Climate Funds Update

HEINRICH BÖLL STIFTUNG NORTH AMERICA

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 96 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 452 million is in the form of grants. These grants support the majority of the projects approved. 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. The top two recipients, Morocco and Egypt, respectively receive 54% and 27% 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. Approved finance grew by USD 114 million in the past year.

Introduction

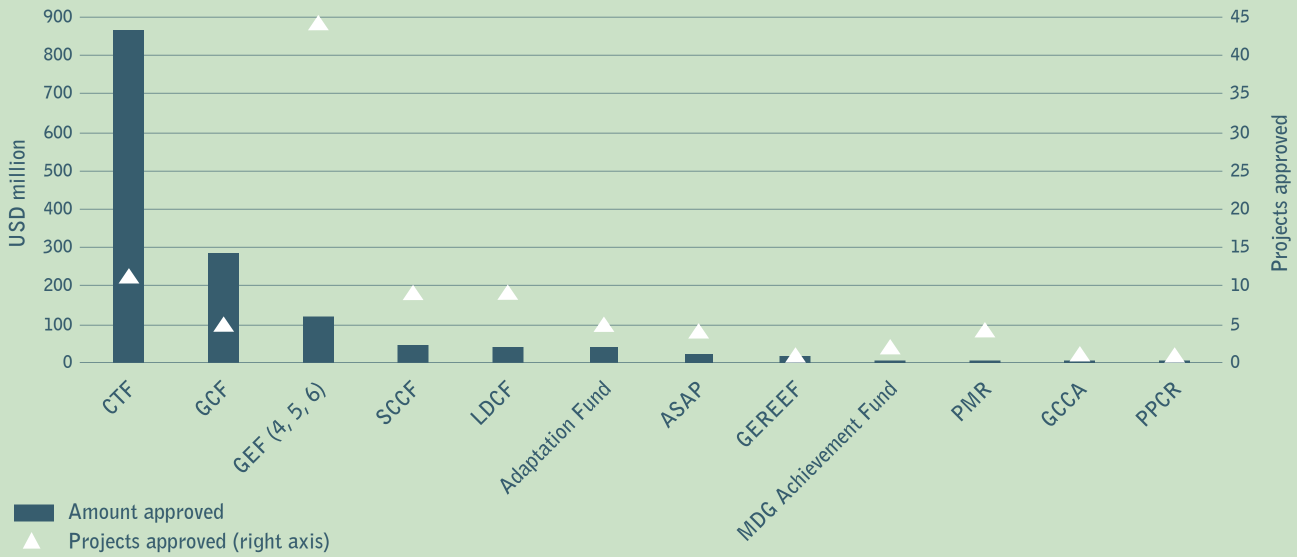
The countries of the Middle East and North Africa (MENA) are highly vulnerable to climate change, which is likely to compound persisting development challenges. The MENA region is already the most water scarce region in the world and has to import more than half of its food. The IPCC predicts that climate 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).

Table 1: Funds supporting MENA region (2003-2017)

Fund	Amount Approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	865.80	11
Green Climate Fund (GCF)	286.50	5
Global Environment Facility (GEF4, 5, 6)	119.46	44
Special Climate Change Fund (SCCF)	48.01	9
Least Developed Countries Fund (LDCF)	39.64	9
Adaptation Fund (AF)	38.62	5
Adaptation for Smallholder Agriculture Programme (ASAP)	23.00	4
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	16.60	1
MDG Achievement Fund	7.60	2
Partnership for Market Readiness	4.05	4
Global Climate Change Alliance (GCCA)	3.36	1
Pilot Programme for Climate and Resilience (PPCR)	1.59	1

Figure 1: Funds supporting MENA region (2003-2017)



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 866 million for eleven 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.

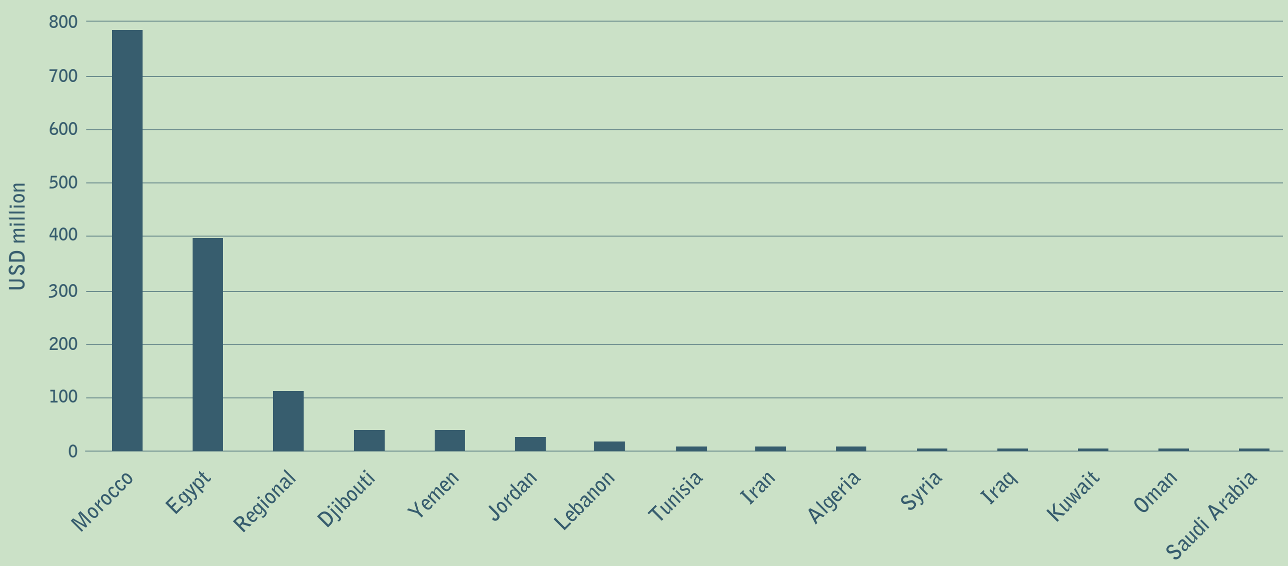
Through the GCF, three projects support Morocco (for a total of USD 100.5 million) and two Egypt (with USD 186.1 million). Egypt, Jordan, Morocco and Tunisia will also benefit from the USD 378 million programme for sustainable energy financing, although the portion of finance that will be allocated to 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 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.

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 (Figure 2). While 69% of MENA's climate finance has been for large-scale wind and Concentrated Solar Power (CSP) projects, primarily through the CTF, USD 405 million has also been approved for 78 projects focused on energy efficiency, sustainable transport and sustainable agriculture. CFU data shows that of the 21 MENA countries, only 14 countries are recipients of climate finance. The seven countries not receiving climate finance

Figure 2: Amount approved for MENA recipient countries (2003-2017)

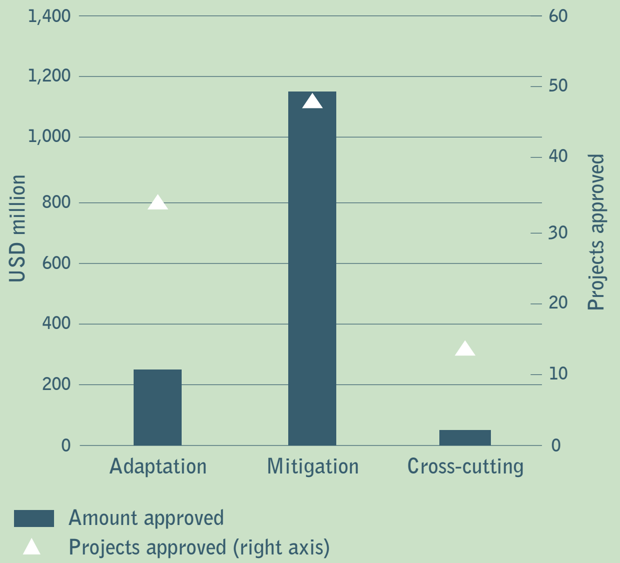


include Libya and the West Bank and Gaza, which suffer from ongoing conflict, and wealthy oil-producing states such as the UAE. Djibouti and Yemen, the two LDCs in MENA, have together received USD 40 million. This funding is almost exclusively for adaptation projects.

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 11 MENA projects, with an average size of USD 79 million (the average size of the 90 non-CTF projects in the region is USD 4.7 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.

Figure 3: Approved funding across themes (2003-2017)



Adaptation projects in MENA are less than a quarter the size of mitigation projects on average. Several funds are implementing 34 projects in the region with an approved total of USD 255 million. In 2017, the GCF has approved three adaptation projects in MENA (and one mitigation project). Two of the three adaptation projects approved in 2017 in the region are in Morocco, aimed at improving water conservation and irrigation for agriculture. Another one focuses on coastal management in the Egyptian Niger Delta. At a combined value of USD 132 million in GCF support these projects account for 52% of adaptation investment made thus far in MENA.

Table 2: Approved funding across themes (2003-2017)

Theme	Approved Amount (USD millions)	Projects approved
Adaptation	254.96	34
Mitigation	1147.80	48
Cross-cutting	51.47	14

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

- **Six development finance proposals to expand climate investment**. Ilmi Granoff, Darius Nassiry, Neil Bird, Chris Humphrey, Paddy Carter, Alberto Lemma and Annalisa Prizzon describe six promising finance proposals to support greater ambition for low-carbon development. Available at: **http://bit.ly/2n4VLm8**
- **Budgeting for NDC action: initial lessons from four climate-vulnerable countries**. Neil Bird examines the evidence of resourcing NDC policies and actions in four sub-Saharan African countries; Ethiopia, Ghana, Kenya and Uganda. Available at: **http://bit.ly/2EtPkWC**
- **Resource Guide for NDC Finance**. James Rawlins with Matthew Halstead and Charlene Watson present a selection of resources on financing nationally determined contributions (NDCs). Available at: **http://bit.ly/2EbuPKU**
- **Financing our shared future: navigating the humanitarian, development and climate finance agendas**. Charlene Watson outlines what we know about the financing targets and needs, where there is agreement between the agendas on financing issues and where tensions may emerge. Available at: **http://bit.ly/2FTADcD**
- **Promoting Rights-Based Climate Finance for People and the Planet.** A joint discussion paper by hbs and the OHCHR's Right to Development Division outline how existing climate financing mechanisms, including the GCF as a case study, can strengthen their integration of human rights considerations. Available at: **http://bit.ly/2nQPsFq**
- **Financing Loss and Damage: A Look at Governance and Implementation Options.** Julie-Anne Richards and Liane Schalatek discuss categorizations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. Available at: **http://bit.ly/2nT55wa**
- **Contracts for Sustainable Infrastructure.** In this joint publication by hbs and IISD, Martin Dietrich Brauch outlines how public private partnership (PPP) contracts need to be constructed to ensure the economic, social and environmental and climate co-benefits of infrastructure investments. Available at: **http://bit.ly/2nQNBjQ**

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

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2017)

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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/7UEP77ZCB0).
2. All total figures refer to the period between 2003 and 2017.
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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