

**The Accountability State Authority's Experience in
Auditing the Climate Adaptation Funding Activities in Egypt**

Introduction to the 21st Meeting of the INTOSAI Working Group on Environmental Auditing

Climate Change Risks

Egypt is highly affected by the climate change. According to the Intergovernmental Panel on Climate Change (IPCC), the Nile Delta in Egypt is considered one of the three most vulnerable hotspots in the world, and the future forecasts indicate that Egypt will suffer from the climate changes' consequences in terms of: the sea-level rise; water scarcity and shortage; increasing the frequency and intensity of extreme weather phenomena such as heat waves, floods, heavy rains, sand and dust storms. All this will lead to significant impacts on the infrastructure, beaches, and the fertile lands of the Nile Delta because they are vulnerable to leakage, saltwater intrusion, and flooding. Thus, Egypt's food security, human health, economy, and ecosystems are at risk.

SDG 13: Take urgent action to combat climate change and its impact.

Target 13.1: Enhance resilience to climate-related risks and natural disasters in all countries and enhance adaptability to those risks.

The Paris Agreement advanced global action to address climate change under the United Nations Framework Convention on Climate Change.

Egypt's Efforts to Address the Climate Change Crisis and its Impacts.

- Egypt has exerted many efforts to address the climate change crisis and its impacts and has taken measures to adapt and mitigate the climate change impacts through an integrated legislative and institutional framework that includes:
- Developing the first national strategy for "Climate Change Adaptation and Disaster Risk Mitigation" in 2011, as well as the "Low Emission Development Strategy" (LEDS) in 2018, to align with the Sustainable Development Strategy SDS - Egypt's Vision 2030.
- The Egyptian Constitution of 2014 stipulates the necessity of preserving the natural resources, the observance of the future generations' rights, and imposing political and social obligations to protect the environment and the sustainable development.
- The establishment of a National Council on Climate Change headed by the Prime Minister.
- Launching Egypt's Vision 2030 to develop and launch national strategies for hydrogen, managing water resources, protecting beaches, and moving towards new and renewable energy.
- Adopting the environmental sustainability standards which target the green projects' representation of 30% of the investment plan for the fiscal year 2021/2022 and 50% of the plan for the fiscal year 2024/2025.

- Developing a guide for the environmental sustainability standards; "The Strategic Framework for Green Recovery", as well as developing the sustainable financing standards within the framework of the environment, community and governance standards.

- Launching the "National Climate Change Strategy 2050" which tackles how to deal with the climate change crisis from a comprehensive perspective, including reducing the greenhouse gas emissions, adapting to the climate change negative impacts, and providing the implementation mechanisms, including financing, capacity building, and technology transfer.

- Encouraging the transition towards a green economy through stimulating the industries that rationally consume the natural resources, energy, and water, as well as encouraging a cleaner industrial production, moving towards less water-consuming agriculture, and increasing the share of renewable energy to 20% of the combined energy produced in 2022, to 42% by 2035.

- Establishing a national system for monitoring, reporting, and verifying that helps in following-up and planning the climate action as well as the ministries' implementation of sustainability standards in identifying the new projects and engaging stakeholders.

- Launching the Egyptian index for the social responsibility of the 100 companies listed in the stock exchange, including the environmental and social aspects carried out by the company which indirectly leads to the companies' reduction of their heat emissions in order to comply with the environmental laws and standards.

- Egypt will chair the Conference of the States Parties on Climate Change COP 27 in November 2022 in Sharm El Sheikh.

- In addition to an integrated set of laws regulating the environmental affairs, and including the Environmental Affairs Law, the Natural Reserves Law, the Nile River Protection Law, the Liquid Waste Disposal in Sewage Networks Law, the Industrial Licensing Law, as well as the Solid Waste Management Regulation Law.

- Building Resilience and Adaption to Climate Change, by Mitigating the Negative Impacts Associated with the Climate Change.

- The following fields of adaptation are identified in Egypt's Nationally Determined Contribution (INDC) presented to the United Nations Framework Convention on Climate Change in 2015 as follows:

Infrastructure and Resilient Services confronting the Climate Change Impacts, through:

- The integrated management of water storage, improvement of irrigation and rain systems, and awareness of the agricultural security - changing the pattern of crops and livestock and improving the current low productivity of livestock.

- The integrated management of the coastal areas, providing job opportunities in safe areas and protecting citizens from the negative health impacts of climate change.

- The integrated wastes' management and the establishment of organic fertilizers' wastes' recycling factories.

- Involving the private sector, in the poorest areas, especially with the most vulnerable groups, such as women and people with disabilities.
- Converting vehicles to run with natural gas, as well as attracting and expanding the electric vehicle industry technology to enhance the sustainable transportation.
- Preserving the natural resources and ecosystems from the climate changes' impacts as well as reducing the disasters' risks through establishing early warning systems.
- Energy adaptation policies including the new and renewable energy program which includes the green hydrogen.
- Institutional capacity building and environmental regulations; following-up and awareness-raising systems.

Climate Finance

-The term Climate Finance refers to the funds intended to be used for activities aimed at addressing the climate changes' causes and impacts. The total cost of the mitigation programs is estimated to be around \$211 billion, while the total cost of the adaptation programs is estimated to be around \$113 billion till 2050.

-The fourth goal of the National Climate Change Strategy in Egypt 2050 includes improving the climate finance infrastructure to include the following sub-goals:

Goal 4: Improving Climate Finance Infrastructure

Objective 4. a: Encouraging the green local banking and the green credit lines

Objective 4. b: Promoting the innovative financing mechanisms that prioritize the adaptation procedures, such as the green bonds

Objective 4. c: The private sector participation in the climate finance and enhancing the green jobs

Objective 4.d: Compliance with Multilateral Development Banks (MDBs) Climate Finance Guidance

Objective 4. e: Building on the success of the current climate finance programs

In the 2022/2023 budget, Egypt targets that the international companies, that were contracted to help build the green energy industry would invest about \$40 billion by 2030. The government has already concluded agreements that involve investments amounting to about \$10 billion for the green Ammonia and green Hydrogen projects in Ain Sukhna port.

Adaptation Policy Financing Tools

The shift towards the adaptation and mitigation phases of climate change includes the necessity of providing the sustainable financing mechanisms in Egypt to provide large investments, especially in the private sector, as well as public investments. The mechanisms include the following:

- Grants, loans, gifts, and donations from foreign bodies, institutions, and countries, as well as grants from multilateral development banks.

- Funds which are established under various laws to protect the environment, including fines and penalties imposed due to violating laws regarding protected areas, compensations for environmental damage, and revenues for the environmental services rendered.
- Issuing green bonds for financing sectors such as clean transportation, renewable energy, and energy and infrastructure efficiency. Their proceeds are allocated to investment in the clean transportation sector (Cairo Monorail Project), sustainable water supply and wastewater management, the Abu Qir metro line, and financing of 6 solar power plants.
- A package of market incentives, such as tax exemptions, the possibility of imposing taxes on fuel within the activities of raising the cost of carbon emissions in order to contribute to the reduction of the transportation fuel consumption rates and improving the energy usage efficiency in the fields of industry and power generation.
- Developing and submitting projects within the framework of the Green Climate Fund and the new sustainable development mechanism of the Paris Agreement.
- Involving stakeholders in the various stages of the strategy development.
- Identifying and using digital solutions that enhance and enable the implementation of low-Carbon and climate-resilient solutions.
- Allocating domestic resources for the adaptation activities following the country's commitment to its obligations under the Paris Agreement.
- Studying the international initiatives on linking the sovereign debts with climate and nature outcomes as well as enhancing the applicability of debt financing tools using the framework of the key performance indicators to guide governments towards green outcomes according to the ESCWA 2022 initiative.

The Challenges Facing SAIs upon Auditing the Climate Adaptation Financing.

Despite the ongoing efforts to enhance the SAIs' climate adaptation funding audit, some challenges still remain which are:

- Limited data availability and accuracy, and weak financial resources dedicated to adaptation which threaten the sustainability and expansion of the adaptation procedures.
- Ineffective procedures and financial support systems, and inadequate management of financing and investment risks.
- Weak strategic planning and innovations for new technologies.
- Lack of an official definition for climate finance.
- Undermining the audit standards for the international climate finance.
- Poor monitoring of goals and indicators related to the contributions to climate adaptation activities.
- The difficulty in measuring the effectiveness for both beneficiaries and suppliers (donor partners) of climate finance.

- The climate finance is not clearly tracked as most of the climate finances flow through short-term initiatives based on off-budget projects.
- Flexibility should be the main driver rather than just filling the financing gaps.
- The SDG indicator only measures the value and quantity of climate finance, but not the effectiveness or the efficiency of the quality of finance.
- There are no single indicators for countries to evaluate the progress towards Goal 13. a, which SAIs can use as performance auditing criteria for specific government initiatives.

The Accountability State Authority, SAI Egypt, audits the economy, efficiency, and effectiveness of financing the climate adaptation projects, the comprehensive audit of the risk funds management systems and the flexibility of the investment plans, as well as auditing the financial and tax tools related to infrastructure sectors such as the water, energy, transportation and the shift towards a green economy projects.

- According to the INTOSAI's principles, SAI EGYPT audits all activities of ministries and companies with environmental activities, through verifying the compliance of these activities and projects with the international and national agreements and standards as well as the rates of implementation of the sustainable development goals, including those related to climate change (Goal 13) and related goals such as Goals 6,9,11,12,14 through issuing qualitative and periodic reports such as:
 - Verifying that companies conduct environmental impact assessment studies for new activities and expansions before implementation, their associated economic feasibility studies, and the availability of funds for implementation.
 - Verifying the use of digital solutions and the new technology to move towards a green economy in production, recycling, and disposing of solid, liquid, and gas wastes as well as establishing advanced environmental monitoring laboratories, and providing dust and noise measuring devices.
 - Verifying that companies have obtained ISO certificates related to the environmental activity, including ISO 9001, 14001, and 45001.
 - Reviewing the funds spent on environmental protection programs, verifying the reasons why companies bear environmental fines and their causes as well as recommending the measures to prevent their recurrence.
 - Providing all means of training, participating in international conferences and meetings, and sharing the experiences with various Supreme Audit Institutions in this regard by forming a specialized and qualified professional team to audit the sustainable development goals, and train all SAI members on auditing the sustainable development goals.