Climate Funds Update

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ODI

Climate Finance Regional Briefing: Middle East and North Africa

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Climate Finance Fundamentals 9

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Climate finance from the multilateral climate funds in the 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[2] amount of finance approved is USD 1.5 billion for 127 projects. This money largely goes 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 511 million is in the form of grants. Adaptation projects are all in the form of grant support. Over USD 1,002 million is provided in the form of loans or concessional loans for just a few large-scale energy infrastructure projects approved by the CTF and GCF. The top two recipients, Egypt and Morocco, respectively receive 27% and 20% of total approved climate finance in the region, while four of the countries in the region receive no climate finance from the funds monitored by CFU. Approved finance grew by USD 40.5 million in the past year.

Introduction

The countries of the Middle East and North Africa (MENA) are highly vulnerable to climate change, which is likely to compound persisting development challenges. The MENA region is already the most water scarce region in the world and has to import more than half of its food. The IPCC predicts that climate change will rapidly reduce precipitation in the region, and resulting hydrological changes could reduce water availability per person by 30 - 70% by 2025, diminish agricultural productivity, and also heighten the risk of flooding in highly populated urban coastal areas (IPCC, 2014).

57% of the world's proven oil reserves and 41% of proven natural gas resources 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 most of their economies. 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 Yemen and Djibouti, the region's two Least Developed Countries (LDCs).

Where does climate finance come from?

There are 12 climate funds active in the region (Table 1; Figure 1). The largest contributions are from the CTF, which has approved a total of USD 867 million for 13 projects in Morocco and Egypt and eight 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 97 million), two Egypt (with USD 186 million) and one Bahrain (with USD 2.3 million). In 2019, the GCF also approved the first climate project in Palestine, a project in Gaza with multiple foci on renewable energy access, water banking and agricultural adaptation (with USD 26.3 million). Egypt, Jordan, Morocco and Tunisia will also benefit from the USD 378 million programme for sustainable energy financing, although the portion of finance that will be allocated to each country is still unclear. The GCF also supports 19 readiness programmes across MENA with USD 7 million.

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, however, are not tracked by Climate Funds Update given their relative lack of transparently available detailed information of current activities and spending.

Figure 1: Funds supporting MENA region (2003-2019)

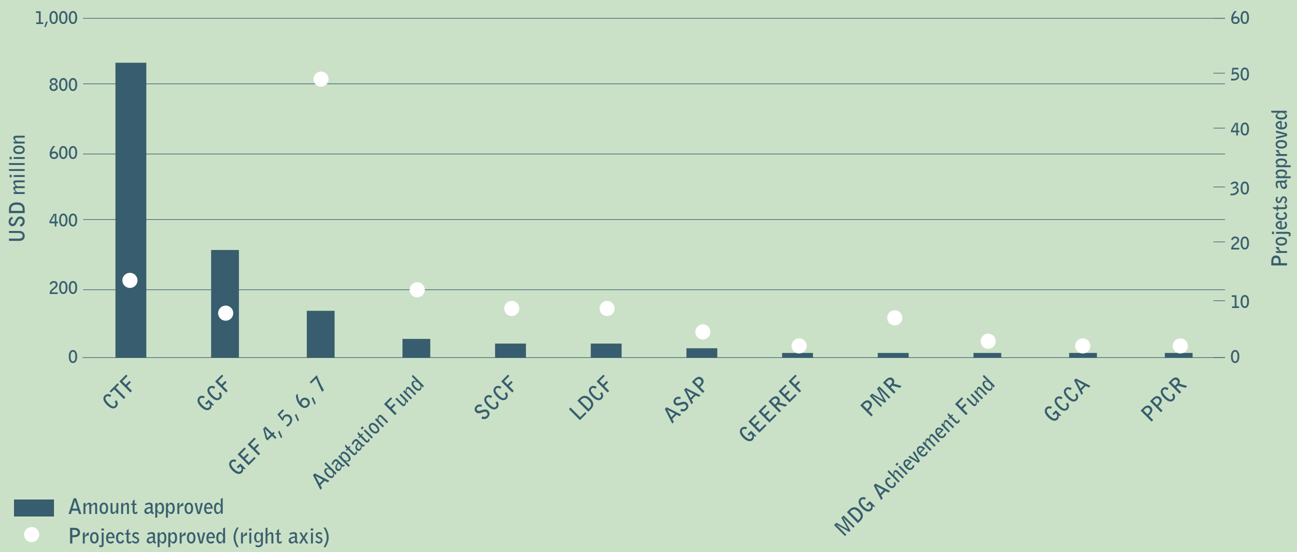
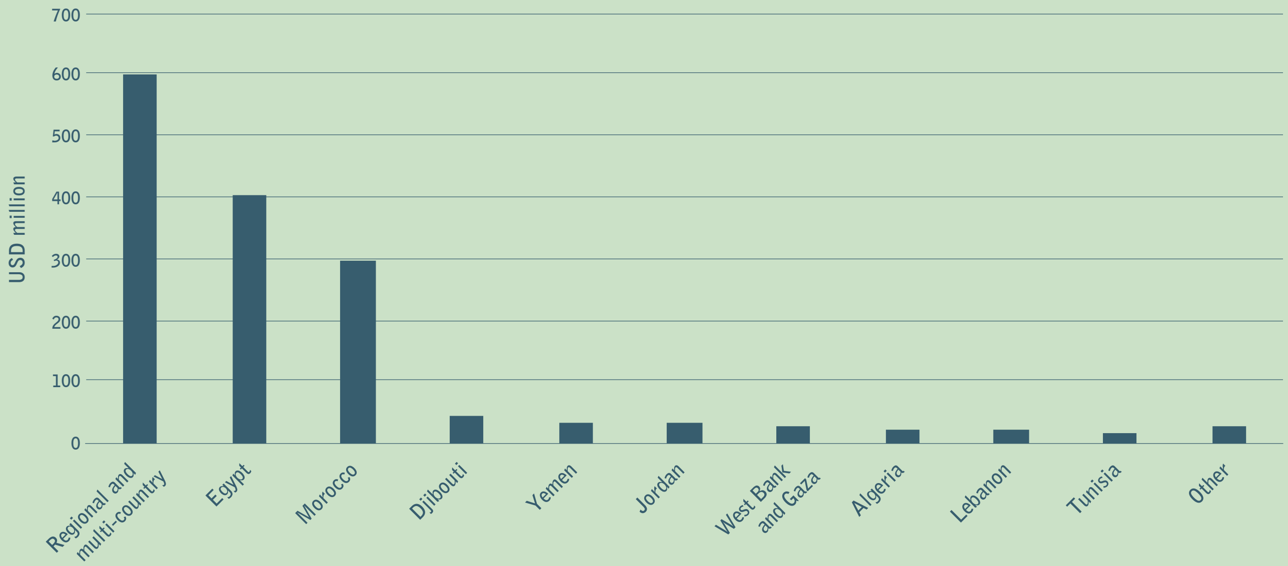


Table 1: Funds supporting MENA region (2003-2019, USD millions)

Fund	Amount approved	Projects approved
Clean Technology Fund (CTF)	867.1	13
Green Climate Fund (GCF)	311.8	7
Global Environment Facility (GEF 4, 5, 6, 7)	138.3	48
Adaptation Fund	48.8	11
Special Climate Change Fund (SCCF)	43.5	8
Least Developed Countries Fund (LDCF)	35.1	8
Adaptation for Smallholder Agriculture Programme (ASAP)	22.6	4
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	16.6	1
Partnership for Market Readiness	10.2	6
MDG Achievement Fund	7.6	2
Global Climate Change Alliance (GCCA)	3.4	1
Pilot Program for Climate Resilience (PPCR)	1.6	1

Figure 2: Amount approved for MENA recipient countries (2003-2019)



Who receives the money?

The distribution of climate finance from dedicated climate funds is concentrated in Morocco and Egypt, with total approved amounts of USD 784 million and USD 397 million respectively from the multilateral climate funds tracked by CFU. CFU data shows that of the 21 MENA countries, only 15 countries are recipients of climate finance. The four countries not receiving climate finance include wealthy oil-producing states such as the UAE. Djibouti and Yemen, the two LDCs in MENA, have together received USD 72 million. This funding is almost exclusively for adaptation projects.

What is being funded?

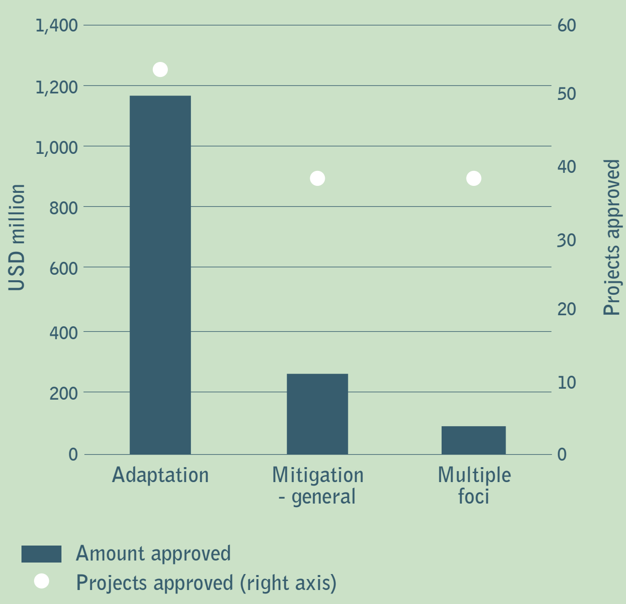
As Figure 3 and Table 2 show, 77% (USD 1.2 billion) of climate finance approved in the region is allocated to mitigation activities. This figure is largely a reflection of the CTF's 13 MENA projects, with an average size of USD 67 million (the average size of the non-CTF projects in the region is USD 6.6 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, Frisari and Rosenberg, 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.

Adaptation projects in MENA are less than a third the size of mitigation projects on average. Several funds are implementing 38 projects in the region with an approved total of USD 255 million. In 2019, only two adaptation projects were approved in the region for adaptation by GEF 7 and the Adaptation Fund. GEF 7 also approved one mitigation project in Algeria in 2019, the CTF two in Egypt, while the GCF supported one project with both mitigation and adaptation foci in Gaza and three readiness support programmes in Lebanon, Iraq and Tunisia.

Table 2: Approved funding across themes (2003-2019)

Theme	Approved amount (USD millions)	Projects approved
Mitigation	1,167.3	53
Adaptation	254.8	38
Multiple foci	91.1	38

Figure 3: Approved funding across themes (2003-2019)



References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2019).

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End Notes

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. All total figures refer to the period between 2003 and 2019.
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 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**

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