

# A WINDOW OF OPPORTUNITY TO AVOID DEVASTATING CLIMATE OUTCOMES IN MENA

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*The latest study released by the Intergovernmental Panel on Climate Change — a body of scientists assembled by the United Nations — delivered a sobering message: The devastating impacts of climate change are now unavoidable.*

Across the globe, the consequences have manifested alarmingly: blistering heat waves in North America, devastating floods in Central Europe, and wildfires raging in Turkey and Greece. In the Middle East and North Africa (MENA), temperatures are expected to be up to 8°C warmer in parts of Algeria, Saudi Arabia, and Iraq. In most cities, this is equivalent to four months of extreme heat. Mediterranean coasts, such as those of Tunisia, Morocco, Algeria, and Egypt, will receive 10–20% less rain in a 2°C world and sea levels will rise on average 0.36 meters. In a region where land degradation is already a severe issue, the Maghreb is the second-fastest-eroding region in the world, topped only by South Asia.

These climatic changes lead to irreversible impacts: Crop yields are expected to decline by 30% with 1.5–2°C warming, freshwater resources will drop by 30–70% by 2025 (which could impact as much as 14% of GDP), and disruptions in the delivery of essential services such as power, water and sanitation, transport, and telecoms will be more frequent as occurrences of natural disasters increase. The region is also home to some of the world's fastest-growing emitters and is characterized by high hydrocarbon reliance. Fossil fuels continue to dominate the region's energy consumption with its share of oil production projected to increase by 44% in 2030 due to population growth and economic expansion.

A green, resilient, inclusive approach to development can usher in a new model of growth, creating jobs while delivering the benefits of resilience, decarbonization,

cleaner air and water, healthier oceans, and more sustainable food and agricultural systems. If done right, this approach to development can help propel a smooth transition toward economic diversification. The region, while harnessing transformations across key areas, can unlock gains and mitigate devastating climate outcomes. Four transformation areas are underpinned by the World Bank's new Climate Change Action Plan, which aims to identify and prioritize climate action, as well as deliver financing to help countries reduce emissions and strengthen adaptation.

#### **Resilient food systems, natural capital, and water security**

Transitioning toward low-carbon agricultural production practices and sustainable agricultural value chains will be essential to build climate-resilient food systems, reduce greenhouse gas (GHG) emissions, and stave off a food security crisis. Countries in the region have a long history of innovation in agriculture and are well-positioned to leapfrog through digital technology, developing innovative models to leverage private investment and entrepreneurship. For instance, Morocco is making farming more rewarding and strengthening sustainable agriculture by mainstreaming climate-smart agriculture, targeting youth and women, and attracting private investment by lifting regulatory and financing barriers to stimulate job growth.

Enhancing climate-smart water resource management through policy reforms and investments in efficient demand and supply allocation systems can increase countries' adaptive capacity to cope with increasing water scarcity in the region. Jordan's water sector, for example, is coping with additional demand and costs brought on by the pandemic, while reducing unsustainable use of withdrawals. Exploring ways to enhance efficiency in water provision will be key for financial sustainability and building climate resilience.

Through integrated landscape management, harnessing the blue economy, and investments in nature-based solutions, mitigation and adaptation measures will yield benefits, in addition to preserving biodiversity and ecosystems. In Yemen, national and local agencies, with support from the World Bank, enhanced their capacity and awareness to respond to climate variability, helping equip local communities through conservation and use of agro-biodiversity.

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#### **Leveraging job multipliers of low-carbon transition**

Transitioning to low-carbon energy systems can create jobs. Analysis shows that every dollar spent on carbon-neutral or carbon-sink activities generates more than a dollar's worth of economic activity, with estimated multipliers of 2 to 7 times larger on green initiatives. Some sectors and geographies, however, will be more vulnerable and may result in job losses and displacement. Reskilling and upskilling of workers can help reduce layoffs and mitigate disruptions, and social protection systems should be shaped to buffer income loss and protect the most vulnerable groups during the transition period.

Adopting and implementing new strategies and policies for industrial decarbonization, green competitiveness, and a circular carbon economy will be essential for countries to achieve energy efficiency targets. Exploring innovative financing models and encouraging public-private partnerships can support deployment and generation of renewable energy capacity. Egypt's Benban Solar Park is expected to grow in capacity to 1,650 MW and serve more than 350,000 residents, becoming the world's largest. Transitioning toward low-carbon transport solutions such as public transit and e-mobility will be key in reducing emissions from the transport sector and can help curb air pollution.

#### **Climate-smart cities and resilient coastal economies**

The MENA region is highly urbanized and cities represent some of the largest share of GHG emissions. Cities are also at the epicenter of various stresses and climate shocks. Climate-informed urban planning through compact, transit-oriented development, urban greening initiatives, and a focus on green buildings will help cities face climate change impacts and decarbonize urban sectors. In Casablanca, progress is underway in building two new tramway lines that will include a regional roads program with a focus on connecting schools, hospitals, and other critical infrastructure in remote areas. Building capacity at the municipal level in major cities through municipal performance or local government programs will help build resilience to climate shocks and ensure that public

services continue. For instance, solid waste management services in the Gaza Strip were improved through the provision of more efficient, environmentally, and socially sound waste management systems. Building resilient coastal economies by investing in blue economy, climate-smart infrastructure, and integrated coastal zone management will be critical in protecting livelihoods.

#### **Establishing a strong ground for sustainable climate financing**

Designing economic and fiscal strategies and instruments can manage governments' exposure to climate risks. Sustainable financing through a whole-of-government approach to economic diversification and fiscal sustainability that aligns public expenditures with green and climate-smart investments can fill critical financing gaps. Sustainable climate and green financing will require increased financial and institutional strength to raise funds from capital markets. Egypt has already successfully issued a sovereign green bond valued at \$750 million, where proceeds are tied to sustainable impact, signaling a strong appetite from investors for these types of green assets and can provide an opportunity for sustainable financing. Financial regulators and central banks will need to develop and adopt sustainable finance metrics, definitions, standards, and methodologies, as well as foster transparency within financial systems through stronger disclosure and reporting instruments.

For the MENA region, strengthening climate resilience and moving toward a low-carbon growth trajectory is an imperative. Shifting gears to meet climate change goals will not only help avert the worst impacts of the climate crisis but can also help ensure, through climate-smart investments, that countries reap triple dividends: more jobs, greater sustainability, and stronger inclusion. To respond at this critical inflection point presents a great opportunity to provide a greener and more resilient future for generations to come.

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