# 2nd Regional Conference

## *Governance & Financing for the Mediterranean Water Sector*

*Project labelled under the Union for the Mediterranean*

Organised in synergy with the UfM's H2020 Pollution Reduction & Prevention Investment Group (& NAP process).

**5-6 December 2016**
**Tunis, Tunisia**
**Venue: Golden Tulip El Mechtel Hotel**

## *Background Note*

### Introduction

This document has a twofold purpose: on the one hand to present the rationale and setting of the 2nd Regional Conference of the Union for the Mediterranean (UfM) labelled project *Governance & Financing for the Mediterranean Water Sector*, with separate information on the work of the event's two co-organising initiatives. On the other hand, this Note will provide some background information and analysis on the key issues to be discussed during the Conference, namely the governance-financing nexus, depollution investment needs and the identification of hot spots, and climate financing as an emerging financing mechanism to water and environmental investments.

### Purpose & Setting of the Conference

The 2nd Regional Conference of the Union for the Mediterranean (UfM) labelled project *Governance & Financing for the Mediterranean Water Sector* is organised in Tunis, Tunisia, on 5-6 December 2016 in collaboration with the H2020 Pollution Reduction & Prevention Investment Group (PRPI) in relation with the National Action Plans on Depollution, developed under the framework of UNEP-MAP. The Conference will be held under the auspices of the Tunisian Ministry of Agriculture, Water Resources and Fisheries.

The Conference aims to continue and reinforce the Regional Policy Dialogue, set off during the Launching of the UfM project in May 2013, and the sharing of experiences and best practices on the water governance and sustainable financing nexus by bringing together targeted Mediterranean stakeholders from within and outside the water and water-related sectors, including public authorities, civil society and the private sector.

More specifically, the purpose of the Regional Conference is to:

- Present and disseminate widely the outcomes from the Water Policy Dialogues conducted under the UfM labelled project and completed in Jordan, Tunisia and Palestine and discuss the way forward.

- Share experiences and views on sustainable financing mechanisms for water infrastructure and identify ways for promoting action at both policy and implementation levels, including through a regional platform among public, private and civil society actors.
- Explore synergies (existing and upcoming) with related initiatives and projects, as well as the role of cross-cutting themes (e.g. gender, integrity, rights, etc.) in the water governance and financing line of work.
- Ensure synergies within the H2020 initiative, in particular regarding investment prioritisation and financing modalities for large-scale investment projects in depollution efforts.
- Highlight the need for update of information related to pollution hotspots, identification of investment projects, preparation of priority projects and coordination between Financial Institutions (FIs).

The Regional Conference is relevant to:

- Representatives of government authorities combining the expert (water and water related issues) as well as the financing/planning tracks;
- Representatives of water and wastewater utilities;
- Private sector representatives with an interest in water PPPs;
- Representatives of Regional and National Stakeholder Organisations including Civil Society Organisations;
- International and Regional Institutions and Organisations; and
- Representatives of donor and financing institutions active in water issues in the Mediterranean Region.

The Conference represents an integral part of the activities of the *Governance & Financing for the Mediterranean Water Sector* regional project that has been officially labelled under the UfM and is jointly implemented by the Global Water Partnership – Mediterranean (GWP-Med) and the Organisation for Economic Cooperation and Development (OECD).

The Conference is organised in close cooperation with the *H2020 Pollution Reduction & Prevention Investment Group,* co-chaired by the UfMS and EIB. The PRPI group is working on the identification and acceleration of financial investments based on the priorities of pollution reduction stipulated in the National Action Plans (NAPs), which were adopted in early 2016 in the framework of the LBS Protocol of the Barcelona Convention, under the UNEP/MAP MEDPOL programme. As mandated by Ministers and set out in the objectives of H2020, the PRPI group aims to establish a list of flagship projects that contribute to environmental de-pollution of the Mediterranean and socio-economic development in the region.

The Conference is supported by the Swedish International Development Agency (Sida) and the Union for the Mediterranean and will be conducted in strategic partnership with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Mediterranean Component of the EU Water Initiative (MED EUWI).

All Sessions of the Conference will be held at the Golden Tulip El Mechtel Hotel. GWP-Med is the key organisers of the event. The working languages of the Conference will be English, French and Arabic with simultaneous interpretation.

## Rationale of the Conference

The rationale for holding this conference stems from the fact that Regional Policy Dialogue and the sharing of experiences between the various Mediterranean countries is fundamental to creating synergies between countries' initiatives and projects, as well as providing support to cross-cutting themes in the water governance and financing. Accordingly, the conference touches on key issues and links specific aspects such as information on governance and financing in the water sector, the work on depollution investment on the regional level and climate financing through the sharing of concrete and operational business cases, best practices and existing experiences.

The different topics, which are covered in seven sessions during the Conference , reflect the different angles through which Mediterranean stakeholders, from within and outside the water and water-related sectors, can enhance their ongoing dialogue process and ensure a more effective use of existing financial resources. The common denominator of the topics is the fact that these strategic water-related investment needs contribute to the overall objective of climate change adaptation and need to rely on financing mechanisms that are adapted and innovative so as to rise to the current challenge, and in particular through associating the private sector to existing financing mechanisms. In order to ensure the sustainability and implementation of complex projects an active participation of all types of actors is required.

## Information on the *Governance & Financing Project* and the H2020 work on *Depollution Investment Projects (PRPI)*

*Governance & Financing for the Mediterranean Water Sector*

The four-year (2013 –2017) regional project aims to diagnose key governance bottlenecks to mobilising financing through public private partnerships (PPPs) for the Mediterranean water sector and to support the development of consensual action plans based on international good practices.

The official labelling of the Project by the Union for the Mediterranean (UfM) in 2012 through its endorsement by its 43 members, demonstrates wide political support and a clear acknowledgment of the Project's potential to deliver concrete benefits for the citizens and the environment of the Mediterranean and contribute to the regional stability. It is implemented jointly by the Global Water Partnership-Mediterranean (GWP-Med) and the Organisation for Economic Cooperation and Development (OECD).

Important for launching the implementation of this regional project has been the strategic partnership with the Swedish International Development Agency (Sida) and the European Investment Bank (EIB). The steady support, already since 2009, of the GEF/ UNEP-MAP MedPartnership programme and the Mediterranean Component of the EU Water Initiative (MED EUWI) has been instrumental for concretising the project's line of work and setting it in motion.

With the presence of more than a hundred stakeholders, among them three Ministers and one Deputy Minister indicating a strong political support, the *Governance & Financing for the*

*Mediterranean Water Sector* Project was officially launched on 28-29 May 2013, at the seat of the UfM Secretariat, in Barcelona, Spain.

At national level, Water Policy Dialogues have been completed in Jordan (2013-2014), Tunisia (2013-2014) and Palestine (2014-2015). Tangible outcome of these multi-stakeholder Policy Dialogues is the elaboration of country-tailored National Reports on Governance Challenges to Private Sector Participation in Water. These Reports include a diagnostic analysis of the key governance bottlenecks to private sector participation (PSP) in water supply and sanitation services as well as concrete policy recommendations and a consensus-based action plan for overcoming them. The Policy Dialogues developed through an interplay of solid technical work and multi-stakeholder consultation workshops that fed into and guided the elaboration of the analytical work. Further to Jordan, Tunisia and Palestine, Albania, Egypt, Lebanon and Morocco have provided official support letters for being involved in the conduct of similar national work.

At regional level, regular cross-Mediterranean events constitute a platform for experience and knowledge sharing while showcasing the results of the analytical work conducted at national level. The 1st Regional Conference took place in Athens, on 28-30 October 2014, gathering more than 110 Mediterranean representatives and peer-reviewing the findings of the work in Jordan and Tunisia. The forthcoming 2nd Regional Conference is expected to reinforce the informal regional platform among policy makers, private sector actors and civil society representatives and also contribute to the compilation of a compendium of replicable good practices, relevant to the Mediterranean/MENA context.

All information and accompanying documents relating to both the national and the regional components of the Project are available on the dedicated website at http://www.gwp.org/governanceandfinancing

*Linking the national and regional: financing national priorities based on the National Action Plans (NAPs) for the regional benefit*

The reduction and control of pollution of the Mediterranean Sea has been the guiding thread of UNEP through its Mediterranean Action Plan (UNEP-MAP) and a key issue of the Horizon 2020 Initiative (H2020) dedicated to Southern countries. UNEP-MAP through its MEDPOL program provided legally binding regional plans and decisions; established priorities and set-up regional pollution reduction targets for 2025; and is currently in the process of overseeing the updating of the National Action Plans (NAPs) initially conceived in 2005.

H2020 has the objective of tackling 80 percent of pollution reaching the Sea by 2020. This initiative is led by the European Commission and organised through three components:

(i) The Pollution Reduction and Prevention Investment (PRPI) group, co-chaired by the EIB and the UfM Secretariat;
(ii) The Capacity Building (CB) group
(iii) The Review and Monitoring (RM) group

During the UfM Ministerial Meeting on Environment and Climate Change (May 2014), countries gave a clear indication on the need to step up efforts and recognised the need to reinforce activities in the fields of investments on pollution reduction, a wider thematic scope, information sharing and closer cooperation and synergies. The Pollution Prevention and

Reduction Investment (PRPI) sub-group constituted by major donors and international financial institutions, co-chaired by EIB and UfM is tasked to identify, finance and implement priority H2020 investment projects. Specifically, the group aims to:

1. To update key information on projects and prioritise and plan investments needed to meet the overall objective;
2. To prepare needed priority (flagship) investment projects and, in the process, to strengthen the project preparation capacity. UfM labelling could present an added value to highlight specifically relevant and exemplary regional actions;
3. To secure funding and implement these projects. A further horizontal objective would be to ensure synergies within the H2020 programme, notably through knowledge management and transfer of information and/or technology related to investment between the PRPI and the Capacity Building, the Review and Monitoring and the Research components.

It is under this mandate that the PRPI group, consisting of IFIs and donors, UNEP/MAP, EU and EEA, are working on the financing of investment depollution projects with an emphasis on projects which will make the largest contributions and impacts towards the achievement of de-pollution of the Mediterranean Sea, the protection of environment and the region's socio-economic welfare, with particular focus on cross-border impacts of investment projects and extent to which support is offered by governmental authorities and relevant stakeholders to project implementation. The advancements of the MeHSIP Programme (Mediterranean Hot Spot Investment Programme) led by EIB and concentrating on 6 Southern Mediterranean countries presents an important contribution in this sense.

## Some background to the water governance & financing nexus

The water and water-related challenges are widely recognised as a complex interaction of multiple causes and effects. At the core, governance deficit, mismanagement and under-financing play a major role, inducing and reinforcing each other and undermining the quality and sustainability of the water and sanitation sector. In the Mediterranean region, despite the significant dedication of public funds and the flow of funding in the form of Overseas Development Assistance (ODA), loans or otherwise, countries struggle and usually fail to meet the financial requirements that water-related strategies and plans entail. In particular, the lack of basic elements of a sound governance framework, including absorption capacity at both national and local levels, impedes the efficient use of available funding and the mobilisation of much needed additional sources of financial and managerial resources, particularly from the private sector.

The governance deficit has been under severe scrutiny due to the ongoing socio-political unrest in the Southern Mediterranean, popularly known as the Arab Spring and its aftermath, and the lingering socio-economic crisis across the region, exacerbated with the influx of refugees and escalating migration-related concerns. In-depth reforms in the political economies of the countries are called upon, along with a pressing need for more effective and responsive water service provision, wider participation of stakeholders, more bottom-up and decentralised planning and implementation processes and more transparency and accountability in the policy and decision making[1]. Such reforms necessitate the implementation of good governance principles and within an integrated water resource framework that tackles gaps and shortcomings, notwithstanding those posed by the lack of adequate financing. The haunting regional unrest has also strongly highlighted the urgent need for action in order to re-establish trust among actors and reinforce ownership; consultative processes and constructive multi-stakeholder dialogues figure among the effective ways of responding to this need.

The magnitude of the challenge is further highlighted when considering the available funding together with the pertaining financial needs for water infrastructure, especially in the southern shores of the Mediterranean where large water-related investment programmes, on-going in most countries, have been primarily supported by public funds. For example, North African governments spend on average between 1 and 3.6 per cent of their GDP on the water sector[2], while in the post-2005 period water has represented 20 and 30 per cent of government expenditures respectively in Algeria and Egypt[3]. Significant variations can be observed in the public spending for the water sector (where the optimal has been set at 0.8 per cent of GDP), with Tunisia for example dedicating 1.7 per cent, while Lebanon directing 0.5 per cent of its GDP for public investment in the water and wastewater sector.

Despite the reducing flows of funding through external sources and the substantial financing gap, Southern Mediterranean countries attribute a steady priority to the water sector (and the needed infrastructure) also in view of meeting water-related international goals (e.g. Sustainable Development Goals and the 2030 Agenda for Sustainable Development[4]) and implementing measures to respect the universally recognised human right to water. It should be acknowledged that the Southern Mediterranean countries do not face the classic infrastructure access gap observed in other developing countries, since they have largely achieved universal access to basic infrastructure, though with less success in rural areas. Strong demography and rapid urbanisation combined with structural transformation of the political economies and migration concerns have resulted in strong demands for infrastructure services that most governments in the region struggle to cope with.

Specifically for the water sector, some figures from previous related work reveal the magnitude of the challenge. Based on the findings of the joint work GWP-Med and OECD conducted in Lebanon[5], the needed investments in the country for the next ten years have been estimated at 7.7 billion US$, among which only 1.6 billion US$ have been secured. The Lebanese government has estimated that financial contributions through the state budget and ODA will not suffice to cover the needs. Within the same line of work, in Egypt the financing gap for water infrastructure

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[1] As reflected in the processes initiated in several of the countries towards constitutional reforms (i.e. Algeria, Jordan, Morocco) and/or setting in place new constitutions (i.e. Egypt, Tunisia). The wealth of analyses in related articles/studies (including as these are presented in national and international press) and the plethora of workshops/conferences reflect also on these elements.

[2] World Bank (2007), *Making the most of scarcity, Accountability for better water management in the Middle East and North Africa*

[3] Ibid

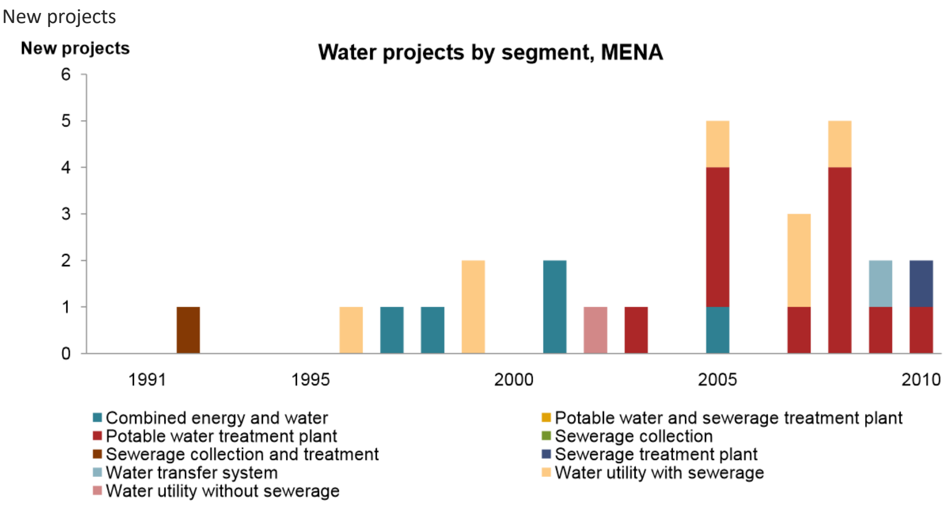
[4] http://www.un.org/sustainabledevelopment/development-agenda/

[5] The full assessment for Lebanon is available at www.ypeka.gr/medeuwi

in water supply and sanitation for the period 2006-2026 was estimated at 169.2 billion Egyptian Pounds (about 23.6 billion Euros, in 2006 prices), with this gap increasing by 45 per cent in the 20-year period[6]. The significant financing gap formed the rationale for the Egyptian government to adopt in 2006 a long-term policy agenda for pursuing partnerships with the private sector in order to increase the level of investment in the country's infrastructure. As reported in 2014 by the PPP Central Unit (within the Egyptian Ministry of Finance) the government would need to allocate between 5.5 and 7 per cent of its annual GDP (about 13 billion US$) to cover its infrastructure needs, of which some 10-15 per cent could be mobilised through private-public-partnerships.

Considering the magnitude of investment needs for the water sector and the accompanying financing gap, involving the private sector has formed a steady policy option globally. In the southern Mediterranean countries, there has been a modest but growing private involvement in the water sector. At a global scale, while the 1990s were mostly about water utilities (74 per cent of new projects in 1991-2000), in the last decade most new water projects concerned sewerage treatment plants (242 or 46 per cent of new water projects in 2001-2010)[7]. The same trend was valid for the wider MENA region as seen below in Figures 1 and 2.

Figure 1: New energy and water projects with private participation in the MENA region, by sub-sector, 1990-2008

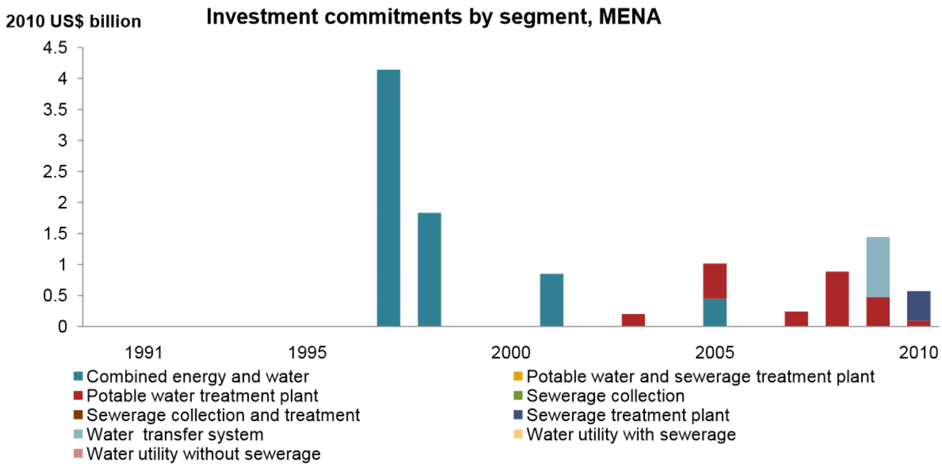



*Source: World Bank and PPIAF, PPI Project Database*

6 The full assessment for Egypt is available at www.ypeka.gr/medeuwi
7 http://www.ppiaf.org/sites/ppiaf.org/files/documents/Review%20of%20PSP%20in%20water%20infrastructure%20over%20the%20last%2020%20years.pdf

Figure 2: Investment commitments to energy and water projects with private participation in the MENA region, by sub-sector, 1990-2008

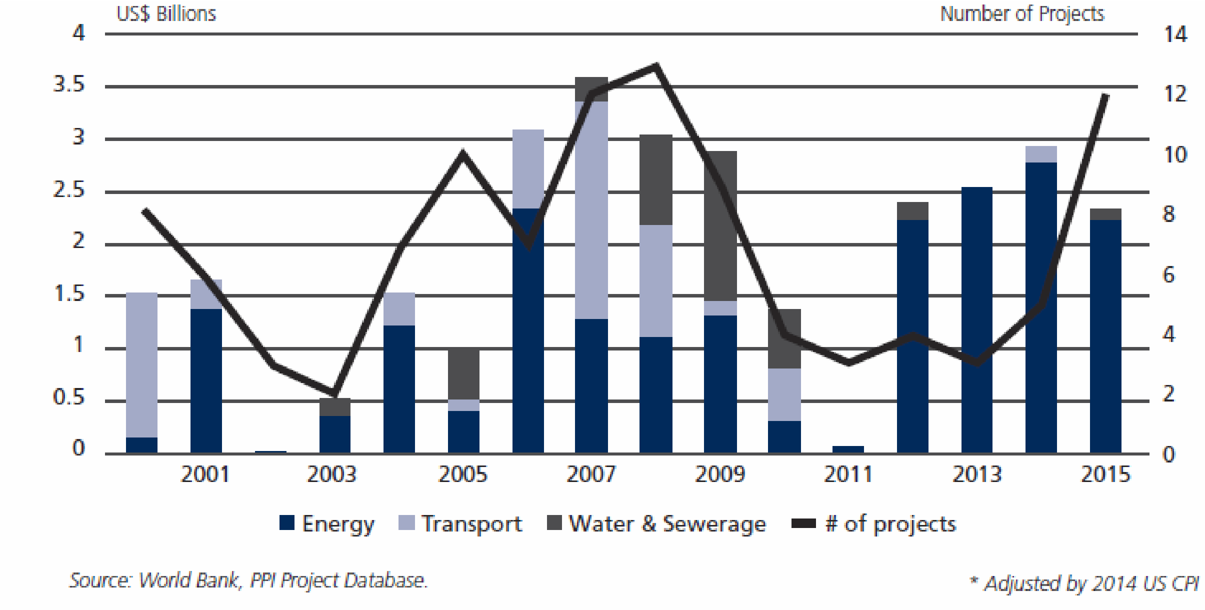
*Source: World Bank and PPIAF, PPI Project Database*




From the above, it becomes apparent that Public-Private Partnerships can play an important role in bridging the investment gap of the water sector. However, the ongoing socio-political turmoil in the region has resulted in slowing down of investments in new infrastructure along with the deterioration of existing one. As captured by the World Bank PPI, overall private participation in infrastructure in the Middle East and North Africa fell from US$ 2.9 billion in 2014 to US$ 2.3 billion in 2015, representing a 25 per cent year-over-year decline[8] and with most projects being in energy (10) followed by water and sewerage (2).

[8] https://ppi.worldbank.org/~/media/GIAWB/PPI/Documents/Data-Notes/MNA-Update-2015.pdf

Figure 3: Total investment in energy, transport and water & sewerage




From the related analysis, only Jordan and Morocco, two of the few stable countries in the region, remained the sole markets for private sector investments in infrastructure, mainly due to their on-going persistence to develop clean energy sources. Other emerging market developing countries including Lebanon, Libya, Palestine and Syria have seen no such investments in recent years. Egypt closed a management and lease contract for a water project with zero investment in 2015, while the country is planning several projects but potential financiers are still awaiting more support from the Egyptian government to provide financing. In this process, multilateral development banks were very active in the region, supporting nine of the 11 projects that were financed in 2015.

As seen, the South Mediterranean is lagging behind other world regions in terms of investment commitments to private infrastructure projects. The Arab Spring's political unrest has brought even more economic woes to countries still reeling from the global financial crisis, leading to high unemployment rates, especially among Arab youth and the mass migration into Europe[9]. However, international experience has shown that well designed and socially sensitive PPPs can lead to significant gains in terms of efficiency, welfare, financing and fiscal space. This requires careful planning, government capacity, procedures, knowledge, and oversight; and, in order to attract private investors, good regulation, transparency, well-structured conflict-resolutions systems, etc. Furthermore, more diversified, dynamic, private-sector driven economies can lead the way towards economic growth and poverty reduction[10].

The combination of efforts for improving efficiencies, enabling the optimisation of financing needs and financing strategies' elaboration, and facilitating the mobilisation of additional

[9] https://ssir.org/articles/entry/whats_holding_back_entrepreneurs_in_the_middle_east_and_north_africa
[10] http://www.imf.org/en/News/Articles/2016/10/18/NA101916-MENAP-REO

financial resources represent a key factor for the sustainable development and adaptation of the water sector in the southern Mediterranean countries. The previous analysis attempted at illustrating the bottlenecks of the financing-governance nexus in the water sector. It is noted that a clear diagnosis of these bottlenecks does not exist yet, while at the same time multi-stakeholder platforms dealing with the issues rarely exist within and across the countries. A consensus on reform requirements and on the action plan needs to be developed to make water reforms happen. This involves evidence-based analysis and facilitated platforms for discussion and consensus building, as well as access to other countries' practices for replication of good cases.

With the above in mind, and with due consideration to i) the recommendations of the Euro-Mediterranean Ministerial Conference on Water Declaration (Dead Sea, Dec, 2008), ii) the objectives of the Union for the Mediterranean (UfM) and its Secretariat's scope of work, iii) the context of the chapters on water financing and water governance of the draft Strategy for Water in the Mediterranean as well as of the Arab Water Security Strategy, and (iv) the scope and operational framework of the Mediterranean Component of the EU Water Initiative (MED EUWI), the OECD/GWP-Med Project on *Governance & Financing for the Mediterranean Water Sector* aspires to address and promote action on the *financing-governance nexus* in the water sector with emphasis on the potential role of the private sector. In this endeavour, synergies and strategic partnerships are crucial for the wide outreach of findings, the strengthening of action and the sustainability of national and regional efforts. The 2nd Regional Conference that will take place on 5-6 December 2016, in Tunis, Tunisia, endeavours to fortify this effort and identify plausible ways forward.

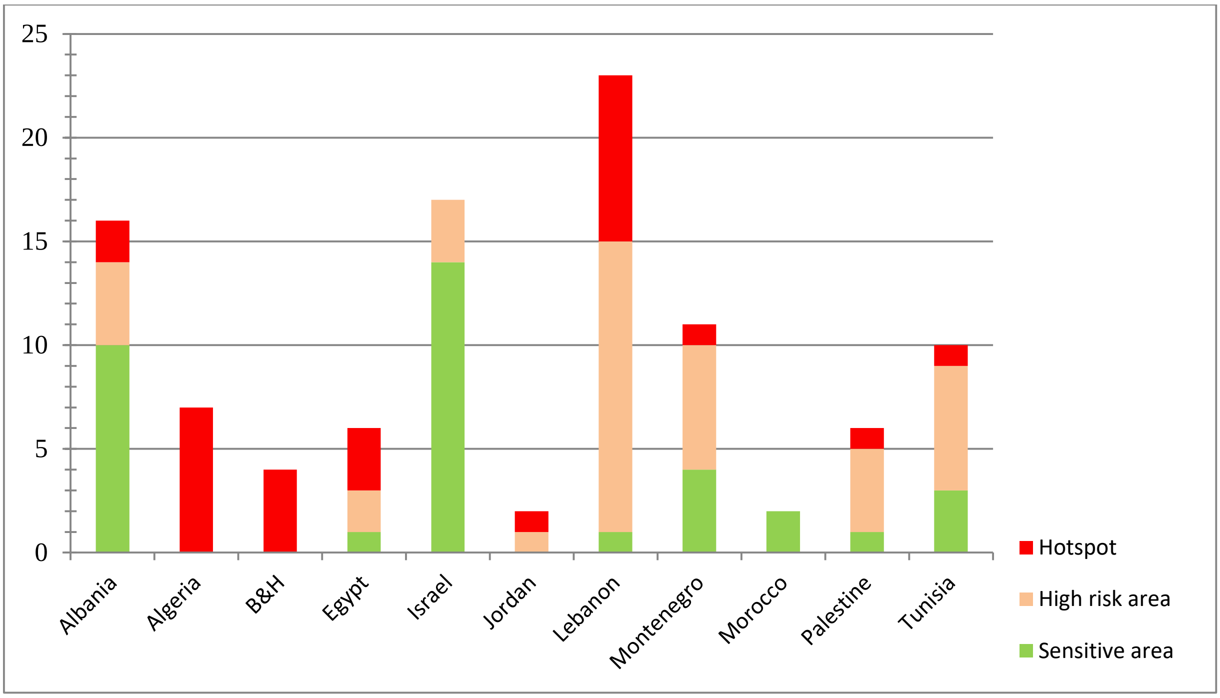
## Depollution Investment needs and the Identification of Hot Spots

In 2015, the Contracting Parties to the Barcelona Convention updated the list of hotspots first developed in 2003. New update criteria were introduced which take into account GES targets based on six effects: public health; drinking water quality; recreation; other beneficial uses; aquatic life; and economy and welfare. The updated hotspot lists are included for each country in its individual NAPs.

They are considered priority areas which require immediate intervention as detailed in the countries' projects fiches. Based on the new evaluation criteria, new updated hotspots were classified as category (A) labelled "hotspot"; category (B) considered "high risk area", and category (C) treated as "sensitive area". Figure 3 provides a comparison between the number of hotspots, high risk and sensitive areas for the individual southern Mediterranean countries and the Balkans.

In total, there are 28 hotspots, 40 high risk areas, and 36 sensitive areas. The environmental issues characterizing the hotspots include large population growth, unregulated industrial activities and solid waste/marine litter management problems. The PRPI group focuses on the adoption of strategically significant infrastructure projects in hotspot areas. The emphasis lies on projects which will make the largest contributions and cross-border impacts towards the achievement of de-pollution of the Mediterranean Sea, the protection of environment and the region's socio-economic welfare.

Figure 4: Comparison between the number of hotspots, high risk and sensitive areas in southern Mediterranean countries and the Balkans




*Source: UNEP (DEPI)/MED WG.426/3*

## The emergence of Climate Financing

Climate finance refers to the financing of the actions required in order to shift the global economy towards a low-carbon path and build the resilience of vulnerable countries and communities to the impacts of climate change. Regarding explicitly adaptation to climate change, the investments required will likely need to be between 150 and 500 billion USD per year by 2050, according to UNEP[11].

Under the United Nations Framework Convention on Climate Change (UNFCCC), developed countries have made a commitment to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting the cost of adaptation to those adverse effects (Article 4.4). Since the 15th UNFCCC Conference of the Parties (COP 15) in Copenhagen in 2009, developed country Parties committed "*to a goal of mobilizing jointly $100 billion dollars a year by 2020 to address the needs of developing countries*" coming from a "*wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance*". A number of multilateral funds to serve as vehicles for the provision of financial resources to assist developing countries in the implementation of their commitments under the UNFCCC. These include the two Operating Entities of the financial mechanism of the Convention

[11] UNEP, Adaptation Gap Report, 2014

– the Global Environment Facility (GEF) and more recently the Green Climate Fund (GCF) – as well as three special purpose funds, namely the Kyoto Protocol Adaptation Fund (AF), the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF).

The historic Paris Agreement (COP 21) is quite oblique on details around climate finance and it is still not quite clear which countries should deliver how much to which ones and by which date. However, it acknowledges that "Such mobilization of climate finance should represent a progression beyond previous efforts" and by 2025 developed countries need to set a new collective quantified goal for climate finance for at least $100 billion per year.

In the recent COP 22 in Marrakech, the concrete outcomes regarding the UNFCCC's climate finance architecture were procedural in nature, with countries adopting rules and processes for accounting and reporting of finance, aiming to reach agreement by 2018. The most substantive decision was that the Adaptation Fund, created in 2001, should serve the Paris Agreement. Also, the High-Level Ministerial Dialogue on Climate Finance underlined the role finance ministers can play by shifting finance flows from high-emissions activities to low-emission, climate-resilient ones.

As already noted, various approaches exist as to what constitutes "climate finance", from considering all funding from all sources to all activities that can be considered as climate-friendly, to the narrowest that considers only international development aid where climate change is the principal objective. By all accounts, climate finance is increasing, the $100bn target is difficult to meet, but not impossible, private and domestic investments remain dominant and Adaptation is still losing out to mitigation. The latest landmark report is UNFCCC's 2016 Biennial Assessment and Overview of Climate Finance Flows Report, published in November 2016.

Nevertheless, because of the lag times in the global climate system, no mitigation effort, no matter how rigorous and relentless, is going to prevent climate change from happening in the next few decades. Today, it is recognised that climate change poses a threat to important development issues such as water supply, food security, human health, natural resources and protection against natural hazards. This recognition has moved adaptation to an activity that is considered crucial within the broader context of sustainable development. Thus, it is no longer a question of whether to mitigate climate change or to adapt to it. Both mitigation and adaptation are essential in reducing the risks of climate change. In recent years the private sector is increasing its engagement in climate actions. Companies from a wide range of industries are committing to decrease their carbon footprints and to engage in sustainable resource management. Investors are also increasingly adopting an active stance on climate change. In order to ensure greater and sustained private sector engagement in climate-related activities, it is essential that predictable, long-term regulatory regimes and supportive policies are in place. The insurance industry, being on the "front line" of climate change risks can play an important role in building climate resilience through integrating risk management into business practices.

An emerging funding mechanism, already proven to be an effective financial instrument capable of raising billions in climate finance, are Green Bonds. They are fixed income financial instruments that can be issued by governments, multi-national banks or corporations and the funds they raise are dedicated exclusively to environmentally beneficial activities.

Specifically for the MENA region[12] and according to the Climate Funds Update initiative, the amount of international climate finance in 2003-2016 is $1.2 billion, of which $375 million is in the form of grants and over $800 million in the form of loans or concessional loans for a few large-scale energy infrastructure projects approved by the Clean Technology Fund (CTF). Despite the region's pressing adaptation needs, especially water-related ones, 81% of the above funding goes towards mitigation efforts. This stems from the fact that climate change is often perceived in developing countries as a long-term issue, where other challenges such as food security, water supply, sanitation, education and health care, require more immediate attention. In order to address this point, policies and measures that address climate change should be integrated into ongoing sectoral and development planning and decision-making, so as to ensure the long-term sustainability of investments as well as at reduce the sensitivity of development activities to both today's and tomorrow's climate. This process is referred to as "mainstreaming". To facilitate successful mainstreaming, it is important to build mitigative and adaptive capacity in countries, both on the micro and the macro-scale, as well as creating mechanisms and incentives to achieve this goal.

[12] According to World Bank Classification: 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