

## AGORA Monthly Arab Digest

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*The Middle East and North Africa (MENA<sup>1</sup>) region is both vulnerable to climate change and shares some responsibility for global greenhouse gas emissions. The MENA region is vulnerable for a number of reasons, including persisting development and poverty challenges. It has extensive arid areas where water scarcity is an issue; it remains dependent on the agricultural sector which is highly sensitive to climate change; and finally, it has urban coastal areas that are exposed to flooding. All these risks have been exacerbated as a result of decreased precipitation and consequent decreased river flows, prolonged droughts in the eastern Mediterranean, and increased sand and dust storms, phenomena all attributed to climate change.*

*Responding to climate change presents challenges for the oil producing and water stressed countries of the Middle East and North Africa (MENA), but also opportunities to forge new paths to more inclusive and effective development. In light of the foreseen climate change effects and the associated social and economic crises, what role do parliaments play in reducing risks and mitigating climate change impacts? This brief will highlight existing policies, laws and governance in the Arab States. It will also identify possible parliamentary action points to promote and scale up investment in climate change adaptation and mitigation activities.*

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<sup>1</sup> The MENA region includes: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, Yemen

## I- Projected Socio-Economic and Climate Change Effects

The Mediterranean region is one of the world's climate change hotspots and the heart of dramatic socio-economic transformations. Social and political developments as well as future climate projections have profound implications for the agricultural and water sectors, which might endanger economic development, lead to the degradation of natural resources and provoke social instability. The Intergovernmental Panel on Climate Change (IPCC) 4<sup>th</sup> assessment report estimates an increase in temperature in MENA of up to 2°C in the next 15-20 years, and over 4°C for the end of the century. The fifth report<sup>2</sup> highlights that Climate change will amplify existing stress on water availability for society and the natural environment in Africa

Climate models are projecting hotter, drier and less predictable climate, resulting in a drop in water run-off by 20% to 30% in most of MENA by 2050, mainly due to rising temperature and lower precipitation (Milly et al., 2005). The latest World Bank report "***Turn Down the Heat: Confronting the New Climate Normal***" predicts that a large increase in heat-waves combined with warmer average temperatures will put intense pressure on already scarce water resources, with major consequences for human consumption and regional food security. In Jordan, Egypt, and Libya, crop yields could decrease by up to 30 percent at 1.5 to 2°C warming by 2050. Migration and climate-related pressure on resources may also increase the risk of conflict.

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<sup>2</sup> <http://www.agora-parl.org/resources/library/ipcc%E2%80%99s-fifth-assessment-report-what%E2%80%99s-it-africa>

*Total change from 2010 to 2050 in total renewable water resources (in %)*



Source: Immerzeel et al. (2011).

Country level analysis available at [“Assessment of Socio-Economic and Climate Change Effects on Water Resources and Agriculture in Southern and Eastern Mediterranean countries”](#)

### CO2 Emission in the Arab States- some contradicting figures<sup>4</sup>

The region's responsibility for climate change can be measured in terms of per capita emissions, which are 60% higher than average among developing countries. In absolute terms the region is a relatively small carbon emitter, accounting for some 5-6% of global emissions, although the United Arab Emirates (UAE), Saudi Arabia, and Iran rank among the world's top 50 CO<sub>2</sub> emitters. This contrasting situation stems from the economic and social differences present in the region that include rich, oil-exporting Gulf States (e.g. Saudi Arabia and Kuwait) and resource poor states such as Yemen and the Palestinian territories, where many people live below the

<sup>4</sup> <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7921.pdf>

poverty line. Moreover, at +88%, the growth of CO<sub>2</sub> emissions in the Middle East and North Africa was the third-largest in the world in 1990-2004 and more than 3 times faster than the world's average; most of that growth came from fuel combustion (WB 2007).

## **II- Climate change financing**

### *1- A Definition*

The World Bank defines climate finance as “the resources to catalyze the climate-smart transformation of development trajectories by covering the additional costs and risks of climate action, creating an enabling environment and building capacity in support of adaptation and mitigation as well as encouraging research, development, and deployment of new technologies” (World Bank 2010). This broad definition implies various types of financial flows, from several national, international private or public sources, mobilized through a range of instruments. Climate finance is critical to addressing climate change because large-scale investments are required to significantly reduce emissions, notably in sectors that emit large quantities of greenhouse gases. Climate finance is equally important for adaptation, for which significant financial resources will be similarly required to allow countries to adapt to the adverse effects and reduce the impacts of climate change<sup>5</sup>.

Budgeting for climate change, and the role of parliaments and parliamentarians in this process, comes with many challenges. In addition to issues concerning coordination, reporting and so

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<sup>5</sup> [http://unfccc.int/focus/climate\\_finance/items/7001.php#intro](http://unfccc.int/focus/climate_finance/items/7001.php#intro)

on, two principal problems stand out. Firstly, most countries – and in particular developing countries - are struggling to secure sufficient funding to undertake necessary mitigation and adaptation efforts. Secondly, much of the climate finance that is secured is disbursed directly to implementing agencies and institutions. This essentially means that these funds are not managed as part of the budget, and are not subject to parliamentary approval or oversight<sup>6</sup>.

## *2- Climate Finance in the MENA region*

The Middle East and North Africa is a region that is both vulnerable to the impacts of climate change and shares some responsibility for such change, as measured in terms of per capita emissions. Brown et al. (2010) estimate that the annual net cost of adaptation in the region will be approximately \$250 million between 2010 and 2050 (at 2005 prices). International public sources that fund climate change projects in the region are extremely scarce. However, there is a rapidly expanding interest from private companies mainly directed to adaptation projects (renewable energy, water management, agriculture and rural development), yet climate change activities remains gravely underfunded. The Climate Investment Funds (CIF) <sup>7</sup> provides 48 developing and middle income countries with urgently

Since 2004 USD 1 billion in finance from dedicated international climate funds monitored on CFU has been directed to 52 projects in the MENA region. 12 out of the 22 countries are recipients of climate finance. More than 90% (approximately USD 921 million) of the climate finance approved in the region is allocated to mitigation activities (See chart below for further details)

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<sup>6</sup> Agora Areas of Expertise- Budgeting for Climate change

<sup>7</sup> <https://www.climateinvestmentfunds.org/cif/aboutus>

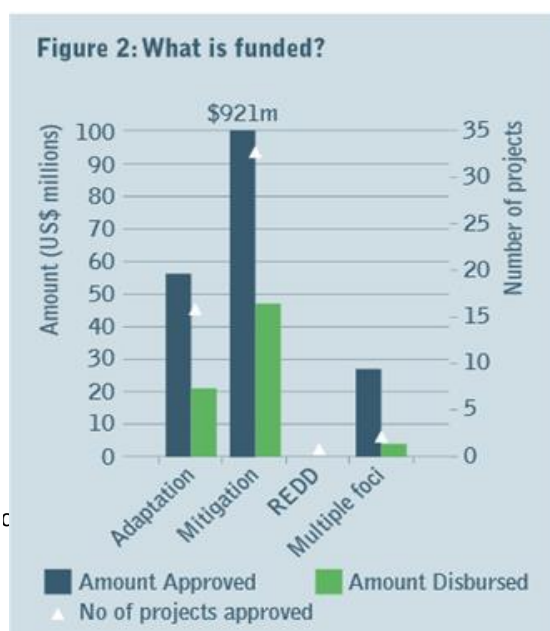
needed resources to mitigate and manage the challenges of climate change and reduce their greenhouse gas emissions. Furthermore, the Green Climate Fund (GCF) <sup>8</sup> adopted as a financial mechanism of the UN Framework Convention on Climate Change (UNFCCC) at the end of 2011 aims to make an ambitious contribution to attaining the mitigation and adaptation goals of the international community.

### 3- Funding delivered

The [Climate Funds Update \(CFU\) website](#) reports a total of \$85 million disbursed to climate change related projects in the 21 countries of the region through dedicated bilateral and multi-lateral public climate finance mechanisms and instruments.

Furthermore, only 35 projects are registered under the Clean Development Mechanism (CDM) of the Kyoto Protocol. These include fossil fuel switch (e.g. from oil to natural gas), land-fill and solar power projects. However, private mitigation projects are expected to expand in the coming years as companies are showing interest in this or similar offsetting mechanisms and see the opportunity of good returns from reducing carbon emissions due to the region's richness in renewable energy sources for solar and wind power.

| Recipient Country     | Amount Approved (USD M) | Amount Disbursed (USD M) |
|-----------------------|-------------------------|--------------------------|
| Algeria               | 18.76                   | 8.24                     |
| Djibouti              | 11.11                   | 2.2                      |
| Egypt                 | 523.15                  | 26.3                     |
| Iran                  | 9.76                    | 4                        |
| Jordan                | 25.39                   | 13.97                    |
| Iraq                  | 0.06                    | 0                        |
| Lebanon               | 9.31                    | 0                        |
| Morocco               | 359.8                   | 8.24                     |
| Palestinian territory | 23.04                   | 0                        |
| Regional              | 3.94                    | 0                        |
| Syria                 | 8.33                    | 3.46                     |
| Yemen                 | 11.82                   | 5.87                     |



### III- What can Parliamentarians DO?

While many policy analysts focus on the need for more money and a greater availability of technology to bridge the gap between funding needs and funding availability, there's another issue that's less talked about but equally important: investing in institutions. Parliaments have a wide range of tools by which they can support the draw-up and implementation of national policies and programs promoting climate change adaptation and mitigation initiatives. "Investing" in these institutions means creating the necessary policy, institutional, industry, and financial conditions that can help scale up investments in climate action.

The Parliament has three core functions, each of which can be instrumental supporting climate action and finance initiatives. Below are brief descriptions and some key action points that parliamentarians may wish to explore. Further suggestions on how to support climate action are available in Agora's [Parliaments, the Environment and Climate Change](#) Areas of Expertise on [law-making](#), [representation](#) and [oversight](#) sections.

#### *a. Law Making and Legislation*

Developing or amending new and/or existing legislation that will provide a new legal framework conducive to the development of climate financing. Legislating on climate change goes far beyond emission and energy targets. It involves mainstreaming climate change into all aspects of development and national planning, and in doing so touches upon many policy fields.

Concretely speaking parliamentarians can: Draft or amend laws enabling long-term investment in climate change action which:

- Reflect the countries' national legislation, frameworks for climate change mitigation and adaptation, or existing development priorities;

*In [Kuwait](#), a bill was submitted to the parliament to promote energy efficiency and regulate governmental subsidies to ensure sound distribution of resources and diminish costs.*

- Promote transparency and enhanced reporting in climate finance flows through further development of guidelines for measurement, reporting, and verification of finance<sup>9</sup>;
- Address the fundamentals of energy and carbon prices by setting comprehensive national policies and strong regulatory frameworks. Renewable energy legislation as well as other enabling policies like feed-in tariffs, have helped scale up renewable energy investments in several countries<sup>10</sup>;

*In [Jordan](#) for example, the parliament pushed for an amendment to existing laws pertaining to investment in renewable energy, thus removing the obstacles facing investors and facilitating licensing requirements and granting them incentives and approvals. As a result, 21 contracts were signed with the government.*

*The changes made to the law namely reflect the following:*

- 1- *The government provides a 10 year guarantee to investors to buy the production at the exact same stable rate from all of them. So even if the policy changes, the guarantees are set in the contracts.*
- 2- *To further promote investment, the investors can rent huge pieces of land for energy production at very cheap prices from the government.*

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<sup>9</sup> <http://www.wri.org/blog/2012/10/scaling-climate-finance-why-we-need-invest-institutions>

<sup>10</sup> UNDP in collaboration with the Climate Parliament is currently implementing [The Parliamentary Action on Renewable Energy \(PARE\)](#) which seeks to leverage the powers and privileges of parliamentarians to promote the development of renewable energy resources. It does so by supporting cross-party groups of parliamentarians in support of renewable energy, in order to build the required political will and strengthen the relevant policy and regulatory frameworks.



- Facilitate direct access to domestic and international climate finance and adhere to international norms and conventions.

### *b. Representation*

Parliaments are representative institutions that should channel the voices and concerns of citizens and that should act and advocate on their behalf. With climate change increasingly in the spotlight and on the political agenda, parliamentarians would do well to improve their outreach and communication on the topic, and to solicit more feedback and input from citizens.

Concretely speaking parliamentarians can:

- Help shape people's perception of climate change and build the political will needed to tackle it;

*Greater representation on the governing bodies of international institutions and climate funding mechanisms is recommended to improve ownership and effectiveness of finance investments (Ballesteros et al. 2010).*

- Engage with multiple stakeholders i.e. civil society organizations, scientists, scholars in order to build their technical capacity and ensure better transparency;

*According to the 2011 Transparency International's Global Corruption Report on climate change, strategies for reducing carbon emissions should include:*

- *Adopting a robust, transparent and accountable system for measuring, reporting and verifying carbon emissions;*
- *Strengthening civil society participation in all related processes, including capacity-building activities.*

- Go for win-win strategies that link climate change action to other priorities (employment, food security, energy access and so on) thus promoting sustainable development and building resilient societies.
- Understanding and acknowledging national circumstances is especially important when considering the involvement of the private sector. By aligning with existing private sector regulations and incentive structures for example, parliaments can stimulate and attract private investment by driving public finance toward commercially attractive projects. This helps to contribute toward sound investment and policy decisions that direct private finance toward activities that address national climate and development priorities.<sup>11</sup>

### *c. State Budgets and Funding*

Parliaments consider, approve and monitor the implementation of the state budget. Parliaments may have the ability to directly or indirectly influence the content of the state budget to encourage more resources and incentives for climate adaptation and mitigation activities.

Once the budget is passed, the role of the legislature shifts; A member can then work with parliamentary committees that have a mandate to scrutinize government expenditures.

As such the parliament can:

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<sup>11</sup> Adaptation to Climate Change in the Southern Mediterranean: A Theoretical Framework, a Foresight Analysis and Three Case Studies  
<http://www.ceps.be/book/adaptation-climate-change-southern-mediterranean-theoretical-framework-foresight-analysis-and-t>

- Scrutinize or influence the content of the annual budget -Taxing oil resources could generate revenues for financing adaptation and mitigation activities-;
- Assess and track the total amount of funding available from source to implementation, to ensure that finance labeled as “adaptation” actually goes to adaptation activities;
- Review institutional arrangements to promote the integration of climate change priorities into budgeting and expenditure management;
- Check whether a funding or tax incentive schemes allocated in the state budget and verify that funds are sufficient for achieving the goals;

#### *d. Monitoring Government's Commitment*

There are major governance and corruption challenges associated with climate finance, with huge amounts of money from a wide variety of sources flowing through new, complex and relatively untested funding mechanisms at international, national and local levels<sup>12</sup>. As an oversight body, the parliament can hold the government to account by questioning whether the passed laws are properly implemented, ensure the effective measurement, reporting and verification of climate finance, explore processes of international climate change negotiations and undertake parliamentary oversight of national climate change initiatives, as well as environmental audits as tools for overseeing climate change project implementation.

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<sup>12</sup> Corruption risks and mitigating approaches in climate finance  
[www.transparency.org](http://www.transparency.org)

Concretely speaking, parliamentarians can:

- Assess current policy priorities and strategies relating to climate change;
- A country that supports a comprehensive low-emission, climate-resilient development strategy will have a climate trust fund to govern investment and allocation of resources system that is equally comprehensive.

Depending on the objectives of the fund, parliamentarians can have decision-making abilities alongside the government, or they may participate as observers to ensure the transparency and efficiency of resource allocation and distribution.<sup>13</sup>

- With both traditional and innovative sources, it is critical to consider national circumstances in order to optimize capitalization. Laws or policies may be required to access and collect certain types of funding. A tax on an industry, for example, may need to be mandated by a national law that clarifies the rate of taxation.

***Brazilian National Fund on Climate Change***

*The fund was created to allocate a portion of the government's revenue from oil production to mitigate the impact of oil production and combat climate change. The fund was established by a law adopted in December 2009 and provides grants and loans to adaptation and mitigation initiatives. The resources from the fund can also be used to leverage international public and private finance in pursuit of the fund's mandate.*

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<sup>13</sup>[http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Climate%20Change/Capacity%20Development/Blending\\_Climate\\_Finance\\_Through\\_National\\_Climate\\_Funds.pdf](http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Climate%20Change/Capacity%20Development/Blending_Climate_Finance_Through_National_Climate_Funds.pdf)

- Make sure legislation is employed to the fullest. Developing and passing sound legislation that provides financial incentives is of little use if such provisions are not taken up.

*The Governance of Climate Change Finance cross-practice Team of the UNDP Asia-Pacific Regional Centre (APRC) for example, has been working with governments, CSOs and other development partners at sub-national, national, regional and global levels to provide technical and financial support to Asia-Pacific countries to strengthen their Climate Change Finance management in 'Whole of government' approach which is to encourage government to work closely together among all concerned lines ministries involving in Climate Finance.*

*Many countries have now established government working institutions to specifically focus on Cli-*

To assess if and how legislation is being used and implemented, MPs can use their oversight powers to ask parliamentary questions, commission reports and keep tabs on government spending.

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