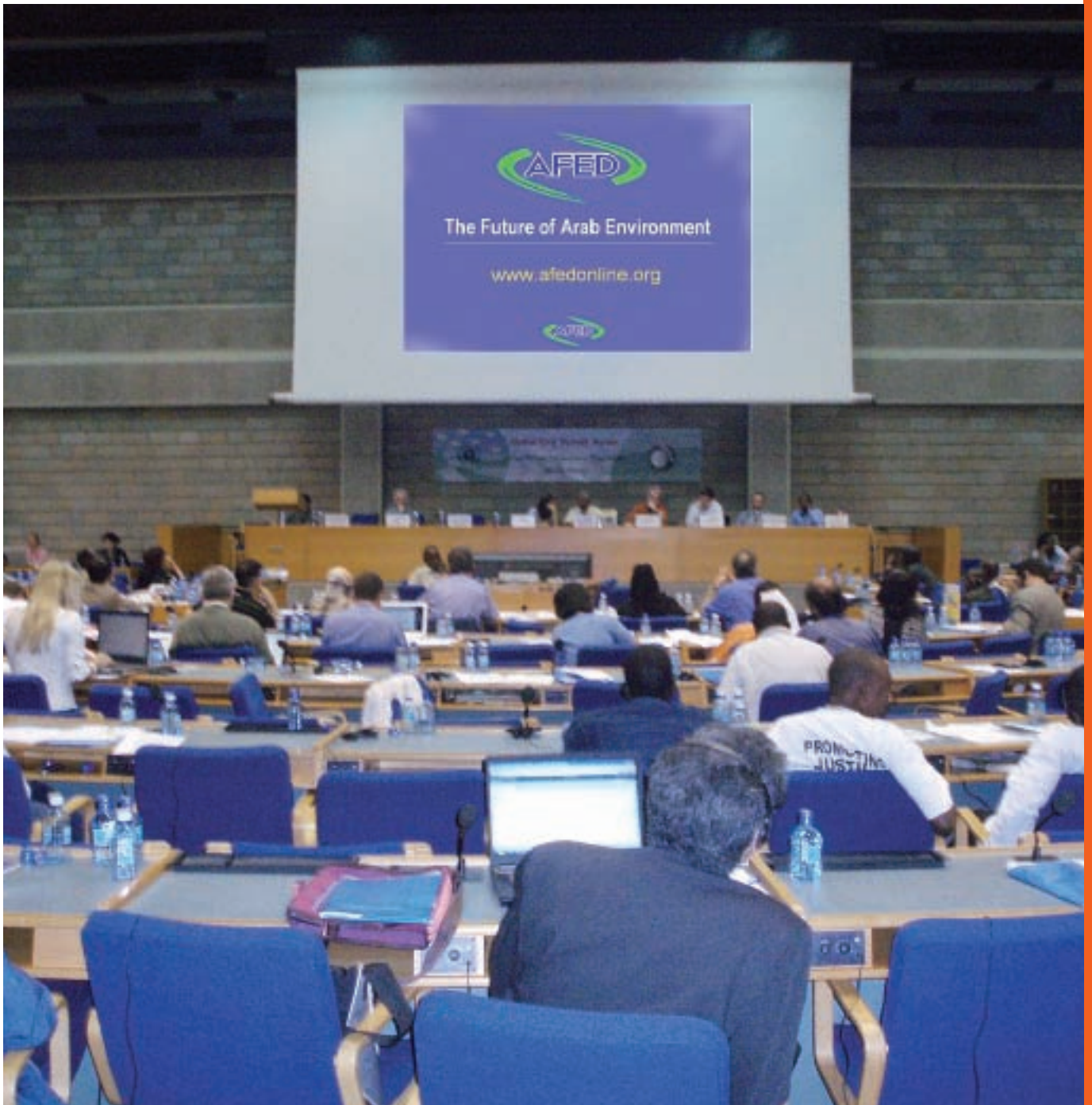


Financing of Environment Programmes: Private-Public Partnership

HUSSEIN ABAZA



I. INTRODUCTION

More than three-and-a-half decades have elapsed since the Stockholm Conference on the Human Environment and the establishment of the United Nations Environment Programme, and since then a series of multilateral environmental agreements have been adopted by governments in the Arab region. Nevertheless, the environment continues to deteriorate and regional countries are not yet on a sustainable development path. These trends continue in spite of the evidence that suggests that the unsustainable management of ecosystems was the main cause of the demise of old civilizations. There is therefore a compelling need for a serious shift in mindsets that translates into concrete policies a view of the environment not as a luxury or a constraint on economic growth, but as an opportunity and necessary requirement for sustainable development and human welfare.

II. THE REGIONAL CONTEXT

Several of the ancient civilisations originated from the Middle East and evolved along the prosperous Nile and the Euphrates rivers, and today, many of the modern Arab countries continue to take advantage of the region's rich natural resources. Most of the current environmental problems facing Arab countries can be attributed to a lack of awareness on the importance of the environment and the services it provides for economic growth and human welfare. This is reflected in the lack of measures and approaches that integrate environmental considerations into national development plans and policies. This has resulted in the unsustainable management and use of natural and financial resources devoted to environmental projects and programmes. These factors, combined with changes in climatic conditions and high population growth rates in the region, have compounded the complex environmental management challenges facing the Arab world. Among the environmental problems facing the region are diminishing water resources, land degradation and desertification, limited treatment of municipal and industrial waste, coastal degradation, and uncontrolled waste and CO₂ emissions from industry. Recent reports show that CO₂ emissions in the Arab region soared to 1.2 trillion metric tons in 2003, an 81 percent increase since 1990.¹

Financing of Environment Programmes: National Responses

The economic cost of the unsustainable use of natural resources and environmental degradation is substantially affecting the Arab region and is negatively influencing efforts for socio-economic development and poverty reduction. World Bank estimates show that the annual cost of environmental degradation ranges from 4 to 9 percent of GDP for certain countries (Algeria, 9.6 percent; Morocco, 8 percent; Syria, 7 percent; and Lebanon, 6 percent).² Air pollution alone costs Egypt an estimated 2.1 percent of its GDP, which was equivalent to US\$ 1.7 billion in 2003. The overall cost of environmental degradation for Egypt was estimated to be 5.4 percent of its GDP.³ These ratios are higher than those for Eastern Europe (5 percent) and substantially higher than those for OECD countries (2-3 percent).

Though the cost of environmental degradation in the region continues to rise, priority and financial resources allocated to address environmental concerns do not match the gravity of the problem. Not a single country in the region has allocated even close to 1 percent of its national budget for environmental purposes. The environment continues to be given a low priority by sectoral ministries, causing the environment and the goods and services it provides to continue to deteriorate. Moreover, the low budgets of ministries and departments concerned with the environment, which do exist in most Arab countries, accompanied by weak mandates, prevent these entities from having a real impact on the ground. Table 1 shows the budgetary allocations on the environment from a sample of countries and Figure 1 shows environmental expenditures as a percentage of total budgets in these countries.

Another reason for the failure to halt environmental degradation is the general tendency to make the ministry of environment the main body responsible for addressing environmental issues. Considering the financial allocations provided for environmental authorities, their institutional capacities, and the complexity of their mandates, it is likely that Arab countries will continue to fail to achieve their environmental targets until the mandates and roles of environmental authorities are redefined and a greater role is given to sectoral

TABLE 1 NATIONAL BUDGET ALLOCATIONS FOR THE ENVIRONMENT

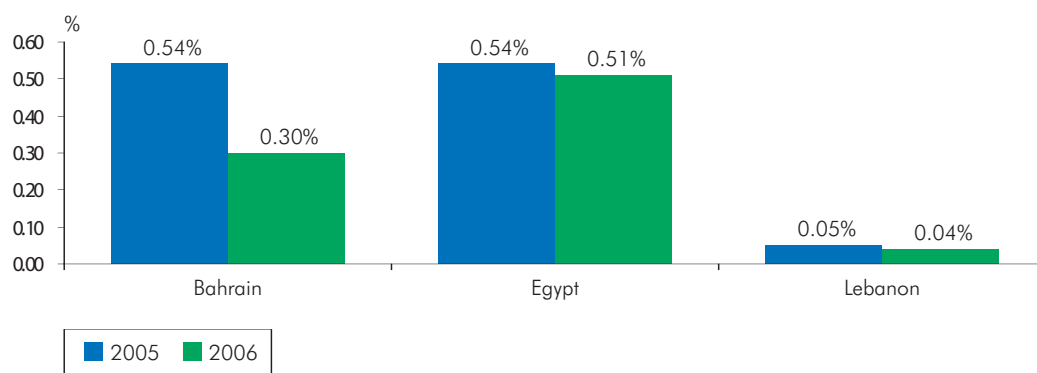
Country	Budget Allocation ⁴		
	2004	2005	2006
Bahrain (thousands Bahrain Dinars)	-	7884.00	4745.0
Lebanon (billions Lebanese Lira)	4.88	3.91	-
Egypt (millions Egypt Pounds)	-	877.10*	962.5**

*Figure for 2004-05.

**Figure for 2005-2006

Source: Compiled on the basis of official government budget documents

FIGURE 1 ENVIRONMENTAL EXPENDITURES AS A PERCENTAGE OF TOTAL BUDGETS IN BAHRAIN, EGYPT AND LEBANON



Source: Compiled on the basis of official government budget documents

ministries to deal with environmental issues. Environmental degradation is a cause as well as a result of a variety of factors, many of which fall under the mandate of other ministries, such as agriculture, industry, urban planning, and municipal services.

The mandate of environmental authorities should focus on environmental advocacy (making a case for the environment for ministries of agriculture, industry, trade, social development, housing, urban planning and development, energy, water, etc.) and the provision of technical assistance and guidance to these ministries. This entails that sectoral and line ministries should take the lead in ensuring the integration of environmental considerations in their activities, with environmental authorities providing advisory and technical services and guidance to ministries as well as setting aside money for pilot experiments in environmental management and incentives to achieve the targets required by national legislation. Another major responsibility of the environmental authorities should be the develop-

ment or amendment of environmental legislation and monitoring their implementation.

The complex environment-development-poverty linkages can only be addressed through inter-ministerial and cross-sectoral coordination. Confining the concept of environment to pollution issues without acknowledging the link between the environment and the services it provides, and development and human welfare, will continue to present a major obstacle to the serious consideration of the environment and its integration in the planning and decision making processes in countries.

Financing the environment through funds and awards

To boost the meagre level of funding allocated to national environmental programmes and activities, many Arab countries have established financial mechanisms for national, regional and international development assistance through funds and awards.



The Abu Dhabi Fund, Kuwait Fund, and Saudi Fund are three such mechanisms. Definitive figures are not available on the specific allocations for environmental projects for these three funds. However, using the water and sanitation sector as a proxy for the environment, the Kuwait Fund has allocated 9.1 percent of its grants to Arab countries (702.7 million Kuwaiti Dinars, approximately US\$ 2.5 billion) for this sector from its inception up until 2005.⁵ Between 1975 and 2006, the Saudi Fund allocated 6.74 percent (1,794 million Saudi Riyals, approximately US\$ 480 million) of its total funds to the sector, though it is unclear what portion of these funds specifically went to projects in the Arab region.⁶

The Zayed Prize, established by Sheikh Mohammad Bin Rashid Al Maktoum, Ruler of Dubai, offers the world's highest environmental award, worth US\$ 1 million every two years. During the first three rounds, four of the fourteen winners were from the Arab region.

To promote environmental awareness and encourage best practices, the city of Dubai launched the Dubai International Award for Best Practices to Improve the Living Environment (DIABP) in 1996. Unfortunately, only three of the 46 winners of the US\$ 400,000 award have been from the Arab region.

To encourage and finance research on water issues, the Prince Sultan Bin Abdulaziz International Prize for Water was launched in 2002. The prize is an international award offered every two years to recognize distinguished scientists throughout the world. Three million Saudi Riyals are awarded to the recipient of this prize.

The Gulf Cooperation Council (GCC) has set up a GCC Environmental Award to encourage competitiveness, promote environmental awareness, sense of responsibility, and moral obligation towards environmental preservation and resource conservation and protection in the region. The GCC award is divided into five categories: environmental awareness, environment personality, the best educational and research institution for the environment, the best industrial establishment in each member state that complies with environmental standards and specifications, and finally, the best research in the field of environment.

The Arab Gulf Programme for United Nations Development Organizations (AGFUND) was launched in 1980 as a regional development initiative. It has contributed more than US\$ 235 million to over 1,045 regional development projects since its establishment and awards three US\$ 300,000 prizes each year through the AGFUND international prize for pioneering development

projects. Over the past seven years, three environmental projects on rationalizing water utilization and its role in environment protection, the management of water resources, and environmental protection through community-based activities received the award amounting to US\$ 900,000.⁷

In addition to allocations through these national and regional funds, the Arab region has supported international environmental programmes through contributions to the Environment Fund of the United Nations Environment Programme (UNEP). Kuwait was at one point one of the top 20 donors to UNEP, and though it has since slipped to a lower position, it is still the largest Arab contributor, providing US\$ 200,000 annually to the fund.⁸ The UAE provided a substantial US\$ 7.6 million donation to the fund in 2004, but ceased its contributions in 2006. Oman, Qatar, Saudi Arabia and Yemen have also made recent contributions to the fund.⁹

Financing the environment through the private sector

Over the last few years, the Arab region has experienced a rapid increase in the number of private initiatives that contribute to environmental protection. An increasing number of companies have joined the Global Compact Initiative (GCI), though many have been categorised as inactive companies due to non-compliance with reporting requirements.

Nevertheless, there are several environmentally responsible private sector entities that provide encouraging examples for development and environmental protection. One example is the SEKEM Holding in Egypt, which has based its operational strategy on caring for the environment through investments in organic agriculture and community development. Other examples include a Jordanian-Russian joint venture in the field of renewable energy that was launched in June 2007 with the aim of reducing energy consumption from traditional sources. The venture has already established ten patents in the fields of solar, wind, geothermal and biogas energy, and is currently developing a number of partnerships with Jordanian universities for research and development. On the consumer product scale, Vodafone in Egypt is financing an initiative to encourage the use of solar powered phone chargers.

In the United Arab Emirates, the Al Maha Resort is a world-class retreat where ecology has been put to work for tourism. The British Gas (BG Group) in Egypt is developing a Biodiversity Action Plan, which it plans to implement in close collaboration with government agencies responsible for implementing the National Biodiversity Strategy and Action Plan. Egypt's Mansour Manufacturing and Distribution Group, after joining the Global Compact, has invested in water and energy efficiency and is converting its fleet of over 900 vehicles to natural gas.

There has been a mixed response from the banking sector. Out of the top 50 Arab banks, only 11 have shown some form of commitment to social responsibility principles. An analysis of the banks' corporate social responsibility (CSR) frameworks show that only the National Bank of Dubai, Abu Dhabi Commercial Bank, Gulf Bank, Banque Marocaine du Commerce Extérieur (BMCE), First Gulf Bank, National Bank of Kuwait, Bank Muscat, and National Bank of Bahrain have taken environmental concerns into account.

And lastly, the recent 4th Corporate Social Responsibility Summit in Dubai brought top executives from 18 countries together to discuss issues, challenges and trends in CSR. However, no financial commitments were made by Arab companies attending the summit.

Financing the environment through non-governmental organizations (NGOs)

The Arab region lacks a network of vibrant, effective and organised civil society groupings that can successfully raise the awareness and financial resources necessary to address key environmental challenges. A recent survey of the NGO sector found that "NGOs in the Arab region, in general, are particularly lacking the skills of launching campaigns on particular topics of special importance to the region, developing programmes and preparing project proposals for funding by bilateral and multilateral agencies."¹⁰ The Arab NGOs Network for Development (ANND), which was established in June 1996, has a membership of only 45 NGOs from 12 Arab countries. Out of these 45, very few have an environmental agenda or mandate. Additionally, only a

FIGURE 2 TOTAL PROJECT DISBURSEMENT BY PERSGA FROM 1999 TILL 2002

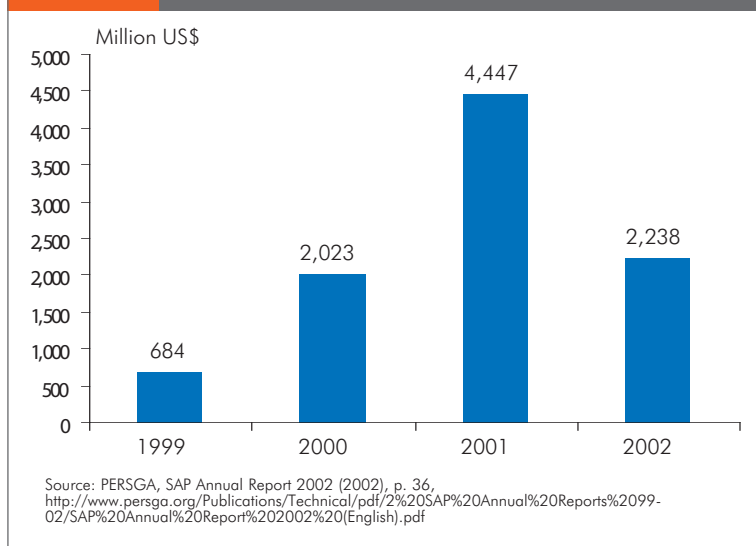


TABLE 2 INTERNATIONAL CENTER FOR AGRICULTURAL RESEARCH IN THE DRY AREAS FINANCING

	2001	2002
Total Disbursement	22,038,000	24,229,000
(Figures in US\$)		

Source: ICARDA, Annual Report 2002 (2002), Appendix 7, <http://www.icarda.org/publications/annualreport/2002/Financial.htm>

very limited number of Arab NGOs are known outside the Arab region. For example, Duke University's database of environmental NGOs includes only four from the Arab region.

However, there are a few well-established NGOs that have been successful in bringing external resources to the region. The Arab Forum for Environment & Development (AFED) is one such example. AFED is playing a key role in bringing the public, private and NGO sectors together using funding resources from membership fees, contributions to AFED's Trust Fund, sponsorship of programmes by corporate partners and organizations, and income from the Forum's activities and services. In partnership with the Environment Agency of Abu Dhabi, and in cooperation with UNEP and the World Business Council for Sustainable Development, it organised a successful Arab Corporate Environmental Responsibility Summit in November 2007 in Abu Dhabi attended by CEOs of a large number of Arab companies.

They committed themselves to reducing water and energy uses in their companies by 20% in the year 2020 from the base year 2000.

The Jordanian Network for Environmentally Friendly Industries (JNEFI) and the Emirates Environmental Group (EEG) are other such initiatives, which have been able to redirect external finances for environmental purposes in the region.

Financing the environment through regional cooperation

As a result of the growing concern over the environment, different institutions and financial mechanisms have been established at national and regional levels to address environmental problems. Lately, there has been an increase in aid from rich Arab countries to least developed Arab countries. Saudi Arabia has been by far the largest Arab donor to the region, followed by Kuwait and the United Arab Emirates (UAE). Between the years 2000-2003, GCC countries provided US\$ 13.7 billion in development aid to the region, with Saudi Arabia contributing 58 percent of that total.¹¹ Development projects financed from these resources have been taking environmental considerations more seriously than before.

A number of institutions have been set up to address environmental issues; these included the Council of the Arab Ministers Responsible for the Environment (CAMRE), its technical Secretariat in the League of Arab States (LAS), as well as the Sustainable Development Initiative in the Arab Region and the Regional Capacity Building Programme on Trade and Environment for the Arab Region.

Other regional initiatives that provide funding for environmental projects in the Arab region are: the Regional Organisation for the Protection of the Marine Environment (ROPME), the Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden (PERSGA), The Mediterranean Action Plan (for the five North African Arab countries as well as Syria and Lebanon), the Arab Center for the Studies of Arid Zones and Dry Lands (ACSAD), the International Center for Agricultural Research in the Dry Areas (ICAR-

DA), and the Center for Environment and Development for the Arab Region and Europe (CEDARE). (For more on ROPME, PERSGA, and the MAP, see chapter 6.)

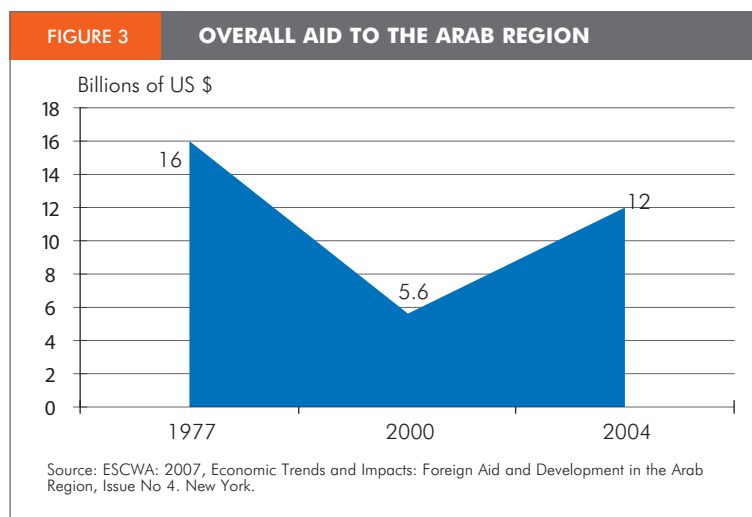
As shown in Figure 2, PERSGA disbursed US\$ 9.3 million in project funds from 1999-2002, and ICARDA disbursed US\$ 46 million from 2001-2002 (Table 2). In both cases, the amounts that were provided to each Arab country projects were not specified.

In March 2006, the Arab Summit endorsed the creation of an Arab Environment Facility (AEF), as a regional body structured along the lines of the Global Environment Facility (GEF). The Economic and Social Council of the League of Arab States (LAS) has approved the bylaws of the AEF in March 2008, with its transitory secretariat hosted by the Lebanese Ministry of Environment. The work plan is expected to be submitted to the Council of Arab Ministers Responsible for the Environment (CAMRE) by the end of 2008 for endorsement and referral to other LAS bodies. The plan envisages membership of the AEF Managing Board to include Arab Governments and development funds. While an initial budget of \$30,000,000 is targeted, contributions will be on voluntary basis. AEF's mandate covers financing Arab projects in various environmental fields and facilitating private sector investment in environment protection projects.

III. INTERNATIONAL COOPERATION: BILATERAL AND GLOBAL LEVELS

International development assistance to the Arab region fluctuates depending on the geopolitical conditions of the region. Egypt received approximately 30 percent of the overall international aid to the region in 1999, but received 10 percent in 2003; whereas Iraq received less than 2 percent in 1999, but obtained more than 27 percent of the overall aid to the region in 2003.¹²

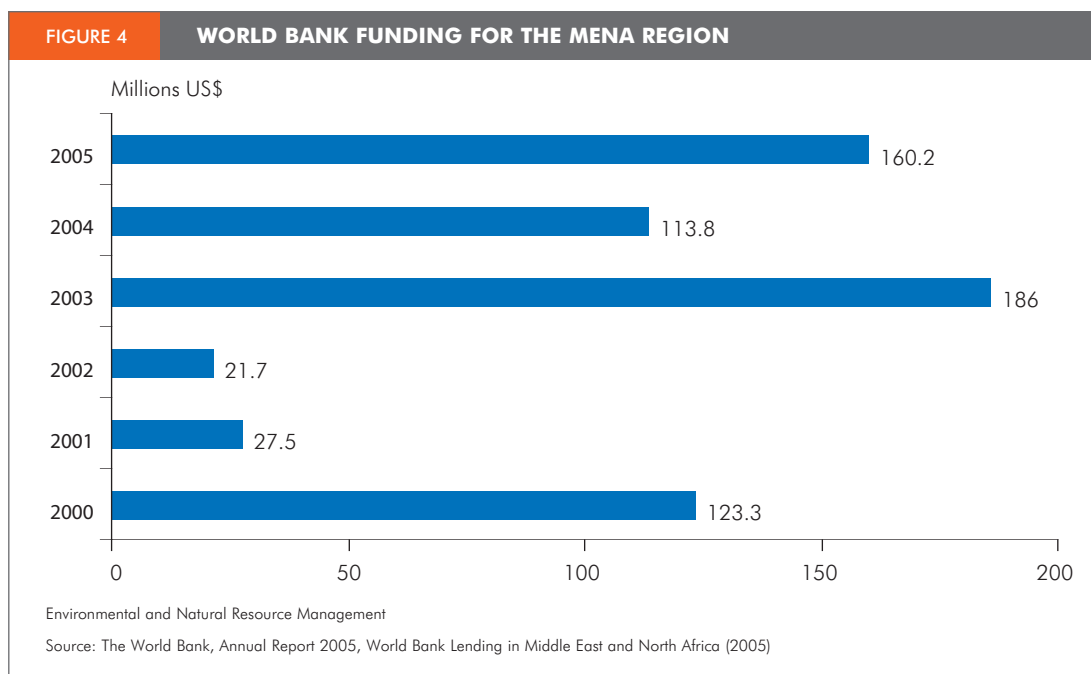
The European Union (EU) and United States of America (USA) have been the major donors to the region. Financial support by the EU has been fairly consistent during the last three decades, whereas US support has been influenced by political and security considerations. Overall aid has varied widely over the past 30 years (Figure 3).



In 2005, aid to the least developed Arab countries (the Comoros Islands, Djibouti, Mauritania, Somalia, Sudan, and Yemen), which have the greatest need for funding to address their environmental and poverty problems, was around US\$ 2.5 billion (less than what it was in 1990), whereas overall aid to the Mashreq region (Egypt, Iraq, Jordan, Lebanon, Palestine and Syria) was around US\$28 billion (close to double what it was in 1990 and almost five times that of 2000).

A not so bright picture emerges when we look at the international aid targeted for environment programmes and projects. USAID provided US\$ 48.5 million in funding for the environment in 2002.¹³ However, according to the 2004 USAID Egypt Strategic Plan Update, the funding allocated to the environmental component of the budget was discontinued and reallocated to other components. In Jordan, the USAID funding for water resource management was reduced from US\$ 58 million in 2006 to US\$ 45 million in 2007. In Lebanon, USAID completely eliminated funding for its programme on improved environmental policies and practices in 2007; in 2004, it had provided US\$ 12.4 million to the programme.¹⁴ The USAID Programmes for Yemen and Iraq (2002-2005) do not include any explicit allocations for the environment.

The European Union committed more than € 3.4 billion under MEDA I (the Euro-Mediterranean Partnership financial instrument) for the period 1995-1999, and € 5.35 billion between 2000-2006 for MEDA II. However, only € 12 million per year was allocated by the



MEDA II budget for the promotion of the full integration of environmental concerns in the development process.¹⁵ To provide additional funding, the European Investment Bank (EIB) disbursed € 7.4 billion in loans for the Euro-Mediterranean area.¹⁶ The Facility for Euro Mediterranean investment and Partnership (FEMIP), an EIB initiative that covers many of the Arab region countries, has supported environmental protection projects with more than € 2.5 billion in loans from 1995-2004, accounting for 22 percent of its lending over that period.¹⁷

The World Bank (WB) funding for environment in the MENA region was cut by almost 75 percent between 2000 and 2001, but returned to its previous levels by 2003, as seen in Figure 4.¹⁸ In addition to this funding, the WB was the leading institution in developing and updating the Middle East and North Africa Region Environment Strategy. During the first five years of the strategy's implementation (1995-2000), investments in environment-related projects totalled US\$ 3.4 billion, including US\$ 2.3 billion allocated to water-related projects.

The World Bank Institute (WBI) approved eight environmental projects in the Arab region for funding in 2006, representing a total commitment of US\$ 111.8 million.¹⁹ WBI has also provided training workshops to the region. In 2006,

5 percent of the participants at the WBI workshops came from the Middle East and North Africa region, and 17 percent of the training days focused on the environment and sustainable development.²⁰

The United Nations Development Programme (UNDP) spent US\$ 430 million on its programmes in the Arab region in 2006.²¹ Over 13 Arab countries have so far received UNDP Global Environment Facility (GEF) support in focal areas related to biodiversity, climate change, international waters, and national capacity self-assessment, including Algeria, Djibouti, Egypt, Jordan, Lebanon, Morocco, Oman, Palestinian Authority, Somalia, Sudan, Syria, Tunisia and Yemen.²²

UNEP is providing financial and technical support to Arab countries for environment-related activities. Areas being covered include early warning and assessment, post-conflict assessment, management of drylands and natural resources, water resource management, compliance with the Montreal Protocol, and the interface between trade and environment. In partnership with the United Nations Economic and Social Commission for Western Asia (ESCWA) and CAMRE, UNEP has developed a five-year regional trade and environment capacity building programme for Arab countries, aimed at identifying priorities for capacity building activities and devel-

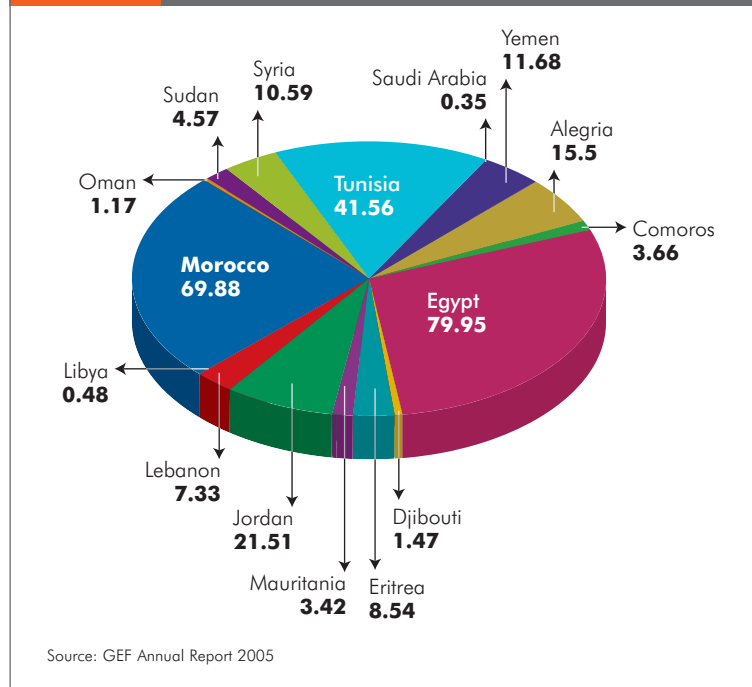
oping a long-term programme for the region. This programme sets the stage for collaboration between ministries of environment, planning and trade in order to integrate environmental and sustainable development considerations in trade policies as well as bilateral and multilateral trade negotiations. UNEP has supported two national projects in Lebanon that analysed the effects of trade liberalization on the agriculture sector. One project focused on the reduction of methyl bromide, and one examined the impact of the EU-Lebanon Association Agreement on the olive oil sector.²³

ESCWA is also providing assistance, mainly to the Mashreq and Gulf regions, through its programmes on sustainable development and productivity; globalization and regional integration; and emerging and conflict related issues. The sustainable development and productivity programme includes a special focus on energy, water resources, sustainable environmental management and private sector and institutional development. In 2002 ESCWA allocated US\$ 74,000 from its trust fund for capacity building in support of sustainable environmental economic policy, and US\$ 47,721 for preparations for the World Summit on Sustainable Development.²⁴

The Global Environment Facility (GEF) has also provided targeted financial and capacity building support to the region to address challenges related to climate change. Lately, countries from the Arab Region have reported to the GEF needs related to the lack of capacity for the preparation of GHG (greenhouse gases) inventories, assessments of impacts and vulnerability to climate change, facilitation of adaptation to the adverse effects of climate change, and the identification and implementation of measures for addressing climate change.²⁵ The region received a total of US\$ 282 million from the GEF between 1991-2005, which is less than 5 percent of total GEF allocations. As shown in Figure 5, Egypt received the largest percentage of total funding, with 28 percent of the regional total, followed by Morocco, with 25 percent, and Tunisia, with 15 percent. Iraq, Kuwait and Qatar did not receive any funding from GEF during this period (Table 3).

The strong interest and political commitment in the region to multilateral environmental agreements (MEAs) is reflected in the ratifications and accessions to over 64 international and regional

FIGURE 5 DISTRIBUTION OF THE GEF FUNDING TO ARAB COUNTRIES (MILLIONS US\$) (1991-2005)



environmental conventions and agreements.²⁶ However, national policy and institutional failure coupled with a lack of financial resources have resulted in only partial success in terms of the achievement of their objectives at the national level. As shown in Table 4, most countries in the Arab region have signed major international environmental agreements, but policy and institutional failures have hindered progress on their implementation. Moreover, a recent report on the Millennium Development Goals (MDGs) shows that the Arab region has not made significant progress on any of the indicators to measure progress towards achieving MDG 7 (Ensuring Environmental Sustainability).

IV. RECOMMENDATIONS

A more holistic approach to policy development is essential for effective environmental protection policies. Mainstreaming environment into national development policies, plans and budgets should be a key priority. Arab countries should adopt an integrated approach for policy development and implementation, with a full understanding and consideration of the relationship and feedback loops between the three pillars of

TABLE 3 **GEF FUNDING TO ARAB COUNTRIES**
(1991-2005)

Country	Mil US \$	Country	Mil US \$
Algeria	15.50	Mauritania	3.42
Bahrain	0.34	Morocco	69.88
Comoros	3.66	Oman	1.17
Djibouti	1.47	Saudi Arabia	0.35
Egypt	79.95	Sudan	4.57
Eritrea	8.54	Syria	10.59
Jordan	21.51	Tunisia	41.56
Lebanon	7.33	Yemen	11.68
Libya	0.48		

Source: Calculated on the basis of Global Environment Facility Annual Reports

sustainable development: environmental, social, and economic. Sectoral line ministries should be encouraged to integrate environmental and social considerations into their policies and programmes. This will entail the promotion of inter-ministerial coordination and the involvement of relevant stakeholders in the design and implementation of policies, plans, and programmes.

Environment should cease to be considered in isolation from macroeconomic policies. It should be regarded as a necessary prerequisite for sustainable development and as an opportunity rather than as a constraint for development. Policies should be designed to utilize the environment, its ecosystem and the services it provides as an opportunity to access markets and promote trade, create jobs and advance development and human welfare. Viewed in this way, sectoral ministries should be encouraged to take environmental considerations into account. To support this approach, capacities of environmental authorities should be strengthened to provide technical assistance on environmental issues to line and sectoral ministries, and to increase their ability to address environmental priorities. In addition to increased effectiveness in achieving environmental and sustainable development objectives, adopting such an integrated approach will also reduce the financial burden on ministries of environment.

Since aid flow is dependent on geopolitical circumstances, countries in the region need to consider developing a permanent mechanism to finance environmentally sustainable projects. A strategy for gradually reducing dependence on external funding should be developed. There are

a number of existing funding mechanisms established by Arab countries; however, environment is not a priority for many of them. These mechanisms should be encouraged to include environmental sustainability as a priority.

While the long-term strategy should be based on reducing reliance on external funding, regular roundtables on environment and economic growth between development assistance institutions and national entities should in the meantime be organised at the national and regional levels in order to ensure that the special needs of countries in the region, particularly least developed countries, are taken into account. In addition, Arab countries should adopt a proactive approach to enable themselves to effectively utilize funding opportunities provided through existing funding mechanisms such as the Aid for Trade and the integrated framework facilities in order to promote sustainable trade, as well as environmental and development objectives. Another funding resource largely under-utilized by Arab countries is the GEF. Capacities should be built to enable Arab countries to develop funding proposals that could be financed through this mechanism.

Regional cooperation is essential in order to address specific issues unique to the region. Improved regional cooperation will not only improve environmental indicators but will also create a greater prospect for trade between countries of the region, exchange experience and knowledge and address priority environmental problems of common concern to the region.

Currently, resource allocations for research and development in the Arab region are meagre. Sufficient budgetary allocations need to be made to finance research and development, including technology development, data collection, institutional and technical capacity building of the public and private sector. Government capacities need to be enhanced to address environmental and sustainable development challenges, including the adoption of the right policies and the appropriate technologies to address these challenges. Sufficient and reliable data is essential to understand the linkages between policies and environmental degradation and in the development of appropriate measures and approaches to achieve environmental and sustainable development objectives.

TABLE 4 RATIFICATION OF MEAS BY ARAB COUNTRIES

Country	Montreal Protocol	Basel Convention/ Basel Ban	Convention on Biodiversity/ Cartagena Protocol	Climate Change Convention/ Kyoto Protocol	Stockholm Convention	CITES
Bahrain	X	X / -	X / -	X / -	-	-
Egypt	X	X / X	X / X	X / -	X	X
Jordan	X	X / X	X / X	X / X	X	X
Kuwait	X	X / -	X / -	X / -	-	X
Lebanon	X	X / -	X / -	X / -	X	-
Mauritania	X	X / -	X / -	X / -	-	X
Oman	X	X / X	X / X	X / -	X	-
Qatar	X	X / X	X / -	X / -	X	X
Saudi Arabia	X	X / -	- / -	X / -	-	X
Sudan	X	- / -	X / -	X / X	-	X
Syria	X	X / X	X / X	X / -	-	X
UAE	X	X / -	X / -	X / -	X	X
Yemen	X	X / -	X / -	X / X	X	X

Source: Southern Agenda on Trade and Environment Phase II, Arab Region, Resource Paper (2005)

The current system of national accounts does not provide a true indicator for sustainable development, as it does not reflect the depletion and degradation of environmental resources. On the contrary, it provides a flawed and distorted indicator for sustainable development; for example, it categorizes the sale of natural assets and capital as an income and not as a cost. In other words, it does not treat natural capital the same way it treats human-made capital. A system of integrated environmental and economic accounting needs to be introduced to provide a true indicator for sustainable development.

Market incentives should also be promoted as a tool to internalize environmental and social costs and to alter production and consumption patterns towards more sustainable patterns. Internalizing costs will promote efficiency, reduce waste, and encourage innovation, in addition to generating revenues for environmental projects. The use of economic instruments to internalize environmental costs will also help generate income for governments to help finance environmental and sustainable development activities.

Trade is a driving force for growth and development and provides an opportunity for business that must be fostered. However, it is essential that the impacts of trade and trade liberalization are fully assessed so that their consequences are

known and addressed in order to avoid or mitigate potential negative implications. Such an assessment will help reduce potential environmental damage, lessen the associated remedial costs involved and enhance the net development gains from trade. Moreover, a comprehensive integrated assessment of trade and trade liberalization policies will enable countries to fully understand the consequences of trade on sectors such as agriculture, industry, tourism, and the impact of sector contraction or expansion on the environment (natural resource depletion and degradation), the economy (GDP growth, per capita incomes), and society (employment, health, equity).

In order to capitalize on the opportunities trade provides, Arab countries and their business sectors need to adopt a more proactive approach, which includes their involvement in standards setting, including environmental standards. In addition, Arab countries must acquire a clear understanding of local capacities in order to effectively manage the extent to which their public and private sectors can respond and cope with environmental standards and hence enhance their market access opportunities.

The full potential of the private sector in the Arab region to contribute to environmental and sustainable development objectives has not yet been utilized. The private sector can provide the



necessary human and financial resources and entrepreneurial skills to promote the environment as a market and business opportunity. Conducting business through sustainable practices can result in a more efficient use of resources, reduce waste, and encourage innovation. Businesses should be encouraged to adopt the principles of responsible investment, and invest in activities that contribute to achieving sustainable development. Creating opportunities and encouraging investors to invest in green stocks, a rapidly growing market, could also generate funds for environmental projects. It is therefore essential to provide incentives for the private sector to engage in environmental and sustainable development activities at the national and regional level.

The financial sector should be encouraged to complement government efforts in implementing environmental and sustainable development projects. This can take the form of providing micro-finance to small farmers and small- and medium-size enterprises, low interest rates and preferential repayment of loans for projects aimed at dealing with environmental issues, such as conserving water, reducing energy consumption, or promoting sustainable agriculture.

Building capacity of the civil society can also be instrumental in resource mobilization and in supporting environmental and sustainable development projects in countries in the region. Arab countries should therefore promote and encourage the creation of a vibrant and environmentally conscious civil society that can effectively support government efforts in financing and implementing sustainable development projects.

There is a need to promote public-private partnership in the region. There are already several successful examples of public-private partnerships for financing environmental conservation in the Arab region. These models need to be encouraged and replicated. Examples include the promotion of organic agriculture (SEKEM model in Egypt), development of eco-tourism parks (Al Maha Resort model in UAE), development of sector specific strategies for priority environmental issues (BG Group's Biodiversity Action Plan for Egypt), green building designs (Toyota model), environmentally friendly hotels, and carbon neutral cities. Promoting eco-tourism could also help reduce coastal degradation and generate additional revenues.

V. CONCLUSION

Though Arab countries in general have a great deal in common such as historical background, geographical proximity and cultural and social background, they can be grouped along three main groupings: Northern Africa,²⁷ the Gulf States,²⁸ and the conflict-stricken states.²⁹ Each of these groups is characterized by unique geopolitical, economic, and social circumstances and constraints. Environmental and developmental problems facing these groups of countries are to a large extent attributed to the different geopolitical, economic and social circumstances these groups of countries experience. Policies and plans to address the environmental and development challenges in the region should therefore be designed taking into account the specific circumstances of countries, including existing human, institutional and financial resources and capacities.

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