Climate Funds Update

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ODI Think Change

CLIMATE FINANCE REGIONAL BRIEFING: MIDDLE EAST AND NORTH AFRICA

CLIMATE FINANCE FUNDAMENTALS 9

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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 2023 is USD 1.6 billion for 171 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 672 million has taken the form of grants. Adaptation projects have all been supported by grants. USD 943 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 – Morocco and Egypt – respectively have received 48% and 28% 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 19 million in 2023.

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, affecting hydropower capacity, diminish agricultural productivity by reducing yields of rainfed crops by 64% in some locations, and also heighten the risk of flooding in highly populated urban coastal areas, with ocean warming and acidification in the Mediterranean region impacting marine ecosystems and fisheries (IPCC, 2014; Mahmoud, 2021; Ali et al., 2022).

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. In fact, several large oil producing MENA countries, including Qatar, United Arab Emirates and Saudi Arabia, are now among the highest per capita emitters in the world. 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 14 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 824 million for nine projects in Morocco and Egypt and one regional project. Prior to 2023, four projects of the CTF were considered regional in nature. This reclassification by the CTF accounts for the rise of Morocco as top recipient in 2023. 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 96 million), two Egypt (with USD 186 million), one Jordan (with USD 25 million), one supports the West Bank and Gaza (with USD 26 million) and one Bahrain (USD 2 million).[2] 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

Table 1: Climate funds supporting the MENA region (2003–2023, USD millions)

Fund	Amount approved	Projects approved
Clean Technology Fund (CTF)	824.2	10
Green Climate Fund (GCF-IRM, GCF-1)	335.7	8
Global Environment Facility (GEF-4, 5, 6, 7, 8)	163.3	62
Adaptation Fund (AF)	101.2	17
Least Developed Countries Fund (LDCF)	44.1	9
Special Climate Change Fund (SCCF)	37.3	7
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	16.6	1
Adaptation for Smallholder Agriculture Programme (ASAP)	14.6	4
Forest Investment Program (FIP)	12.0	1
Global Climate Change Alliance (GCCA)	11.6	2
Partnership for Market Readiness (PMR)	10.2	6
Millennium Development Goals Achievement Fund[3] (MDG-F)	7.6	2
Pilot Program for Climate Resilience (PPCR)	3.1	3
Scaling up Renewable Energy Program in Low Income Countries (SREP)	0.9	2

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). Tunisia and Djibouti might receive funding under a USD 237 million global programme for energy efficiency buildings, with Morocco and Djibouti included as potential beneficiary countries under the Climate Investor Two equity funding programme. In 2023, the GCF approved three more multi-country programmes from which some countries in the MENA region will benefit. Morocco is included in the list of countries to benefit from the GAIA project, which will establish a finance platform that offers long-term loans to the most climate vulnerable countries in the world, to which the GCF contributes USD 153 million in equity. Tunisia is one of the nine countries benefiting from a USD 160 million project aiming to support energy transition toward more sustainable energy sources. Lastly, Djibouti is also a target country under a USD 254 million regional programme focused on stimulating investments to support the development of climate-resilient infrastructure. The GCF also funds 37 readiness programmes across MENA with USD 30.4 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.[4] 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 Morocco and Egypt, with total approved amounts of USD 775 million and USD 449 million respectively from the multilateral climate funds tracked by CFU. CFU data shows that of the 21 MENA countries, only

Figure 1: Funds supporting the MENA region (2003-2023)

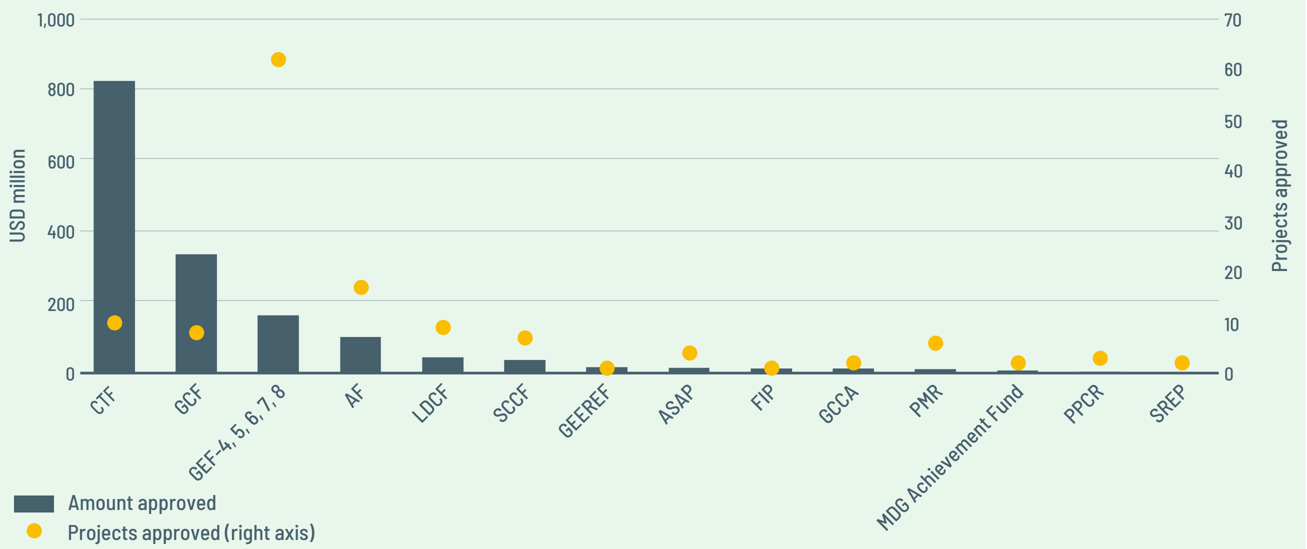
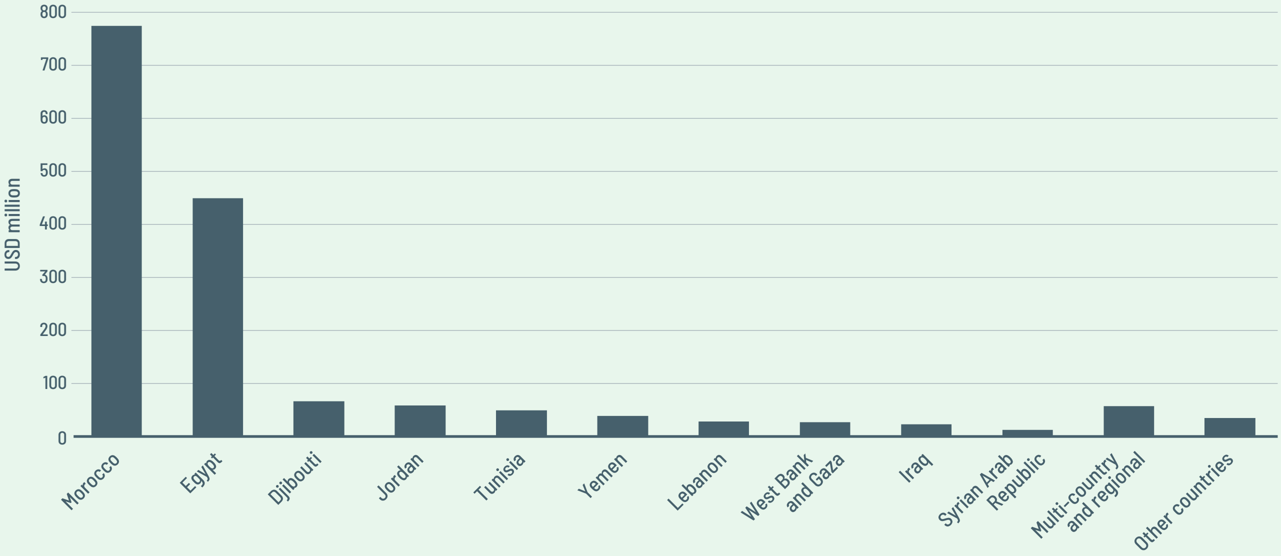


Figure 2: Amount approved for MENA recipient countries (2003-2023)



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 105 million. This funding is almost exclusively for adaptation projects. Lastly, USD 57 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.

What is being funded?

As Figure 3 and Table 2 show, 70% (USD 1.12 billion) of climate finance approved in the region is allocated to mitigation activities. This figure is largely a reflection of the CTF's ten MENA projects, with an average size of USD 82 million (the average size of the non-CTF projects in the region is USD 5 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 31% of approved mitigation financing in the region, despite significant adaptation needs. Several funds are implementing 49 adaptation projects in the region with an approved total of USD 346 million.

New funding approvals for the region in 2023 were modest, amounting to USD 19 million across all funding themes. The CTF did not approve further projects in the region while the PPCR approved only one project in Egypt under its Business Development for Resilience Programme (USD 0.5 million). Besides three readiness projects (totalling USD 5.9 million), the second largest contributor to the region, the GCF, did not approve new projects directly focused on countries in the region. However, three multi-country regional and global programmes approved in 2023 could benefit Tunisia, Morocco and Djibouti as recipients of sub-project funding. Meanwhile, the GEF-8 approved two new multiple foci project in Lebanon and Tunisia for USD 1.2 million each. Finally, the Adaptation Fund approved USD 10 million to address the negative impacts of climate-aggravated water scarcity in the agriculture sector in Libya.

Figure 3: Approved funding across themes (2003-2023)

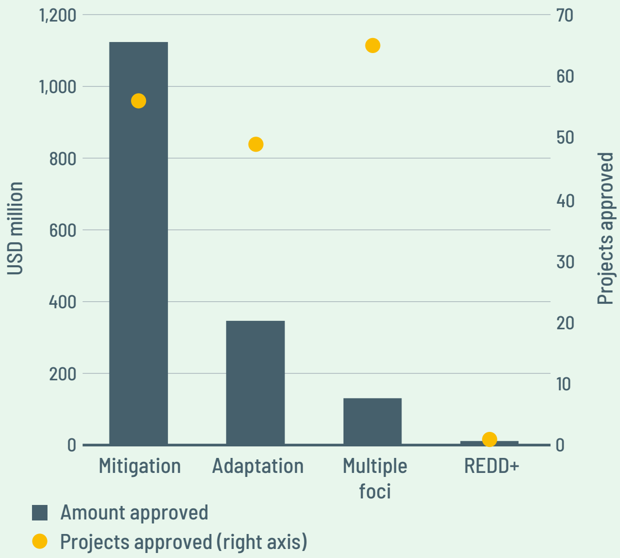


Table 2: Approved funding across themes (2003-2023)

Theme	Amount approved (USD millions)	Projects approved
Mitigation	1,123.6	56
Adaptation	345.8	49
Multiple foci	131.4	65
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	12.0	1

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. As of 2023, Bahrain is no longer identified as a SIDS; the approved amount of funds tracked by CFU for Bahrain thus shifted in 2023 from the CFF SIDS regional briefing where it was previously recorded, to the MENA regional briefing.
3. 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.
4. 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 up to 2021 also available in French and Spanish at **www.climatefundsupdate.org**

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