Climate Funds Update

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ODI

Climate Finance Regional Briefing: Middle East and North Africa

Climate Finance Fundamentals 9

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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 1.2 billion for 94 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 375 million is in the form of grants. These grants support the majority of the projects approved. Over USD 800 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 59% and 18% 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 52 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).

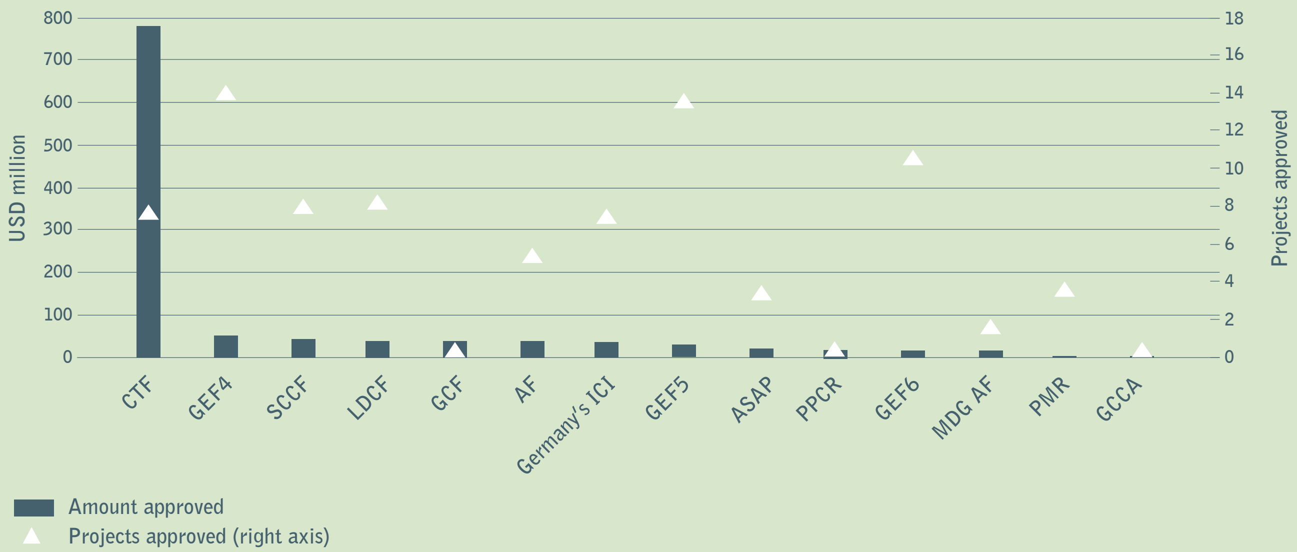
Where does climate finance come from?

There are 15 climate funds active in the region (Table 1; Figure 1). The largest contributions are from the CTF, which has approved a total of USD 816 million for six projects in Morocco and Egypt and three regional

Table 1: Funds supporting MENA region (2003-2016)

Fund	Amount Approved (USD millions)	Projects approved
Clean Technology Fund (CTF)	816.05	9
Global Environment Facility (GEF4)	55.57	15
Special Climate Change Fund (SCCF)	48.01	9
Global Environment Facility (GEF5)	31.85	14
Adaptation Fund (AF)	38.62	5
Germany's International Climate Initiative	37.65	8
Least Developed Countries Fund (LDCF)	39.64	9
Green Climate Fund (GCF)	39.30	1
Adaptation for Smallholder Agriculture Programme (ASAP)	23.00	4
Pilot Program for Climate Resilience (PPCR)	19.00	1
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)	13.99	11

Figure 1: Funds supporting MENA region (2003-2016)



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. Bilaterally, Germany through its International Climate Initiative has also approved USD 37.65 million for eight projects in the region.

Through the GCF, Egypt, Jordan, Morocco and Tunisia will also benefit from a recently approved ten country, USD 378 million programme for sustainable energy financing, although the portion of finance that will be allocated to each country is still unclear.

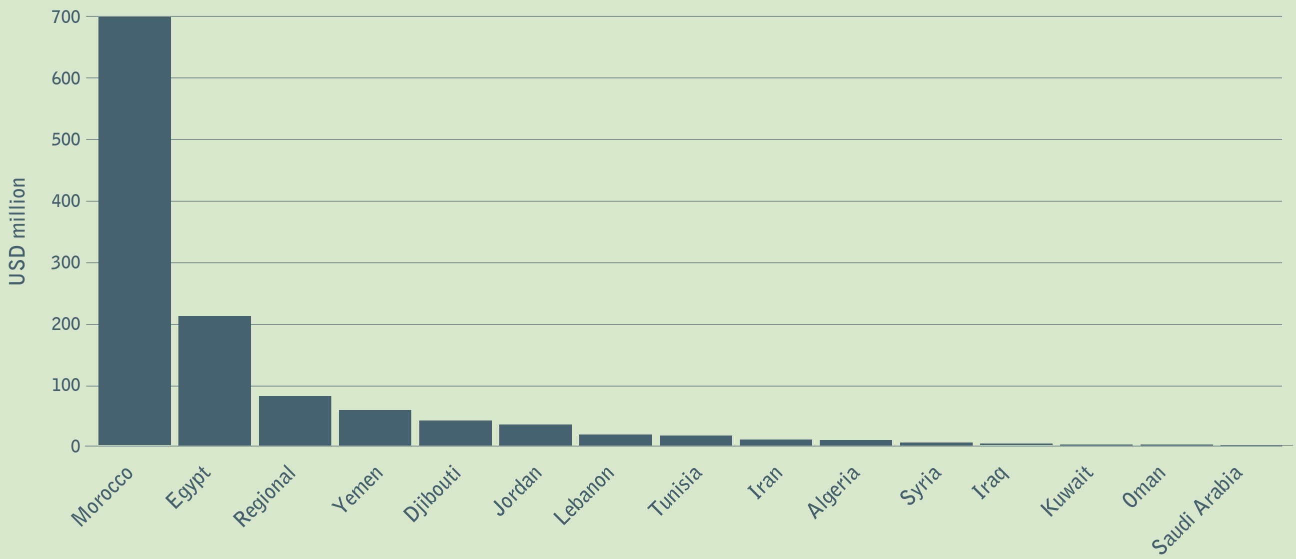
Who receives the money?

The distribution of climate finance from dedicated climate funds is concentrated in Morocco and Egypt, with total approved amounts of USD 671 million and USD 210 million, respectively. Over 84% of this finance has been for large-scale wind and Concentrated Solar Power (CSP) projects, primarily through the CTF, but USD 137 million has also been approved for 29 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 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 received USD 40 million and USD 57 million, respectively. This funding is almost exclusively for adaptation projects.

What is being funded?

As Figure 2 and Table 2 show, more than 83% (approximately USD 950 million) of climate finance approved in the region is allocated to mitigation

Figure 2: Amount approved for MENA recipient countries (2003-2016)



activities. This figure is largely a reflection of the CTF's nine MENA projects, with an average size of USD 90 million (the average size of the 83 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 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).

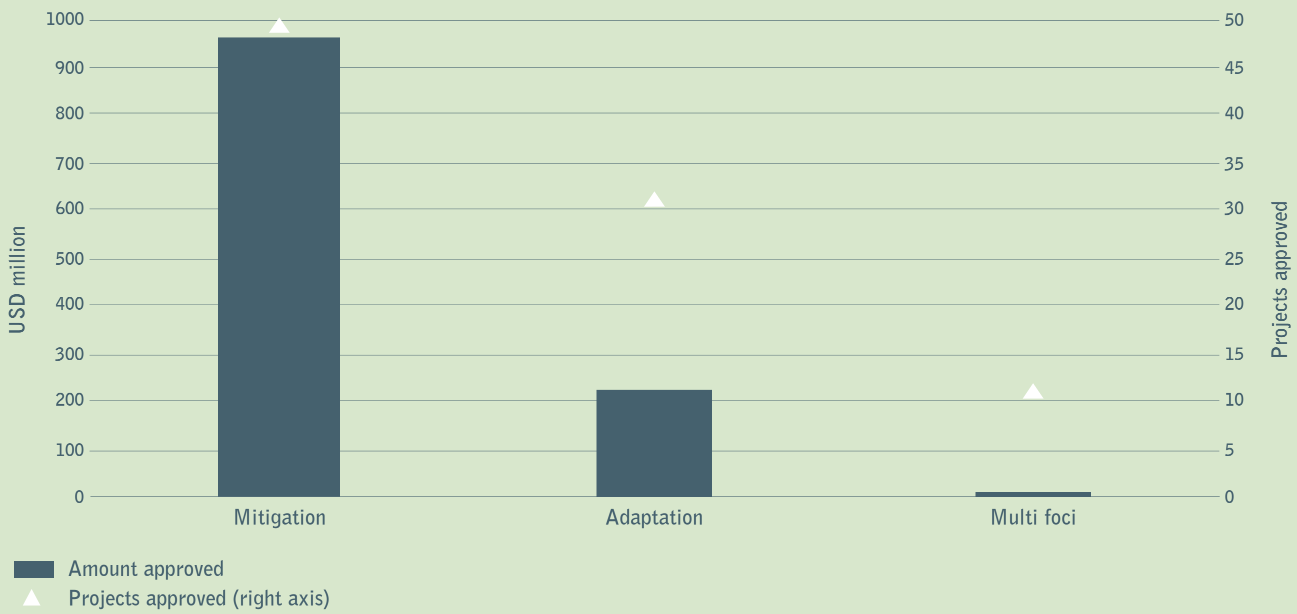
Adaptation projects in MENA are a less than a quarter the size of mitigation projects on average. Several adaptation funds are implementing 30 projects in the region with an approved total of USD 176 million. An example from the past year is a USD 5 million programme in Djibouti under the Least Developed Countries Fund, *Rural Livelihoods' Adaptation to Climate Change in the Horn of Africa*. The programme aims to improve the climate resilience of pastoral and agro-pastoral communities, a key adaptation priority in this water-scare region.

The GCF has also approved its first project for the region, a USD 39.8 million investment in sustainable argan orchards in Morocco. This multiple foci project doubles the largest single adaptation investment made thus far in MENA through the Pilot Program for Climate Resilience (PPCR) in Yemen and might be a precursor of more finance for adaptation activities. Still under development, the Yemeni PPCR project will eventually bring a minimum of USD 50 million in grant money to one of the poorest countries in the region. The political situation and security risks in Yemen, however, has affected both the implementation of the project and disbursements. 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 funding across themes (2003-2016)

Theme	Approved Amount (USD millions)	Projects approved
Mitigation	949.44	50
Adaptation	175.87	30
Multiple foci	52.39	13

Figure 3: Approved funding across themes (2003-2016)



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

- **Adaptation finance and the infrastructure agenda**. Smita Nakhooda and Charlene Watson review international efforts to support adaptation and their linkages with efforts to mobilise new finance for infrastructure. Available at: **http://bit.ly/2dMu8P3**
- **The AIIB and investment in action on climate change**. Darius Nassiry and Smita Nakhooda explore how the AIIB can expand markets for solar, wind and grid technologies, and extend China's leadership in the region in a manner consistent with the commitments to take ambitious action on climate change made by its member countries and prospective member countries as signatories to the Paris Agreement. Available at: http://bit.ly/2fk5Exe
- **Financing sustainable development: The critical role of risk and resilience**. Charlene Watson and Jan Kellett make the case that better risk management and the building of resilience are imperative for sustainable development. Available at: **http://bit.ly/2efIUtX**
- **Mutually Reinforcing: Climate Justice, Equitable Climate Finance and the Right to Development**. Liane Schalatek explores the ramifications of the right to development as an inalienable human right for the global challenge of climate change more broadly and more specifically for the concept of climate justice and its application to climate finance provision. Available at: **http://bit.ly/2eWfuRw**
- **In Search of Policy Coherence: Aligning OECD Infrastructure Advice with Sustainable Development.** Motoko Aizawa and Waleria Schuele discuss the privileged relationship of the OECD with the G20 in acting as a powerful voice on policy related to infrastructure investment and development globally and call for the OECD to use its political clout to demonstrate full policy coherence for investment in sustainable development. Available at: **http://bit.ly/1YeHkeE**

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

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in October 2016)

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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 2016.

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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