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# Greening the MENA-OECD Competitiveness Programme

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The OECD supports countries in developing well-designed and effective environmental policies, consistent with the Paris Agreement and inspired by international good practices. This is highly relevant for the Middle East and North Africa Region which is particularly affected by climate change, and benefits from a longstanding relationship with the OECD through the *MENA-OECD Initiative.*

This draft paper describes climate change challenges in the MENA region and explores policy responses as well as the future of climate change mitigation and adaptation strategies. It provides background for discussion to design policy work in the context of the MENA-OECD initiative by taking advantage of the existing platform for policy dialogue in the region. It proposes an operational programme of activities within the MENA-OECD Competitiveness Programme contributing to the ongoing efforts in MENA and OECD countries.

The proposed programme of work is focused on key policy issues of fundamental economic and social impact, including private sector mobilisation and green investment, green entrepreneurship, job creation in the context of the green transition, as well as the multiple implications of environmental policies for women's empowerment. The programme identifies future regional activities, including the dissemination of opportunities extended by the OECD Inclusive Framework for Carbon Mitigation Strategies (IFCMA) at the regional level. The paper also takes stock of the comprehensive OECD work implemented in the Egypt Country programme, which can generate important policy lessons for the region.

## Table 1. Greening the MENA-OECD Competitiveness Programme: Core activities

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|---|---|
| High level policy dialogue | **The MENA-OECD Initiative** will provide a platform to engage with MENA countries at senior strategic level to disseminate OECD practices and policies building on close collaboration between the Global Relations and Cooperation Directorate and the Environment Directorate of the OECD. In particular, this high level platform will support the implementation of the Inclusive Forum on Carbon Mitigation Approaches (the IFCMA), a unique forum for discussion on policies and instruments for achieving net-zero. Designed to improve the global impact of emissions reduction efforts around the world, the IFCMA will take place in Paris on 9-10 February 2023.<br>**The OECD Istanbul Centre** will support this initiative with dedicated meetings and continuous support. a unique venue to play a key role in supporting the climate action agenda of the MENA-OECD Initiative and also support the IFCMA by organising targeted events to foster a policy dialogue on key climate topics. |
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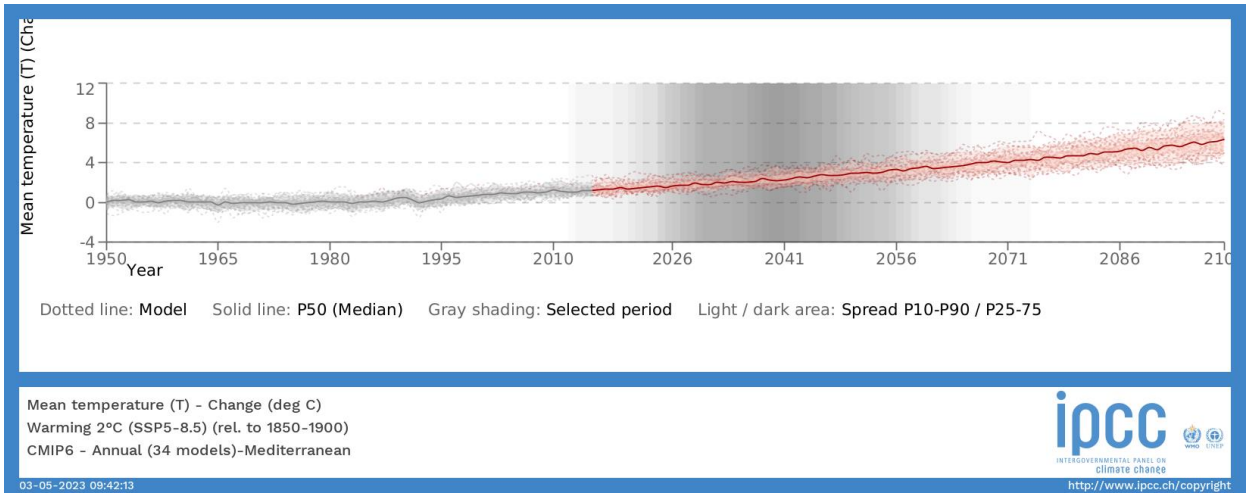
| SMEs and Entrepreneurship | Through its network of high-level policy makers and practitioners in the MENA region, the MENA-OECD Working Group on SMEs and Entrepreneurship Policy will support the dissemination and implementation of recommendations and engages partners in regional dialogue and peer learning on issues pertaining to SME growth and entrepreneurship. The upcoming regional annual meeting will be held at the OECD Istanbul Centre in Autumn 2023. |
| | |
| Private sector mobilisation and social dialogue | The MENA-OECD Business Advisory Board (BAB) supports the mainstreaming of environmental discussions, green growth and private sector participation in the development of environmental solutions. A key facilitator of discussions between public and private actors, the BAB will pay particular attention to enhancing public-private dialogue in the water and energy sectors, as well as examining the role of business in promoting greener practices that enhance firms' economic activities. |
| | |
| Investment and Trade | With the aim to strengthen the analysis of the trade, investment and environment nexus, the MENA-OECD Working Group on Trade and Investment fosters policy dialogue and improves policy orientations, implementation, and evaluation, capitalising on the experience of ongoing OECD work in the areas of clean energy finance and investment mobilisation and foreign direct investment. The next meeting of the Working Group will be held in Paris, back to back with the OECD Investment Forum on 2-3 October 2023 and will share best practices on how to create an enabling environment for green investments. |
| | |
| Women's Economic Empowerment | A series of regional dialogues focused on how to mainstream gender issues into environmental policies will be organised as part of the MENA-OECD Women's Economic Empowerment (WEEF). Dialogues will share best practices on how to promote women's contribution to the green economy and explore pathways to advance women's economic empowerment in environmental-related sectors. In collaboration with the ILO, the programme in the MENA region will also seek to assess challenges and opportunities for economic empowerment in the green economy in Egypt. |
| | |
| Country level dialogue | The OECD and Egypt have started the implementation of a three-year country programme to bring Egypt closer to OECD bodies and standards while supporting its domestic reform agenda. With two key environment-specific projects; a green growth policy review, as well as a project on clean energy finance and investment mobilisation, the Egypt country programme will provide an example for future country programmes and 'green' initiatives and inform policy innovation in the MENA region. |

# 1 Climate change risks and socio-economic consequences in the MENA Region: Policy Challenges and Opportunities for the Future

## Introduction

Climate Change presents unprecedented risks across the Middle East and North Africa (MENA) region. Rising temperatures, changing precipitation patterns, and rising sea levels are already happening and are projected to accelerate in the coming decades resulting in widespread socio-economic consequences for people, the economy and the environment. Climate risks will be exacerbated by other pressures such as population growth, urbanisation and protracted fragility in some countries, presenting significant challenges to the region's socio-economic development (OECD, 2021). The Intergovernmental Panel on Climate Change (IPCC) 6th assessment report highlights that the mean temperature could increase by over 4 degrees Celsius in the Mediterranean region over the next decades (Figure 1). This will translate into more extreme climatic events, such as droughts, as exemplified by the wildfires (OECD, forthcoming) that occurred in Algeria in 2021, which indirectly affected over 40 000 people (OECD, forthcoming).

### Figure 1. Mean temperature change (°C) relative to 1850-1900 in the Mediterranean region




Note: Warming 2°C SSP5-8.5 (relative to 1850-1900)
Source: IPCC WGI Interactive atlas regional information. IPCC WGI Interactive Atlas

Efforts towards climate mitigation and adaptation are a necessity for building resilience in the MENA region but effective transitions can also present economic opportunities for MENA economies. Decarbonisation and the transition towards sustainable sources of energy will contribute to stronger economic growth and diversification with new opportunities for employment and entrepreneurship. The imperative of decarbonising the energy sector and moving towards renewable energy sources has the potential to offset existing dependencies and create new economic opportunity for the region. Transformation will need to take place at all levels of government and by the other stakeholders, including the private sector, civil society, , and individuals. In this context, managing the risks and seizing the opportunities associated with responding to climate change requires concerted action, rooted in long-term strategies.

Following COP27 in Egypt, the UAE's hosting of COP 28 will ensure that the global spotlight on climate issues will remain on the region. MENA economies have a unique opportunity to become leaders in climate action, coming together to reduce emissions and increase resiliency in pursuit of net-zero.

## Droughts, water scarcity and rising sea levels

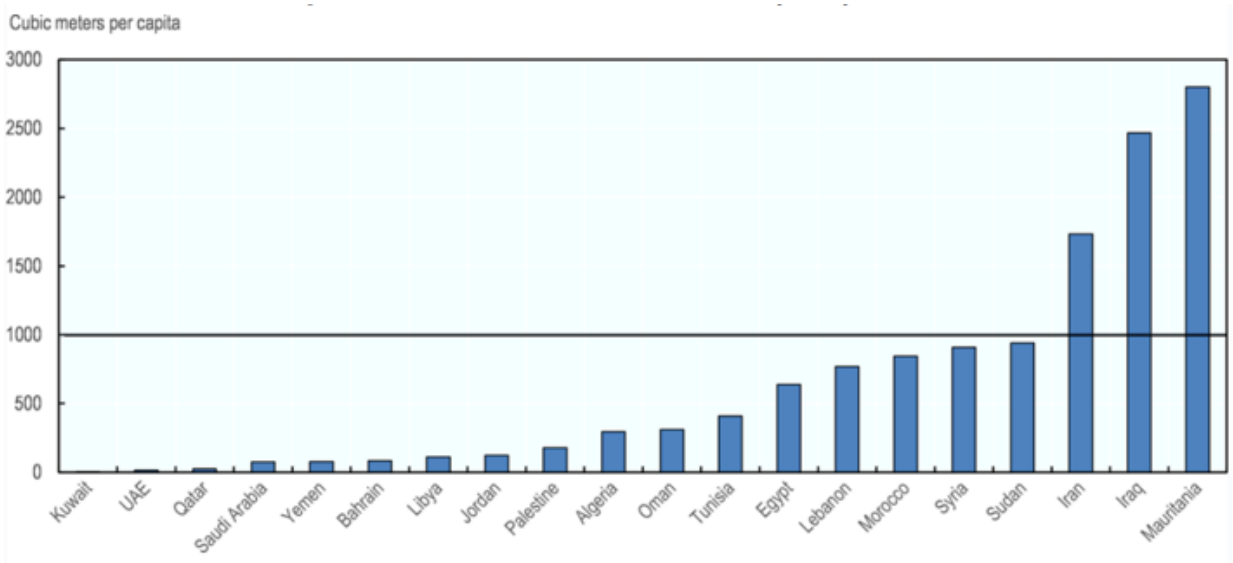
The degradation of water sources is a feature of the region and is primarily a reflection of environmental fragility, including climate change (OECD, 2022). Access to water has emerged as one of the most significant issues facing MENA countries, which account for 12 of the 17 most water-stressed countries in the world. In 2021, Iraq had a 60% water loss due to drought, high temperatures and external restrictions on water flows (Khashan, 2022). Exceedingly high temperatures combined with reduced precipitation will increase the occurrence of droughts and accelerate the rate of desertification, reducing habitable and fertile areas, as well as casting serious concerns on the sustainability of the agricultural sector. Among the hottest countries in the region are Djibouti, Mauritania, Bahrain, Qatar, and the United Arab Emirates (Ceretti, 2022).

The political economy of access to water in MENA is increasingly contentious: Even before the impact of the pandemic and Russia's invasion of Ukraine, over 70% of the region's GDP was generated in areas with high to very high surface water stress (World Bank, 2018). Water supplies in Iraq and Syria are vulnerable to upstream dam construction projects and delicate transboundary water arrangements, with regional geopolitical implications (Golmohammadi, 2021). Antiquated and poorly designed water systems are adding to risks, as irrigation systems are ill equipped to deal with rising demand and deteriorating and erratic rainfall. Per-capita freshwater availability has already dropped by two thirds in the last 40 years in the MENA region, with most countries falling below the generally accepted water scarcity line (FAO, 2020) (Figure 2). In addition, poor water management, including a failure to recognise the linkages between water, energy and food security, prevents MENA economies from using water resources in a sustainable manner and leads to degradation of ecosystems and aquifers (World Bank, 2018). For example, more than half of the wastewater collected remains untreated, leading to health hazards, or not reused losing a large potentially additional source of water.

Overall, the MENA region is expected to suffer from the highest economic losses induced by climate-related water scarcity, reaching between 6 and 14% of regional GDP by 2050 (World Bank, 2018). Moreover, water scarcity can exacerbate instabilities and contribute to the emergence of conflicts. It is therefore crucial for MENA economies to tend towards a more sustainable use of water, invest in adequate infrastructure and implement ambitious policies to mitigate the socio-economic effects of climate change on water availability in the region. OECD work in supporting water sector reforms and financing in non-

member countries through national policy dialogues, has potential to inform and inspire policy work also in MENA.[1]

### Figure 2. Annual renewable water resources per capita, 2014




Source: FAO (2018)

Global models predict sea levels rising from about 0.1 to 0.3 meters by the year 2050, and from about 0.1 to 0.9 meters by 2100, the ecological impacts of which are expected to be relatively higher in the MENA region compared to the rest of the world (World Bank, 2012). Currently around 40% of the population in the region is concentrated in coastal areas which are increasingly exposed to risks of flooding, inundation, and land erosion. Low-lying coastal areas are particularly vulnerable, and a temperature increase of 1-3 degrees could expose some 6-25 million people to coastal flooding (World Bank, 2020). The inundation of these areas will make some cities in the region uninhabitable and key regional industries, including tourism, fishing, agriculture, and trade, are predicted to be heavily affected, adding further to economic and migration related stresses. The World bank estimates that sea level rise could affect 43 port cities in the region with the cities of Algiers, Benghazi, and Alexandria at particular risk (World Bank, 2012).[2]

[1] For more on OECD work related to water see: OECD Council Recommendation on Water: https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0434; the Water Challenge https://www.oecd.org/water/; OECD National Policy Dialogues on strengthening water management in Eastern Europe, the Caucasus and Central Asia; OECD work on the linkages between water, energy and food security or "the nexus" in Central Asia

[2] For more on OECD work related to sea level rise see: OECD (2019), *Responding to Rising Seas: OECD Country Approaches to Tackling Coastal Risks*, OECD Publishing, Paris, https://doi.org/10.1787/9789264312487-en.; and OECD (2021), "Adapting to a changing climate in the management of coastal zones", *OECD Environment Policy Papers*, No. 24, OECD Publishing, Paris, https://doi.org/10.1787/b21083c5-en.

## Food insecurity

Collateral effects of climate change are particularly relevant for the agricultural sector as food production requires both land and water, both scarce resources in the MENA region. Agriculture is the largest water-consuming sector, with 84% of the water in the region used for farming purposes and 65% of cropland planted with water-thirsty cereals, in particular wheat (UN ESCWA, 2020). Frequent droughts and water shortages due to unsustainable withdrawal of groundwater will endanger food security in a region where already 55 million people out of 456.7 million are undernourished (FAO, IFAD, UNICED, WFP and WHO, 2020). Total agricultural production in the region is set to decrease by up to 21% from a 2000 base by the end of the century (Cline, 2007).[3]

In some cases, farmers can respond to changes through adaptation techniques, for example, improving the management of water to stall further water loss and soil degradation. Indeed, some areas of the MENA region may benefit from warmer temperatures which extend growing seasons and increase the productivity of winter crops. In Yemen, for example, where there are summer rains, an increase in average temperatures of 2ºC could be expected to extend the growing season by about six weeks (Verner, Breisinger, Wiebelt, Al-Riffai, & Ecker, 2013) (OECD, 2018).

Other areas in the MENA region are expected to receive more rainfall, which may raise yields, though they may also increase the frequency of floods. These trends have already been observed in Oman, Saudi Arabia and Yemen. Furthermore in many MENA countries climate change may cause forced migration as agriculture becomes untenable, and rural inhabitants will need to transition to off-farm employment or relocate (OECD, 2018) (Nin Pratt, El-Enbaby, Figueroa, Eldidi, & Breisinger, 2018). Ultimately, the impact of climate change on the agricultural sector will decrease food production and increase the region's dependence on food importation, rendering the whole region vulnerable to global price shocks and regional fragility, aggravating food insecurity.

The agricultural sector must urgently update its practices to deal with increased climate variability and its effects on land and water resources. While in the past MENA agricultural policy was tailored towards global industrial methods, such as large-scale, single crop productions that are supported by government incentives and subsidies, future agricultural strategies should embed a more localised approach considering regional water management, climate and soil. Moreover, investment is needed in modern technologies to better support private production at the local level.[4]

## Climate motivated migration, displacement, and urbanisation

Many areas in the MENA region are prone to high risks of climate change and therefore displacement issues brought on by water insecurity, drought, unequal social distribution of resources and wider fragility. The repercussions of climate change and environmental degradation combined with poor coping capacities and inadequate policies will only exacerbate further the phenomenon of in-migration to cities and human displacement. Every year, globally over 20 million people are displaced to other parts of their countries of origin due to extreme weather events, while others affected by these events are forced to seek protection in foreign countries (Ceretti, 2022). According to the International Organisation for Migration (IOM), the MENA region accounts for 14 percent of global international migration and, in 2016, for 41 percent (over 16 million) of the global population of Internally Displaced Persons (Borghesi & Ticci, 2019).

[3] Cline (2007). Calculations are based on the IPCC Third Assessment Report published in 2001.

[4] For more on OECD work related to agriculture see: Food and nutrition, better agro-food policies are crucial to improving global food security https://www.oecd.org/agriculture/topics/food-security/

The compounded impacts of climate change and forced displacement add increasing pressure and risks on host communities who have pre-existing vulnerabilities. These risks disproportionately affect women and girls, who have fewer resources with which to adapt to changing climate conditions and who can be further endangered by migration, forcing them to live in insecure conditions and making them more vulnerable to the risks of human trafficking and sexual exploitation. Given the overlap between climate change and displacement, climate change resilience must be strengthened while supporting the Sustainable Development Goals (SDGs) including from a gender lens.

As the cascading effects of climate change intensify and become a central driver (alongside other causes of fragility) of displacement in the MENA region, strategies must be put in place to respond and adapt, to help those living in highly vulnerable locations. Addressing the causes of climate migration requires urgent, concrete action that incorporates migration challenges in green and inclusive development policies.[5]

## Climate change and gender inequality

Individually, climate change and gender inequality are among the most pressing challenges facing the MENA region, however they are also inextricably linked and mutually reinforcing – the two can have a multiplier effect when considered jointly and undermine each other when considered in isolation. Climate change risks disproportionately affect women and girls, who are key providers of food, water and energy, but have fewer resources with which to adapt to changing conditions. As such the two, climate and gender inequality, need to be addressed in tandem, failure in the MENA region to properly explore the two interlinked challenges skews policy responses and ultimately, hinders sustainable economic development.

The impacts of climate change are also leading to important socio-economic shifts that are transforming traditional gender norms around economic activity, decision-making and leadership. The recognition that the pursuit of gender equality and environmental goals can be mutually reinforcing requires a deeper understand of the roles that both men and women play in the economies of the MENA region and as a result how they are affected differently by climate change. For example, women constitute half of the agricultural labour force and account for over two-thirds of food production in the MENA region (World Bank, n.d.), making them highly dependent on threatened natural resources and putting their already low employment rate at risk. This is even more worrisome when accounting for women's restricted access to resources such as land, credit, agricultural inputs, technology, training and extension services, all of which reduces their capacity to adapt to climate change effectively.

On the other hand, women and men tend to play different roles in tackling environmental challenges, from climate change to biodiversity loss and plastics' pollution. For example, the recent OECD report *"Gender and the Environment: Building Evidence and Policies to Achieve the SDGs"* (OECD, 2021), shows that women tend to make more sustainable choices in their daily life than men, for instance over energy use and mobility patterns, and to be more concerned about climate change and environmental protection. (OECD, 2021).

In addition, recent OECD analysis on Women's Leadership in Environmental Action shows that women's representation in decision-making environmental positions at the national and international level is low in the MENA region. This is particularly concerning, given that the MENA region is especially vulnerable to climate change and its gender-differentiated impacts are most acute. Governments should consider targeted training and mentoring initiatives to promote women's environmental leadership both in the public and private sector; as well as financial incentives to boost women's green entrepreneurship; and a gender lens to environmental regulations and green public procurement to promote women-led companies.

[5] For more on OECD work related to migration see: Territorial Approach to Migrant Integration https://www.oecd.org/cfe/regionaldevelopment/migrantintegrationincities.htm

Unpacking these challenges and designing the MENA-OECD Programme activities to respond to the nexus of climate change and gender inequality could present significant opportunities for women's economic empowerment in the region. While the region entails the lowest female labour force participation in the world and has only 7 to 9% of women in the renewable energy workforce compared to 32% on average globally, the green transition can enable job creation and increased participation of women in the workforce.

## A region in motion: Climate policy and action in the MENA region

To mitigate climate change, MENA economies have begun integrating climate commitments into their strategic planning. Many countries in the region have made commitments to net zero emissions and are starting to deploy efforts to transition towards more sustainable and renewable sources of energy. Ambitious renewable energy targets have been set by some governments, including oil producers[6] (See Annex 1). Some MENA countries have also launched ambitious programmes to scale decarbonisation pathways and diversify their economies, by encouraging entrepreneurship in non-oil sectors and emerging low carbon technologies, as well as developing tourism and trade hubs. However, despite several ambitious climate commitments, as noted above, MENA economies face significant policy challenges. Climate mitigation and adaptation policies therefore must be accompanied by committed and strategic action from both government and non-governmental stakeholders to drive greener transitions. Key strategic areas to advance the green transition in the MENA region include;

### *Strengthened political will and leadership*

Managing climate impacts and identifying and seizing the opportunities of the green transition will require the active leadership of governments in the region. Climate change touches on all aspects of the public policy and will need to be integrated across all government functions: in public spending through green budgeting; in wider fiscal policy, including tax, carbon pricing, and the elimination of fossil fuel subsidies (OECD, 2023); through regulation of all economic activity that directly or indirectly contributes to or is affected by climate change. As exemplified by the risk identified at the beginning of this section, climate change does not respect national borders and therefore the response in the MENA region requires a trans-national approach that considers the varying and uneven effects of climate change across borders.

### *Reducing dependence on fossil fuels*

Despite efforts to diversify, countries remain considerably dependent on fossil energy, with oil products representing 46% of the Middle East's total energy consumption in 2019, compared to 0.005% for wind and solar energy (IEA, 2019) (Al-Saffar & Beeuren, 2020). At the country level, it is estimated that the share of renewable energy accounts only for 0.1% of the final energy consumption in Algeria, between 5 and 5.5% in Egypt and Jordan (OECD, 2019), and between 10 and 12% in Morocco and Tunisia (OECD, 2012). Regulatory barriers, difficulty accessing capital, and unstable political and economic landscapes are among the main challenges responsible. Given the large potential the MENA economies have for renewable energy development, a successful energy transition could make countries less vulnerable to the volatility of oil prices, offer new opportunities in terms of job creation and green growth, and bolster resilience. In 2021 alone, the renewable energy sector accounted for approximately 12 million jobs worldwide, with 37.6 thousand in Jordan and 14.5 thousand in Morocco in 2020 (OECD, forthcoming). Beyond job-creation, investment in renewables also presents wider economic benefits such as improved

[6] Targets include aims to reach 52% of renewable energy by 2030 for Morocco, 42% by 2050 for Egypt, 27% by 2030 for Algeria (OECD, forthcoming), 50% by 2030 for Saudi Arabia (Kingdom of Saudi Arabia, n.d.), 44% by 2050 for the United Arab Emirates (The United Arab Emirates' Government portal, n.d.), and 15% by 2030 for Kuwait (IEA, 2016)

energy access, export potential of excess electricity, growth of local manufacturing capacity of renewables components, and the provision of cheap energy for domestic industries.

Further, the volatility of oil prices, which are steadily rising as a result of the war in Ukraine, have left the MENA region particularly vulnerable to economic shocks and strengthens the argument for increased diversification away from fossil fuels and alignment with environmental and well-being goals. At the same time, the search for alternatives to Russian hydrocarbons coupled with the increase in oil prices could indeed benefit MENA oil producers, while having substantial impacts on fiscal budgets and trade balances in oil importing countries of the region (OECD, 2021) (OECD, 2023).

### *Increasing green financing and investment*

Though financing is not the only component of effective solutions, the financing of climate adaptation solutions in the region falls short of what is needed to achieve economic resilience. The MENA region currently receives the smallest amount of climate finance of any region in the world.[7] Often climate adaptation solutions do not meet mainstream lending criteria of size and return, and blended finance approaches are underutilised. As a result, the private sector continues to struggle to attract finance at a scale. Foreign direct investment (FDI) plays a crucial role in addressing this gap, as FDI can accelerate green financing by catalysing domestic investments and fostering technology transfer in strategic sectors. In order to green the economy in the region, financial systems must be reoriented through climate finance regulation, sustainable investment standards and ESG policies, especially as more and more, investors across the region are considering ESG performance metrics and net-zero plans before committing capital.[8]

### *Mobilising the private sector in the development of climate strategies*

As an engine of innovation, it is crucial that the region addresses the barriers to private sector engagement and encourages a healthy and competitive business environment, one in which the private sector can develop effective economic transitions needed for climate action. However, interconnected global supply chains and intersecting regulatory and operating environments can prove challenging, and often green standards are high-level and fragmented leading to “greenwashing”. In addition to supporting and leading on development of strategies the private sector can also take action to facilitate green transition, including undertaking low-cost pollution reduction measures, innovation and higher costs actions such as those associated with technological changes. Businesses in the MENA region can play a key role by driving critical technological innovation and developing green and resilient business models over the next decade through positive steps on green transitions, adopting global practices, establishing climate change targets, leveraging procurement advantages, raising consumer awareness and effective partnerships with government (World Economic Forum, 2022).

### *Designing an inclusive approach – a just transition*

To deliver a transition that is just and ensures environmental sustainability, as well as decent work and social inclusion, policy dialogue on climate challenges must not be siloed but needs to be participatory and seen in the context of people and their well-being. The inclusion of a thematic emphasis on fragility at COP 28 will ensure a focus on critical intersections between climate change and other drivers of fragility. Responding to this evidence, effective dialogue between government, business, trade unions and civil

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[7] https://www.worldbank.org/en/news/opinion/2022/11/16/cops-offer-middle-east-north-africa-a-climate-leadership-role

[8] For more on OECD work related to climate finance see: https://wwwOrganisation for Economic Co-operation and Development.org/climate-change/finance-usd-100-billion-goal/ and on climate resilient finance and investment https://www.oecd-ilibrary.org/environment/climate-resilient-finance-and-investment_223ad3b9-en

society groups is required to ensure that climate strategies are coherent, adapted to regional complexities and local contexts, reflect the impacts of climate change and respond to the needs of all those affected.

### *Developing skills and linking them to new sources of employment*

Climate change will undoubtedly have a sizable impact on job opportunities in the MENA region. The shift to green energy will require a careful transition from established models but also has the potential to create a vibrant and sustainable landscape for employment across the region. For instance, the transition to green energy requires governments to anticipate future workforce changes in order to sufficiently plan for upcoming skill requirements that will be needed for the scale of projects envisaged. Training and upskilling programmes to support employees transitioning to clean energy industries can safeguard economic stability and employment rates.

# 2 A MENA-OECD environmental competitiveness agenda

The OECD supports countries in developing well-designed and effective policy responses reducing greenhouse gas emissions, notably in accelerating implementation of national policies that contribute to the Paris Agreement goal of remaining below 1.5 degrees above pre-industrial times. The OECD also supports countries in understanding and adapting to the risks resulting from increasing global temperatures (OECD, 2023). In the area of climate change adaptation, it supports countries understanding and evaluating climate risks such as those arising from sea-level rise (OECD, 2019) (OECD, 2023) and droughts, heat waves and wildfires (OECD, forthcoming), as well as exploring policy options to strengthen the resilience of infrastructure, for example with the use of nature-based solutions (OECD, 2021) (OECD, 2021) (OECD, 2020).

At a regional level, the MENA-OECD Initiative provides a unique platform to address the policy challenges related to climate change in an articulate and results oriented manner, building on its policy networks and accumulated expertise. Integrating environmental objectives, the Programme aims to:

1. Ensure that its activities support countries in their efforts towards adapting to the effects of climate change and moving towards more sustainable development path.

2. Promote dialogue and fostering analysis to take stock of the environmental challenges faced by the region and disseminate good practices, as well as inform policymaking, based on recognised standards, tools and best practices.

3. Harness the unique added value of the OECD to identify and address the synergies on competitiveness, green growth and private sector-led development to drive climate sensitive and economically resilient policy.

## Regional level initiatives

### *High level policy dialogue to promote concerted action*

**The Steering Group of the MENA-OECD Initiative** provides a vibrant forum for policy exchange and action and is the entry point to mobilise regional advances on environmental goals and policies. *The Steering Group will come together and meet on 16 May 2023 at the OECD Paris and will convene Ministers, high-level government officials, as well as representatives from the private sector and civil society from both OECD and MENA economies.* The upcoming meeting is a unique opportunity to engage all relevant stakeholders at country level to prepare the ground for more regular strategic discussions to determine the key priorities when advancing the MENA Initiative's "greening" agenda. The meeting will also be an occasion to assess progress achieved during the implementation of the Initiative's current mandate and determine the key priorities sustainable and inclusive development for 2023-2025.

**The Inclusive Forum on Carbon Mitigation Approaches (IFCMA)** discusses policies and instruments for achieving net-zero. It helps improve the global impact of emissions reduction efforts through better data, evidence-based learning and inclusive multilateral dialogue. The IFCMA unites all relevant policy perspectives from a diverse range of countries, to take stock of and consider the effectiveness of different carbon mitigation approaches. As a "safe space" for peer exchange, multilateral dialogue, and mutual learning, it will enable policy makers to showcase and discern good practice and adopt and adapt mitigation policies that best suit countries' objectives and circumstances. For the MENA region, this will be driven through high-level policy dialogue facilitated by the OECD's Istanbul Centre for Global Relations. This includes the integration of data and evidence for tailoring and strengthening investment, entrepreneurship and supporting approaches for women's' economic empowerment.

### *Private sector mobilisation on climate change*

Corporate action on climate change has accelerated in recent years yet much more needs to be done (World Economic Forum, 2022). Characterised by limited firm entry and growth as well as low job creation, the MENA region suffers from a large reservoir of untapped human resources, with the world's highest youth unemployment rate – 27% in 2020 – and the lowest participation of women in the labour force – only 18.5% in 2020 (World Bank, n.d.). In addition, informality is an important challenge in the region, with 68% of total employment in the informal sector in MENA economies (Bonnet, Vanek, & Chen, 2019).

The transition to a greener economy offers opportunities to tackle the structural challenges faced by the MENA region in the area of private sector development. It is estimated that 2.1 million jobs will be created across the region as a result of energy transition by 2050, which will account for 5% of the global green energy job creation (IRENA, 2020). Firms can also play a fundamental role in contributing to green growth, by reducing the environmental footprint of their production process or offering green products and services (OECD, 2019). In that regard, the OECD Recommendation on SME and Entrepreneurship Policy encourages firms to transition to sustainable business models, practices and technologies (OECD, 2022).

**The MENA-OECD Working Group on SME and Entrepreneurship Policy** engages partners in regional dialogue and peer learning on issues pertaining to SME growth and entrepreneurship promotion. Through its network of high-level policy makers and practitioners in the MENA region, the Working Group will support the dissemination, adoption and implementation of recommendations, guidelines and specific tools developed by OECD Directorates and ad-hoc initiatives implemented within the Competitiveness Programme. This includes capitalising on existing OECD exercises such as the Environmental Policy Toolkit for SME Greening in EU Eastern Partnership Countries, the National policy dialogues on water, sustainable agriculture analyses and others.

To support the region's public and private sector efforts to green the economy, the (Working Group 2) will prepare a comprehensive overview of good practices and policy examples of environmental considerations for employment creation and private sector development. High productivity, innovative and strategic sectors (e.g. sustainable agriculture and energy) will receive particular attention in the Working Group's thematic analyses.

The Working Group 2 annual event in 2023 will address the interlinkages of the green economy, women entrepreneurship and formalisation of businesses and labour as means to ensure the region's long-term sustainability. The main objective of the event will be to define concrete mechanisms, initiatives and policy actions to be developed and/or implemented at regional and national level, with the active contribution of MENA Governments, for the period 2024-2025.

**The MENA-OECD Business Advisory Board (BAB)** is a dedicated regional platform for public-private dialogue on policy solutions to immediate and long-term challenges throughout MENA. Open to private sector organisations from the 19 members of the MENA-OECD Competitiveness Programme and from OECD countries, it is a unique network of business associations creating opportunities for networking,

sharing knowledge and best practices across MENA and OECD countries. The BAB address and support the mainstreaming of environmental discussions, green growth and private sector participation in environmental and green solutions in its public-private dialogues.

In particular, the BAB will dedicate special attention to enhancing public-private dialogue in the water and energy sectors as part of the BAB's discussions between public and private actors. Furthermore, the BAB will examine the role of business associations in promoting greener practices in support of firms' economic activities. In this context, the BAB will define concrete mechanisms and actions to enable the mobilisation of private sector actors towards this objective.

The BAB will also establish a task force on *"PPD to promote a green transition in MENA".* The Task Force will meet virtually to develop a policy paper, with a proposed focused on two sectors of particular interest for the MENA region to mitigate the effects of climate change and seize opportunities towards green growth.

### *Greening investment in the region*

Many countries in the MENA region are well endowed with renewable energy resources but have not sufficiently diversified their power supply. Enabling and fostering investment in renewable energy sources is key to implement green growth policies in alignment with the Paris Climate Accord. Moreover, increased investment in renewables, such as solar, wind and tidal energy, would shift the focus from highly centralised energy production models and also empower smaller private sector actors to participate in energy production. The region has already made progress, and green financing more than tripled from USD 0.92 in 2016 to USD 18.64 billion in 2020 (APICORP, 2022). In addition, total climate-investment potential in the renewables sector in Egypt, Jordan and Morocco reaches up to USD 265 billion today (IFC, 2021).

Building on that progress, it will be critical to enable an environment that lends itself to investment for the green transition and is conducive to low-carbon and climate resilient options, as stressed by the OECD Policy Framework for Investment. In particular, the MENA region needs to encourage competition and entry of private investors as many economies still face barriers to receiving international and regional climate funding (AFED, 2018) (OECD, 2021). The energy market in the MENA region remains one of the most subsidised globally, reducing incentives to invest in renewable energy measures that tend to have high capital costs. As a result, oil and gas industry in the Middle East plan to invest more in traditional oil and gas activities in the coming years, compared to European companies who have mainly shifted their investment strategies to clean technologies (IEA, 2022).

The MENA-OECD Programme on Competitiveness will aim to strengthen the analysis of the trade, investment and environment nexus as part of the MENA-OECD Working Group on Trade and Investment. This would help foster policy dialogue and improve policy orientations, implementation, and evaluation, capitalising on the experience of ongoing OECD initiatives such as the Clean Energy Finance, Investment Mobilisation programme and the FDI Qualities Initiative. Building on existing OECD work in Clean Energy Finance and Investment mobilisation and the FDI Qualities Policy Toolkit, which aims to strengthen domestic enabling conditions to attract finance and investments as well as analysis on Transition Finance, future programme activities include organising capacity-building workshops with key stakeholders of MENA economies and OECD members to share best practices on how to create an enabling environment for green investments.

The Programme will also place emphasis on raising awareness of OECD standards and good practices in the MENA region, such as the OECD Policy Guidance for Investment in Clean Energy Infrastructure to accelerate the shifting of investments from carbon-intensive to low-carbon infrastructure.

### *Gender inequality and the environment in the MENA region*

The MENA-OECD Competitiveness programme will seek to focus on key policy areas including advancing women's economic empowerment in environmental-related sectors and mainstreaming gender issues into the environmental and development policies.

The OECD's work on Women in Green Transitions observes the gender-environment nexus and assesses environmental and climate policies through a gender lens, and vice versa. It recognises that an integrated approach to gender equality and environmental sustainability, could help to alleviate limitations to women's economic empowerment and enhance their roles in environmental sustainability and green growth. Likewise, enhancing gender equality, and women's economic empowerment and decision-making, can lead to better environmental and climate outcomes and policies.

Supporting Women's Empowerment Through Green Policies and Finance explores the role of green policies, finance, and infrastructure in supporting women's empowerment and gender equality. To make the financial system work for the people and the planet, an integrated lens should be applied, which can build the connections between the environmental and gender equality objectives.

The MENA-OECD Competitiveness Programme will organise a series of regional dialogues as part of the MENA-OECD Women's Economic Empowerment (WEEF) to share best practices on how to promote women's contribution to the green economy. In collaboration with the ILO, the programme will also seek to assess challenges and opportunities for women's economic empowerment in the green economy in Egypt.

## Country level initiatives

OECD engagement at national level is an important means of promoting real reform. Country programmes are an innovative OECD tool that enable select partner economies to leverage OECD expertise and best practices, strengthen institutions, build capacity for successful policy reforms and align themselves to OECD standards and best practices. Noting the intersections of climate change and socio-economic issues highlighted above, country programmes such as the one currently underway in Egypt have demonstrated the potential for integrated thinking on climate change and other environmental challenges.

### *Egypt Country Programme*

The OECD and Egypt started the implementation of a three-year **Country Programme** to bring Egypt closer to OECD bodies and standards while supporting its domestic reform agenda. The Country Programme includes two environment-specific projects:

**The Green Growth Policy Review (GGPR)** aims to provide an independent and evidence-based assessment of Egypt's progress in achieving its domestic and international environmental and green growth policy commitments. The OECD will deliver a report that will identify good environmental and natural resource management practices, as well as the challenges on the path towards achieving the Sustainable Development Goals and green growth. It will make targeted recommendations based on OECD standards, policies and practices to reinforce Egypt's policy development and implementation. In this respect, the GGPR will support Egypt's Sustainable Development Strategy, Egypt Vision 2030 and its goals of addressing the impact of climate change, enhancing the resilience of ecosystems, countering natural hazards and disasters, increasing the use of renewable energy and adopting sustainable consumption and production patterns

In the framework of the **Clean Energy Finance and Investment Mobilisation (CEFIM) project**, the OECD will also work with Egypt to help mobilise investment towards renewable electricity generation, energy efficiency, green hydrogen and decarbonisation of industry ("clean energy"). The project aims to help efforts to: increase the pipeline of bankable clean energy projects; identify promising and appropriate

financing mechanisms for clean energy infrastructure; and engage domestic and foreign investors, including institutional investors. The project also aims to support Egypt in pursuing its goal of sourcing 42% of its electricity generation from new and renewable energy sources by 2035. It will help Egypt achieve the Sustainable Development Goals (SDGs) and realise its updated Nationally Determined Contribution (NDC) to greenhouse gas (GHG) emissions reductions in the energy sector. Proposed project deliverables include: supporting the Nexus of Water, Food and Energy (NWFE) energy programme by identifying barriers and solutions to renewable energy investment; a *Clean Energy Finance and Investment Policy Review of Egypt*; and policy support green hydrogen development, including for industrial decarbonisation.

Five other projects within the Country Programme also have important environment-related aspects.

- The *project on capacity building for reducing risks in agricultural pesticides* would support Egypt's efforts to improve its pesticides management system in order to further protect the environment and human health from the risks of pesticides.
- The *review of good practices for quality infrastructure investment* will focus on specific priorities or challenges identified by Egypt, considering national circumstances and the amount of information that can be collected from Egypt. It is expected that there will be some interest from Egypt in the chapter on environmental considerations.
- The *project to support the development of the Suez Canal Economic Zone* aims to assist the Suez Canal Economic Zone to implement policy priorities on infrastructure, investment and tax incentives, and conduct a port review. The Suez Canal Economic Zone has been designated as a national hub for attracting investments in green hydrogen infrastructure. Synergies will be envisaged with the above-mentioned project on clean energy finance and investment mobilisation**.**
- The *Egypt Food and agriculture review* will use OECD's "Food and Agriculture Productivity-Sustainability-Resilience Framework" to advise on policy environments that can contribute to these core objectives for the food and agriculture sector. This framework identifies innovation, structural change, natural resource use, and climate change as the drivers of productivity and sustainability and considers the main channels through which policy incentive areas affect these drivers.
- The *project on Modernising the budgetary process and institutional capacity and gender and green budgeting* will examine how the Egyptian strategic policy framework can be used to help direct resources towards the strategic priorities of government in the areas of gender, and climate and the environment. Green budgeting support will aim to ensure that decarbonisation objectives are reflected in the budget so that it can support a sustainable growth trajectory for Egypt.

Working with our national and international partners the OECD will ensure that the experience of developing and implementing the 'green' components of the Egypt country programme will be collated, evaluated and shared for the benefit of future country programmes and to inform policy innovation across the region.

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## ANNEX 1: Key national strategies reforms on climate change mitigation and green transition

| Country | National Strategy | Status | Key initiatives and targets |
|---|---|---|---|
| Qatar | ▪ Qatar National Vision 2030 Environmental Development | Active (2008) | - Establishing effective and sophisticated environmental institutions;<br>- Methane intensity of 0.2% by 2050;<br>- Carbon Reduction intensity of 15% from upstream and 25% from the LNG facilities by 2030;<br>- Zero routine flaring by 2030; |
| | ▪ Qatar Energy's Sustainability Strategy[9] | Active (2021) | - Add 2 to 4 GW of renewable by 2030. |
| The United Arab Emirates (U.A.E) | ▪ Green Economy for Sustainable Development Initiative | Launched in 2012 | Initiative that includes 6 fields based on a range of programmes and policies in the areas of energy, agriculture, investment, sustainable development, and new environmental and constructional policies:<br>- Promotion and use of renewable energy<br>- Development of government policies encouraging investments in green economy and facilitate the production, import, export and re-export of green products and technologies;<br>- Development of urban planning policies preserving the environment and raising the efficiency of housing and buildings environmentally;<br>- Mitigation of climate change effects by promoting organic agriculture, maintaining biodiversity and protecting the ecological balance;<br>- Rationalising the use of water resources, electricity and natural resources and recycle waste;<br>- Development and promotion of green technology. |

[9] Strategy implemented in the framework of the Qatar National Vision 2030.

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| | ▪ UAE Green Agenda 2015-2030 (implementation plan of the Green Economy for Sustainable Development Initiative) | Approved in 2015 | - Plan consists of 5 strategic objectives and 12 main programmes. |
| Saudi Arabia | ▪ National Renewable Energy Program10 | Active (2017) | The Kingdom aims at reaching Net Zero by 2060 through its national programme.<br><br>Key actions and initiatives implemented:<br><br>- Foundation of the Saudi Investment Recycling Company (2017);<br>- Establishment of the National Center for Meteorology, the National Center for Vegetation Cover and Combating Desertification, the National Center for Environmental Compliance and the National Center for Wildlife (2019)<br>- Launch of Integrated Waste Management and Recycling Activities in Riyadh (2019);<br>- Creation of the Special Forces for Environmental Security (2020);<br>- Launch of The Saudi Green Initiative (emission reduction, afforestation, land and sea protection – 77 initiatives launched since 2021) and The Middle East Green Initiative (2021);<br>- Launch of Sakaka Solar Power Plant (2021);<br>- Adhesion to the Global Methane Pledge (2021). |
| Bahrain | ▪ National Environmental Strategy | Approved in 2006 | |
| Jordan | ▪ Economic Modernisation Vision | Launched in 2022 | Sustainability as a core pillar of the Vision. It consists in 6 key actions to address issues generated by climate change including food security and water and availability of clean energy. |

[10] Programme implemented in the framework of the Saudi Vision 2030.

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| | | | - Expanding on renewable energy, including new sources of energy (such as hydrogen) and continuously promoting improved energy efficiency<br>- Developing sustainable transport systems and establishing of a network of electric charging stations;<br>- Increasing ecotourism and environmentally friendly activities;<br>- Adopting modern agricultural techniques that adapt to climate change, including integrating the best and environmentally friendly practices;<br>- Promoting improved water efficiency, and water quality, and identifying new water resources;<br>- Improving waste management, recycling and reuse. |
| Palestinian Authority | ▪ National Adaptation Plan (NAP) to Climate Change | Active (2016) | The NAP provides:<br>- An assessment of historic trends in climate in relation to the State of Palestine<br>- Identification and prioritization of vulnerabilities<br>- Future climate-scenarios for the State of Palestine<br>- Identification and prioritization of adaptation options, including costings<br>- Future developments required for the State of Palestine's institutions to be able to participate in climate-modelling research<br>- An outline of the process for future monitoring and evaluation |
| | ▪ The 2030 Agenda for Sustainable Development | Active (2015) | |

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| Egypt | ▪ Egypt Vision 2030 | Active (2016) | Vision development in alignment with the United Nations Sustainable Development Goals (SDGs).<br><br>In addition to the social and economic dimensions, the environment is the third core of the Vision implemented through key programmes :<br><br>- Strengthening the institutional and legislative structure of water resources management system.<br>- Expanding infrastructure for supporting a sustainable water system.<br>- Adopting fiscal policy reforms to encourage sustainable consumption patterns of water and natural resources.<br>- Raising the awareness to reserve environment and natural resources, providing incentives for more advanced alternatives and technologies for water conservation and natural resources protection.<br>- Enhancing the efficiency of solid-waste management system and supporting its sustainability.<br>- Developing a system for disposal of hazardous wastes.<br>- Developing the infrastructure required to reduce air pollution and face climate changes.<br>- Enhancing the efficiency of public administration and infrastructure to protect biodiversity.<br>- Monitoring the implementation of international conventions on environment.<br>- Encouraging civil society and private sector participation in preserving and protecting biodiversity.<br>- Enhancing the efficiency of protecting coastal and marine areas.<br>- Establishing a higher council for sustainable development.<br>- Adopting policies to reduce air pollution adjust to climate change and protect the environment. |

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| | | | The Vision aims at:<br><br>- Reducing greenhouse gases by 10% from the energy sector, including oil and gas by 2030 compared to 2016 levels. |
| Tunisia | ▪ Stratégie de Développement Neutre en Carbone et Résilient aux Changements Climatiques à l'horizon 2050 | Active (2017) | The global strategy is underpinned by two main strategies, both interconnected to maximise the synergies between mitigation and adaptation:<br><br>- The National Low-Carbon Strategy<br>- The National Strategy for Climate Resilient Development.<br>The Strategy aims at achieving carbon neutrality by 2050 through financing, partnership, and growing adoption of technological innovation. |
| Morocco | ▪ Stratégie nationale de développement durable 2030 | | The strategy relies on 7 pillars:<br><br>- Strengthening sustainable development governance<br>- Making a successful transition to a green economy through a better alignment of the agricultural sector to sustainable development principles, a better management of forests, an alignment of the industrial sector to green economy requirements, the implementation of the energy transition, ensuring a sustainable mining sector etc.<br>- Improving the management and development of natural resources and strengthen the conservation of biodiversity<br>- Accelerate the implementation of the national policy to fight against climate change by improving the Climate governance, seizing opportunities of climate finance etc.<br>- Protecting sensitive areas;<br>- Promoting human development and reduce social and territorial inequalities;<br>- Promoting a culture of sustainable development by strengthening eco-citizenship through education programmes, improving access to "green" jobs etc. |

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