Climate Funds Update

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ODI

Climate Finance Regional Briefing: Middle East and North Africa

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Climate finance 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 1.04 billion for 83 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 307 million is in the form of grants. These grants support the majority of the projects approved. The remaining USD 733 million is provided in the form of loans or concessional loans for just six large-scale energy infrastructure projects approved by the CTF. After a 41% increase in 2014, approved finance only grew by 4.7% (USD 47 million) in the past year. Egypt and Morocco receive 81% of total approved climate finance in the region, while seven of the countries in the region receive no climate finance from the funds monitored by CFU.

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).

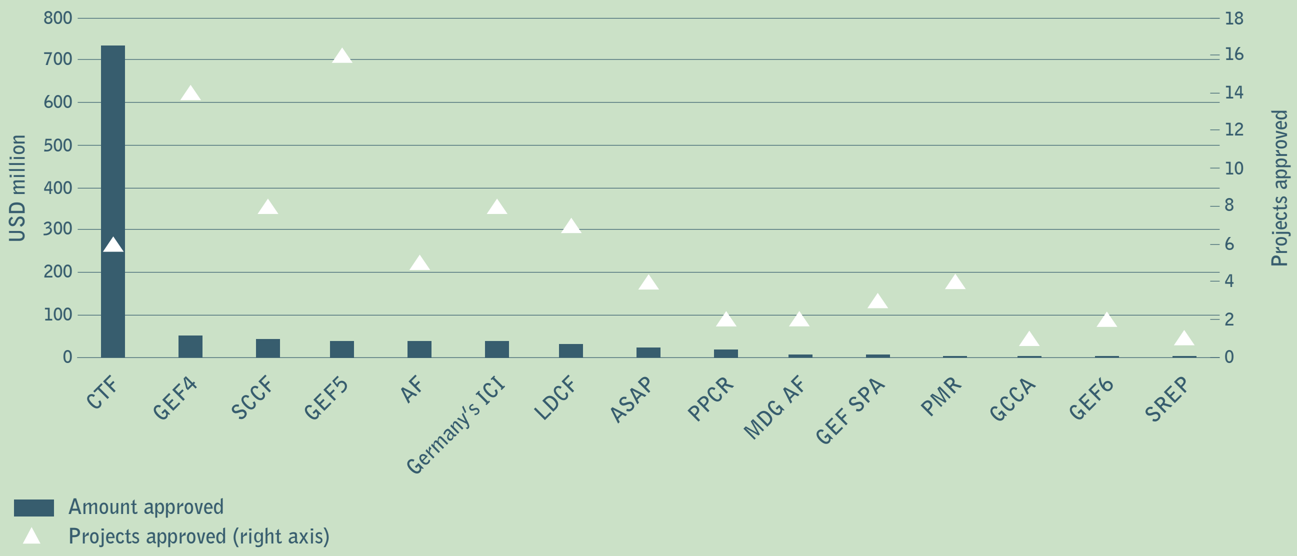
Where does climate finance come from?

There are 14 multilateral funds active in the region and one bilateral fund (Table 1; Figure 1). The largest contributions are from the CTF, which has approved a total of USD 733 million for six projects in Morocco and Egypt. Most of this finance has been made available

Table 1: Funds supporting MENA region (2003-2015)

Fund	Amount Approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	733.47	6
Global Environment Facility (GEF4)	51.57	14
Special Climate Change Fund (SCCF)	44.39	8
Global Environment Facility (GEF5)	38.66	16
Adaptation Fund (AF)	38.62	5
Germany's International Climate Initiative	37.65	8
Least Developed Countries Fund (LDCF)	30.49	7
Adaptation for Smallholder Agriculture Programme (ASAP)	23.00	4
Pilot Program for Climate Resilience (PPCR)	20.50	2
MDG Achievement Fund	7.60	2
Strategic Priority on Adaptation (SPA) (from GEF4)	6.02	3
Partnership for Market Readiness	4.05	4
Global Climate Change Alliance (GCCA)	3.36	1
Global Environment Facility (GEF6)	0.70	2
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	0.30	1

Figure 1: Funds supporting MENA region (2003-2015)



as concessional loans. An investment plan to support concentrating thermal power in the MENA region has also been approved. Bilaterally, Germany through its International Climate Initiative has also approved USD 37.65 million for eight projects in the region.

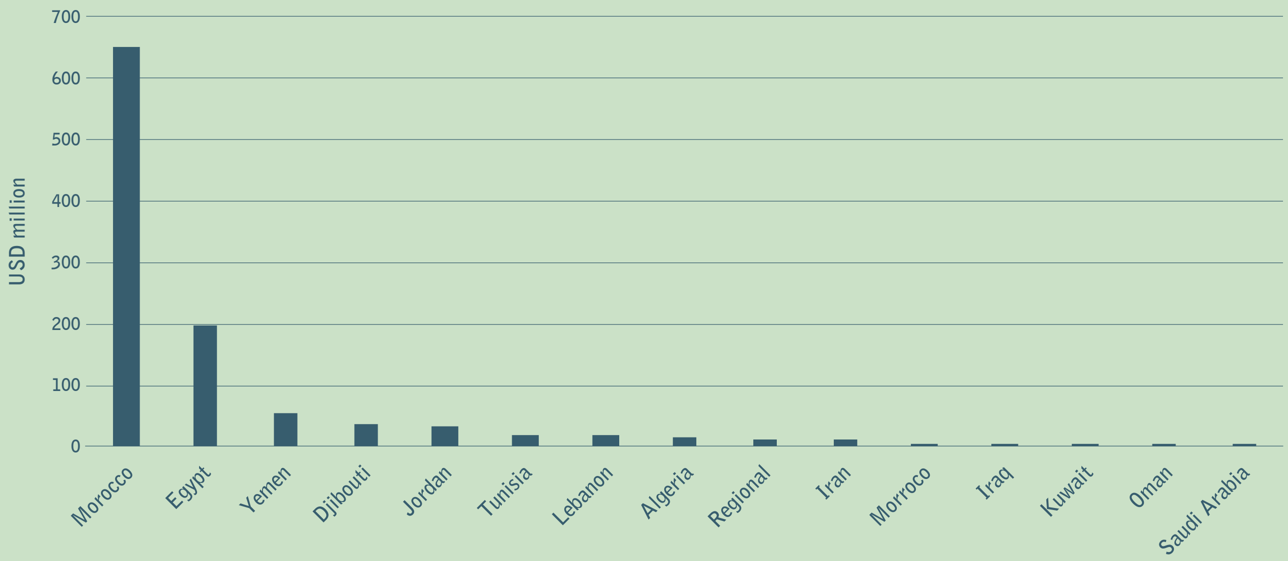
Who receives the money?

The distribution of climate finance from dedicated climate funds is concentrated in Egypt and Morocco, with total approved amounts of USD 197 million and USD 649 million, respectively. Over 96% of this finance has been for large-scale wind and Concentrated Solar Power (CSP) projects, primarily through the CTF, but USD 61.6 million has also been approved for 10 projects focused on energy efficiency, sustainable transport and small-scale solar technology. CFU data shows that of the 21 MENA countries, only 14 countries are recipients of climate finance. The seven countries not receiving climate finance include Syria and Libya, both suffering from ongoing conflict, as well as wealthy oil-producing states such as the UAE. Djibouti and Yemen, the two LDCs in MENA, have received USD 35 million and USD 52.5 million, respectively. This funding is almost exclusively for adaptation projects.

What is being funded?

As Figure 2 and Table 2 show, more than 82% (approximately USD 857 million) of climate finance approved in the region is allocated to mitigation activities. This figure is largely a reflection of the CTF's six MENA projects, with an average size of USD 122 million (the average size of the 77 non-CTF projects in the region is USD 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

Figure 2: Amount approved for MENA recipient countries (2003-2015)



project is part of a concerted push by the CTF to scale-up the deployment of CSP technology across the region. CSP is relatively untested as of yet but 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).

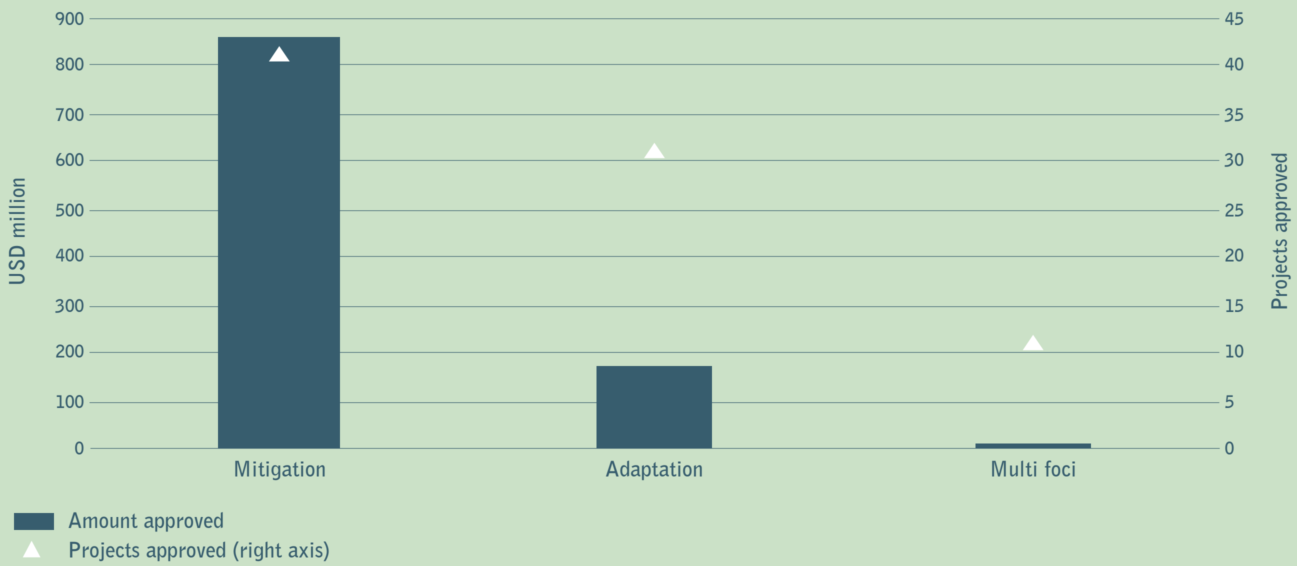
Adaptation projects in MENA are a quarter the size of mitigation projects on average. Several adaptation funds are implementing 31 projects in the region with an approved total of USD 170.6 million. An example from the past year is the USD 9.2 million Jordanian programme under the Adaptation Fund, *Increasing resilience of vulnerable communities through innovative projects in water and agriculture.* These two sectors are a clear adaptation priority for countries in this water-scarce region.

The largest adaptation project so far in MENA is funded by the Pilot Program for Climate Resilience (PPCR), which has approved a USD 19 million grant for the *Climate Information System and PPCR Coordination* project in Yemen. Implemented by the International Bank for Reconstruction and Development, the project aims to improve monitoring and assessment of climate variability and so increase capacity for climate-sensitive decision-making in vulnerable and water dependent sectors, such as agriculture. The Yemeni PPCR programme is still under development, and will eventually bring a minimum of USD 50 million in grant money to one of the poorest countries in the region. Yemen is also in the process of developing an investment plan under the Scaling-up Renewable Energy Program (SREP) of the World Bank.

Table 2: Approved and disbursed funding across themes (2003-2015)

Theme	Approved Amount (USD millions)	Projects approved
Mitigation	857.04	41
Adaptation	170.62	31
Multiple foci	12.72	11

Figure 3: Approved funding across themes (2003-2015)



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

- **Financing Intended Nationally Determined Contributions (INDCs): Enabling Implementation**. Meryln Hedger and Smita Nakhooda analyse the current and potential role for finance in INDCs published to date (October 2015).
  Available at: **http://bit.ly/1PzzKqc**
- **Climate Finance for Cities: How can climate funds best support low-carbon and climate resilient urban development?** Sam Barnard reviews the approaches taken by multilateral climate funds to support climate action in cities (June 2015).
  Available at: **http://bit.ly/1eTq23L**
- **What counts: tools to help define and understand progress towards the $100 billion climate finance commitment.** With Paul Bodnar, Jessica Brown, ODI's Smita Nakhooda, layout five simple tools to consider what should count to the 2020 target (August 2015).
  Available at: **http://bit.ly/1PzzQ0Y**
- **10 things to know about climate change and financing for development.** Smita Nakhooda and Charlene Watson highlight what you need to know about climate change and development finance (July 2015).
  Available at: **http://bit.ly/1RuUVgr**
- **From Innovative Mandate to Meaningful Implementation: Ensuring Gender-Responsive Green Climate Fund Projects and Programmes.** Liane Schalatek looks at the potential for the GCF to support gender responsive climate action (November 2015).
  Available at: **http://bit.ly/1HtEyMB**

Contact us for more information at **info@climatefundsupdate.org**

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in November 2015)

IPCC (2014). Climate Change 2014: Impacts, Adaptation and Vulnerability.

Nakhooda, S. et al. (2011) 'Regional briefing: Middle East & North Africa' Climate Finance Fundamentals series. Overseas Development Institute and Heinrich Böll Stiftung.

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/7UEP77ZCB0).
2. All total figures refer to the period between 2003 and 2015.

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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