



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 MENA¹ 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 total² amount of finance approved is USD 1.4 billion for 103 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 445 million is in the form of grants. These grants support the majority of the projects approved. Over USD 1,001 million is provided in the form of loans or concessional loans for just a few large-scale energy infrastructure projects approved by the CTF. The top two recipients, Morocco and Egypt, respectively receive 54% and 27% of total approved climate finance in the region, while six of the countries in the region receive no climate finance from the funds monitored by CFU. Approved finance grew by USD 17.4 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).

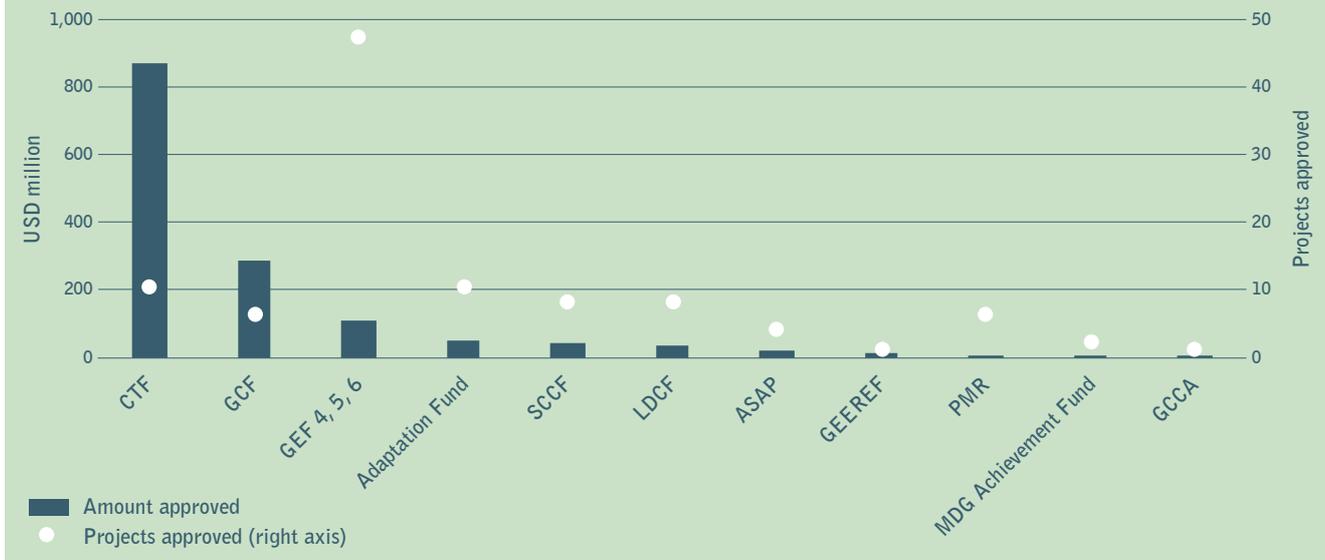
Where does climate finance come from?

There are 11 climate funds active in the region (Table 1; Figure 1). The largest contributions are from the CTF, which has approved a total of USD 865 million for seven projects in Morocco and Egypt and three 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.

Table 1: Funds supporting MENA region (2003-2018)

| Fund | Amount approved (USD millions) | Projects approved |
|---|--------------------------------|-------------------|
| Clean Technology Fund (CTF) | 864.8 | 10 |
| Green Climate Fund (GCF) | 287.8 | 6 |
| Global Environment Facility (GEF4, 5, 6) | 108.6 | 47 |
| Adaptation Fund | 48.7 | 10 |
| Special Climate Change Fund (SCCF) | 43.6 | 8 |
| Least Developed Countries Fund (LDCF) | 35.1 | 8 |
| Adaptation for Smallholder Agriculture Programme (ASAP) | 23.0 | 4 |
| Global Energy Efficiency and Renewable Energy Fund (GEEREF) | 16.6 | 1 |
| Partnership for Market Readiness | 11.0 | 6 |
| MDG Achievement Fund | 7.6 | 2 |
| Global Climate Change Alliance (GCCA) | 3.4 | 1 |

Figure 1: Funds supporting MENA region (2003-2018)



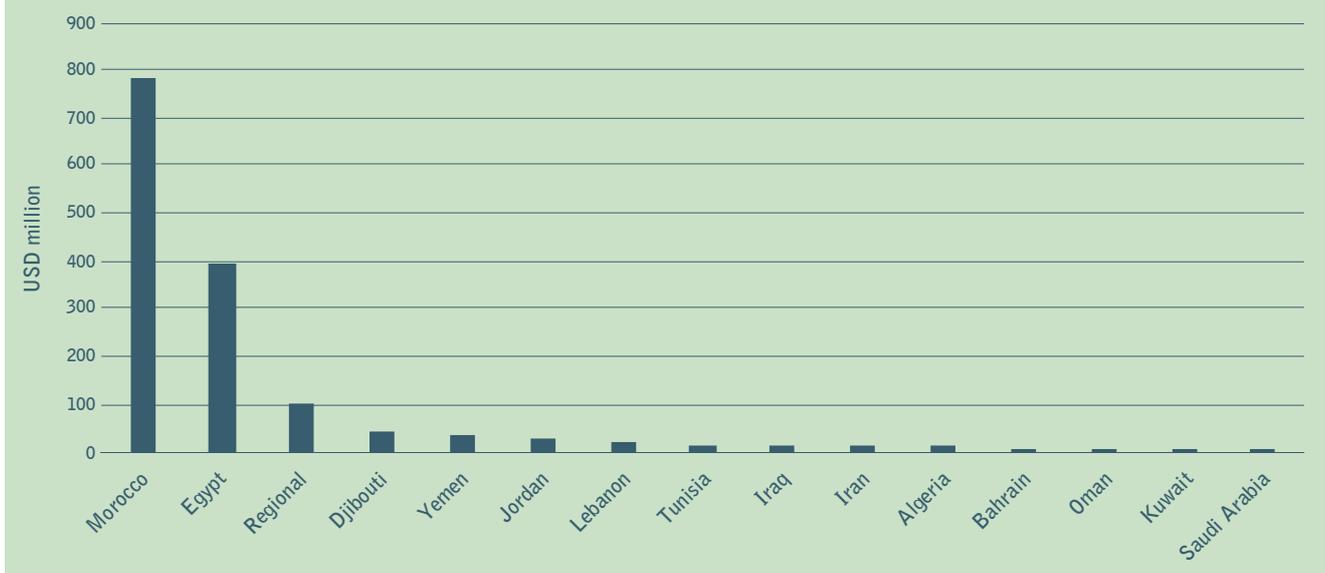
Through the GCF, three projects support Morocco (for a total of USD 99.4 million), two Egypt (with USD 186.1 million) and one in Bahrain (with USD 2.3 million). Egypt, Jordan, Morocco and Tunisia will also benefit from the USD 378 million programme for sustainable energy financing, although the portion of finance that will be allocated to each country is still unclear.

Bilateral climate finance also flows to MENA. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate funds of Germany³. Bilateral funds, however, are not tracked by Climate Funds Update 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 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 six countries not receiving climate finance include Libya and the West Bank and Gaza, which suffer from ongoing conflict, and 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.

Figure 2: Amount approved for MENA recipient countries (2003-2018)



What is being funded?

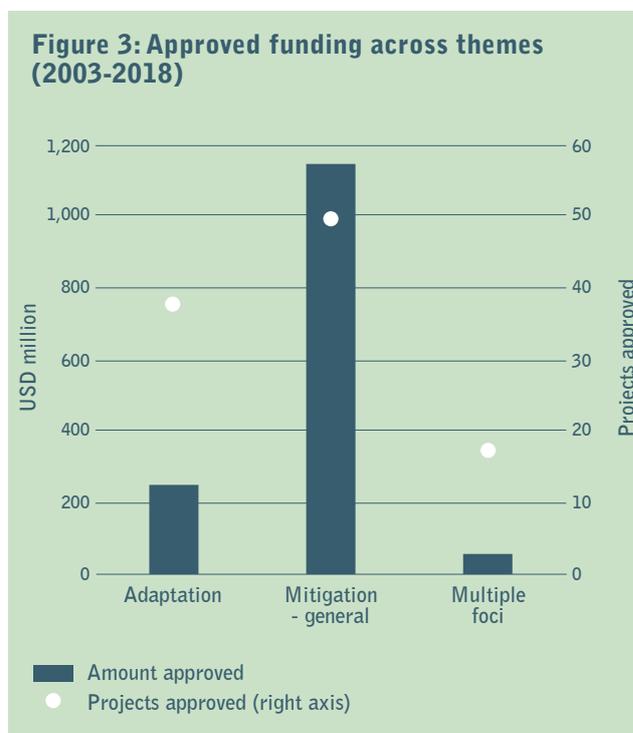
As Figure 3 and Table 2 show, 79% (over USD 1.1 billion) of climate finance approved in the region is allocated to mitigation activities. This figure is largely a reflection of the CTF's 10 MENA projects, with an average size of USD 86.5 million (the average size of the 93 non-CTF projects in the region is USD 6.2 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, 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 a less than a third the size of mitigation projects on average. Several funds are implementing 37 projects in the region with an approved total of USD 256 million. In 2018, the GCF approved one adaptation project in Bahrain, while the Adaptation Fund approved a project in Iraq and one that encompasses both Jordan and Lebanon. In 2018, MENA also saw approvals of six GEF projects. While four supported transparency and reporting to the UNFCCC, a USD 1.1 million project in Egypt will support agro-ecosystems, while a USD 0.9 million project in Djibouti will support better access to energy services through mini-grids.

Table 2: Approved funding across themes (2003-2018)

| Theme | Approved amount (USD millions) | Projects approved |
|---------------|--------------------------------|-------------------|
| Adaptation | 255.8 | 37 |
| Mitigation | 1139.7 | 49 |
| Multiple foci | 53.7 | 17 |

Figure 3: Approved funding across themes (2003-2018)



In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Clean energy project preparation facilities: mapping the global landscape.** Darius Nassiry, Sam Pickard, Shelagh Whitely and Andrew Scott from ODI provide a comprehensive mapping of the project preparation facility global landscape. The results cover 150 project preparation facilities and form the most comprehensive study of its kind to date. Available at: <https://bit.ly/2RcGuQc>
- **“Back to the Future” for GCF After Recent Bahrain Board Meeting.** Liane Schalatek from Heinrich Böll Stiftung North America goes “Back to the Future” reporting on the October 2018 Green Climate Fund board meeting and its implications. Available at: <https://bit.ly/2r5dTkj>
- **Local actors ready to act: Six proposals to improve their access to the Green Climate Fund.** Menno Bosma, Maaïke de Hon, Annelieke Douma, Daan Robben, Raju Pandit Chhetri, Titi Soentoro and Liane Schalatek, bring together Both ENDS; Heinrich Böll Stiftung North America; Aksi! for gender, social and ecological justice; and the Prakriti Resources Centre to describe six specific proposals to stimulate more and deeper debate on the crucial role local actors play in the transformative change needed to deal with global climate change. Available at: <https://bit.ly/2SdV2PH>
- **Not a Silver Bullet.** Julie-Anne Richards and Liane Schalatek look at whether insurance is fulfilling its promise and argue that in many instances it can serve as a distraction from alternative financing solutions for loss and damage. A Heinrich Böll Stiftung North America product. Available at: <https://bit.ly/2PW3aYr>
- **Financing Loss and Damage: A Look at Governance and Implementation Options.** Julie-Anne Richards and Liane Schalatek discuss categorisations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. A Heinrich Böll Stiftung North America product. Available at: <https://bit.ly/2nT55wa>
- **Radical Realism for Climate Justice.** A Civil Society Response to the Challenge of Limiting Global Warming to 1.5°C. Heinrich Böll Stiftung Berlin. Available at: <https://bit.ly/2PYfGqs>

Visit our website for more information and to contact us: ClimateFundsUpdate.org

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2018)

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Schalatek, L. et al. (2012) ‘From Ignorance to Inclusion. Gender-Responsive Multilateral Adaptation Investments in the MENA Region’. Heinrich Böll Stiftung and Gender Action.

Stadelmann, M., Frisari, G. and Rosenberg, A. (2014). San Giorgio Group Policy Brief: The Role of Public Finance in CSP – Lessons Learned. Venice: Climate Policy Initiative.

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: <http://go.worldbank.org/7UEP7ZCB0>).
2. All total figures refer to the period between 2003 and 2018.
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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