



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 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 2020 is USD 1.5 billion for 139 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 560 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 29% 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 88 million in 2020.

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. 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 100 million), two Egypt (with USD 186 million), one Bahrain (with USD 2.3 million) and one supports the West Bank and Gaza (USD 28 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 25 readiness programmes across MENA with USD 12.5 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.² Bilateral funds are not tracked by CFU, however, given their relative lack of transparently available detailed information of current activities and spending.

Table 1: Climate funds supporting the MENA region (2003–2020, USD millions)

| Fund | Amount approved | Projects approved |
|--|-----------------|-------------------|
| Clean Technology Fund (CTF) | 8251 | 9 |
| Green Climate Fund (GCF-IRM, GCF-1) | 316.2 | 7 |
| Global Environment Facility (GEF-4, 5, 6, 7) | 157.4 | 53 |
| Adaptation Fund (AF) | 61.9 | 13 |
| 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 ³ (MDG-F) | 7.6 | 2 |
| Pilot Program for Climate Resilience (PPCR) | 1.6 | 1 |

Figure 1: Funds supporting the MENA region (2003–2020)

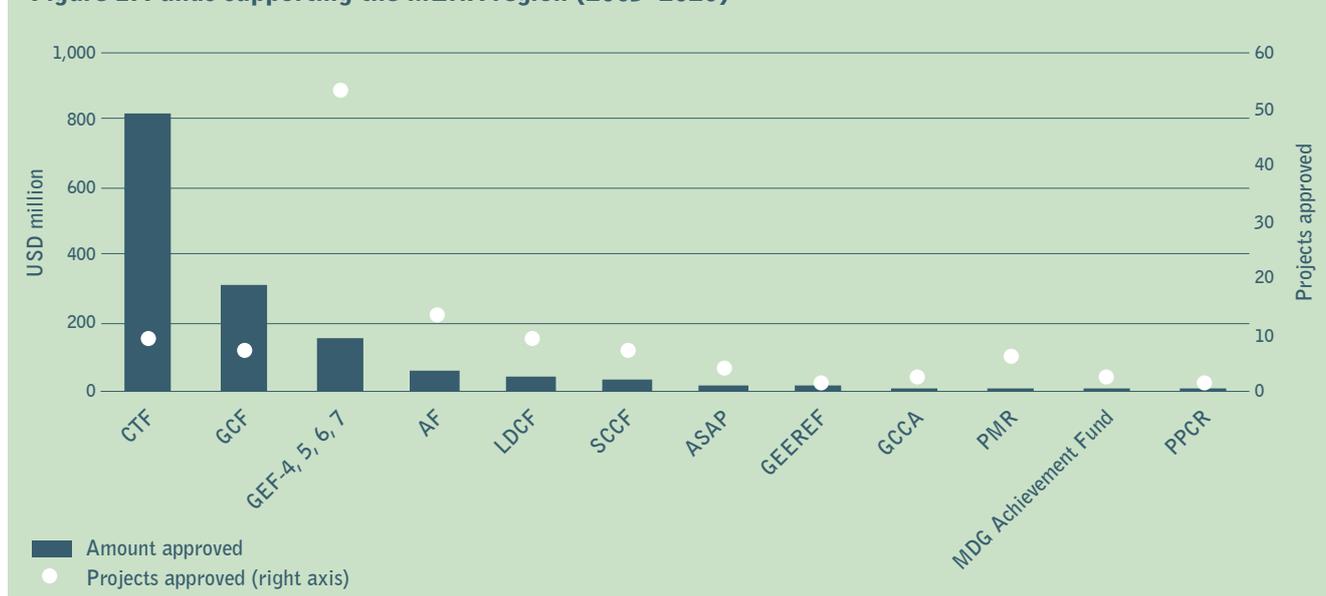
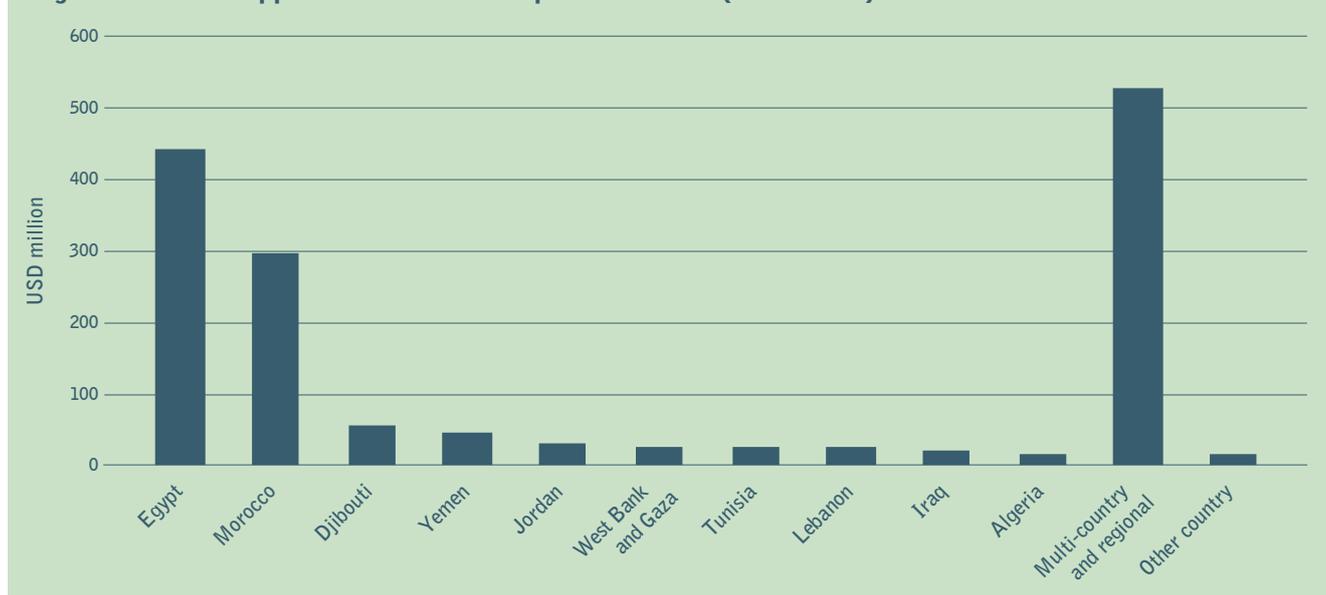


Figure 2: Amount approved for MENA recipient countries (2003–2020)



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 438 million and USD 294 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 106 million. This funding is almost exclusively for adaptation projects. Lastly, a significant amount of funding (USD 528 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?

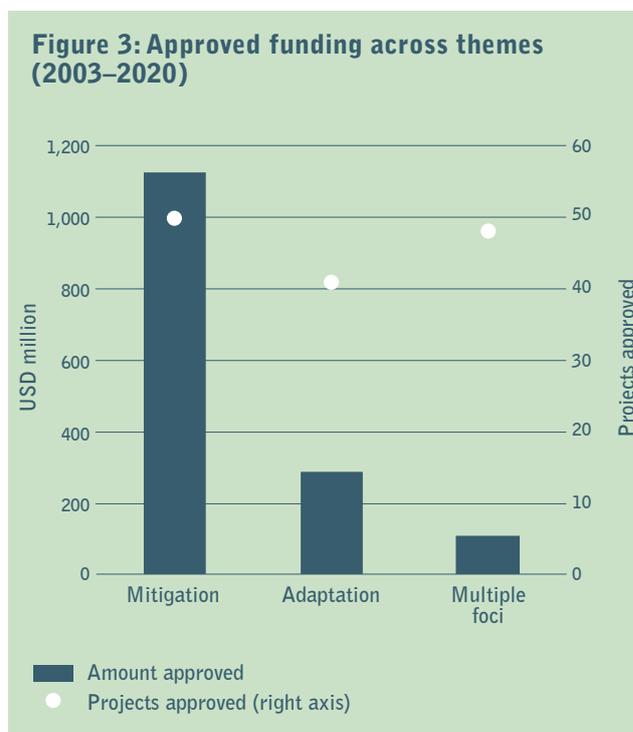
As Figure 3 and Table 2 show, 74% (USD 1.1 billion) of climate finance approved in the region is allocated to mitigation activities. This figure is largely a reflection of the CTF's nine MENA projects, with an average size of USD 92 million (the average size of the non-CTF projects in the region is USD 5.4 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 25% of approved mitigation financing in the region, despite significant adaptation needs. Several funds are implementing 41 adaptation projects in the region with an approved total of USD 290 million.

New funding approvals for the region in 2020 were modest, amounting to USD 88 million across all funding themes. The Adaptation Fund (AF) approved two new projects in Tunisia and Egypt (totaling USD 13 million) and the LDCF one project in Djibouti for ecosystem-based adaptation (USD 8.9 million). GEF-7 approved one adaptation project in Yemen (USD 16.1 million), one multiple foci project in Egypt (totaling USD 2.1 million), and two mitigation projects in Lebanon and Iraq (totaling USD 3.1 million and 3.6 million, respectively). The CTF approved one project in Egypt through its dedicated private sector programme for urban infrastructure expansion (USD 30.3million). Finally, in 2020, the GCF supported three readiness programmes in Jordan, Lebanon and Morocco.

Table 2: Approved funding across themes (2003–2020)

| Theme | Amount approved (USD millions) | Projects approved |
|---------------|--------------------------------|-------------------|
| Mitigation | 1,124.5 | 50 |
| Adaptation | 289.7 | 41 |
| Multiple foci | 109.9 | 48 |



References and further reading

Climate Funds Update: www.climatefundsupdate.org

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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. 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).
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.

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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