

— North Africa

Regional Strategy 2021-2025



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Between 2017 and 2019, the Agence Française de Développement (AFD) reorganised its network around seventeen Regional Offices – six of which come under the Africa Department – with the twofold purpose of devolving decision-making to local offices and agencies and pooling competences. Set up in September 2019, the North Africa Regional Office covers five countries: Morocco, Algeria, Tunisia, Libya and Egypt. The mission of the Regional Office is to steer and support the implementation of the Group's strategy at the regional level, with the teams of AFD, Proparco – the Group's private-sector financing arm – and Expertise France, the French agency for international technical cooperation, and in conjunction with the French embassies in the countries of the region.

This strategy was prepared following broad-based internal and external consultations and exchanges with AFD's supervisory administrations (Ministry for Europe and Foreign Affairs, Ministry for the Economy and Finance) and our partners and main interlocutors in France and the countries of the region. This exercise, carried out for the first time, will cover the period 2021–2025 and complements the country strategies which will translate the guidelines to align with local challenges.

North Africa is an interface between Europe and Africa. As the Mediterranean facade of the African continent, the region is a historic crossroads for civilisations and naturally connected to the rest of the world. Today, the major challenges facing it with respect to development and structural change have understandably been amplified by the historic crisis that is sweeping the world. This strategy aims to position AFD Group's action as a support for building new environmental and social balances for this space, which has deep-rooted ties to Europe and France.

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1.

**NORTH AFRICA: A REGION
WITH UNIQUE TIES TO EUROPE
AND FRANCE, AND FACING MAJOR
TRANSFORMATION CHALLENGES**

1.1. THE CONJUNCTION OF POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL TRANSITIONS

Geographically African, Arab but also Berber,¹ North Africa is also characterised by a very strong Mediterranean identity. Both historically and culturally, its position has made it a **crossroads between several continents and a space of human mobilities** that are still ongoing today. For example, it is estimated that over 15 million people circulate each year between France and the North African countries. Although the region shares many specific features, it presents diverse political contexts and, in Libya, a situation of open conflict.

Thanks to an enabling economic environment and oil prices that were particularly elevated during the 2000s, the region has **consolidated its position among the continent's most industrialised countries**,² mainly as a result of proactive public policies. The region's GDP accounted for 28% of African GDP³ in 2019. These years made it possible to develop infrastructure and finance major structuring projects. The deployment of redistributive policies has led to one of the lowest poverty rates on the continent – 2% in 2017, which is 20 times lower than the average rate in Africa (38%)⁴ – and to relatively high rates of access to basic services:⁵ for example, regional electricity access rates are nearly 100%.⁶

Yet, these improved living conditions and robust economic performances have not been enough to overcome the **challenges of the economic and social development models** in these countries. North Africa is distinct in that it is facing a **conjunction of political, economic, social and environmental changes**. Although the region's economies differ, North African countries share similar socioeconomic characteristics and fragilities: particularly high unemployment rates (11.6% in the region and 30.6% for young people aged 15–24 in 2019⁷), a very high urbanisation rate⁸ and gender inequalities as indicated by women's low par-

ticipation in the labour market (only 29%, the lowest rate in Africa in 2017⁹). External shocks on what are sometimes weakly diversified economies, particularly in Algeria and Libya, as well as elevated levels of public indebtedness in some countries (in North Africa, public debt reached 72% of GDP in 2019, the highest level in Africa¹⁰) are exerting increasing pressures on the socioeconomic models.

The region is also facing a dual **demographic challenge**. On the one hand, a more educated, mobilised and connected youth are questioning their relationship to the state and their place in society, which is a sign of generational renewal. On the other hand, the demographic profile (3 children per woman in 2017¹¹ but, in some countries, a completed demographic transition), coupled with a low labour force participation rate (46% in 2019),¹² raises challenges for setting up and financing the social safety nets needed to reduce inequalities and integrate the aging of the population.¹³

Even though poverty rates in North Africa remain low compared to the rest of Africa, **many inequalities persist in the region**, where the average HDI score (0.685) is lower than that for the Middle East and North Africa region (MENA) as a whole (0.703). Access to decent employment, education, health, basic services and resources is unequal and varies greatly depending on gender, territory and age. These inequalities have been exacerbated by the socioeconomic consequences of the global Covid-19 pandemic, particularly for informal workers, who represent 67.3% of total employment in North Africa.¹⁴ The repercussions of the pandemic, especially on employment and livelihoods, have also foregrounded the issue of food security and nutrition in a region that has to tackle the combined effects of demographic growth, fast-paced urbanisation and the impacts of climate change. The pandemic has also revealed the importance

¹ North Africa accounts for 56% of the population in the Arab world. Far more than the Near East and Yemen (26%), the Arabian Peninsula (14%), Somalia, Djibouti and the Comoros (4%). Source: Y. Courbage, iReMMO-AFD study, 2019.

² Algeria, Morocco and Egypt are among the continent's largest economies. AFD, *L'économie africaine 2020*, La Découverte, Paris, 2020.

³ That is, USD 666 billion in 2019. Source: IMF/WEO, 2020.

⁴ At the poverty line of USD 1.9 per day. Source: World Bank, 2017.

⁵ This is shown by a life expectancy (72.5 years) that is higher than the continent's average (57.5 years) and a low Gini coefficient averaging 34, which is relatively close to the European average of 32. See AFD, *L'économie africaine 2020*, La Découverte, Paris, 2020.

⁶ Electricity access rate in North Africa is 99% compared to 40% for the continent. Source: World Bank/WDI.

⁷ World Bank, 2020.

⁸ 56% of North Africa's population live in urban areas, which is one out of two people. The region also has very high population densities, particularly in the Nile Delta, Egypt, with 15,000 to 30,000 inhabitants per km². Sources: AFD, *L'économie africaine 2020*, La Découverte, Paris, 2020 and World Bank.

⁹ World Bank, 2017.

¹⁰ IMF, 2019.

¹¹ World Bank, 2017.

¹² World Bank, 2019.

¹³ According to the UNFPA, people +65 years represent 6% of the population in North Africa.

¹⁴ *Women and Men in the Informal Economy: a Statistical Picture*, ILO, 2018.

of digital technology as factor of resilience for state administrations and access to services, given that only 60% of the region's population has 4G network coverage.

In addition, territorial dynamics also pose a major challenge and deepen these inequalities. **Large development gaps persist between territories**, between rural and urban areas, and between coastal and inland areas. This isolation and these inequalities heighten the risk of chronic insecurity in an area that is at the crossroads of all kinds of trafficking (arms, drugs, human beings). In addition, the region is impacted within by the conflict zone in Libya, while also being connected to the Sahel countries, who are themselves suffering from significant security issues. These fragilities, whatever their nature (social, economic, political or security-related), pose the challenge of social and territorial cohesion, as well as that of defining an institutional structure able to help each territory to build its own development dynamic.

Lastly, the Mediterranean is considered to be a “**climate hotspot**” where temperatures are rising 20% faster than global averages. If no further action is taken, they could reach +2.2°C as early as 2040.¹⁵ With a naturally arid or semi-arid climate, the region has also been identified as a desertification hotspot by the IPCC, while climate change is driving an acute worsening of water stress in the region. The impacts already observed or expected are many, affecting territories that are particularly vulnerable due to the scarcity of water resources, high demographic growth,

populations concentrated in coastal areas (or along the River Nile), and the dependence on the agricultural sector. These impacts are more severe on vulnerable populations, mainly women in rural areas, in geographies with already pronounced gender inequalities. All these issues are common to both shores of the Mediterranean and mean that resilience stands as a key challenge for the achievement of the Sustainable Development Goals (SDGs). Added to this is the challenge of reducing territorial inequalities and, more broadly, achieving regional stability, as these climatic uncertainties act as accelerators of potential tensions. Moreover, North Africa contributes 1.5% of global greenhouse gas emissions, which makes the region (along with Southern Africa) the highest emitter in Africa.¹⁶ Its low-carbon transition, which is relatively straightforward for some countries (Morocco, Tunisia), seems more complicated for others (Algeria, Libya, Egypt) whose economies are still heavily dependent on hydrocarbon production – thus confronting them with the crucial challenge of diversifying their economies.

In addition to the deepening inequalities mentioned earlier, all of the **challenges facing the region are now amplified by an unprecedented crisis** that reveals the fragilities and limits of a totally globalised and interdependent economy. This is both a situational and structural factor which calls for unavoidable and far-reaching changes in entire sectors of their economies and societies as a whole.

1.2. A PROJECTION FOR THE REGION, FULL OF CHALLENGES AND OPPORTUNITIES

Geographically, the **region is located at the intersection of Europe, Africa and the Middle East** and has three seabords (the Atlantic, Mediterranean, Red Sea), which connects it naturally to the world and makes it a space of human mobilities. In terms of migration, it has the specific feature of being at the same time a region of departure, transit and arrival.

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Europe remains North Africa's main partner. Given their geographic, historical and cultural proximity, the two regions are linked by a commonality of challenges.

¹⁵ MedECC, November 2019.

¹⁶ EDGAR, 2015.

Importance and diversity of mobility in North Africa

In 2018, **twelve million North Africans** were living outside their country of origin,¹⁷ and unlike the rest of the continent, the predominant trend in the region is out-migration from Africa. Given the proximity and historical ties with European and Gulf countries, these two regions are the main destinations for North African migrants. The lack of socioeconomic opportunities and persistent long-term unemployment are some of the **main drivers of forced mobility in the region**. In 2017, 12% of irregular entries¹⁸ into Europe were via the Morocco-Spain route and, according to the latest survey by Morocco's High Commission for Planning, nearly 70% of Moroccan migrants emigrate for **economic reasons**, followed by **social reasons**. Added to these determinants are **climate change effects** (insufficient agricultural income, lack of agricultural jobs, better opportunities in the destination countries). Yet, although forced migration can give rise to inequalities, exclusion and precariousness, mobility is also a **vector of cultural and economic wealth**.

The North African diasporas, for instance, are real **sources of development** for the countries of origin given that the value of **remittances** is five times higher than official development assistance (ODA) to the region¹⁹ (USD 36 billion in 2018, equivalent to 6% of the region's GDP),²⁰ which sometimes creates a form of economic dependency on the remittances.²¹ While the question of migration is not new in North Africa, the trend is nonetheless towards greater complexity, particularly in Morocco which today is simultaneously a country of hosting, transit, departure and destination. These migrations are **polymorphous** and may include, for example, **movements of students** (18,000 sub-Saharan students in 2017 in Morocco, +12.5% compared to 2016²²), **economic migration** (40,000 people from sub-Saharan Africa regularised by Morocco since 2014) or **forced displacements** from crisis or conflict countries (late 2016, Egypt was hosting 210,000 refugees from the Palestinian Territories and Syria²³). In 2016, the ILO estimated that there were **over 300,000 internally displaced people in Libya** due to insecurity and instability.²⁴

In recent years, increasingly dynamic globalisation has been opening up the region but also upsetting the various influences at play, as new players are (re)emerging.²⁵ The region is also **turning more and more towards sub-Saharan Africa** not only to seize commercial, economic and political opportunities, but also to tackle the common challenges (security, migration, climate, etc.) that are present in its "South". This growing international opening is in sharp contrast with the very low level of intra-regional integration, which represents a major economic opportunity cost when compared, for example, to the neighbouring European Union.

Europe remains North Africa's main partner. Given their geographic, historical and cultural proximity, the two regions are linked by a commonality of challenges. What happens on one shore has immediate consequences on the other.

Despite their different trajectories, the two regions are facing issues that raise shared climate, social and territorial challenges.

The renewal of the European Commission in 2019 and the prospect of a new Multiannual Financial Framework for the period 2021–2027 are opening up new perspectives.

Making climate a core priority and looking to find solutions and financing for the common challenges, the European Union wishes to ground its relations with the African continent on a dynamic "win-win" reciprocity. North Africa naturally has an interfacing role to play in this relationship. Moreover, the crisis now sweeping the world could well lead to a reconfiguration of value chains and global relationships that may offer an opportunity for a renewed partnership with Europe.

¹⁷ ILO, 2018.

¹⁸ Frontex, 2017.

¹⁹ OECD, 2017.

²⁰ Migrant remittances totalled USD 6.9 Bn for Morocco, USD 1.9 Bn for Tunisia and USD 1.8 Bn for Algeria in 2018. See World Bank data, 2018.

²¹ The highest remittance amounts are in Egypt, where they account for 10.2% of GDP, equivalent to USD 25.5 billion. Source: World Bank 2018.

²² Manciaux C., « Les Campus marocains accueillent de plus en plus d'étudiants originaires d'Afrique subsaharienne », *Jeune Afrique*, 02/11/2017.

²³ ILO, 2018.

²⁴ Ibid.

²⁵ One indication of this interconnectedness is the fact that 8% of the world's maritime traffic passes through the Suez Canal. See: Doceul, M-C and S. Tabarly S., « Le canal de Suez, les nouvelles dimensions d'une voie de passage stratégique », *Géoconfluences*, March 2018.

1.3. FRENCH PRESENCE AND THE GROUP'S POSITIONING

Examples of the diversity and density of relations between France and North Africa

A SPACE OF HUMAN MOBILITIES

1/3 of the visas issued by France worldwide.

80% of the Maghreb diaspora resides in France.

North Africa represents **46% of African migrants** arriving in France.

In 2019, **78.5% of passengers** travelling from metropolitan France to Africa were heading for North Africa.

In 2019, **83.4% air links** from France to Africa are to North Africa.

CULTURAL EXCHANGES

123,000 French people were registered with the French consulates in North Africa in 2019.

Over **5 million French people** have an identity connected to the region.

Around **85,000 students** from North Africa are studying in France.

Over **70 institutions** teaching French exist in the region.

More than **50 twinning programmes** exist between French and North African local authorities.

ECONOMIC TIES

More than **3,000 French companies** and their subsidiaries have set up in a North African country, accounting for around **300,000 jobs**.

In 2017-2018, the stock of FDI from France in the region reached **€16 billion**; French FDI flows totalled **€960 million in 2018**.

Sources: Direction Générale de l'Aviation Civile (2019), Institut Montaigne (2017), MEAE (2020), France's Regional Economic Services (2020), ILO (2018).

France's relationship with North Africa is unique in terms of its density and diversity, as is shown by the many elements in the above table. The commonality of challenges with Europe is even greater for France given our bilateral relationship with the region. In 2018, France's ODA commitments in North Africa represented 25% of total French ODA in Africa.²⁶

Operating in the five countries of the region, **AFD Group has doubled its activity there over the past five years to reach a volume of 1.4 billion euros in 2019, equivalent to 10% of the Group's activity worldwide**. Volume-wise, the Group focusses mainly on Morocco, Tunisia and Egypt. Its activity is less developed in Libya, due to the security situation, and in Algeria, which has not called on external debt since 2005.

In addition to the amounts of aid, the Group's activity first **supported these countries' significant efforts in the area of infrastructure and urban development** (housing, development and improvement of precarious neighbourhoods, urban transport, water, sanitation, renewable energies), helping to provide almost universal access to basic services.

This activity has also helped to **produce positive impacts in the fight against climate change** as, for several years, more than half of the Group's financing in the region has been dedicated to this challenge. Lastly, support to territorial development and decentralisation as well as support to local authorities are also key markers of the Group's activity in North Africa.

The **Group's activity has also targeted economic development** through support to the private sector, the creation of new business and the growth of SMEs. It has also provided assistance to vocational training schemes designed to meet the needs of the economy. This **activity has diversified over time as the Group's mandates were broadened to include governance and social sectors**, which now account for a large share of activities in the region. The gender question accounts for a growing share of the activity, as gender components are now mainstreamed as early as possible into funded operations.

AFD Group has also **stepped up its action to support civil societies** on a very broad range of themes (social development, education, youth integration, gender equality, human rights, health, the social and solidarity economy, etc.).

²⁶ OECD, 2020.

Finally, knowledge production and implementation of training courses are two key components of the Group's activity in North Africa which have enabled it to **gradually build up an integrated offer and a capacity for strategic dialogue** with regional stakeholders.

With the mandates and tools given to it, AFD Group is thus committed to **furthering this bilateral relationship in order to achieve an inclusive and sustainable transition**. For this, it will **closely link its action with those of other French actors** and, in line with its positioning, promote mutually

beneficial economic exchanges and partnerships. **Creating links between actors from the two shores of the Mediterranean** is a crucial factor for consolidating common references and ambitions and is and will remain at the heart of the Group's action.

The Group's multiple collaborations with its bilateral counterparts and European institutions **integrate its action into a European ecosystem** that creates a significant leverage effect and is set to become even stronger.

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2.

**DEVELOPMENT
TRAJECTORIES AIMING
FOR NEW ENVIRONMENTAL
AND SOCIETAL BALANCES**

The strategic goal of AFD Group will be to **support the region towards development trajectories aiming for new environmental and societal balances.**

This action revolves around **three main objectives:**

- Strengthen territories' resilience to accelerating climate change and support low-carbon transitions,
- Contribute to consolidating a social contract, as a vector of stability, cohesion and reduction of inequalities,
- Promote economic and social transformations that create new opportunities

In addition, the Group's activity in the region will be guided by **two cross-cutting objectives** (dealt with in greater detail in Part 3 of this document):

- Promote knowledge production and expertise-sharing to serve public policy dialogue,
- Seek partnership-based solutions to tackle regional-scale issues.

The Group will also set itself the goal of contributing to tackling the common challenges that link France and North Africa, by dovetailing the **100% Social link and 100% Paris Agreement** commitments set out in the **AFD Group Strategy 2018–2022**. The latter document translates the **French government's cooperation guidelines** and reflects the **2030 Agenda for Sustainable Development**.²⁷

The approach and methods chosen to address these objectives and challenges recognise that they are deeply interrelated and ensure that they are coherent.

2.1. STRENGTHEN THE RESILIENCE OF TERRITORIES AGAINST AN ACCELERATING CLIMATE CHANGE AND SUPPORT LOW-CARBON TRANSITIONS

The climate, environmental and social challenges need to encourage the emergence of opportunities related to **low-carbon development** and to more diversified economies that are less dependent on hydrocarbons. Drawing on its available tools, the Group will intervene in support of the **energy transition** in the countries of the region, **urban development and low-carbon mobility**, thereby continuing its longstanding action in these sectors. The post-Covid context and the historically low oil prices should help to strengthen the public policy dialogue with the countries in the region on the issue of energy independence and the management of the climate-transition risks.

Given the particularly severe climate hazards in the region, the **resilience of its economies**, territories and ecosystems is proposed as a key marker for the new strategy. This will mean greatly stepping up and/or renewing our action in order to combine an approach that systematically adapts to ongoing changes in climate risks, the integration of issues linked to low-carbon development and the preservation of ecological balances and natural resources. The priority interventions will thus:

- Contribute to the better use, integrated management and equitable distribution of water resources, and support the development of unconventional water resources to tackle situations of **water stress**, which are set to worsen due to climate change and population growth. AFD Group will also integrate the strategic objectives defined by France's International Strategy for Water and Sanitation (2020–2030).
- Actively support agricultural and food systems that are **resilient, inclusive, safe, sustainable and low-carbon** for value chains that promote agroecological practices adapted to climate changes. It will also support the development of sustainable fisheries, in order to contribute to the **region's food and nutritional security**.
- Support the **most affected and most vulnerable key territories**, such as **cities, coastal areas, oasis ecosystems** and the **Nile Delta** by adopting integrated management approaches to address **climate-related and human-induced pressures**.
- Promote **nature-based solutions** to bolster adaptation and mitigation efforts and thus preserve or restore biodiversity and the functioning of marine, coastal and terrestrial ecosystems.

²⁷ For the SDGs targeted in North Africa and the progress made towards achieving them, see Appendix 6 "North Africa's progress on the SDGs in 2019".

The interventions will be deployed so as to promote forms of **climate governance** conducive to mobilising all actors, sectors and territories, transforming national budgets into effective tools to finance the transition, and improving **access to climate finance** for the countries in the region. The Group will also contribute to producing knowledge on the expected **impacts** and will assist economic players in **more**

effectively factoring in climate-related financial risks. Raising these “climate” ambitions should foster a **partner-ship-based and innovative approach.** To achieve this, the **Group will strive** to not only to mobilise all of its tools but also work closely with other donors actively working on issues of transition financing (budget and climate finance), particularly with European donors, and key regional partners.

2.2. CONTRIBUTE TO CONSOLIDATING A SOCIAL CONTRACT AS A VECTOR OF STABILITY, COHESION AND REDUCTION OF INEQUALITIES

France has made gender equality a key marker of its international action with the declared ambition of pursuing feminist diplomacy. AFD Group has taken full measure of this commitment and will allocate **50%** of its financing to projects integrating an objective of reducing gender inequalities.²⁸ It will commit to supporting and reinforcing gender equality, including by supporting **women's empowerment** in one of the African regions where gender inequalities are the most significant. It will support and take into account all of the elements that help to strengthen women's and girl's rights and empowerment: the fight against discrimination and gender-based violence, access to education and vocational training for young girls and women, bolstering of healthcare and sexual and reproductive rights, access to productive and economic resources and to employment and decent salaries. It will thus support the emergence of inclusive projects that create opportunities for North African women and girls, and which are dedicated to achieving their rights.

The Group will also support integrating the gender inequality issue into the countries' sectoral strategies, particularly in the non-social sectors (economic development, energy sector, etc.). For this, it will base its action on France's International Strategy on Gender Equality (2018-2022) developed by the French Ministry for Europe and Foreign Affairs (MEAE), on AFD's Gender Equality Action Plan, and on its pioneering experience in gender-sensitive budgeting. It will also operate in line with the national equality strategies of the countries in the region.

The Group will also take action in the **healthcare sector** to promote a consolidated and more equitable social contract, taking the specific needs of women and girls into account. It will support initiatives to develop a quality service accessible to as many people as possible in both rural and urban areas. Particular attention will be paid to health crisis prevention mechanisms and international crisis-prevention schemes, in collaboration with UN partners (WHO) and European partners. The Group will also support setting up more inclusive **social safety nets** as vectors for intergenerational solidarity that will integrate among other things the need to cover the population's food and nutritional needs.

The Group will also assist the **education and higher education** sectors not only through a qualitative approach that creates opportunities and combats inequality, but also through an approach that adapts to labour market needs. This will be implemented in close coordination and cooperation with Team France, particularly for matters relating to Francophonie. The Group will also support, notably in the Maghreb, the development of quality **vocational training** that responds to companies' needs and helps to consolidate the countries' competitiveness and the role they will be able to play in global value chains and their possible reconfiguration. Special attention will be paid to promoting the participation of young girls and women in vocational training courses, and to guiding them towards training in technical and scientific disciplines and key development sectors of the countries concerned. The Group's interventions to strengthen vocational training systems will also seek to strengthen entrepreneurship training within general and professional curricula.

²⁸ Identified by the OECD's “gender equality markers”: www.oecd.org/dac/gender-development/dac-gender-equality-marker.htm.

The Group will also work to support **transforming the governance of national and regional public policy, including its digital aspects** in order to facilitate citizens' access to government administrations. The aim is to optimise both the implementation of this policy and its linkage with non-state actors (civil society, private sector), especially in a post-Covid-19 context where the need to optimally manage the public resource will be an even greater challenge.

Lastly, the Group will provide support to the **cultural and creative industries**, to **heritage enhancement** and to **sport**. These are key areas in its "social link" strategy and powerful development tools for achieving the SDGs, as well as important vectors of regional dialogue, social cohesion and the reduction of inequalities, particularly between men and women (special attention will be paid to parity and to the messaging conveyed through the cultural or sports events and products supported by the Group).

2.3. PROMOTE ECONOMIC AND SOCIAL TRANSFORMATIONS THAT CREATE NEW OPPORTUNITIES

The challenges facing the region – which have been amplified by the recent crises and first and foremost the shock linked to the Covid-19 pandemic – have revealed the absolute necessity for deep-seated changes.

Access to employment and the place it gives to the individual in society, particularly to young people and women, is a major – if not the most important – challenge. Given the persistently high level of unemployment, which points to the inadequacy of traditional approaches in providing a credible response, the Group will work to promote **entrepreneurship in its social and inclusive dimensions**, access to financing for economic actors, particularly SMEs and actors from the rural world (notably family farmers), and innovative economic and social initiatives proposing alternative forms of cooperation, insertion and territorial development. Broader support will also be provided for the renovation of employment policies to improve access to decent jobs for all as a sustainable alternative to migration, particularly for young people.

The Group will contribute to developing the **region's highly dynamic social and technological innovation ecosystems** as these are catalysts of change and help to forge links between the two shores of the Mediterranean. It will also provide particular support for the development of digital tools as a factor of resilience in times of crisis and as drivers of new opportunities in the economic sphere and of social cohesion.

In general, **support will be provided to changemakers that contribute to driving inclusive transitions and ongoing transformations in the region**. These involve economic and social aspects as well as democratic aspects such as civic participation (support for the media and human rights defenders), access to rights for vulnerable populations (particularly women and migrants), in line with the MEAE's Human Rights and Development Strategy. Pilot experiments in the area of environmental and climate justice can also be launched.

In a region particularly affected by the challenge of migration, AFD Group will continue to support the **local management of migration** by assisting the migration policies of the hosting and origin countries with a view to **making migrations a factor for development**, and by involving all of the actors (local authorities, CSOs, diasporas, private sector, etc.). Moreover, the Group will work with its local, French and European partners to find lasting alternatives to forced emigration. It will support development actors and actions that help to fight against human rights violations (discrimination against migrants, human trafficking, gender-based violence, etc.) and strengthen vulnerable populations' access to rights (particularly women and migrants).

Lastly, AFD Group will support not only **the actors' projection both within the region and Africa**, but also initiatives that contribute to **better economic integration with neighbouring regions**. This relates to the potential restructuring of global value chains, which may offer the region a major opportunity for its partnership with Europe and as a platform for relations with the whole of the African continent.

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*The Group will contribute to developing the **region's highly dynamic social and technological innovation ecosystems**, as these are catalysts of change and help to forge links between the two shores of the Mediterranean.*

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3.

**ACT DIFFERENTLY AT
REGIONAL LEVEL TO TACKLE
THESE CHALLENGES**

3.1. PROMOTE KNOWLEDGE PRODUCTION AND EXPERTISE-SHARING TO SUPPORT PUBLIC POLICY DIALOGUE AND OPERATIONS

Knowledge production serves our operations and facilitates implementing our strategic guidelines. It will mobilise all of our in-house intellectual resources and build on exchanges with our partners. AFD Group will strengthen its ties with the other members of Team France in this respect, especially with the networks of the French research institutes abroad (UMIFRE). As grant volumes for this region are limited and mainly allocated to our operational activities, the grant resources available for knowledge production will be marginal, optimised and always linked to our operations.

The Group has the ambition of **influencing public policy dialogue and development trajectories over and above the actual volumes of its financing**. This can be achieved thanks to the Group's broad range of tools and the commitment of its teams, who are forging close relations with their ecosystem on a daily basis, grounded on listening, respect and expertise. Through its focus on public policy dialogue, AFD Group will work to strengthen the capacities of contracting authorities in order to ensure better implementation of the projects funded.

The dialogue on development trajectories and on the challenges facing the region depends on the capacity to produce knowledge, bring new insights and share experiences and expertise. What is at stake is the credibility and quality of the cooperation, which needs to be based on a shared understanding of the challenges and a detailed definition of the solutions identified. This is all the more important in a context of growing complexity and where underinvestment in research in the region is regularly diagnosed. For this reason, the Group will work closely on these aspects with the other members of Team France and the French research institutes abroad (UMIFRE).

AFD Group wishes to enhance its action and dialogue with the stakeholders by contributing to this effort.

This will take a **variety of forms such as support for local research structures, knowledge production or the mobilisation of partner and expertise networks** in order to organise experience-sharing. At the institutional level and in the same spirit, **AFD will pursue strategic dialogue initiatives with some States** by setting up joint reflections on major themes that can help to structure their development trajectories.

Themes that can be addressed include migration, climate change effects, long-term low-carbon trajectories, or social, economic and gender inequalities. In-depth analyses of fragilities will be undertaken using an anticipatory approach. These will study the causes of the social, economic, political and security-related fragilities and help to consolidate the understanding of issues, developments and changes, both present and future. The prospective aspect of all these studies will be developed in order to apprehend the various possible development scenarios and the solutions that need to be built in an ever-more uncertain environment.

These reflections – which often foreshadow operational actions – will also consider dynamics that go beyond the region's perimeter strictly speaking. This broader regional scale makes it possible work alongside the Group's other Regional Offices to capture various subjects that need to be studied on a Mediterranean or African scale. At the continental scale, particular attention will be paid to (reciprocal) **interactions between the region and the Sahelian belt**.

3.2. SEEK PARTNERSHIP-BASED SOLUTIONS TO TACKLE REGIONAL-SCALE ISSUES

Tackling common challenges first means capitalising on and strengthening the very robust relationship between the actors from both shores of the Mediterranean, but also between Europe and Africa. AFD Group's action will thus involve **building or consolidating bridges between public, private, state and non-state, central and local stakeholders. It also means creating links, a mutual understanding and a collective capacity to work in support of development.** This action will dovetail with the thrust in the same direction driven by the 2019 Summit of the Two Shores.

For many years now, **the relationship with European institutions and other European actors has been absolutely central** to the Group's activity in the region. It will thus work to combine its action with the new priorities of the European Commission. This mainly involves ensuring convergence with the Joint Programming implemented with the Member States in order to develop adapted operational measures for the major issues and challenges related to climate, forced migrations and, more broadly, the search for a sustainable development path in a post-Covid setting.

A similar approach will be deployed with **key international stakeholders** operating in the region, primarily the multi-lateral institutions.

The Group will also seek to build and intensify partnerships with **regional development actors. It will capitalise not only on its partnerships with the Moroccan CDG and Tunisian CDC, but also on its close ties with national or regional public development banks to promote, alongside these**

actors, sustainable development trajectories in the spirit of the exchanges and commitments made at the November 2020 Finance in Common Summit which brought together all of the public development banks. More generally, the Group will support the actors (research centres, entrepreneur associations, think tanks, etc.) advocating for stronger **economic integration** within the region, with Europe and the whole of Africa.

The Group will continue to support changemakers, while also working to expand the ties between the two shores of the Mediterranean to contribute to finding sustainable solutions to common challenges. In particular, it will seek to deepen and broaden its relationships and partnerships with **civil society organisations (CSOs)** with a view to supporting their initiatives and also enhancing its own approach, knowledge and capacity to anticipate the ongoing changes in North Africa. Particular attention will be paid to the initiatives of the diasporas.

Working closely in line with the action of civil societies, the Group will **support and coordinate its interventions with the international action of French local authorities. These have developed** highly successful relationships not only with the region but also with the initiatives of businesses established on their territories in order to support economic partnerships between France and the region.

Lastly, it will work more actively to develop relations with **emerging institutional or non-state actors**, such as donors of certain countries or regions, or private foundations.

3.3. A GROUP APPROACH THAT OPENS UP NEW PERSPECTIVES

AFD Group now has the capacity to mobilise **all of the financial and non-financial action levers** of development institutions. This gives it the capacity to work with **all categories of public- and private-sector actors** and on the full range of themes.

In addition to the individual capacity of the Group entities, strong synergies can be developed to bring **integrated responses** to both **our clients and our partners**. One example in the region involves solutions that can provide financing and technical assistance to both the public and private sides of public and private partnerships (PPPs).

The public policy dialogue can take the form of support to administrations in terms of capacity building, financial support to States for implementation, and support for private stakeholders when they are impacted. This is the case, for instance, for the **energy transition, the development of financial systems, or the support for innovation and entrepreneurship ecosystems** which will be priority focus areas.

This Group approach also makes it possible to propose our partners combined arrangements in the case of **co-financing** or **delegated funds**, chiefly with European insti-

tutions, other donors or financing vehicles such as the Green Climate Fund. Likewise, synergies will be sought with the **other French international cooperation actors** so that France's action can achieve the greatest possible **impact**.

Overall, AFD Group will seek to better promote French expertise and will conduct a dialogue with its French institutional partners on their strategies. Whereas Proparco has been an AFD subsidiary for over 40 years, **the integration of Expertise France** is opening up new perspectives. The **strong presence** of Expertise France in the region, its **diversified experience** and its **operational agility** will help to bolster the Group's offer and support our partners in their **major economic, social and environmental transformations**, especially on the themes of **gender equality, culture and heritage preservation, innovation and entrepreneurship, biodiversity, strengthening of health systems or employment and social inclusion policies**. The region will be one of the priority areas in which AFD and Expertise France will seek synergies (mixing financial/technical cooperation). Expertise France will mainly draw on its capacity to mobilise lines of expertise in the French public sector on general subjects of governance and public policy.



4.

THE ACCOUNTABILITY FRAMEWORK AND THE MONITORING-EVALUATION MECHANISM

The logical framework²⁹ translates the objectives set by the North Africa regional strategy. All of the strategic focuses will be achieved through the various activities implemented in the different projects financed by AFD Group in the region. The NARO's accountability framework includes a set of cross-cutting and thematic performance indicators that apply to all of the Group's activities in the region. These indicators will feed into the Africa Department's accountability framework and can be linked up with the Group's overall action on the sustainable development goals (SDGs).

AFD Group will pay particular attention to monitoring the following **cross-cutting indicators**:

- Volume of Group commitments: breakdown by instrument, sector, geography
- Volume of disbursements
- Volume of signatures
- Volume of external financing mobilised
- Number of co-financed projects and volumes
- Number of Group projects
- Number (as %) of Group-financed projects involving at least one French actor
- Number and volume of regional cross-border projects
- Volume of commitment and % of projects with climate co-benefits
- % of projects with a Gender objective, and volume share of annual commitments
- % of financing with DAC 1 and DAC 2 markers
- Number of projects with a digital, sports and development, or CCI component

For North Africa, the Group will also focus on the **thematic markers presented in Appendix 3**, which measure the impacts of projects and their contribution to the SDGs targeted by the three focus areas of the regional strategy.



The NARO's accountability framework includes a set of cross-cutting and thematic performance indicators that apply to all of the Group's activities in the region.

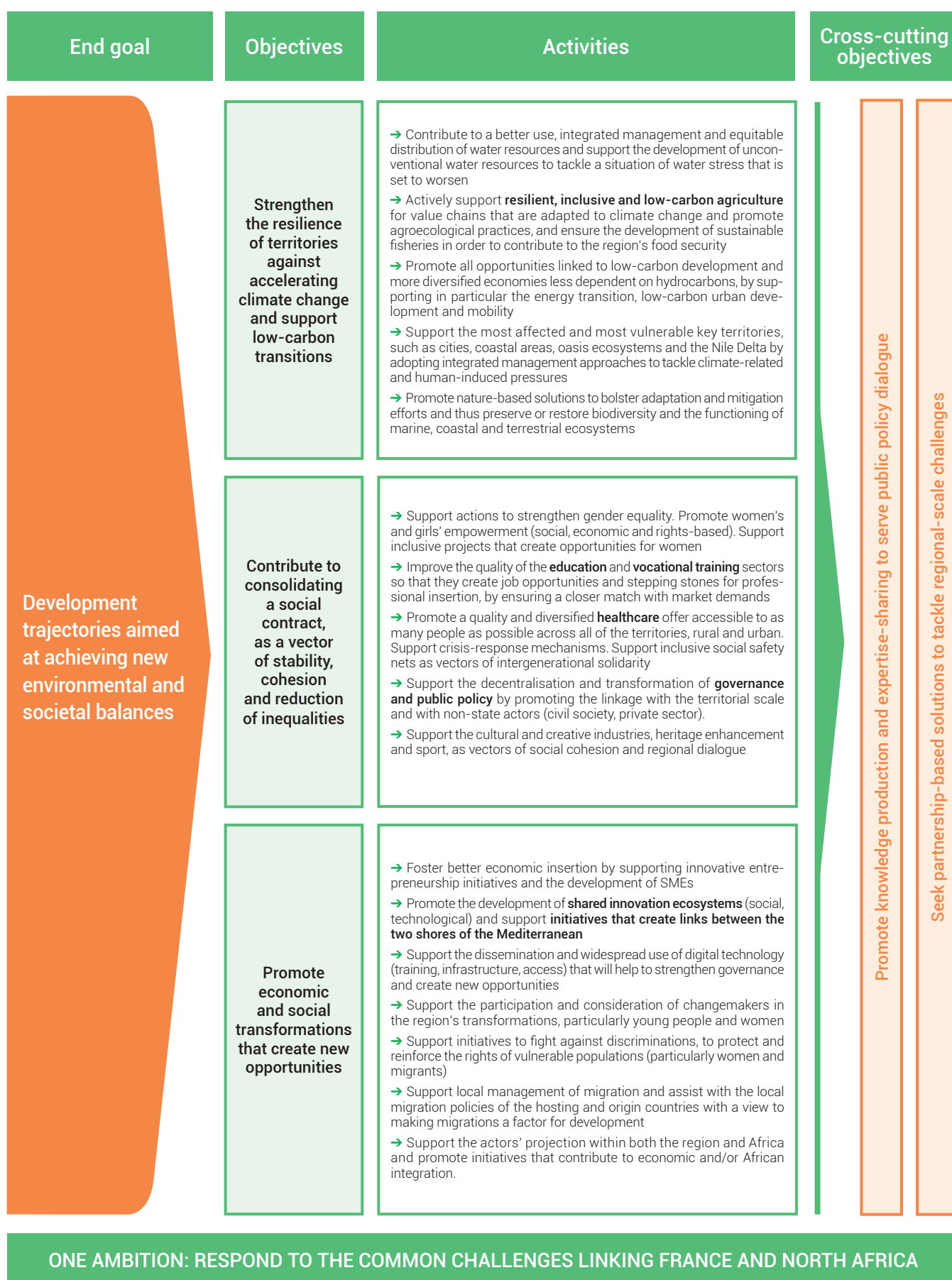
²⁹ See Appendices 1 and 2.

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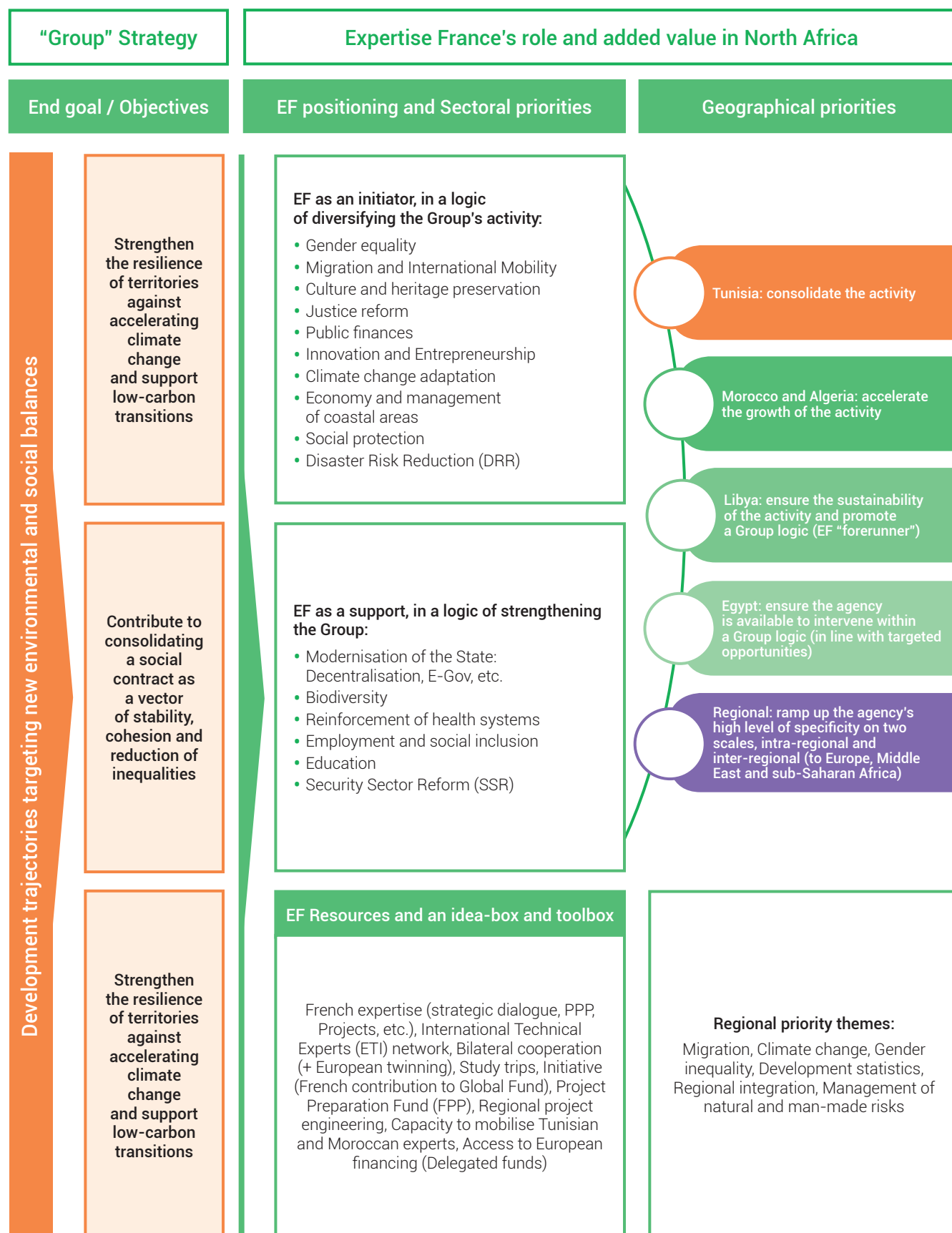
5.

APPENDICES




APPENDIX 1. LOGICAL FRAMEWORK



APPENDIX 2. POSITIONING OF EXPERTISE FRANCE IN THE GROUP APPROACH



APPENDIX 3. ACCOUNTABILITY FRAMEWORK AND THE NARO'S THEMATIC MARKERS

Focus areas	Strategic objectives	Main SDGs targeted	Main indicators of performance / means
STRATEGIC OBJECTIVE ①	Strengthen the resilience of territories against accelerating climate change and support low-carbon transitions	      	<ul style="list-style-type: none"> → Reduction of greenhouse gas emissions (tCO₂e/year) → Number of people whose resilience has been increased by the project / by gender → Number of people benefiting from a safely managed drinking water supply service → Number of city inhabitants and users whose quality of life has been improved
STRATEGIC OBJECTIVE ②	Contribute to consolidating a social contract, as a vector of stability, cohesion and reduction of inequalities	     	<ul style="list-style-type: none"> → Number of boys and girls enrolled in technical and vocational training → Number of individuals (including women) benefiting from employment and insertion services and programmes supported by AFD (excluding entrepreneurs) → Number of people with improved access to healthcare / by gender → Number of people benefiting from better social protection
STRATEGIC OBJECTIVE ③	Promote economic and social transformations that create new opportunities	   	<ul style="list-style-type: none"> → Number of direct FTE jobs created or maintained through our interventions → Number of individuals having been assisted in their steps to create a company or become self-employed → Number of civil society organisations benefiting from a capacity building action → Number of people with access to a new Internet service thanks to AFD financing
CROSS-CUTTING OBJECTIVES ① and ②	<p>Promote knowledge production and expertise-sharing to serve public policy dialogue</p> <p>Seek partnership-based solutions to tackle regional-scale challenges</p>	 	

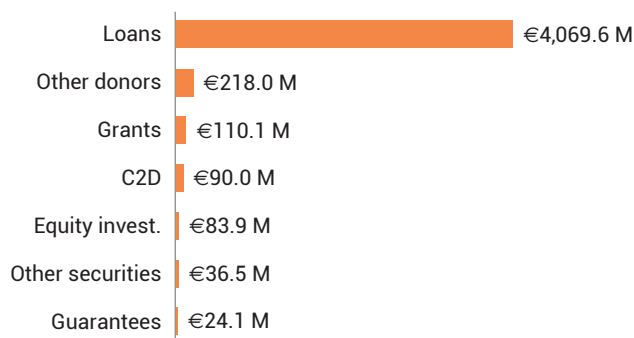
APPENDIX 4. OVERVIEW OF AFD GROUP'S ACTIVITY, 2015-2019

Total approvals	€4 632 M
Of which PROPARCO	€570 M
Total approvals with climate co-benefits	€2 045 M
Total approvals with gender co-benefits (2018-2019)	€1 338 M
Total state cost mobilised	€321 M
<hr/>	
Total disbursements	€2 338 M
Of which PROPARCO	€295 M

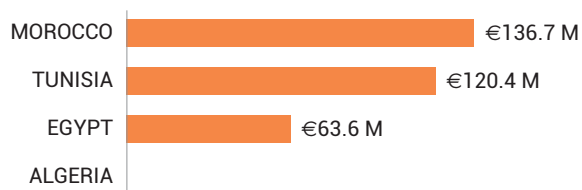
Group approvals by country,
2015–2019



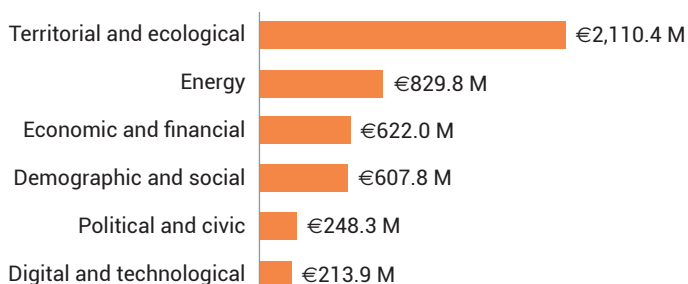
Group approvals by instrument,
2015–2019



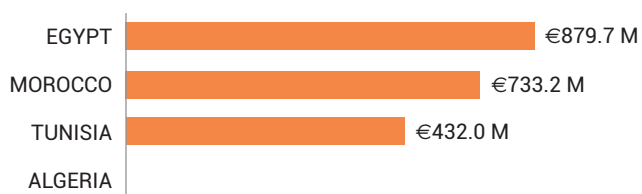
State cost mobilised,
2015–2019



Group approvals by "Transition",
2015–2019



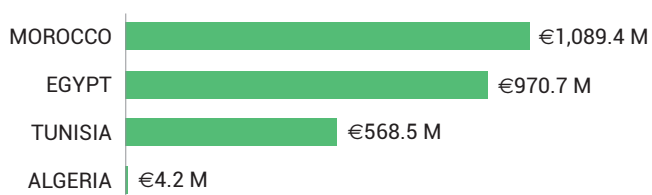
Approvals with climate co-benefits, 2015–2019



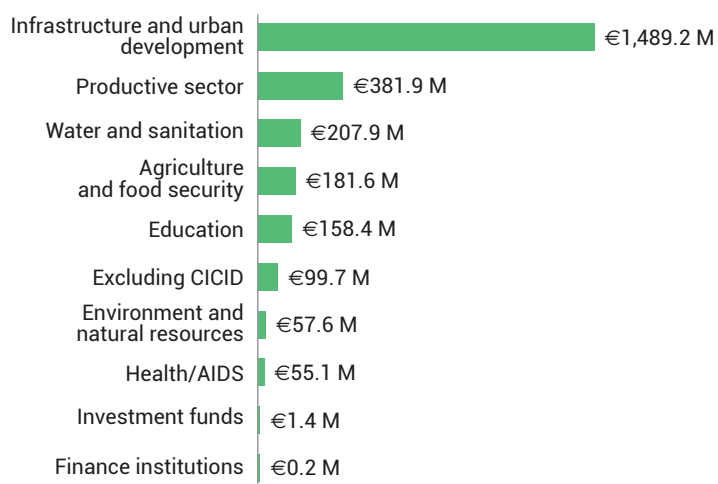
Approvals with gender co-benefits, 2015–2019



Group disbursements by country, 2015–2019



Group disbursements by sector, 2015–2019



Multi-country projects are not taken into account in this Appendix.

APPENDIX 5. ANALYSIS OF CLIMATE CHALLENGES IN NORTH AFRICA

I) Necessary low-carbon transitions³⁰

Contributing 1.5% of global greenhouse gas emissions,³¹ North Africa (along with Southern Africa) is the largest emitter in Africa, a continent that accounts for less than 4% of global emissions.³² The region's low-carbon transition, which is relatively straightforward for some countries like Morocco and to a lesser extent Tunisia, seems more complicated for others whose economies are still very dependent on hydrocarbon production, which sets them the crucial challenge of diversifying their economies (Egypt, Algeria, Libya). Morocco,³³ Tunisia³⁴ and Egypt report emissions levels per capita lower than the African or global averages. However, their emissions are being driven up substantially due to increases in standards of living. This is mainly driven by energy consumption (48% in Morocco, 45% in Tunisia and 46% in Egypt), transport (19% in Morocco, 16% in Tunisia and 17% in Egypt), industry and more marginally agriculture.

Morocco imports most of its energy (91%), with the corresponding import bill totalling 7% of its GDP. Almost energy-independent in the 1990s, Tunisia is experiencing an energy deficit not only on account of the increasing energy demand since 2010 but also due to a decline in its hydrocarbon resources. Egypt disposes of large gas reserves but, since 2009, their exploitation has slowed, which has lowered the country's level of energy independence to 85% (100% in 2000). Egypt's ambition is to diversify its energy mix by developing renewable energies (8% of the energy mix, mainly hydropower) to reduce its dependency on gas production, prolong its self-sufficiency and develop its gas resources for export. Although fossil energies are currently dominant in the energy mix, Morocco, Tunisia and, to a lesser extent, Egypt have resolutely engaged on the path of renewable energies. Their objectives are 42%-30% and 20% respectively by 2020/30 (renewables currently represent 14.4%, 10% and 8%). The potential for developing renewables is particularly high and efforts should mainly be supported by the private sector, especially in Egypt, which will require putting in place an enabling legislative and regulatory framework.

As OPEC member countries, Algeria and Libya have highly oil-dependent economies and are thus exposed to fluctuating crude oil prices. They are both relatively high GHG emitters (EDGAR rank 30th and 38th respectively), reporting emissions levels per capita higher than the African average (but still below the global average). Algeria has committed to reducing its GHG emissions by 2030 and has begun to diversify its energy mix. Yet, this remains a major challenge for an economy largely dependent on the hydrocarbon sector (30% of GDP, 65% of fiscal revenues and 95% of export earnings), in a context of increasing complexity due to growing domestic demand for energy. Support to a low-carbon trajectory must necessarily be combined with an in-depth reflection on the diversification of its economy.

In a context where achieving the 2°C scenario by 2100 would require an average emissions level of 2 tCO₂e per capita worldwide, the shift towards low-carbon economies remains a priority that makes complete sense for these countries both economically and socially (reduce their dependency on imports or reduce the dependency on hydrocarbons). This would necessarily entail, especially for Algeria, a diversification of their economic models. Beyond the development of renewable energies, the countries must embark on more carbon-sober trajectories, by prioritising energy efficiency across all sectors. Although the mitigation effort will mostly be up to the energy sector, considerable reduction gains can also be made in the transport, industrial and waste sectors, as well the LULUCF sectors (agriculture, forestry and other land uses). Ecosystems such as forests or wetlands can also play a key role as carbon sinks. Despite the declared ambitions, these transitions also involve numerous political, institutional and technical challenges to which a response needs to be found, based on adapted financing tools and strengthened public policy dialogue in the region.

³⁰ Figures taken from country climate fact sheets, AFD.

³¹ Figures EDGAR, 2015.

³² World Bank, 2016.

³³ Morocco is a low GHG emitter: the emissions per capita stood at 2.34 tCO₂e per capita in 2016., for a total contribution of GHG emissions of 80.2 million MtCO₂e.

³⁴ Tunisia's CO₂e per capita emission is estimated at 3.4 tCO₂e, which is in line with the average for the African continent (3.5 tCO₂e per capita), but far below the global average (6.6 tCO₂e/capita).

II) The climate emergency in North Africa: resilience is the core challenge to achieving the sustainable development goals

The Mediterranean region is already experiencing the effects of climate change: exacerbated water stress, diminished agricultural yields, more frequent and intense extreme events. These are all challenges common to both shores of the Mediterranean, which mean that resilience is a key issue for achieving the SDGs. According to a recent report by the Network of Mediterranean Experts on Climate and Environmental Change (MedECC³⁵), the region's temperatures are rising 20% faster than world averages (+1.5°C above pre-industrial averages (1880-1899) compared to +1.1°C worldwide). If no further action is taken, this increase could reach +2.2°C by 2040 and hit 3.8°C in some regions by 2100 (CMI, 2019). With a naturally arid or semi-arid climate, the region is also qualified as a climate hotspot. Although the projections of different climate models show spatial and temporal disparities, they converge towards a trend of mounting climate hazards (increase in temperatures, less precipitation or higher inter-annual variability, increase in the frequency and/or intensity of extreme events such as drought, flooding and rising sea levels). According to the climate models, the region is set to experience a trend towards significant drying due to rising temperatures (leading to evaporation), coupled with a relative decline in rainfall. The region is particularly vulnerable given its high demographic growth, its populations and economic activities concentrated in urban and coastal areas (along the Nile in Egypt) and employment dependent on an agricultural sector suffering from sometimes extreme water stress. In addition, climate change effects are having more lasting impacts on vulnerable populations (rural areas, mainly women in the oasis areas, low-income populations, etc.). This heightens the territorial disparities in countries already strongly marked by inequalities.

A region experiencing water stress that will be exacerbated by the impacts of climate change

Although access to drinking water and sanitation is satisfactory, the North Africa region has scarce water reserves – unlike the Sahel region – and all of the countries exhibit resource availability levels well below the UN-defined scarcity threshold (1,000 m³/inhabitant/year) and less than 650 m³/inhabitant/year.³⁶ The latest WRI report ranks the five countries as facing a situation of high water stress,³⁷ Libya being ranked as being under extremely high stress (6th most water-stressed country in the world).³⁸ Pressures

on the resource will likely continue to intensify due to multiple anthropogenic factors (population growth, higher standards of living, poor use of the resource), together with the effects of climate change (rising temperatures, lower rainfall, more intense extreme weather events). The maps produced by Aqueduct Water Atlas (WRI)³⁹ show a marked reduction in available water resources by 2040 due to climate change. Freshwater resources in the Middle East and North Africa are among the scarcest in the world, showing a depletion of two-thirds over the last 40 years and set to decrease by over 50% by 2050 (FAO, 2019). One of the shared freshwater sources, the Northern Sahara Aquifer System (Tunisia, Algeria and Libya), is threatened with a renewal rate amounting to only 40% of withdrawals (SSO).

→ **Investment or reform enabling conservation of the water resource**, integrated and sustainable management: e.g., reasoned irrigation or reduction of water losses), equitable distribution of water resources and, when necessary, the development of unconventional water resources (desalination⁴⁰ or reuse of treated wastewater) are strategic priorities for countries in the region. These should be coupled with the low-carbon development challenge to tackle these issues.

The resilience of agriculture and fisheries: a key challenge for food and nutritional security

The agricultural sector employs 35% of the workforce in Morocco,⁴¹ 14.4% in Tunisia⁴² and a third of Egypt's population. The sector contributes 13% of GDP in Morocco, 10.1% of GDP in Tunisia and 17% of GDP in Egypt.⁴³ While agriculture is still predominantly rain-fed in Tunisia and Morocco, in Egypt it mostly depends on irrigation, which takes up 85% of the water resources. Pressures differ depending on the regions, but agriculture and livestock farming are hard hit by intensifying climate hazards (changes in rainfall patterns, rising temperatures, more frequent extreme events), water depletion and soil degradation. The rising sea level in the Nile Delta plain, which is Egypt's main area for agricultural production, is a proven threat. This coupled with subsidence (the area is sinking by around one centimetre a year) leads to gradual seawater infiltration and tends to increase soil salinisation and diminish its productive capacity. The forecasts of future yield losses involve a wide range of crops. By 2050, a 15% decrease is expected for yields of maize and 17% for wheat in Egypt,⁴⁴ and 14% for tuber production in Southern Europe.⁴⁵ In Morocco, the yields from non-irrigated agriculture could fall by over 40% in some regions for wheat and barley.

³⁵ Risks linked to climate and environmental changes in the Mediterranean region, November 2019, MedECC.

³⁶ Egypt with only 650 m³/inhabitant/year, 600 m³/inhabitant/year in Morocco, 385 m³/inhabitant/year in Tunisia.

³⁷ Over 40% of available water resources are withdrawn each year, which leaves a narrow margin between supply and demand in case of fluctuations (drought or increased withdrawals).

³⁸ WRI Atlas, 2019.

³⁹ See: <http://www.wri.org/resources/maps/aqueduct-water-risk-atlas>

⁴⁰ Using the best practices and technologies to limit environmental impacts and carbon emissions.

⁴¹ World Bank, 2017.

⁴² Observatoire national de l'Agriculture: <http://www.onagri.nat.tn/>

⁴³ See the country climate fact sheets, AFD.

⁴⁴ INDC, Egypt 2015.

⁴⁵ MedECC, 2019.

Some countries, such as Algeria, that already rely heavily on imports could see their dependency on food imports rise.

→ The investments and agricultural strategies supported need to take this specific situation into account and target adapted value chains with climate-resilient, low-carbon practices, while also preserving ecological balances (e.g., agroecology), to tackle the challenges of food and nutritional security in the region. These investments must promote the creation of decent jobs in rural areas, notably for young people, and comply with the Principles for Responsible Investment in Agriculture and Food Systems approved by the FAO's Committee for World Food Security (CFS).

Marine ecosystems and sustainable management of fisheries resources are also challenges shared by the countries bordering the Mediterranean, including France and Europe. These ecosystems are impacted by the combined effects of climate change (ocean acidification) and various anthropogenic pressures such as plastic and industrial pollution, the overexploitation of fish stocks and destructive fishing practices (78% of fish stocks have been overexploited in the Mediterranean since 2016, according to the FAO). In this context, as much as 20% of the fish and invertebrates now exploited in the eastern Mediterranean could disappear from the region between 2040 and 2059 (MedECC, 2019).

→ The preservation of these ecosystems and support for sustainable fishing practices are also key challenges for the region's food and nutritional security.

Coastal areas and cities, the Nile Delta and oases: impacted and vulnerable territories

• In North Africa, economic activities and populations are concentrated in **the coastal areas**. The proportion of inhabitants living less than 100 km from the coast is 68% in Algeria, 79% in Libya, 65% in Morocco and 84% in Tunisia. Although sea levels are rising less in the Mediterranean region compared to the Atlantic region, this rise combined with increased flood risks is already heavily impacting port cities, coastal infrastructure, wetlands and beaches in the region. The city of Alexandria with 5 million inhabitants is particularly vulnerable to flooding and coastal erosion. In Morocco, 1.82 million people live in areas that would be permanently submerged should the sea level rise by over 40 cm, which is highly likely by the end of the century. Urban environments will also be more frequently affected by **extreme heat events** in a highly vulnerable context lined to the prevalence of informal housing and the lack of urban planning. Moreover, tourism contributes a large share of the revenue for these economies, particularly in Egypt, Morocco and Tunisia. **Tourist activities**, often concentrated in coastal cities and towns, are also impacted as there is a risk that these regions will become less attractive. Some archaeological sites in Egypt could also be threatened by flooding and extreme events, and thus need to be protected (Nationally Determined Contribution, Egypt).

• **The Nile Delta** was highlighted in the IPCC's Fourth Assessment Report as one of the three most vulnerable regions in the world. The rising sea level coupled with subsidence in the Delta and various anthropogenic pressures are resulting in soil salination and could lead to the disappearance of a large part of agricultural land, over 60% of which is located in the Delta. According to the World Bank, 10% of the Egyptian population could be driven into forced migration.

• **The oases** are wetlands covering a combined surface area of around 350,000 hectares in the Maghreb. Despite their resilience, they are also impacted by the combined effects of climate change and overexploitation of water resources, leading to reduced date palm yields. The palms are under threat from the development of diseases such as Bayoud disease, which destroyed two-thirds of Moroccan palm groves during the last century. Gradual desertification is driving populations to migrate towards urban areas. Some oases such as the M'Zab Valley in Algeria have been listed by UNESCO as world heritage sites, or designated as biosphere reserves like the oases in southern Morocco. As a common heritage for a region with a low level of economic integration, the oases can serve as a bridge between the countries for cross-border groundwater management and the sharing of good practices.

→ In the cities, investments and reforms to improve sanitation must be continued, while seeking to maximise climate co-benefits (mitigation and adaptation) and prioritise nature-based solutions. Stormwater management is a real challenge for protection against flooding and for urban drainage systems. Another priority must be to integrate the increasing risk of urban heat stress into urban development programmes and integrated coastal zone management programmes.

→ For these territories – which are not only highly vulnerable but also key for the region's countries (economic, tourism-related and social stakes) – enhanced knowledge, heightened public awareness, the development of climate services and integrated natural resources management programmes must help to drive innovative solutions that address the many challenges encountered.

The healthcare sector is also suffering from the multiple impacts of climate change. The presence of endemic areas of various diseases, notably vector-borne, is likely to be fuelled by climate change: dengue, bilharzia, typhoid, cholera, etc. Moreover, the more frequent occurrence of extreme climate events and diseases such as cholera may increase the number of deaths and traumas. The resilience of the healthcare sector needs to be underpinned by an effective health surveillance and alert system, the generalisation of health coverage, particularly in rural and remote areas, and a functioning inclusive social protection system. The development of adaptive social protection mechanisms in the region would allow these challenges to be integrated into the coverage mechanisms, particularly for the most vulnerable and risk-prone populations.

Desertification and risks looming over biodiversity: The combined effect of decreasing rainfall and increasing evaporation due to rising temperatures will likely drive further aridification. Some areas are threatened by desertification, especially in North Morocco, Algeria and Tunisia. Forests, wetlands and coastal ecosystems (marine and terrestrial) in the Mediterranean basin are also affected by rising temperatures and extreme weather events. Periods of drought and heat waves heighten the risk of wildfires and lead to changes in land management. Today, the services provided by marine and terrestrial ecosystems are under threat even though they play a crucial role in regulating the climate on a global scale, contribute positively to carbon storage and very often help to reduce the exposure to or severity of extreme climate risks. Some of Morocco's NDC objectives are directly linked to biodiversity and aim, for example, to increase the share of marine protected areas or restore or preserve over one million hectares of forest. Morocco and Tunisia are among the countries that have set a key focus in their NDC on the use of ecosystems in their climate strategies.

→ The preservation of marine, coastal (wetlands) and terrestrial (mainly forests in Tunisia and Morocco) and their promotion as a climate solution now seems to be imperative for the region, at the intersection of the international climate and biodiversity agendas.

The energy sector and particularly power generation could be affected by a decline in the production capacity of some thermal and hydroelectric power plants (linked to increasing water stress and more frequent extreme climate

events). Morocco has recorded a significant drop in its hydroelectric production mainly due to the lower flow rates through the dams and the loss of storage capacity. As a result, Morocco's national electricity board has moved towards electricity generation based on thermoelectric power and renewable energies. (FEMIP, 2008, pp.542-543). For North Morocco, Van Vliet *et al.* (2016) project a decrease in hydropower usable capacity of over 15% by 2050 compared to 1971-2000 (Scenario RCP8.5).⁴⁶ In Egypt, hydropower generation relies wholly on exploiting the waters of the Nile. The strong uncertainties on water resource changes and on the flow rate of the Nile make it very difficult to estimate future hydroelectric potential. Climate changes may also affect the integrity and reliability of the pipelines and electric grids. It may require changing the standards for the construction and operation of pipelines as well as transmission and distribution lines.

Finally, climate change is a risk-multiplier for the region's security situation as it is exerting further pressure on already scarce natural resources in a context of political instability, significant social inequalities and a high unemployment rate. Strong tensions between Egypt and Ethiopia around the Grand Ethiopian Renaissance Dam attest to the possible multiplier effect of climate change on the risks of conflict related to the sharing of natural resources (between sectors, users). Furthermore, although the interactions between migration and climate still need to be scientifically proven, climate change effects would exacerbate some migratory movements given the degradation and reduced availability of key natural resources.

The deployment of adaptation measures in the key sectors, territories or ecosystems affected seems to be a strategic imperative for achieving the Sustainable Development Goals in the region and reducing social and territorial inequalities. These measures need to dovetail with the challenge of pursuing a low-carbon development and maintaining ecological balances, which requires developing holistic approaches that

integrate all of the challenges. The region presents multiple common issues, some of which could be resolved through stronger regional cooperation that has thus far been underdeveloped (commercial exchanges especially in the area of agriculture, sharing of knowledge or innovative solutions on the issues of exacerbated water stress, for example).

III) Climate governance and the commitments of the countries in the region

All the countries in the region signed and ratified the Paris Agreement and submitted their national contribution at the 2015 COP 21. Egypt alone did not integrate a quantitative target for its mitigation efforts. All of them, however, have set up authorities dedicated to intersectoral coordination and the monitoring of activities planned within the various national climate strategies: the National Climate Change Committee (CNCC) in Morocco, themed work groups in the

Ministry of Local Affairs and Environment (MALE) in Tunisia; the National Agency on Climate Change (ANCC) in Algeria, and the National Committee on Climate Change in Egypt.

On the mitigation front, the main sectors targeted by the countries in the region are, first of all, energy by developing renewable energies and improving energy efficiency. Then come the industrial and waste sectors (including sanitation) and the transport sector (through greater efficiency or by developing public transport or rail networks). All of the region's countries plan to deploy actions targeting the

⁴⁶ *Revue de littérature sur le changement climatique au Maroc: observations, projections et impacts*, Marie Noëlle Woillet, July 2019, AFD Research Paper.

LULUCF sectors (agriculture, forestry and other land uses) so as to limit or reduce emissions in these sectors and

use ecosystems as carbon sinks (in the NDCs of Morocco, Tunisia and Algeria).

Countries' national contributions to greenhouse gas reductions compared to a "business-as-usual" scenario
(main gases targeted: CO₂, CH₄ and N₂O):

NDC	MOROCCO	TUNISIA	ALGERIA	EGYPT
Unconditional target	17% reduction by 2030	13% reduction by 2030	7% reduction by 2030	No quantified targets
Conditional target	42% reduction by 2030	41% reduction by 2030	22% reduction by 2030	No quantified targets
Financing needs	USD 50 Bn including 24 Bn for the conditional contribution	USD 17.5 Bn in total, including 10% of national funding	No figures available	No quantified targets
Sectors concerned by the mitigation effort	Electricity (42%) Waste (13%) Forests (11.6%) Agriculture (9.7%) Transport (9.5%).	Energy LULUCF Waste	Energy Industry Agriculture, LULUCF Waste	Energy Agriculture Waste Industry Oil and gas

While the adaptation challenges are relatively clearly identified in the countries' NDCs (and often in their sectoral strategies), none of them yet has a completed national adaptation plan (NAP) providing a coordinated vision of the different sectors. Many programmes have been rolled out in the water and agriculture sectors, mainly in Morocco and Tunisia. The capacity to implement actions is, in some cases, still limited by i) the complexity of climate governance and the capacity to apprehend resilience issues in a coordinated manner (weakness of the ministries of environment); ii) the reluctance to contract debt for these subjects (need for awareness-raising/adaptation timeline as opposed to the ministries' short-term decision-making) in countries ineligible for grant financing given their level of development and iii) (sometimes) a lack of scientific knowledge on the expected impacts and the need to raise the stakeholders' awareness at all levels.

IV) Donor support to the climate policy of North African countries

In compliance with the AFD Group Strategy, 100% of projects in the North Africa region must be in line with the objectives of the Paris Agreement and 45% of the financing committed by AFD's Africa Department must present climate co-benefits and thus contribute to the global climate finance effort. Having benefited from €1,668 M of commitments with climate co-benefits between 2015 and 2018, North Africa is the leading region in terms of contributions to these objectives. In 2019, 46% of commitments in the

region (€464 M) were reported as presenting climate co-benefits (compared to 33% in 2018), most of which (84%) involved "low-carbon" issues addressed by operations in the renewable energy, transport and sanitation sectors, by climate credit lines and by projects integrating energy efficiency measures. "Adaptation" projects, historically focussed on water resource issues (including for agriculture), represented 12% of commitments to the region in 2019. Several ongoing programmes also enable a public policy dialogue to be engaged on the low-carbon transition. This applies mainly to Morocco and Algeria with the 2050 Facility (GEMMES modelling), and to Tunisia on resilient trajectories with the Adapt'Action Facility (in coordination with the National Adaptation Plan with a key focus on agricultural sector). A first energy policy-based loan was launched in 2019 in Egypt to address energy transition questions. Several financing agreements with NGOs target actors operating regionwide on adaptation issues, such as the Tour du Valat (wetlands protection) and WWF. At Group level, Proparco intervenes via climate credit lines as in the case of the TFSC programme in 2019 for Egypt. The FFEM has a sizeable historical portfolio in the region with ongoing financing worth around €50 M for some fifty (often regional) projects dealing with biodiversity, adaptation, land protection and the management of international waters. Finally, Expertise France is operating in Tunisia through the Adapt'Action Facility (climate governance), or via technical assistance on the SUNREF programme. Expertise France also intervenes with a programme aimed at developing a Euro-Mediterranean system to mitigate, prevent and manage natural and man-made disasters.

All of the donors operating in the region are supporting the countries via ambitious programmes involving all of these sectors. The Green Climate Fund, alongside donors like AFD, EBRD, UNDP or FMO, is participating in the implementation of 8 climate programmes, including 3 regional (AFD's TFSC programme, Green Cities Facility and the EBRD's SEEF programme), and 5 national projects in Egypt and

Morocco including one implemented by AFD targeting the adaption of the agricultural sector in semi-arid zones. However, despite the region's exacerbated climate emergency, most climate financing is focused on mitigation and energy transition issues, as is most often the case for the global distribution of climate financing.

North Africa Regional Strategy and heightened climate ambitions

The resilience of economies, territories and ecosystems is proposed as a key marker of AFD Group's new regional strategy, which involves renewing and stepping up our action on these subjects with respect to water resources management and agricultural development, at country or regional scale, or in some particularly vulnerable areas (coastal areas, cities, oases and the Nile Delta). The approaches deployed make it possible to integrate the challenges of low-carbon development and systematically take into account climate risks across all sectors. Other priority activities to be pursued, strengthened and developed include support for low-carbon transitions in the energy, transport and industrial sectors, the reduction of economic dependency on hydrocarbons and the promotion of sustainable and resilient urban development.

Interventions could also be explored for sectors that act as potential carbon sinks (forests and ecosystems), nature-based solutions to be developed as a climate strategy, including for adaptation issues. Raising the region's "climate" ambitions will drive a partnership-based and innovative approach given the scant grant resources available to these geographies, by mobilising all of the Group's instruments. Tools from other donors, particularly European donors, active in climate finance can also be mobilised, together with key regional partners such as the Sahara and Sahel Observatory (OSS). The Group will also contribute to producing knowledge on the expected impacts in the region and will assist economic actors in taking better account of the financial climate risks. Lastly, the interventions will seek to promote climate governance likely to mobilise all of the actors, sectors and territories and improve access to climate finance.

APPENDIX 6. NORTH AFRICA'S PROGRESS ON THE SDGS IN 2019

(Source : 2019 Arab Region SDG Index and Dashboards Report)

1) ALGERIA – MENA rank: 1/21



2) EGYPT – MENA rank: 8/21



3) LIBYA – MENA rank: 14/21



4) MOROCCO – MENA rank: 3/21



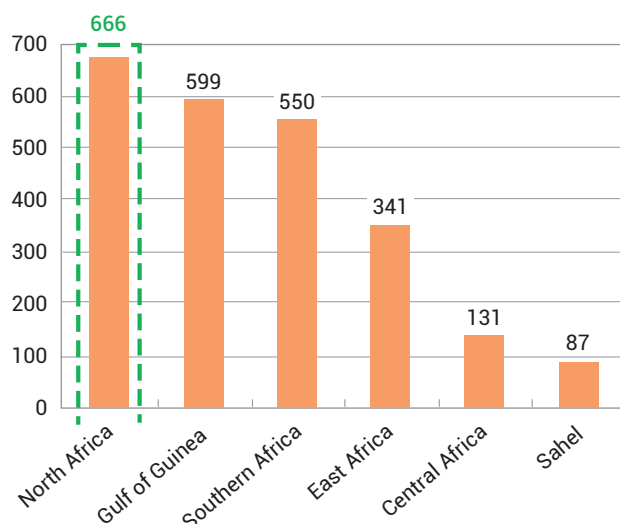
5) TUNISIA – MENA rank: 4/21



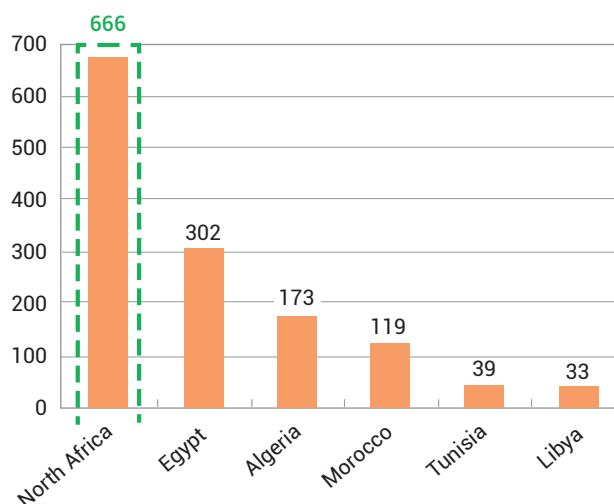
Grey: data not available Red: major challenges remain Orange: significant challenges remain
Yellow: challenges remain Green: SDG achieved

APPENDIX 7. COMPARISON OF INDICATORS FOR THE AFRICAN REGIONS

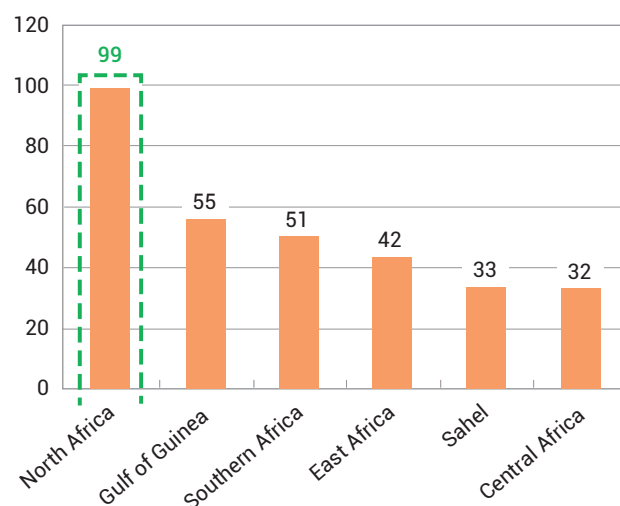
GDP in value (USD Bn) in 2019
Comparison of African regions



GDP in value (USD Bn) in 2019
North Africa

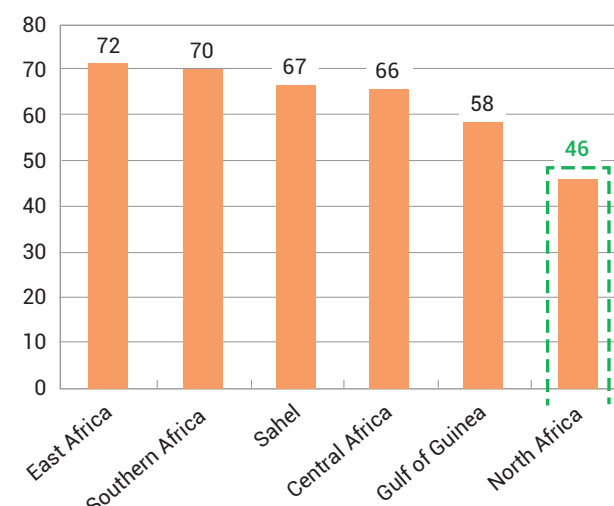


Electricity access (% pop.) in 2017
Comparison of African regions



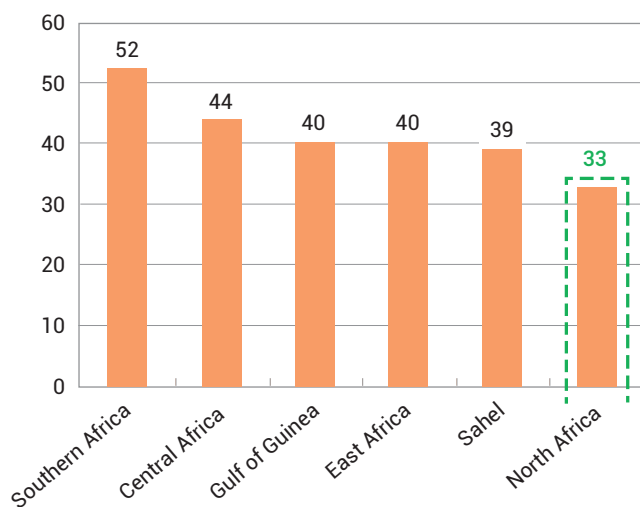
Source: IMF/WEO

Labour force participation rate (%) in 2019
Comparison of African regions



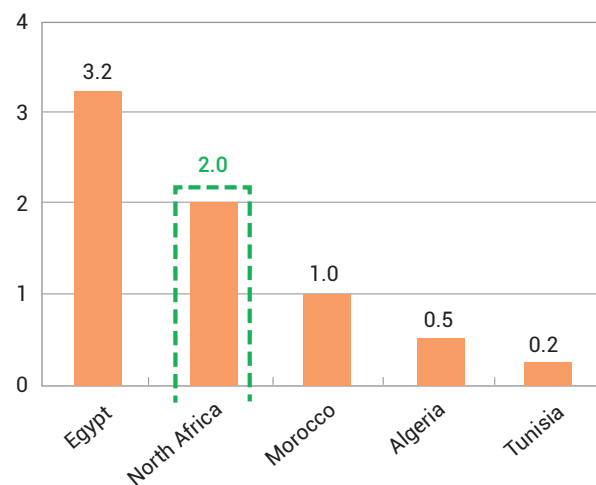
Source: IMF/WEO

Gini Index in 2017* Comparison of African regions



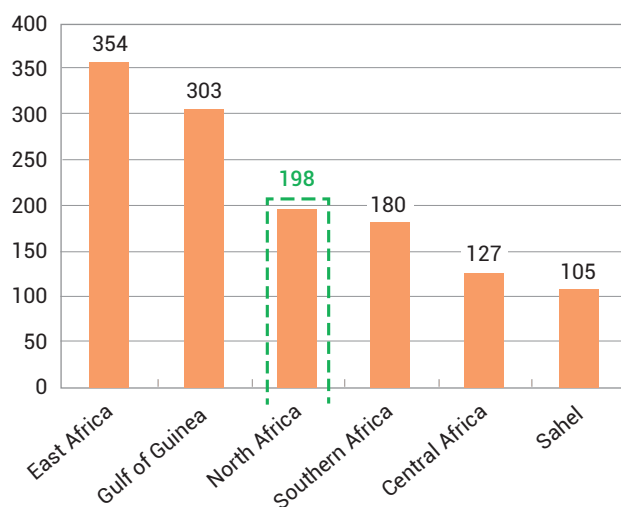
Source: World Bank/WDI

Poverty rate (%) in 2018 North Africa



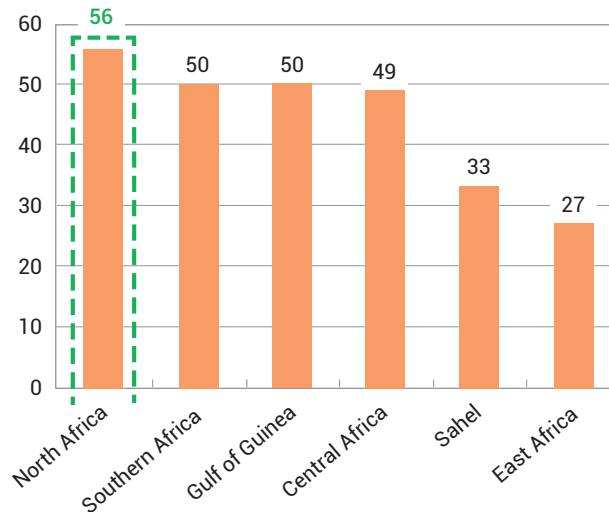
Source: World Bank/WDI

Population (millions) in 2019 Comparison of African regions



Source: World Bank/WDI

Urbanisation rate (%) in 2018 Comparison of African regions



Source: World Bank/WDI

ACRONYMS AND ABBREVIATIONS

AfCFTA: African Continental Free Trade Area

AFD: Agence Française de Développement

AU: African Union

BRI: Belt and Road Initiative

CCIs: Cultural and creative industries

CDC: Caisse des Dépôts et des Consignations

CDG: Caisse de Dépôt et de Gestion

CICID: Interministerial Committee for International Cooperation and Development

EDGAR: Emissions Data for Global Atmospheric Research

EF: Expertise France

ENP: European Neighbourhood Policy

EU: European Union

FDI: Foreign direct investment

FMO: Dutch entrepreneurial development bank

FTE: Full-time equivalent

GDP: Gross domestic product

HDI: Human Development Index

IPCC: Intergovernmental Panel on Climate Change

LULUCF: Land Use, Land-Use Change and Forestry

MEAE: French Ministry for Europe and Foreign Affairs

MENA: Middle East and North Africa

NARO: North Africa Regional Office

NDC: Nationally determined contribution

NSL: Non-sovereign loan

ODA: Official development assistance

OPEP: Organization of the Petroleum Exporting Countries

OSS: Sahara and Sahel Observatory

PBL: Policy-based loan

REN: Renewable energy

RO: Regional Office

SCO: Civil society organisation

SDG: Sustainable Development Goal

SEEF: Sustainable Energy Efficiency Facility

SL: Sovereign loan

TFSC: Transforming Financial Systems for Climate

UMA: Union du Maghreb Arabe (Arab Maghreb Union)

UMIFRE: *Unités Mixtes des Instituts de Recherche Français à l'Etranger* (French international mixed research units abroad)

UNFPA: United Nations Population Fund

WDI: World Development Indicators

WHO: World Health Organization

AFD Group

AFD Group implements France's policy in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and soon, Expertise France, a technical cooperation agency. The Group finances, supports and accelerates transitions towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.

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