

# **CAMENA**

## **CLIMATE ACTION IN THE MIDDLE EAST AND NORTH AFRICA**





Tunisia Gafsa basin

The European Investment Bank (EIB) has been an active partner to Southern Mediterranean countries since 1979. In this period, the Bank has financed hundreds of investments across the region, in recent years focusing mostly on climate action and environmental sustainability.



**Ricardo Mourinho Félix**  
EIB Vice-President

The economies of Middle Eastern and North African countries have growth potential, which could benefit their growing populations. They face challenges, however, in several areas, such as urban infrastructure, water and sanitation and clean energy. Investment in climate action presents an opportunity for these countries to build sustainable infrastructure. By creating CAMENA, a dedicated part of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) Trust Fund, the EIB and the United Kingdom have been able to make real progress in improving lives and contributing to the United Nations' Sustainable Development Goals (SDGs).

The EIB's trust funds, which are agreements between the Bank and one or more donors, help flow donor funds to projects with a genuine developmental impact. In the Middle East and North Africa, the EIB focuses its efforts on private sector development and climate action, two goals that are increasingly intertwined. CAMENA's vital support for project preparation and implementation makes climate action projects less risky and therefore more attractive to the EIB and other investors. Technical assistance from CAMENA has supported EIB financing for five vital projects across the region (see the projects section), notably in the water sector.

**The FEMIP Trust Fund, established in 2004 and managed by the European Investment Bank, is a multidonor, multipurpose and multisector fund whose main objective is to support the European Union's Mediterranean partner countries. The trust fund focuses on four priority areas:**

- **finance for small businesses and mid-caps;**
- **infrastructure, including projects in the transport, energy and water sectors (including through the dedicated Gaza Envelope);**
- **environment, including support for climate change projects through CAMENA;**
- **Research, development and innovation, and human capital.**

**By the end of 2020,  
19 donors had  
contributed  
€63 million  
to the fund**

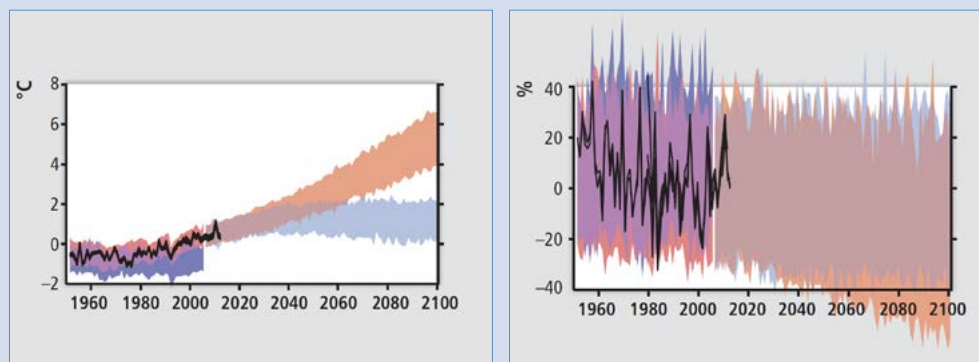
# CAMENA OVERVIEW

**Climate Action in the Middle East and North Africa (CAMENA) is a financial facility providing support to the region's sustainable growth and its efforts to combat climate change.** The facility was established in 2014 by the European Investment Bank and the United Kingdom. CAMENA provides technical assistance to help prepare and implement projects, which increases their chances of getting financing from international institutions active in the region, like the European Investment Bank. Projects supported by CAMENA are expected to improve thousands of lives in the region.

## CLIMATE STRESS

The Middle East and North Africa region is already one of the most water-stressed areas in the world, with summer temperatures exceeding 40 degrees Celsius. CAMENA was created in part to address the problems raised in the 5th Assessment Report (AR5) by the Intergovernmental Panel on Climate Change (IPCC) <sup>1</sup> on the effects of rising temperatures and lower rainfall in the region.

### The Arab Maghreb Union



Source: IPCC 5th Assessment Report.

■ High emissions scenario

■ Emissions consistent with 2 degrees warming pathway

Investment in projects dealing with water, sanitation, transport, renewable energy and energy efficiency is essential for Mediterranean countries to meet the challenges of climate change. CAMENA encourages this investment in several ways: it facilitates project preparation and implementation; it expands the capacity and capabilities of project promoters; and it mobilises public and private-sector finance.

<sup>1</sup> AR5 Climate Change 2014: Impacts, Adaptation, and Vulnerability — IPCC

With a budget of £11 million, CAMENA has supported projects in Egypt, Palestine, Jordan, Lebanon, Morocco and Tunisia. These projects have contributed to the achievement of the following Sustainable Development Goals:



Improved sanitation, safe drinking water and reduced drought risk for **105 000 people** in Jordan

Improved wastewater treatment and sewerage services for **150 000 people** in Southern Lebanon



**22 000 jobs** created through the construction of new facilities

\* The EIB's negotiations for an agreement with Libya are on hold. Following EU sanctions in November 2011, the EIB suspended all activity in Syria.

\*\* This shall not be construed as recognition of a state of Palestine and is without prejudice to the positions of each EU country.

# PROJECTS SUPPORTED BY CAMENA

## SUSTAINABLE TRANSPORT

- Feasibility study for a rail connection between Melloussa and Tetouan in Morocco.
- Research into the feasibility of using stored solar energy for passenger and freight trains in Tunisia.
- Feasibility study for the rehabilitation and upgrade of the railway line between Kasserine and Kairouan in Tunisia.
- Feasibility study for the enhancement and reopening of the Kalaa Sghira–Khazzazia–Kairouan rail link.

## WATER PROJECTS

- Technical studies for water supplies in north east Ramallah, in Palestine.
- Preparation of the construction of renewable energy facilities to power a desalination plant in Gaza, Palestine.
- A technical assistance programme helping to implement €45 million in EIB financing for wastewater projects in Sidon and Tyre, in southern Lebanon.
- Guidance for the best ways to manage water in Tunisia's Gafsa basin, where water supplies are under severe threat from pollution and climate change.
- Upgrade of water infrastructure and wastewater collection and treatment in Bani Kenanah, Jordan.
- Finance for the feasibility study and support for a tender that catalysed €120 million in EIB financing for the extension of the wastewater treatment plant in west Alexandria, Egypt.
- An EIB investment of €65 million in water and sanitation in Deir Alla and Al-Karameh, Jordan, following technical assistance for project preparation.
- Studies into upgrades for wastewater collection and treatment in Saida, Lebanon, and into cutting coastal pollution.
- Help for smaller companies and local authorities in Morocco to invest in small-scale water efficiency and water resource protection projects in the private sector.

## REGIONAL

- Nationally Appropriate Mitigation Actions: a €280 000 study into establishing bankable projects in Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia – with the aim of reducing greenhouse gas emissions.
- Green for Growth Fund (GGF).

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Projects with EIB financing




### NEW RAIL CONNECTION IN MOROCCO

A €550 000 grant from CAMENA helped finance a feasibility study into a €600 million railway line between Tetouan and Melloussa in Morocco. If built, the railway line will link Greater Tetouan with Tangier and the country's existing rail network. The project is expected to shift about 30% of travellers in the transport corridor (30 000 daily passengers) to rail, with benefits such as reduced carbon emissions.









**Improved  
sanitation for up to  
1.5 million people  
in Egypt**

## **IMPROVING WASTEWATER TREATMENT IN ALEXANDRIA, EGYPT**

Rapid population growth has put a strain on water infrastructure in Alexandria, Egypt's second largest city. CAMENA is supporting an extensive upgrade to the Alexandria West Wastewater Treatment Plant, one of the two main plants serving the city. The plant, which was built in the 1990s, serves 1.5 million people and is running close to full capacity. Discharge of partially treated sewage from the plant has contributed to the deterioration of nearby Lake Maryut, one of the most polluted lakes in Egypt. The flow of nutrients into the nearby El-Mex bay, meanwhile, poses serious health, economic and environmental risks for millions of people.

By comprehensively upgrading the water treatment facilities, the project is expected to improve the economic and health conditions of vulnerable fishing communities in the area. It will significantly reduce emissions of methane, one of the more potent greenhouse gases, while also providing an additional source of water in areas that lack such resources.

In October 2018, the EIB approved a €120 million loan and grant to help expand the wastewater plant's capacity and to upgrade treatment. Works are due to start in 2022 and should take about two years. A digester, a vessel that is used for chemical or biological reactions, should help generate 80% of the energy needed to run the plant.

CAMENA has provided almost €400 000 worth of technical assistance for the project, helping finance a comprehensive feasibility study (technical, economic, financial) and the assessment of the project's environmental and social impacts, as well as offering advice on social and governance issues. CAMENA also provided advice on climate change adaptation and mitigation measures.

## **GREEN FOR GROWTH FUND**

The Green for Growth Fund (GGF) uses seed money from European governments to reduce the risk of renewable energy and energy efficiency projects in less-developed markets. The fund was established in 2009 and initially focused on the Western Balkans. The EIB contributed €100 million into the fund, of which €25 million has gone to the Middle East and North Africa region. CAMENA's €4 million contribution to the fund has helped expand its activity in the Middle East and North Africa, supporting €149 million in investments (25% of the total fund portfolio). These projects are saving more than 600 000 MWh/year in energy consumption in the region and are helping to reduce carbon emissions by more than 135 000 tonnes/year.

### **INTERVIEW WITH BORISLAV KOSTADINOV,** fund director at Finance in Motion, adviser to the GGF

#### **What are the main challenges to obtaining finance for climate action projects in the Middle East and North Africa?**

The main challenge is that investors perceive it as a high-risk region. The credit enhancement provided by CAMENA has contributed to overcoming this perception. The investment of €4 million, the first to specifically target the region, had a catalytic effect, enabling the GGF to leverage and scale-up its green investments in these countries. The GGF investment portfolio has benefited significantly from the greater geographical diversification, which has allowed us to attract further investors.

#### **What drew you to those regions, and how exactly can the GGF get projects off the ground?**

The Middle East and North Africa met a number of our criteria. The region's financial sector was at an early stage of development for energy efficiency and renewable energy finance, and there was significant potential for directly financing renewable energy projects. While willing to invest, the region's financial sector – especially smaller institutions – has difficulty attracting international funding. In this context, we close the gap by providing the funding for such investments and, thanks to donors, technical assistance, which is key to building capacity in the financial sector, transferring expertise and providing tailored support to mid-scale projects that otherwise could not access funding.



**Live Love Recycle, a startup in Beirut, has created the world's first crowdsourced platform based on a mobile application that links together all the steps in the recycling process. The company offers a cheap, efficient and reliable recycling collection to more than 20 000 people in Beirut.**



### **Why do you think you have been successful?**

Many sponsors prefer to develop, construct and operate renewable energy projects using a non-recourse, project finance approach<sup>2</sup>. This is less risky for their balance sheets, but emerging markets typically lack access to this important source of capital. GGF provides this type of financing, which complements the local financing landscape, and we aim to support projects that would otherwise not be developed. These projects reduce the cost of energy to end users, and ensure governments are successful in reaching their renewable energy goals. Many of our projects are the first large-scale, renewable energy transactions done with non-recourse project finance in these countries, and they provide important signalling effects to others.


### **Did you adjust your approach due to the COVID-19 pandemic?**

The GGF's technical assistance facility has established the Crisis Response Programme of GGF to assist the fund's partners in this tumultuous period. The programme aims to protect our partners' ongoing and future green lending activities by building their crisis management capacities, as well as facilitating remote and in-the-field support for crisis management measures. For example, one of the crisis programme beneficiaries in Tunisia, Tunisie Leasing and Factoring, received support in digitalising its environmental and social management system. The system is helping staff assess clients' environmental and social risks.

<sup>2</sup> Non-recourse finance is a type of commercial lending that entitles the lender to repayment only from the profits of the project the loan is funding and not from any other assets of the borrower.



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