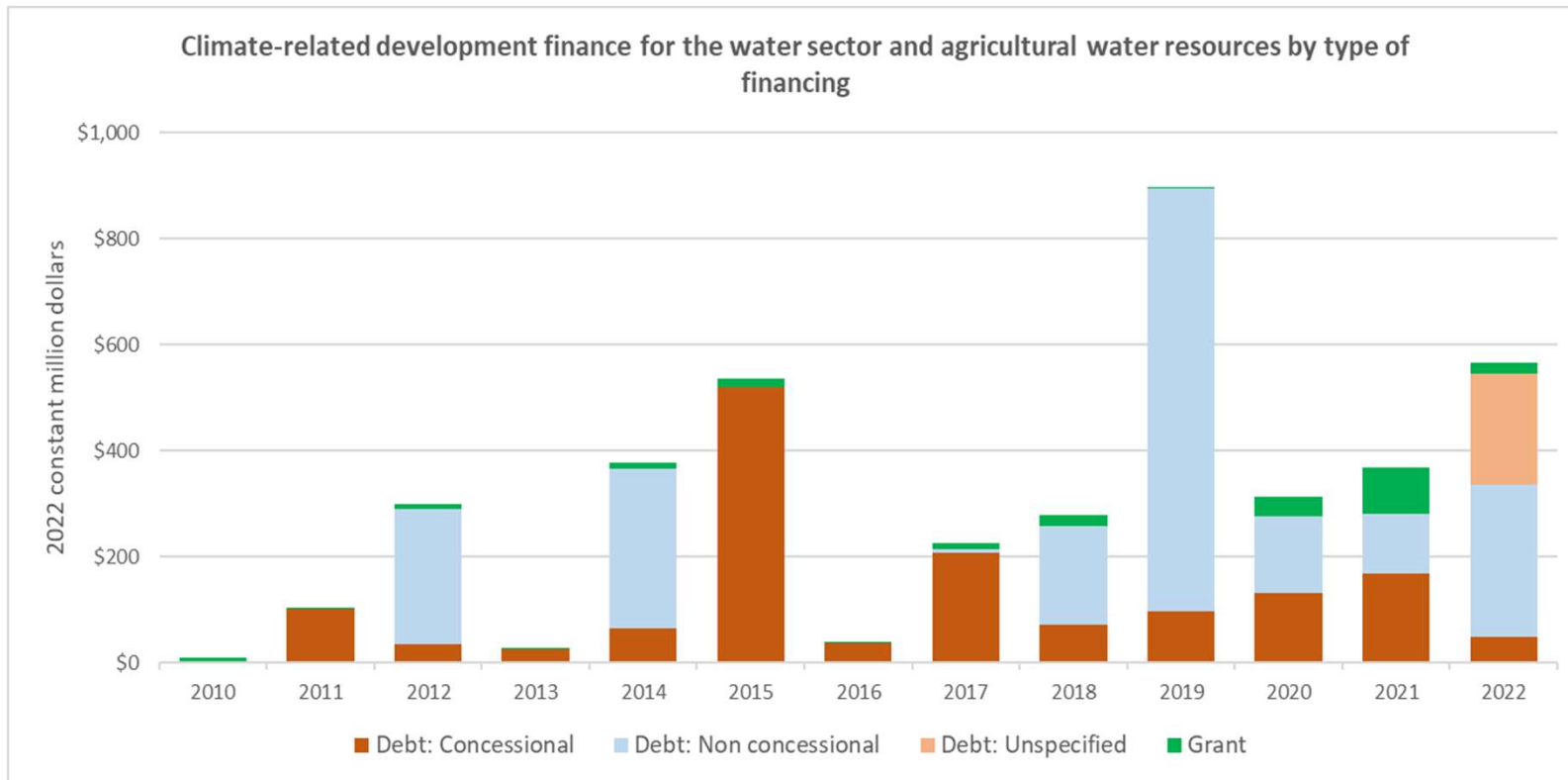
Source: Compiled by EscWA based on the OECD database entitled "Climate-related development finance at the activity level: Recipient perspective 2000-2022". It includes commitments with climate marked as a principal objective (Rio tag) as well as climate components reported by multilateral development 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.

MDBs providing most climate finance for water since 2018



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.

However, climate finance for water still mostly **debt**



- Grants share limited.
- Most finance is non-concessional debt.
- Difficult with water investments mostly paid for by public sector.
- Cost of Finance Higher since Debt & Currency Devaluation prevalent in region.

Source: Compiled by ESCWA 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.

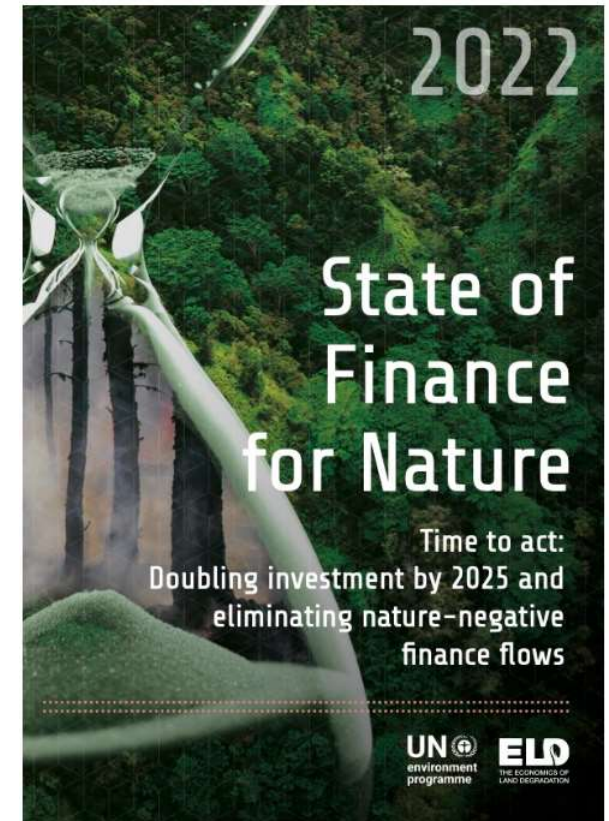
State of Biodiversity Finance

UNEP [State of Finance for Nature 2022](https://www.unep.org/resources/state-finance-nature-2022) reports that:

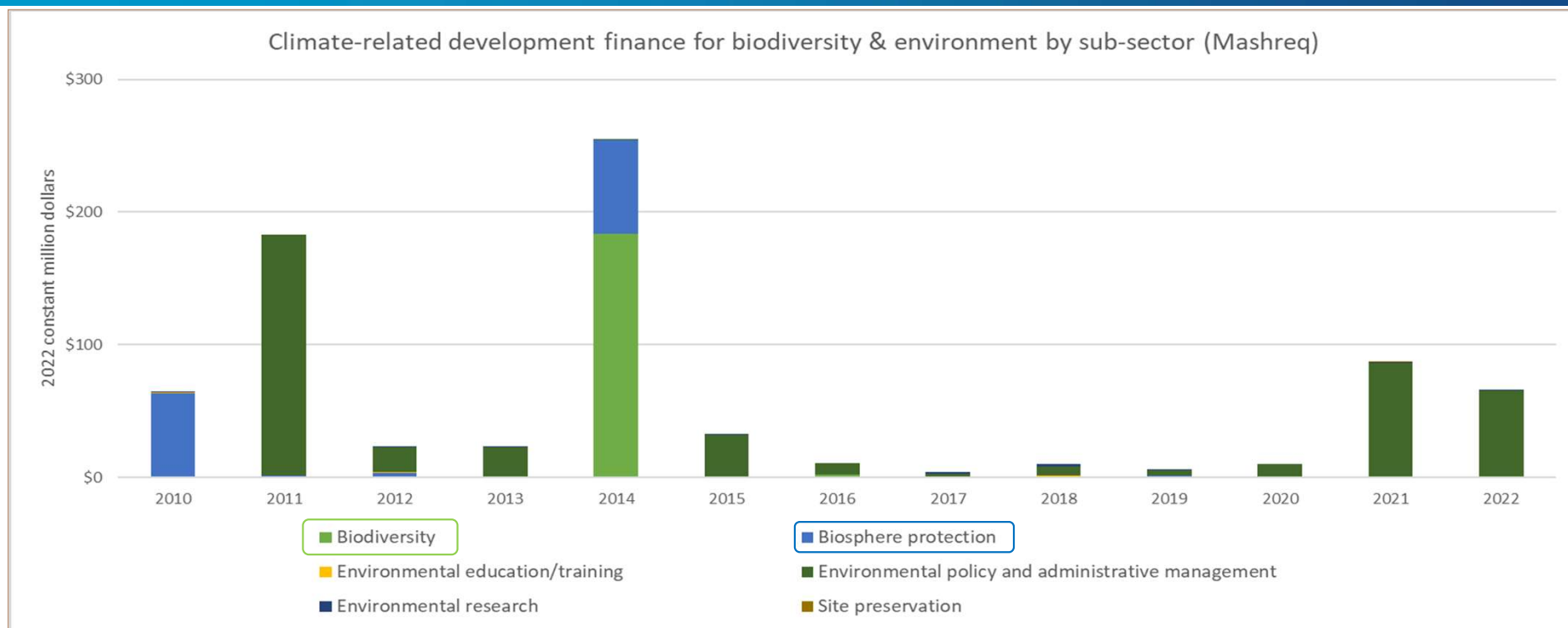
- **USD 154 billion** were invested at global level on nature-based solutions in 2022.
- Investments must double by 2025 and triple by 2030 to halt biodiversity loss, achieve land degradation neutrality and limit the increase of the global average temperature to less than 1.5 °C investments.

<https://www.unep.org/resources/state-finance-nature-2022>

Per OECD database, the Arab region receives only small share of global public international climate finance flows for nature. Over 10-year period (2010 to 2020) the region received only [USD 34.5 billion](#) in public international climate finance (principal) and of this amount only [4%](#) supported environmental and disaster risk reduction interventions.



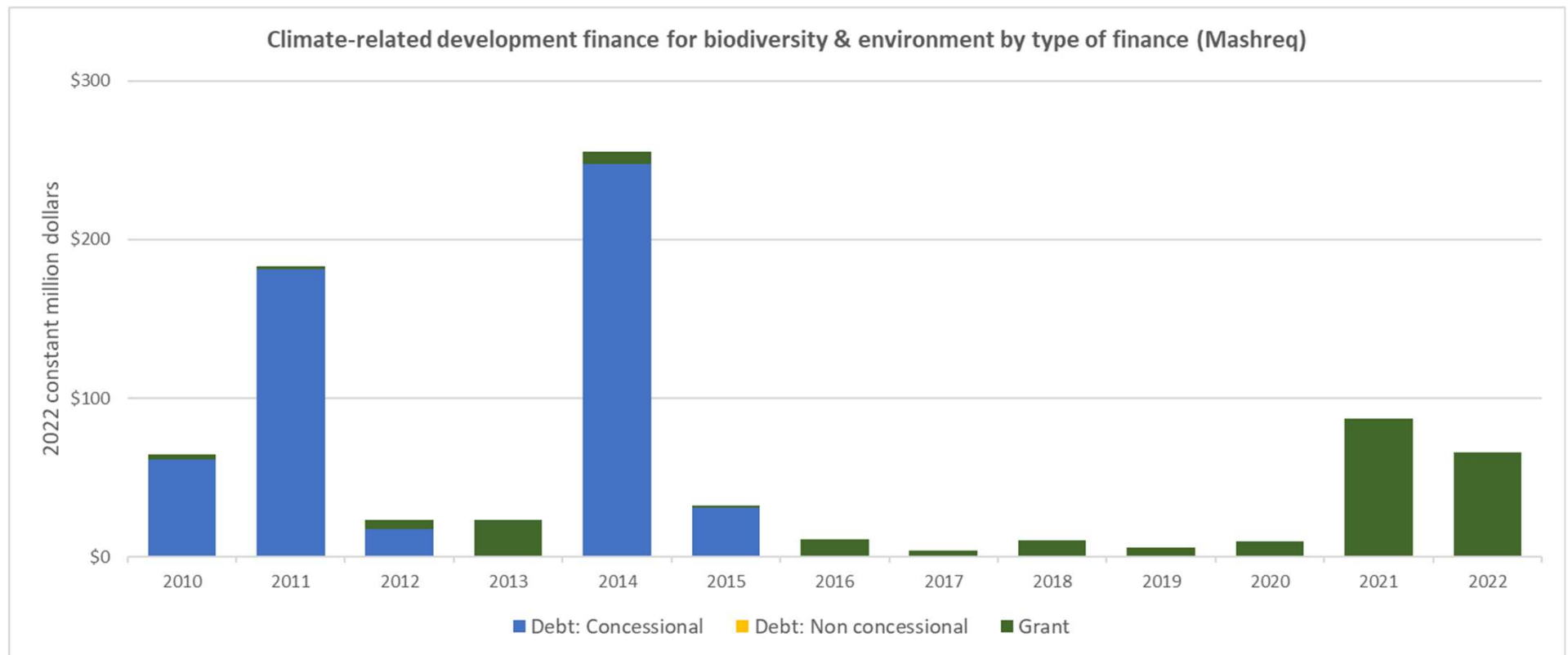
Climate Finance for Biodiversity peaked at \$254 million in 2014



Mashreq for purposes of this and subsequent figures covers: Iran, Iraq, Jordan, Lebanon, Syrian Arab Republic and Türkiye

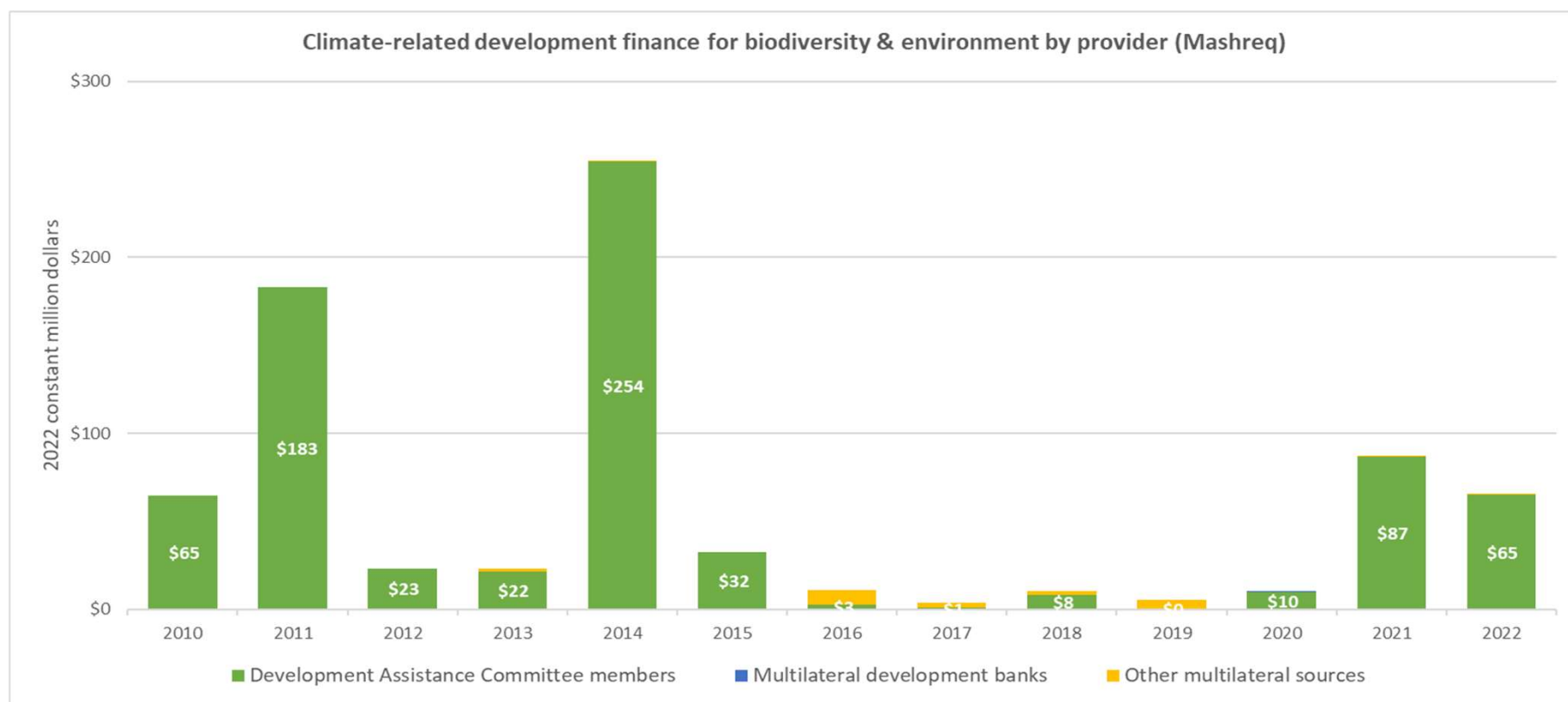
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Largely Grant Finance for Biodiversity since 2016



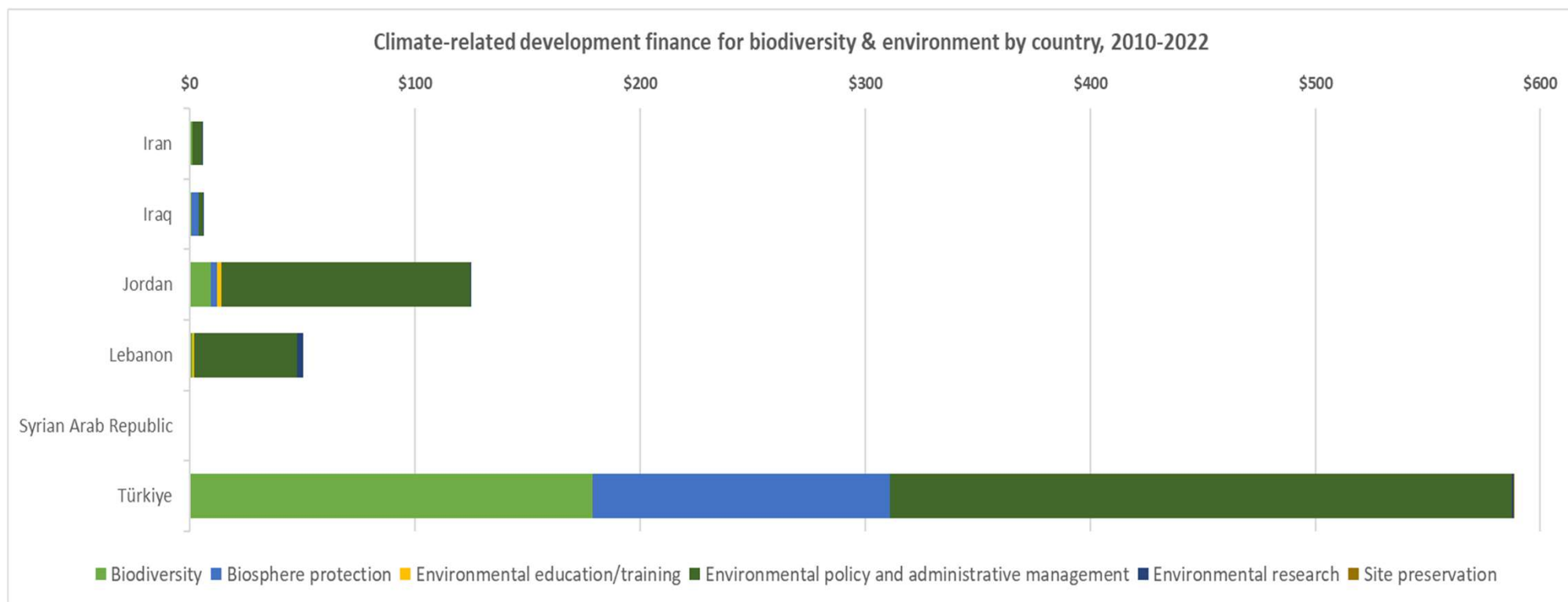
Source: Compiled by ESCWA based on the OECD database entitled "Climate-related development finance at the activity level: Recipient perspective 2000-2022". It includes commitments with climate marked as a principal objective (Rio tag) as well as climate components reported by multilateral development 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 Biodiversity is mostly **Bilateral**



Source: Compiled by ESCWA 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 Biodiversity by Country



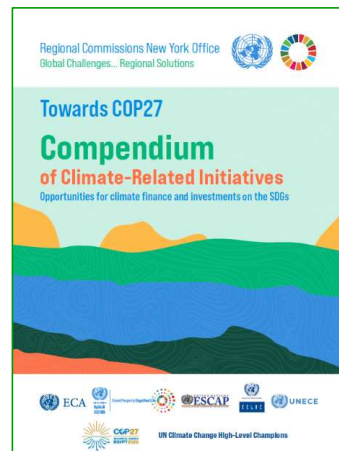
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Regional Initiatives for Mobilising Climate Finance



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

DIFC



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
- MENA Climate Week Forum
- GCF MENA Forum session on evidence-based climate finance for water & workshop on project preparation with Delartes (Morocco, June 2024)



IsDB
البنك الإسلامي للتنمية
Islamic Development Bank



Food and Agriculture Organization
of the United Nations



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In collaboration with:



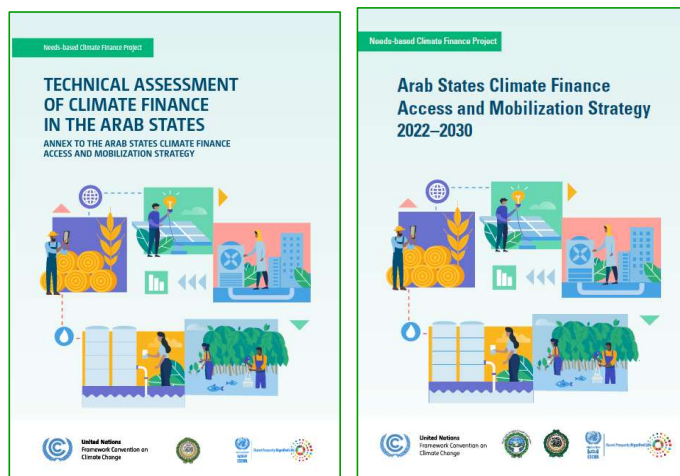
www.unescwa.org/events/towards-cop27-arab-regional-forum-climate-finance

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

Regional Initiatives for Mobilising Climate Finance

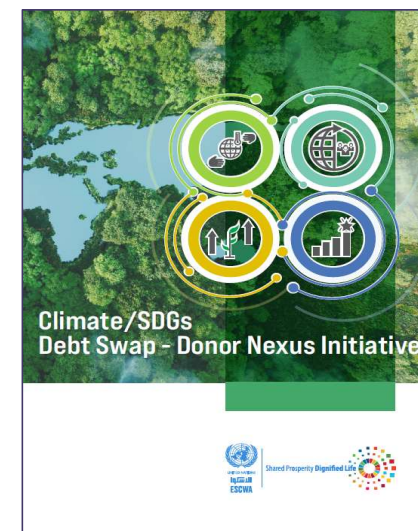
Needs-based Climate Finance Strategy for Arab States

- 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**



Climate/SDGs Debt Swap – Donor Nexus Initiative

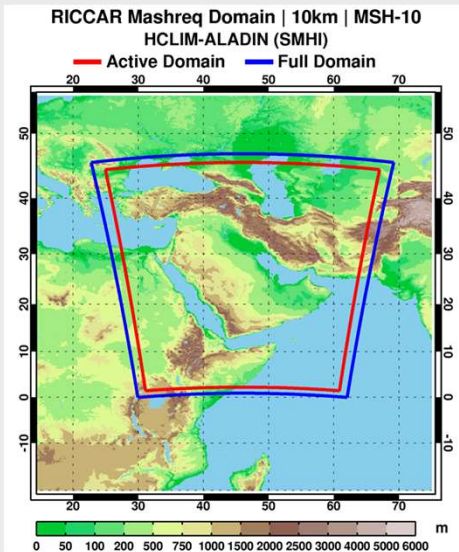
- **Innovative** financial instrument to secure reliable and **long-term** financing
- Seeks to **reduce** countries' **debt burdens**, improve climate finance, and **accelerate implementation** of the Paris Agreement and the 2030 Agenda
- Debt swap programme informed by climate change **vulnerability assessment** and socio-economic analysis



www.unescwa.org/debt-swap



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Thank you

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www.unescwa.org
www.unescwa.org/focus/natural
www.unescwa.org/acccp
www.riccar.org

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