Climate Funds Update

HEINRICH BÖLL STIFTUNG
WASHINGTON, DC
USA | Canada | Global Dialogue

ODI Think Change

Climate Finance Regional Briefing: Middle East and North Africa

Climate Finance Fundamentals 9

FEBRUARY 2022

Charlene Watson, ODI, **Liane Schalatek**, HBS, and **Aurélien Evéquoz**

Climate finance from the multilateral climate funds in the Middle East and North Africa (MENA)[1] region is largely concentrated in a small number of large projects in the form of loans or concessional loans, funded by the Clean Technology Fund (CTF). The total amount of finance approved between 2003 and 2021 is USD 1.6 billion for 153 projects. This money has largely gone towards mitigation efforts despite pressing adaptation needs in the region, especially for water conservation and food security measures. Of the total funding approved for the region, USD 617 million has taken the form of grants. Adaptation projects have all been supported by grants. USD 964 million has been provided in the form of loans or concessional loans for just a few large-scale energy infrastructure projects approved by the CTF and Green Climate Fund (GCF). The top two recipients – Egypt and Morocco – respectively have received 28% and 19% of total approved climate finance in the region, while four of the countries in the region have received no climate finance from the funds monitored by Climate Funds Update (CFU). Approved finance grew by USD 70 million in 2021.

Introduction

Countries of the MENA region are highly vulnerable to climate change, which is likely to compound persisting development challenges, making climate change adaptation a priority (ESCWA, 2019). The region is already the most water-scarce region in the world and has to import more than half of its food (Namdar et al., 2021). The Intergovernmental Panel on Climate Change (IPCC) predicts that climate change will rapidly reduce precipitation in the region and that the resulting hydrological changes could reduce water availability per person by 30% to 70% by 2025, diminish agricultural productivity, and also heighten the risk of flooding in highly populated urban coastal areas (IPCC, 2014).

Of the world's proven oil and gas reserves, 57% and 41%, respectively, are in the MENA region (although not distributed evenly among the region's countries), and the exploitation of these fossil fuel resources is central to the economies of most MENA countries. The prospect of reducing the consumption of fossil fuels in order to reduce greenhouse gas (GHG) emissions therefore strikes the region's oil-producing countries as a costly proposition that will rob them of economic opportunity. Lifestyles and consumption patterns within these countries are also highly carbon-intensive, and per capita emissions in many MENA countries are 60% higher than the average among developing countries. At the same time, poverty rates remain high in many resource-poor MENA countries, such as in Yemen and Djibouti, the two countries in the region that are classified as Least Developed Countries (LDCs).

Where does climate finance come from?

There are 12 climate funds active in the MENA region (Table 1 and Figure 1). The largest contributions are from the CTF, which has approved a total of USD 825 million for four projects in Morocco and Egypt and five regional projects. Most of this finance has been made available as concessional loans. An investment plan to support concentrated thermal power in the MENA region has also been approved.

Through the GCF, three projects support Morocco (for a total of USD 98 million), two Egypt (with USD 186 million), one Jordan (with USD 25 million) and one supports the West Bank and Gaza (with USD 27 million). Countries in the MENA region will also potentially benefit from several multi-country GCF programmes, although the portion of finance that will be allocated to each country is still unclear. Egypt, Jordan, Morocco and Tunisia will benefit from the GCF's USD 378 million global programme for sustainable energy financing, while Jordan, Morocco and Tunisia could receive funding for sub-projects to be approved under the Global Subnational Climate Fund (USD 150 million) and a high impact mitigation programme for the corporate sector (USD 258 million). The GCF also supports 34 readiness programmes across MENA with USD 24.4 million.

Table 1: Climate funds supporting the MENA region (2003–2021, USD millions)

Fund	Amount approved	Projects approved
Clean Technology Fund (CTF)	825.1	9
Green Climate Fund (GCF-IRM, GCF-1)	335.6	7
Global Environment Facility (GEF-4, 5, 6, 7)	152.0	54
Adaptation Fund (AF)	91.2	16
Least Developed Countries Fund (LDCF)	44.1	9
Special Climate Change Fund (SCCF)	37.3	7
Adaptation for Smallholder Agriculture Programme (ASAP)	22.1	4
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	16.6	1
Global Climate Change Alliance (GCCA)	11.6	2
Partnership for Market Readiness (PMR)	10.2	6
Millennium Development Goals Achievement Fund[2] (MDG-F)	7.6	2
Pilot Program for Climate Resilience (PPCR)	2.6	2

Figure 1: Funds supporting the MENA region (2003–2021)

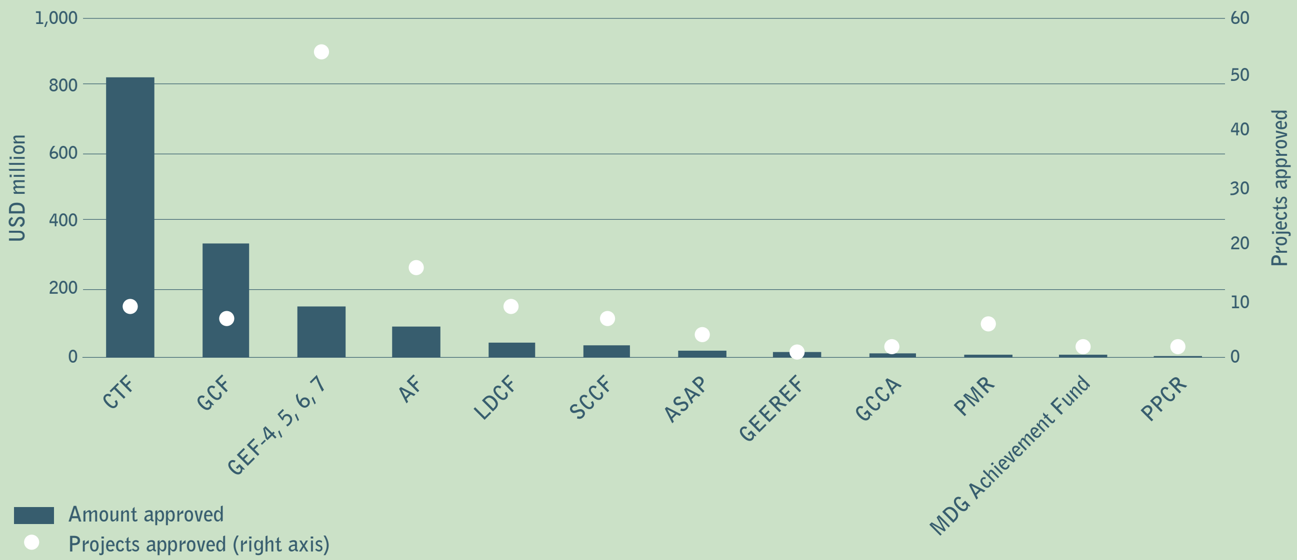
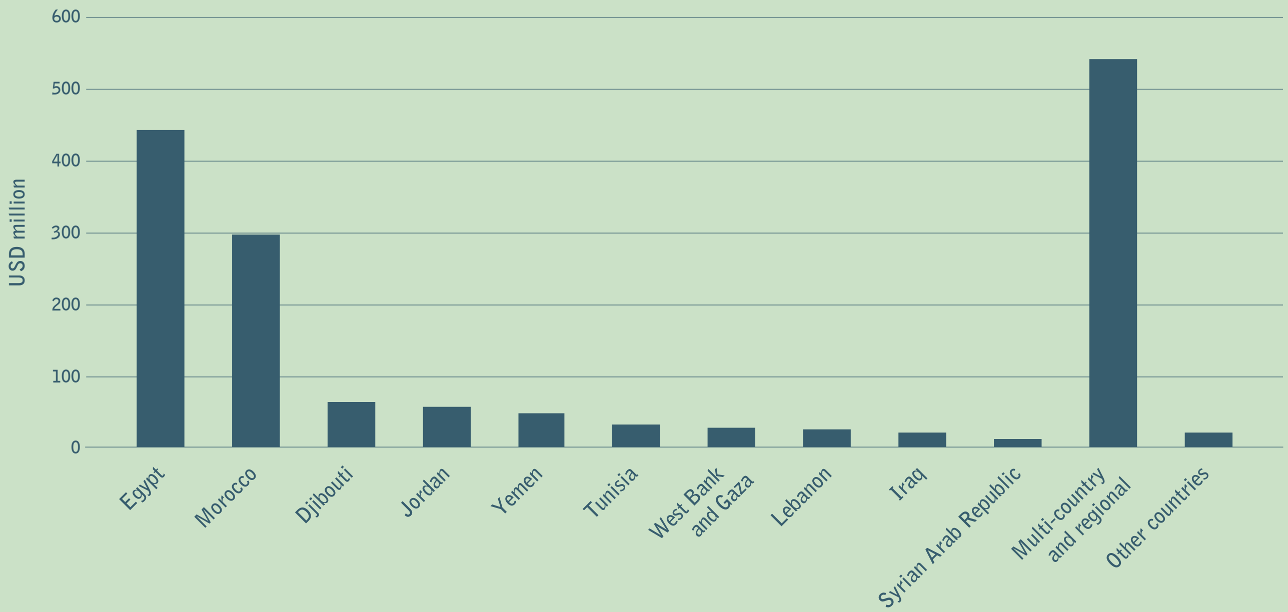


Figure 2: Amount approved for MENA recipient countries (2003–2021)



Bilateral climate finance also flows to MENA. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate fund of Germany.[3] Bilateral funds are not tracked by CFU, however, given their relative lack of transparently available detailed information of current activities and spending.

Who receives the money?

The distribution of climate finance from dedicated climate funds is concentrated in Egypt and Morocco, with total approved amounts of USD 443 million and USD 296 million respectively from the multilateral climate funds tracked by CFU. CFU data shows that of the 21 MENA countries, only 17 countries are recipients of climate finance. The four countries not receiving climate finance include wealthy oil-producing states such as the United Arab Emirates (UAE). Djibouti and Yemen, two countries classified as LDCs in MENA, have together received USD 111 million. This funding is almost exclusively for adaptation projects. Lastly, a significant amount of funding (USD 542 million) for the region comes in form of multi-country or regional programmes, for which the exact financial distribution among recipient countries is not yet known at the time of approval. In the case of the CTF MENA regional projects, however, at least USD 485 million is approved for activities in Morocco.

What is being funded?

As Figure 3 and Table 2 show, 71% (USD 1.1 billion) of climate finance approved in the region is allocated to mitigation activities. This figure is largely a reflection of the CTF's nine MENA projects, with an average size of USD 92 million (the average size of the non-CTF projects in the region is USD 5.2 million). The largest project in MENA is the USD 238 million concessional loan for the Noor II and III Concentrated Solar Power (CSP) Project in Morocco, approved in 2014 by the CTF. This project is part of a concerted push by the CTF to scale up the deployment of CSP technology across the region. CSP has considerable potential to generate clean electricity at scale. The CTF's investments in MENA are beginning to showcase the value of targeted international public finance in order to demonstrate the viability of this promising technology (Stadelmann et al., 2014). The largest single GCF investment in the region so far came in 2017 with the approval of USD 154.7 million for a renewable energy financing framework for Egypt.

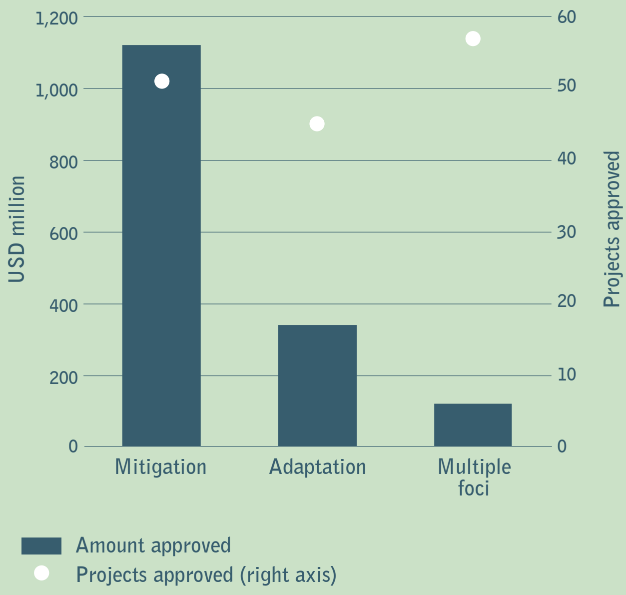
Cumulative funding for adaptation projects in MENA, which on average are significantly smaller than mitigation investments, only reaches about 30% of approved mitigation financing in the region, despite significant adaptation needs. Several funds are implementing 45 adaptation projects in the region with an approved total of USD 340 million.

New funding approvals for the region in 2021 were modest, amounting to USD 70 million across all funding themes. The Adaptation Fund (AF) approved two new projects in Syria and Djibouti as well as one regional project on increasing the resilience of displaced persons in Jordan and Lebanon (totalling USD 29.3 million) and the PPCR one project in Tunisia for the implementation of a sustainable district heating and cooling system in Tunis (USD 1 million). GEF-7 approved one multiple foci project in Tunisia (USD 0.9 million) and one mitigation project in Egypt (USD 1.9 million). Finally, in 2021, the GCF supported one new adaptation project for the agriculture sector in Jordan as well as nine readiness programmes for a total amount of USD 25 million and USD 11.6 million, respectively.

Table 2: Approved funding across themes (2003–2021)

Theme	Amount approved (USD millions)	Projects approved
Mitigation	1,119.1	51
Adaptation	340.4	45
Multiple foci	120.8	57

Figure 3: Approved funding across themes (2003–2021)



References and further reading

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Endnotes

1. World Bank classification: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, Yemen (see: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups).
2. The Millennium Development Goal Achievement Fund (MDG-F) was operational from 2007-2013. As of May 2019, all of its projects had been financially closed.
3. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to MENA since 2008 included USD 38 million from Germany's Internationale Klimaschutzinitiative (IKI, international climate initiative).

The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at **www.climatefundsupdate.org**

ODI
203 Blackfriars Road | London | SE1 8NJ | UK
Tel:+44 (0)20 7922 0300

Heinrich Böll Stiftung Washington, DC
1432 K Street, NW | Suite 500 | Washington DC 20005 | USA
Tel:+1 202 462 7512