



— MIDDLE EAST

Regional Strategy
2020-2030

#WorldInCommon





TABLE OF CONTENTS

1. A DEEP-ROOTED SYSTEMIC CRISIS STEMMING FROM A SLOWDOWN IN DEVELOPMENT TRAJECTORIES	4
2. AFD GROUP'S STRATEGIC PRIORITIES IN THE MIDDLE EAST – SET IN MOTION SUSTAINABLE DEVELOPMENT TRAJECTORIES.....	8
2.1 Strengthen social link	8
2.2 Sustainably and equitably manage shared areas and resources.....	8
2.3 Support an equitable and sustainable growth trajectory	8
3. AFD GROUP'S "DEVELOPMENT SOFTWARE" IN THE MIDDLE EAST	9
3.1 An adapted strategic time frame: choice of a long-term strategy	10
3.2 Scaling up through a partnership reflex.....	10
3.3 Pursuing a "double dividend" in each operation.....	11
4. WHICH TOOLS SHOULD BE MOBILISED?.....	12
4.1 A field-based approach adapted to systemic fragilities	12
4.2 Empower social link by using adapted tools.....	15
4.3 Strengthen French climate and environmental action in the Middle East.....	15
4.4 Set in motion a regional dynamic.....	16
5. THE PARTNERSHIP REFLEX	18
5.1 Team France	19
5.2 The European aid system	19
5.3 Coordination with the multilaterals	19
5.4 Mediterranean partnerships	20
6. APPENDICES	21
1. Logical framework for AFD Group operations in the Middle East	21
2. Climate challenges in the Middle East region for AFD Group.....	22
3. AFD Group's financial and non-financial tools in the Middle East.....	26
LIST OF ABBREVIATIONS	30



BEIRUT



LEBANON

SYRIA

IRAQ

Jerusalem








Amman

PALESTINE

JORDAN

YEMEN

-  AFD REGIONAL OFFICE
-  AFD OFFICE
-  GEOGRAPHICAL SCOPE OF THE RO
-  INTERVENTION COUNTRIES:
PALESTINE, JORDAN, LEBANON,
IRAQ
-  PROPARGO'S REGIONAL OFFICE
IN BEIRUT

AFD GROUP 2020–2030 STRATEGY FOR THE MIDDLE EAST

Since 2018, AFD has restructured its network around 17 Regional Offices (ROs) following a two-pronged logic of devolving decision-making and pooling competences. Based in Beirut, the Middle East Regional Office covers **Iraq, Jordan, Lebanon, Palestine, Syria and Yemen**. It brings together the Group entities **AFD, Proparco (the private-sector financing arm) and soon Expertise France (technical cooperation agency)** in order to mobilise the full range of actions carried out by the Group to work for the region's development.

Set up in 2019, the RO is tasked with implementing the Group's Middle East strategy (present document), which is in line with the **AFD Group 2018–2022 Strategy**.¹ It is in charge of steering AFD's programme of activities in the region, human resources management and the dialogue with institutions and donors.

The Middle East Strategy identifies **AFD Group's main strategic priorities for the Middle East**, the **methodological tools** for addressing the challenges common to all of the countries in which AFD operates, and **the priority partnerships** that need to be established to ensure collective outcomes² are achieved. **This document will guide the country strategies for the region**. Prepared in close collaboration with the Ambassadors of France and tailored to national contexts, these country strategies prioritise the various intervention sectors (education, water, health, energy, urban development, etc.) as well as the stakeholder coalitions enabling the regional strategy objectives to be reached.

The AFD Group's Middle East Strategy is based on the observation that **a systemic crisis in the region is impeding effective management of urgent economic, social, institutional and environmental issues**. Through its action, the Group will aim to curb the dynamic of decapitalisation underway in the region. This will be done by fostering the **identification and kick-starting of sustainable development trajectories**, which are the only means of reducing the structural fragilities that compromise the future of the Middle East's next generations.

As a result, the Group has chosen to focus its interventions on **three strategic objectives**: 1) **strengthen social link**, 2) **sustainably and inclusively manage shared areas and resources** and 3) support a **more equitable and sustainable economic growth path**.

To operationalise the implementation of these three objectives, the Middle East RO will apply a **way of working adapted to the local context** and designed to induce **long-term systemic effects** – at the same time, acting in the short term when the situation so requires. The Group will be able to rely on an enhanced range of intervention tools, mobilised by teams on the ground.

Lastly, AFD Group will position itself as a **partnership platform** not only to ensure the principles of complementarity and learning that are vital to development action – but also to scale up its interventions in the region.

¹ <https://www.afd.fr/en/ressources/afd-group-2018-2022-strategy>

² "Collective outcomes" is a notion that was developed in the wake of the 2016 World Humanitarian Summit in Istanbul, and sets an agenda designed to break down the silos within the humanitarian and development communities (Source: UNOCHA, <https://www.unocha.org/ending-protracted-internal-displacement/achieving-collective-outcomes>).

1.

**A DEEP-ROOTED
SYSTEMIC CRISIS
STEMMING
FROM A SLOWDOWN
IN DEVELOPMENT
TRAJECTORIES**

What development actors observe in the Middle East is a deep-rooted crisis that is not limited to the areas and timing of the conflicts seen in the region. AFD chose to rely on the research community's knowledge, right from the initial design of its strategy, drawing on a series of notes on the current state of play written by the Institut de Recherche et d'Études Méditerranée Moyen-Orient (iReMMO – Institute for research and studies on the Mediterranean and Middle East).³ The findings of these notes on the region are bleak: "it is illusory to believe that an end to fighting or a reduced intensity of violence, here and there, foreshadows a sort of end-of-story after which these countries will enter into a new phase that breaks with those before. In reality, what is happening today is a sequence in a long and tragic history that is continuing and whose course we must try to influence in all lucidity."⁴

The different scenarios resulting from this foresight work⁵ present a region that will remain prone to strong tensions in the coming decade due to demographic and migratory dynamics,⁶ governments' difficulty in meeting the expectations of their young people, and the absence of a public policy common to a region marked by recurrent wars. Added to these hurdles are the geopolitical projections of third powers and, lastly, the ecological challenges, which are currently underestimated by policymakers. These observations on the region are situated at the intersection of the political and development timeframes.⁷

The vulnerability factors identified by iReMMO are symptomatic of a systemic crisis rooted in the **slowdown of the economic, social, political and environmental trajectories**⁸ prevailing in the region.

a) The contemporary conflicts in Syria, Yemen, Palestine or Iraq only exacerbate the region's long-term dynamic of economic slowdown. Since the 1980s, the **economic trajectories** of the countries in the region are characterised by productive sectors⁹ that have failed to take advantage of the "demographic dividend" that has benefited other regions. As the decline of agriculture and small-scale industry has not been offset by industrialisation or the growth of a competitive services economy, the region is sorely lacking the

economic drivers able to create employment at a time when large cohorts of young people are arriving on the labour market. Weak diversification and the mismatch between skills supply and demand on the labour market produce high unemployment levels¹⁰ and growing inequalities,¹¹ in what are often described as rent economies.¹² Playing a secondary role in the economic dynamics driving globalisation, the region has seen a deepening of spatial divides (urban/rural, suburbs/city centres), against a backdrop of deteriorating territorial governance (a lack of de-concentration, decentralisation and local economic governance).

b) The **social dynamics** at play are also fragile¹³ in face of the impossibility of establishing a viable social contract: "When dealing with the Middle East, a different perspective needs to be adopted to analyse the State-citizen relationship. Rather than talking about the social contract between the State and citizens, in an approach implicitly based on democracy and the rule of law, a more relevant general formula would be 'privatisation of the State and state ownership of society'".¹⁴ Very high inequalities¹⁵ have been tolerated for many years by Middle Eastern societies as they are accompanied by social shock absorbers such as access to public employment, subsidies for basic services (electricity, water, flour...) and clientelist redistribution systems within communities of belonging. In the absence of buoyant job-creating growth, these redistribution models cease to be viable. Their weakness reinforces inequalities not only among individuals but also between groups (horizontal inequalities¹⁶) – the latter being notorious for the potential violence they can trigger.

c) The failings of **institutions and policies** in the countries in the region have come to light since 2011 with the advent of large-scale protest movements. This has led to crises (Lebanon), chronic violence in several countries (Syria, Iraq, Yemen) and mounting conflicts in Palestine due to the lack of prospects for a two-state solution. These protests not only express a deep civic mistrust of government as the State is perceived as not providing equitable treatment for all, but are also a demand for dignity. Since the countries in the region became independent, the capture of resources and institutions by various interest groups, to the detriment of most

³ These notes can be consulted on the AFD and iReMMO websites.

⁴ Source: J.P. Chagnollaud, *Étude iReMMO -AFD*, 2019.

⁵ *Ibid.*

⁶ According to iReMMO, in the Middle East, three structural factors relating to demographics are exerting pressure on access to public services, the job market and shared resources: i) the reverse-transition, a period that is seeing an upturn in population growth in several of the region's countries; ii) the unpredictability of conflict-driven migratory flows; and iii) the emigration of skilled young people due to a weak demand for labour, which is driving a brain drain mainly to Gulf countries (Source: Y. Courbage, *Étude iReMMO -AFD*, 2019).

⁷ A key prerequisite to building a lasting political solution to conflict and a successful anti-terrorist fight in the countries within the RO's scope is an inclusive political transition on the part of governments and the resilience of societies to sources of instability. These pre-conditions imply concertation between the defence, diplomacy and development communities in order to combine the political timelines and the forcibly longer timelines required for development.

⁸ According to the UNDP, the Human Development Indices for the region are overall lower than the world average of 0.728; Yemen, 0.402 (216th); Syria, 0.536 (193rd); Iraq, 0.685 (158th); Palestine, 0.668 (157th); Jordan, 0.735 (127th); Lebanon, 0.757 (111th).

⁹ Source: UNESCWA, <https://www.unescwa.org/publications/bulletin-industrial-statistics-arab-countries-ninth-issue>

¹⁰ According to the World Bank, the MENA-region unemployment rate has reached 30%, primarily affecting youth (e.g., 43% in Palestine) or women (20.7% in Iraq compared to an average female unemployment rate of 9/9% in 2019, while in Jordan, it stands at 23%). See also "Youth employment in the Middle East and North Africa: Revisiting and Reframing the Challenge", Brookings Doha Center, February 2019.

¹¹ Source: POMEPS, <https://pomeps.org/poverty-inequality-and-the-structural-threat-to-the-arab-region>

¹² Source: Carnegie Institute, <https://carnegieendowment.org/2018/10/09/arab-political-economy-pathways-for-equitable-growth-pub-77416>

¹³ Hertog Steffen (2017) "The Political Economy of Distribution in the Middle East: Is There Scope for a New Social Contract?", in G. Luciani (ed.) *Combining Economic and Political Development: The Experience of MENA*, International Development Policy series 7 (Geneva: Graduate Institute Publications, Boston: Brill-Nijhoff), pp. 88–113, <https://journals.openedition.org/poldev/2270>

¹⁴ "State and Citizen in the Middle East", iReMMO, 2019.

¹⁵ "Perceptions of inequalities concern both national and regional level...The 1% of the highest incomes receive over 25% of the regional total, against 20% in the USA, 11% in Western Europe and 17% in South Africa", Samir AITA, "Inequalities in the Arab world: move from rent to tax", ID4D Blog, 7 February 2018.

¹⁶ Horizontal inequalities are those between groups. More than "diffuse" social inequalities, they tend to trigger violent conflicts. (Source UNDP: http://hdr.undp.org/sites/default/files/stewart_layout.pdf)

of the population, has fuelled the emergence of patrimonial states and strongly polarised societies.¹⁷ Endemic corruption and a lack of transparency also confirm the presence of an institutional crisis that breeds mistrust, as reflected by Transparency International's index. In 2018, out of 180 countries, Syria ranked 178th, Yemen 176th, Iraq 168th, Lebanon 138th and Jordan 58th. Lastly, in the absence of mechanisms providing transitional justice, the processes enabling crisis-afflicted societies to recover are encumbered by a culture of impunity that stokes mistrust within society and vis-à-vis the governments.

d) The absence of sustainable development models in the region is an extremely worrying driver of fragility in the medium to long term given its irreversible nature.¹⁸ The depletion of fossil groundwater, the pollution and loss of arable land, uncontrolled urbanisation and biodiversity loss, the non-renewal of the highly oil-dependent energy model are all current realities that threaten human presence in some of the region's territories. These unsustainable trajectories, some of which are accelerated by climate change, can only be contained by long-term structuring actions.¹⁹ However, in a context of high socio-economic vulnerabilities (heightened by climate risks), institutional failings (sectoral actions but no integrated climate policies), and armed conflict (resource predation), policy makers set lower priority on ecological questions, the effects of climate change²⁰ and disaster prevention (see Appendix).

These unsustainable trajectories are leading to an erosion of the region's capital – **be it economic, human but also social and environmental**.²¹ In this context, AFD's action will aim to preserve or, when possible, regenerate these four types of capital. Its end goal will thus be to **identify and set in motion sustainable development trajectories to reduce the fragilities that compromise the future of the Middle East's next generations**. This goal means supporting in priority four of the transitions identified in the AFD Group 2018–2022 Strategy, all of which support the UN's Agenda 2030 and the SDGs (see the logical framework, Appendix 1):

- i) the **economic and financial** transition, to come up with economic models that create decent employment, notably for young people searching for better prospects,
- ii) the **demographic and social** transition, to reinvest in human capital at all levels of Arab societies, particularly regarding women,
- iii) the **political and civic** transition, to regenerate a social capital under threat,
- iv) the **ecological and territorial** transition, to avoid the phenomena of an irreversible “ecological collapse” in the region.

By making a 100% social link commitment in its 2018–2022 global Strategy, the Group wants to ensure that all its actions are geared to strengthening social ties among populations and among territories or, at least, avoid weakening them. The 100% Paris Agreement commitment means that the Group will ensure that all its interventions are consistent with low-carbon and resilient development as defined in the Paris Agreement.

¹⁷ “Nowhere in the Near East is the State fully that of its society. Since the accessions to independence, the state apparatuses have been confiscated by hegemonic groups whose members are linked through close relations that mix solidarity and allegiance... Here, we can speak of a pact that binds the “holders of the State”... the great majority of the population is for the most part excluded from it.” (Source: Z. Majed, iReMMO-AFD study, 2019)

¹⁸ A phenomenon that is well-documented in Jared Diamond's book, *Collapse: How Societies Choose to Fail or Survive* (2005).

¹⁹ UNESCWA's reports on global warming are telling on this count (cf. *Compendium Environment Statistics Arab Region 2016–2017*). Several research studies have also foregrounded the linkage between the Syrian crisis and the 2006–2011 drought, which may have been a decisive factor driving the impoverishment of the rural population and the rural-urban exodus (see Appendix 3: The climate challenges for the Middle East Regional Office).

²⁰ A temperature rise of 2 to 3.5 °C by the end of the century, lower rainfall, longer droughts, more frequent heat waves...

²¹ Here, we refer to the World Bank studies that analyse the evolution of national wealth beyond the GDP indicator, by integrating other forms of capital such as human or natural capital. “The Changing Wealth of Nations” (World Bank Group, 2018) is the latest report to date. In particular, it points up the strong decline of “net saving” in Middle East countries since 2008, once natural capital and human capital have been factored in. <https://openknowledge.worldbank.org/bitstream/handle/10986/29001/9781464810466.pdf>

2.

**AFD GROUP'S
STRATEGIC
PRIORITIES IN
THE MIDDLE EAST**
–SET IN MOTION
SUSTAINABLE
DEVELOPMENT
TRAJECTORIES

The strategic priorities identified by AFD Group are at the intersection of the above-described observations, the orientations of the Inter-ministerial Committee on International Co-operation and Development (CICID) in 2016 and 2018,²² and French diplomatic priorities in the region. The Middle East is in fact a geopolitical area involving hefty diplomatic challenges that a donor needs to take on board when planning its operations.

In the Middle East, France's action upholds the values of pluralism and tolerance. It encourages reconciliation by seeking inclusive spaces that allow for the peaceful settlement of conflicts, in strict compliance with international law. It promotes human rights in order to respond to citizens' legitimate aspirations to security and dignity. AFD will work to promote these values and support the objectives of France's climate diplomacy in the region, pursuant to the Paris Agreement. The Regional Office thus intends to base its operations on three strategic objectives, aimed at supporting the four priority development transitions for the region (cf. Part I):

2.1 Strengthen social link: in its vertical sense (quality of the relation between institutions and citizens – mainly targeting young people and women) and horizontal sense (quality of relations between the different communities that structure Middle Eastern societies). In line with its Vulnerabilities to Crises and Resilience Strategy²³ and the models of the *Pathways for Peace* report,²⁴ AFD Group will seek to support the inclusion of marginalised populations and territories as well as access to more inclusive, participatory and transparent public institutions, to ease pressure on basic services.

Target transitions: demographic and social, political and civic

2.2 Sustainably and equitably manage shared areas and resources: this will be done on **several scales: i) at local levels** by working on issues of access to land or management of urban spaces, so as to create a sense of community when this is lacking and encourage mixed spaces (social, community-based, generational); **ii) at national and regional level**, by working towards good resource governance (e.g., availability and quality of water resources, energy efficiency and renewable energies), as well as enhancing a shared historical and cultural heritage; and **iii) at global level**, by contributing to the management of global common goods (climate, biodiversity, health safety...) by sensitising the region's citizens and AFD Group's counterparts to the risks linked to rapid environmental degradation. The questions of climate change adaptation and disaster prevention will also be promoted.

Target transitions: ecological and territorial, political and civic

2.3 Support an equitable and sustainable growth trajectory: by supporting i) both public and private investments in promising sectors that can boost employment, particularly for women²⁵ and youth and ii) local economic development based on financial inclusion, support for small and medium-sized enterprises (SMEs), and the promotion of social entrepreneurship. By fostering entrepreneurship and innovation, these investments will aim to encourage women's participation in the economy. They will follow a rationale of ecological sustainability that contributes to the trajectory of the Paris Agreement.

Target transitions: economic and financial, ecological and territorial, demographic and social

PROJECT FOCUS

STRENGTHENING THE PRIVATE SECTOR IN PALESTINE TO PROMOTE EMPLOYMENT AND THE ECOLOGICAL TRANSITION

Since 2008, AFD has been investing in Palestine's private sector to support job-creation, grow the local economy by supporting SMEs, and facilitate ecological and sustainable investments. In 2014, it granted its first non-sovereign loan to Pharmicare, a company operating in the pharmaceutical sector – which is one of the mainstays of the local economy in terms of growth and employment. To improve the corporate sector's access to financing, AFD's Jerusalem agency has also developed its collaboration with banks through its guarantee product and sub-participation using the risk-sharing mechanism, ARIZ. A first operation with the Bank of Palestine (BOP) resulted in commitments of €19M. In 2017, AFD launched the SUNREF (Sustainable Use of Natural Resources and Energy Finance) programme in order to support and develop the "green" investment market. SUNREF not only provides a financing solution but also proposes support to develop energy-efficiency and renewable-energy projects in Palestinian companies.

²² The CICID of 30 November 2016 wished to reinforce the action of France in crisis and post-crisis contexts and fragile situations. These focus areas were put in place through the Minka Middle East Initiative, which was a prelude to the partnership-based strategy that the RO aims to set up. The CICID of 2018 renewed the priority given to crisis areas and adopted the French strategy to respond to fragile situations.

²³ <https://www.afd.fr/sites/afd/files/2018-03-10-27-15/strategie-vulnerabilites-crisis-resilience-2017-2021.pdf>

²⁴ This 2018 report written by the UN and the World Bank, to which AFD contributed, promotes the coordination of development responses with other conflict prevention tools such as preventive diplomacy, mediation, peacekeeping, etc. *Pathways for Peace, Inclusive approaches to preventing violent conflict*, United Nations and World Bank. 2018. <https://www.pathwaysforpeace.org>

²⁵ Reducing the gender gap would contribute to a 25% growth of GDP (9% in Lebanon, 10% in Jordan, 11% in Iraq), according to ILO.

3.

**AFD GROUP'S
"DEVELOPMENT
SOFTWARE" IN
THE MIDDLE EAST**

The observation of a systemic regional crisis caused by a slowdown in development trajectories (cf. Part I) calls for humility. It is a call for the donor community in the region to further develop their “Software” and take into account not only past successes and failures, but also the specific historicity of this region of the world. It also spurs the development community to work more on anticipating and preventing crises,²⁶ so as to avoid having to implement emergency responses.²⁷

It also raises the question of the scale of actions and the relevant responses to the micro-macro paradox:²⁸ how can we design development projects that, in addition to their direct impacts (number of children attending school, of patients treated, etc.), can help to reduce, however modestly, the structural fragilities identified at regional level? To resolve this micro-macro paradox, AFD proposes to adapt its way of working by implementing: i) an adapted strategic time frame, ii) a systematic search for upscaling through a partnership reflex, and iii) achieving a double dividend in projects (cf. below).

3.1 An adapted strategic time frame: choice of a long-term strategy

In a **fragile context**, characterised by a strong likelihood of major crises and by significant structural challenges, AFD Group has chosen to ground its regional strategy on a ten-year time frame. This long-term horizon makes it possible to ensure strategic consistency in a volatile environment and continue to embed the Group’s activities in a relationship of trust with its counterparts. The strategy, whose objective is to set in motion systemic changes and also respond to crises, will nonetheless be reviewed and adjusted annually, in light of internal and external evaluations.

3.2 Scaling up through a partnership reflex

Any AFD operation in the region will endeavour to induce leverage effects in order to maximise project effects and upscale their impact. The whole range of the Group’s **financial and non-financial instruments**,²⁹ will be mobilised to this end.

To produce these leverage effects, AFD will cultivate a **partnership reflex**. The Group will systematically seek to mobilise **coalitions of actors** (donors, private sector, notably via Proparco, civil society, and the research community, in concert with Expertise France) to co-design solutions that can produce systemic effects (mobilisation of financing, strengthening sectoral dialogue, advocacy efforts). The Group will position itself as a **platform** able to mobilise expertise and financing, deliver solutions tailored to our partners’ problems, and benefit from their support over the long term (cf. Part V, Partnership Reflex).

PROJECT FOCUS DESIGNING A REGIONAL RESPONSE ON THE SCALE OF A CRISIS BASIN – THE MINKA MIDDLE EAST INITIATIVE

The Minka Middle East Initiative is AFD’s prevention-oriented response to the risk of seeing the Syrian and Iraqi conflicts spread into the most fragile areas of the surrounding countries. This grant fund helps to reduce the vulnerabilities that constitute a source of violence.³⁰ For AFD Group, the Minka Middle East Initiative is a tool for adapting our practices to actions in a context of chronic crisis. The initiative foreshadowed AFD’s regional-level action by setting up a collective way of working that brings together AFD agencies in the region.

This initiative is a multi-sector approach, geared to responding to the diverse needs of vulnerable populations, refugees, displaced people and members of host communities (health, education, access to income, etc.). It finances multi-year projects implemented by partners most able to bring quick results and lasting changes in people’s lives: 74% of funding granted in 2018 is implemented by non-state actors and an increasing share of these are national actors (notably civil society actors). To ensure application of the “Do no harm” principle and respond to complex and evolving issues on the ground, the Minka Middle East Initiative allocates substantial resources to the analysis and monitoring-evaluation of funded projects: a regional action-research scheme is operating with IFPO on urban issues; a support mechanism for ongoing monitoring, evaluation and capitalisation is in place with a specialist consultancy (Altai).

²⁶ For AFD, the notion of “crisis” includes crises linked to a deteriorating political context, as well as crises triggered by a natural disaster.

²⁷ In its *Fragility, Conflict and Violence Strategy*, the World Bank implements its approach via the “4Ps”: policies, programming, partnerships and personnel.

²⁸ In development economics, this well-established paradox refers to the fact that aid effectiveness is often shown at project-scale, but not verified at the macroeconomic scale.

²⁹ See Appendix 4 “AFD Group’s tools in the Middle East”.

³⁰ [https://www.afd.fr/en/minka-peace-and-resilience-fund->MINKA Middle East Initiative](https://www.afd.fr/en/minka-peace-and-resilience-fund->MINKA%20Middle%20East%20Initiative).

3.3 Pursuing a “double dividend” in each operation

AFD Group will mobilise its sectoral expertise and financial tools to systematically aim for a double dividend: in addition to its direct sectoral impacts (number of children attending school, of patients treated, of infrastructures built...), each operation carried out by AFD and its partners in the region will seek to contribute to:

(i) Making more inclusive and sustainable public policies, to support states, public and private actors, in triggering the four above-mentioned transitions.

Several studies have shown that the government’s capacity to deliver services (electricity, education...) is less important in terms of legitimacy in its citizens’ eyes than their perception of the quality of the services and their fair distribution. Prior consultation with users, equitable access among citizens to public services, transparency in their management and financing are all approaches likely to significantly improve trust between citizens and public institutions, as well as inter-community relations. Public policy dialogues will be organised with the authorities but also with civil society and the research community on high-stake development themes (inequalities, ecological transition, economic models, etc.).

(ii) Improving harmonious co-existence by creating or strengthening areas of trust.

In light of the growing mistrust between government and citizens, between the private sector and the administration (or inside the latter), and between communities, AFD will seek in its projects to re-establish modalities for peaceful dialogue between the actors so that conflicts – inherent to any development process – can be managed constructively. In regions engaged in post-war recovery and in fragile territories, AFD will aim to systematically integrate mediation components into its projects, as well as context analyses for a more granular understanding of the social issues.

The background features several overlapping, thin orange circular lines of varying radii, creating a dynamic, abstract pattern.

4.

**WHICH TOOLS
SHOULD BE
MOBILISED?**

As development is not carried out in the same way in Middle East, Latin America or Asia, AFD will mobilise a range of tools and methods tailored to the region's circumstances.

4.1 A field-based approach adapted to systemic fragilities

A regularly reviewed theory of change³¹ backed by iterative evaluation mechanisms and reinforced interactions with the research community: AFD Group's Middle East Strategy will be revised annually on the basis of a note evaluating the timely relevance of our observations depending on regional changes. When appropriate, the projects implemented will also be based on a theory of change in which the underlying assumptions will be reviewed annually in light of evaluations – mid-term, on project completion and/or during implementation.

PROJECT FOCUS

GROUNDING OPERATIONS ON A THEORY OF CHANGE, AFD IN IRAQ

In Iraq, AFD mainly operates through the Minka Middle East Initiative in the areas liberated from ISIS, where a mosaic of communities exists involving complex socio-political dynamics. Faced with this complexity, AFD has systematised research and analytical work right from the pre-identification stage of operations. In 2017, the work carried out with researchers and consultants from the Noria network and Altaï on the social and political dynamics within a rural district in the Nineveh Plains led to the launch of the PERMA project to revitalise the local economy and agriculture. Based on a theory of change whose relevance will be regularly monitored, this project – which aims to support 1,250 people by improving financial inclusion and upgrading agricultural infrastructure – integrates a component to support social cohesion. This component aims to ease tensions and rebuild ties with a view to inter-community relations.

“Do No Harm”³² and local or sectoral political economy analyses: initially designed for conflict situations, the “Do No Harm” methodology will be mobilised more systematically in the region so as to prevent projects from unintentionally further reinforcing various conflict factors. Similarly, as soon as they are relevant, studies on local or sectoral political economy will inform project design and monitoring.

Reinforced operational coordination in a crisis context: the humanitarian–stabilisation–development continuum.

Consistent with SDG16, the combination of AFD's and Expertise France's respective mandates will help to place the Group in a rationale that coordinates “humanitarian–stabilisation–development” action, by mobilising differentiated methods and tools depending on when the crisis occurs and the intervention sector. Based on joint planning work, the Group's actions will be grounded on a phased coordination, enabling not only action that is rapid and sustained over time, but also a back and forth between stabilisation and development actions in order to take into account non-linear crisis recovery trajectories.³³

PROJECT FOCUS

LOCALISED AID AND LOCAL DEVELOPMENT IN PALESTINE AND LEBANON

At the World Humanitarian Summit (Istanbul, 2016), the “localisation of aid” gained strong commitment from donor countries, notably France. This involves stepping up the share of international aid that is directly implemented by local actors, be it civil society organisations or partner countries' local authorities. Since 2016, AFD has called on its multi-donor programme, the Municipal Development Programme (MDP), to finance investment and infrastructure benefiting 144 municipalities in the West Bank and the Gaza Strip. Through this project aimed at strengthening local actors' capacities for action, AFD helps to bolster the resilience of the Palestinian autonomous territories in a fragile environment.

In the city of Tripoli in North Lebanon, Bioforce and URD are working on crisis prevention and readiness capacity-building for local CSOs and local authorities, thanks to financing from AFD's CSO window. Also in Lebanon, Expertise France and AFD are jointly contributing to the implementation of the commitments made by France at the World Humanitarian Summit on the “localisation of aid”: co-financed by the Danish agency, DANIDA, the Shabake project is building up the institutional capacities of Lebanese CSOs so that, in the future, they will be able to position themselves on the front line of crisis response. This project capitalises on the success of collaborations between Lebanese CSOs (AMEL, Arcenciel, Semeurs d'avenir, Alfa...) and international CSOs (International Alert, Samusocial International, Médecins du Monde, IECD, ASMAE...).

³¹ Developed by the NGO community, the theory of change involves defining upstream an organisation's mission or a project's objective and mapping out the steps required to achieve it, by regularly questioning the soundness of the linkage between cause (action) and effect (impact). The theory allows for an adjustment of objectives or methods during implementation should these prove poorly adapted.

³² This approach aims to identify the potentially negative consequences of development aid and analyse its impact on the intervention environment beyond the beneficiaries so as to challenge the intervention if necessary.

³³ *Pathways for Peace, Inclusive approaches to preventing violent conflict*, United Nations and World Bank, 2018, pp. 283 and 284.

AFD AND COUNTRIES AFFECTED BY CONFLICT

SYRIA

In full agreement with the common position endorsed by the Foreign Affairs Council of 16 April 2018, and shared with our G7 partners (G7 Communiqué of 27 May 2017) making financing Syria's reconstruction conditional on a sustainable political transition, AFD does not currently foresee any development interventions in Syria.

ANTICIPATE THE COORDINATION OF HUMANITARIAN, STABILISATION AND DEVELOPMENT ACTIONS IN CONFLICT ZONES

The current security and political conditions in Yemen and Syria prevent any on-the-ground development operations by AFD. However, international experience shows that the development community tends to arrive too late in the recovery process: a successful humanitarian–stabilisation–development transition must be anticipated and prepared beforehand. For this reason, AFD aims to stay as close as possible to the field and maintain constant analytical monitoring on both countries. This will ensure that AFD will be able to take relevant action if conditions favourable to development aid were to emerge, once the green light had been given by the French political authorities.

AFD is thus setting up analysis-centred partnerships to produce studies and organise conferences, creating and sustaining an expert network and implementing a 3D approach (combination of diplomacy, defence and development) to promote the effective circulation of information and knowledge-sharing within Team France.

Teaming up with the research community to inform our action through on-the-ground analysis and by understanding the history of societies and territories.

This collaboration will also help to assess our strategic approaches with a critical eye. Together with the AFD's IRS department (Innovation, research and knowledge), the Regional Office will structure a knowledge-broking programme to improve coordination of research–strategy–operations. This will cover societies (e.g., social and political dynamics) and the major issues in the region (e.g., climate trajectories and economic models). This collaboration with established research centres in the Middle East will help to promote research work that is highly valuable but too rarely mobilised by practitioners. Given the political issues commonly found in the region, this research will be systematically exchanged in a "Team France" format following a knowledge-sharing logic.

Actionable networks of technical experts: the imminent arrival of Expertise France within AFD will significantly enhance the Group's cooperation offer. It will rely on a robust network of international technical experts and seconded national experts across a variety of fields such as vocational training, civil protection, innovation, education, etc., so that a granular knowledge of the local institutions and issues will be available.

AFD AND THE ACADEMIC WORLD, THE PARTNERSHIP WITH THE FRENCH INSTITUTE FOR THE NEAR EAST (IFPO)

To better understand the dynamics linked to the presence of Syrian refugees in the cities and towns of Lebanon and Jordan, AFD established a three-year partnership with ifpo in 2018. This partnership enables AFD to mobilise in-depth analyses and critical views from French, Lebanese or international experts (geographers, urbanists, sociologists...) for its projects in urban areas, in both Lebanon and Jordan. This collaboration also finances the field research and supervision for two PhDs on the questions of habitat and access to essential services for vulnerable populations and refugees.

4.2 Empower social link by using adapted tools

A toolbox to achieve "100% Social Link": the Regional Office will be equipped with tools enabling it to achieve, at an operational level, its ambitious objectives to strengthen social cohesion in the region. These tools will be the result of in-house reflections as well as consultations with SCOs, making it possible to capitalise on their relevant experiences. Right from the pre-identification phase, during preparatory meetings with counterparts and the drafting of "go/no go" notes, a social link filter will be applied to systematically target the "double dividend". This filter will work as a coherence test for a strategy resolutely turned to fostering inclusive public policymaking and strengthening social cohesion. During the project design phase, the project can integrate elements geared to mediating between institutions and citizens, the media and public authorities, and between communities, as well as components specifically for youth (especially young women). Expertise France will support these local mediation initiatives in its interventions in crisis and post-crisis situations, in order to help recompose the social fabric and re-establish dialogue. AFD teams will call on leading-edge expertise when setting up and monitoring projects to ensure that they assist in promoting gender equality and women's participation in the labour market.

STRENGTHEN SOCIAL LINK IN MIDDLE EAST COUNTRIES: EXPERTISE FRANCE'S ACTION IN THE REGION

Through national and regional projects and internationally run initiatives, Expertise France supports its partners in capacity-building for central administrations in the areas of management and steering of social services delivery, which affords populations protection against the risks of everyday life (illness, old age, exclusion, workplace accidents). Specific attention is paid to assistance programmes targeting the most vulnerable populations (the elderly, the disabled, children, isolated women, the socially excluded). In Lebanon, the agency promotes a mixed approach aimed at delivering immediate assistance to vulnerable populations by facilitating access to quality services, and at furthering the transition from humanitarian action to development.

4.3 Strengthen French climate and environmental action in the Middle East

Regional oversight of climate and environmental issues to adapt the Group's climate strategies to Middle Eastern context. "Climate" and "environmental risk" expertise will be integrated into the Regional Office in order to ensure a strong requirement vis-à-vis our partners as well as the necessary assistance, set a strategic course and guide the teams on how to structure projects with respect to these two aspects.

4.4 Set in motion a regional dynamic

Public policy dialogues to think through the transition of models and accelerate decision-makers' and the public's awareness of still poorly understood issues. Projects for public policy dialogues will be designed in collaboration with the authorities, as well as with civil society and the research community, on selected themes (inequalities, ecological transition, economic models, etc.), in order to identify changes in public policy that could accommodate future projects. Depending on the context, these projects can be backed by budgetary aid.

CONTRIBUTE TO PUBLIC POLICY DIALOGUES IN JORDAN

Since 2012, AFD has financed policy-based loans in Jordan in the energy, water, decentralisation and justice sectors. These policy-based loans aim to support the implementation of sectoral reforms. In the water sector, where in 2019 AFD granted its third policy-based loan, the public policy dialogue aims to support the Jordanian government in rolling out reforms designed to better balance supply and demand, consolidate the sector's financial situation and improve the performance of water supply companies. To back these policy-based loans, AFD mobilises specialist technical expertise: Expertise France and the Société du Canal de Provence for water, for example.

Regional projects: the Regional Office will identify regional-scale projects to respond to issues common to the countries in the region. For example, supporting citizen participation and social cohesion through the media; supporting creative and cultural industries, which can not only create jobs but also promote a common culture and history; financing the real economy by developing responsible and inclusive entrepreneurship, particularly that driven by women.

WORKING AT REGIONAL SCALE

Faced with the deep crisis that the region is now experiencing, Expertise France ensures that it grasps this territory as a complex whole needing to be observed and understood in its entirety. For this reason, to bring a coherent and tailored response to these multi-layered crises, Expertise France positions itself on regional cooperation issues in its priority intervention areas through innovative projects that marry the regional dimension and national specificity.

THE FIGHT AGAINST THE TERRORIST THREAT AND NATURAL DISASTERS

The current security situation is encouraging the emergence of regional thinking on these subjects. To support this regional cooperation, Expertise France is implementing a project to counter terrorism³⁴ and another project to counter the financing of terrorism and money laundering.³⁵ By strengthening both the criminal justice system of the countries in the region and the capacity of state mechanisms to fight against the financing of terrorism and money laundering, these projects are helping to improve regional and international counter-terrorism cooperation and strengthen financial systems within the region. In the area of combating natural disasters, the PPRD Sud III project³⁶ bolsters the coordination and capacity of beneficiary countries in the region so that they can develop and implement common regional strategies to fight against all natural and man-made risks.

GOVERNANCE

To promote the role of women in public administrations and fuel thinking on the importance of gender diversity in decision-making for public policies that ultimately influence good governance, Expertise France has helped to run and support the *Réseau Mixité et Gouvernance*. For four years, the network has brought together women holding senior positions in the civil service to foster peer-exchange of good practices at regional level.

³⁴ Expertise France is the lead agency on a project to fight terrorism in MENA countries. The project's objective is to operationalise a relevant policy dialogue between the European Union and the countries of the region through regional and international cooperation working to strengthen the penal chain in partner countries.

³⁵ Expertise France has signed as lead partner on an EU project for Countering the Financing of Terrorism/Anti-Money Laundering in order to develop and implement a mechanism for a technical assistance facility with global reach (€16M over 48 months). The project's objective is to build the capacities of state mechanisms in this domain, notably by supporting partner countries' greater compliance with FATF (Financial Action Task Force) recommendations and the resolutions of the Security Council.

³⁶ The objective of this European project is to gradually build an effective and sustainable Euro-Mediterranean system to reduce, prevent and manage natural and man-made disasters and enable the gradual association of the Mediterranean countries to the European Civil Protection mechanism. The project must work to reinforce actions at operations level and in training designed to upgrade Civil Protection organisations to the required level.

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5.

**THE PARTNERSHIP
REFLEX**

An effective regional strategy capable of acting on the causes underlying the development crisis in the region must be built on a localised partnership strategy. The Middle East context, which is particularly fragile and involves substantial inflows of international aid,³⁷ calls for a donor such as AFD to develop principles of complementarity and learning with its peers, as well as with the actors of diplomacy, security, humanitarian aid, and research.

DEVELOPING PARTNERED OPERATIONS: ZOOM ON THE IRBID PROJECT IN JORDAN

The Irbid project approved in September 2016 is emblematic of AFD's action for host communities and refugees. It embodies the European aid system, gathering several aid agencies in a search for short- and long-term impacts. By proposing an integrated approach to respond to the challenge of water access and distribution in Irbid and Ramtha, the project combines large-scale investments (mobilising €152M of financing) and improved drinking water supply for the most vulnerable populations – including Syrian refugees. Implemented by a consortium of NGOs, the project component involving improved access to water will enable an upscaling serving 10,000 households. The project also has an ambitious financing structure as it mobilises half of the resources in loans, and half in grants, based on co-financing with KfW. AFD's contribution to the project financing amounts to €32M in the form of highly subsidised loans. The Humanitarian Aid Mission (MAH) of the Crisis and Support Centre under the Ministry for Europe and Foreign Affairs has ensured the first financing required for the project, amounting to €300,000. AFD has also mobilised a total of €40M through the Neighbourhood Investment Facility (NIF) and MADAD (EU Regional Trust Fund in Response to the Syrian crisis).

The Regional Office will develop the Group's partnerships in the Middle East in order to create leverage effects and cross-learning methods through close exchanges among operational teams. In collaboration with the French ministries (Ministry for Europe and Foreign Affairs, Ministry for the Economy and Finance, Ministry for the Ecological and Inclusive Transition, as well as the Ministry for Solidarity and Health, Ministry of National Education and Youth, Ministry for the Armed Forces, Ministry of Culture...) and AFD Group's subsidiaries Expertise France and Proparco, AFD Group will position itself as a platform to fully engage in three circles of partnerships:

5.1. Team France

Team France (Crisis and Support Centre - CDCS, Policy Planning Staff - CAPS, Ministry for the Armed Forces, Coordination Sud, Business France, MEDEF International, local authorities, IFPO) **in order to propose to its partners more integrated solutions**, resulting from the best expertise and added value of French economic actors, and to implement the "3D"³⁸ approach within the region, which involves working in complementarity with the action of humanitarian, diplomatic and military actors.

COORDINATING AFD AND CDCS FINANCING: OPERATIONALISING THE HUMANITARIAN- DEVELOPMENT NEXUS

In 2019, the CDCS and AFD co-financed a pilot project (€1M) implemented by UNICEF in the Gaza Strip, benefiting maternal and child health. This operation, which links an emergency approach and medium-term development, prepares the scale-up of choices tested during the pilot phase and with financing tenfold higher. In Lebanon, the CDCS and AFD have co-financed the deployment of the Samusocial International bus to help street children. The Samusocial's mobile team, assisted by the Lebanese association AMEL International, now operates day and night in Beirut's most vulnerable districts to help children and young people living in extreme social exclusion. This action contributes to fighting social and healthcare exclusion for the most vulnerable young people and children, particularly those in uprooted populations who have taken refuge in Lebanon.

5.2. The European aid system

AFD Group will actively contribute to the development of the European aid system through partnerships and co-financing with European donors (European Commission, DFID, KfW, Nordic donors, the Swiss SDC...) to promote together the European values of unity in diversity and solidarity.

THE FRANCO-GERMAN TANDEM WORKING FOR MORE SUSTAINABLE DEVELOPMENT

As bilateral donors who have long been active in the Middle East, AFD and KfW have co-financed several operations, notably in the water sector. In Jordan, AFD and KfW co-financed in 2016, in collaboration with the European Union, the first project to improve water supply for host communities and refugees in the Governate of Irbid (grants and loans amounting to €152M from AFD/KfW/EU). Since 2017, the two institutions have also been co-financing policy-based loans to Jordan's water sector. They are working jointly to develop sanitation systems in Lebanon, under the Barcelona Convention for the Protection of the Mediterranean Marine and Coastal Environment.

5.3. Coordination with the multilaterals

AFD will establish thematic partnerships with multilateral actors (World Bank Group, United Nations agencies, Green Climate Fund, Arab donors, ICRC) **to find leverage effects and cross-learning**. The search for partnerships with Arab donors will also aim to create opportunities for cooperation in countries outside the scope of the Middle East Regional Office.

³⁷ According to the OECD, in 2017, the 5 countries covered by the RO received USD 9.52 bn of ODA, which is equivalent to around 10% of global ODA. <https://stats.oecd.org/Index.aspx?DataSetCode=Table2A>

³⁸ "3D" action (coordination between Diplomatic, Defence and Development policy) is one of the priority areas of the AFD Group 2018–2022 Strategy.

A NASCENT PARTNERSHIP WITH THE INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC) AIMED AT COORDINATING HUMANITARIAN AID AND DEVELOPMENT ACTIONS

Building on fruitful exchanges over several years and several joint operations in the region, AFD and ICRC have chosen to sign a framework agreement to facilitate co-financing for projects combining ICRC's unmatched expertise in crisis areas and AFD's recognised development know-how. The collaboration to support the Rafic Hariri public hospital in Beirut's southern suburbs illustrates the common will to integrate humanitarian operations into the search for sustainable solutions, particularly by assisting the public authorities in providing care for the country's most vulnerable populations.

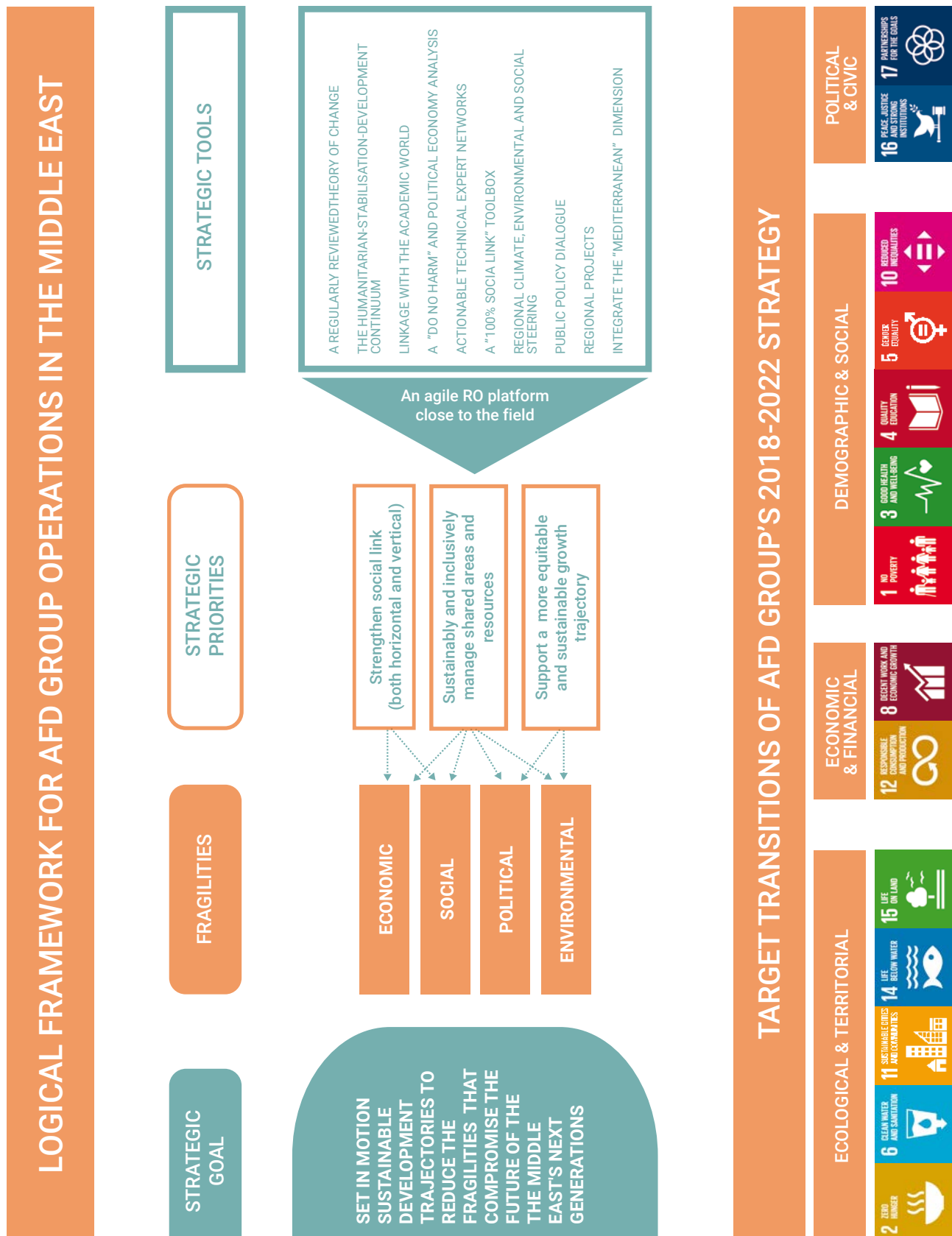
INTEGRATE THE NEIGHBOURHOOD DIMENSION INTO AFD GROUP'S MIDDLE EAST ACTIVITIES

In reorganising AFD's Operations Department, the Group will take care to cultivate a neighbourhood approach in its project appraisals and partnership-building. As a result, in conjunction with the Mediterranean task officer and the person seconded to CMI (Center for Mediterranean Integration), AFD is participating in discussions with the Union for the Mediterranean and mobilising the European Union's Neighbourhood Intervention Facility. In July 2019, AFD officialised its support for the environmental fund for marine protected areas, MedFund, granted the Fund a €4M grant (FFEM and GEF have also provided support).

5.4. Mediterranean partnerships

The Middle East RO will work closely with the Eurasia RO (which includes Turkey) and the North Africa RO (which includes Egypt) to respond to the challenges relating to the Euro-Mediterranean region. Given the imperative to reduce inequalities in Europe's neighbourhood, AFD believes that the collective management of a common good (the Mediterranean Sea) is the only solution to the tragedies of forced migration. Furthermore, the Mediterranean Sea is one of the 35 hotspots identified by the NGO, Conservation International, and is home to nearly 10% of the world's marine biodiversity, even though it represents less than 1% of the ocean area. Marine biodiversity and protected areas will be one of the strategic focuses of these Mediterranean partnerships.

APPENDIX 1: Logical framework for AFD Group operations in the Middle East



APPENDIX 2: Climate challenges in the middle east region for afd group

Water stress, demographic pressure, food and energy dependency, the scant consideration given to climate subjects by the authorities: the countries covered by AFD's Middle East RO are particularly vulnerable to the potential impacts of climate change. This means that it is crucial to implement climate adaptation policies in the region. Although these countries are not among the high GHG emitters (around 1% of global emissions for the region), the very high dependency on fossil fuels and the ongoing rise of GHG emissions nonetheless make "decarbonating" the economy a priority. In this context, AFD Group wishes to integrate its Middle East action into resilient development trajectories by supporting the shared, sustainable and inclusive management of resources (cf. Part II of the strategy).

I. Energy and transport, the main sectors of a carbon-intensive economy

In the Middle East, two sectors are the main drivers of global warming: energy and transport. Waste, industry and agriculture are also responsible for a substantial share of GHG emissions.

1. The energy sector is the main source of CO₂ emissions (92% in Iraq, 56% in Lebanon, 57% in Jordan), particularly as **electricity is produced from non-renewable sources or from the extraction of fossil energies**. In fact, electricity is chiefly generated by burning oil (97% of production in Lebanon, 60% in Yemen, 50% in Jordan) and gas (68% in Syria, 48% in Jordan). Added to this, energy consumption is constantly rising, sometimes at a fast pace (5.5% in Iraq over the last 12 years). Moreover, as countries in the region depend heavily on energy imports, this negatively impacts the sustainability of budgetary trajectories (subsidy system for electricity, gas and fuel prices), except in the case of Iraq and, to a lesser extent, in Yemen. Finally, Jordan and Lebanon are considering turning to new sources of fossil energy, notably by exploiting shale oil reserves (Jordan has the world's 7th largest reserve), or offshore gas (off the Lebanese coast). While developing shale oil incurs heavy financial and environmental costs, the use of natural gas in Lebanese power plants would reduce GHG emissions in the short run by replacing the current heavy-fuel-oil- or diesel-power plants.

1.1. The energy transition thus stands as a key challenge for the Middle East countries especially in view of better energy efficiency. Electric grid losses are very high in several countries in the region (50–60% of losses in Iraq, 20% in Lebanon) and management of the sector often underperforms, in a situation where demand is surging driven mainly by the increasing use of heating and air-conditioning. Lebanon, for instance, is compelled to use many private power generators which emit high levels of GHG.

1.2. The development of renewable energies is vital to the region's low-carbon trajectory. Hydropower represents about 3% of power generation in the region, while photovoltaics and wind power are marginal, even though the countries have high levels of sunshine. The reduction of gas flaring in Iraq remains an important factor for the region's low-carbon transition, all the more so as it represents high economic losses for the country (USD 2.5bn annually according to the World Bank).

2. Among the region's other CO₂-emitting sectors, transport ranks second (23% of emissions in Lebanon, 47% in Palestine, 16% in Jordan). For want of efficient public transport networks, mobility basically relies on personal cars (80% in Lebanon, 67% in Palestine), with the number of privately owned vehicles on the rise (39% increase between 2009 and 2013 in Syria). In addition to climate change, these trips have a large impact on air pollution, which is becoming a major concern for public health.

3. Lastly, other sectors also contribute to GHG emissions in the region, starting with the waste sector, mainly due to poor management. The bulk of solid waste ends up in dumpsites and increasingly contributes to climate disruption and soil and water pollution. For instance, Lebanon experienced a major waste crisis in the summer of 2015, when the government suspended waste collection services. This crisis led to massive protests but no lasting solution was found (for example, 2 million tonnes of waste were finally found in coastal dumps in 2016). Agriculture is also one of the sectors that greatly contribute to climate change in some countries, including Syria with 18% of GHG emissions attributed to this sector. Yet, better use of land and improved farming techniques would make it possible to transform them into carbon sinks. Industry, apart from being energy-intensive, emits different types of greenhouse gases (carbon dioxide, methane, nitrous oxide...) that also exacerbate emissions in the region.

The overall figures for GHG emissions remain relatively low for the region compared to the rest of the world: with about 350 MtCO₂ equivalent emitted each year, the region is responsible for around 1% of global emissions. Yet, compared to population size, these emissions are not insignificant, as the region's countries account for about 1.4% of the world's population. Some countries thus show relatively high emissions per capita, notably Lebanon and Iraq (4.3 and 4.8 tCO₂ per capita and per year respectively), and this trend shows no sign of decreasing. Furthermore, these figures mask large disparities within populations, as the wealthier classes are responsible for significantly more emissions than the poorer classes and certain countries in the region are particularly unequal (Lebanon is ranked the 129th most unequal country out of 141).

A transition towards a low-carbon economy is thus crucial for the region, as much for the global impact on climate as for the local impacts on water, land, air, biodiversity, health and economic dependency.

II. Countries and populations vulnerable to climate change

The Middle Eastern climate is mostly hot and dry (a Mediterranean and desert climate), and has been changing in recent years. During the 20th century, the temperature is estimated to have risen by 0.8°C to 1°C. Over the period 1951–2010, rainfall decreased by about 10–25mm per month. The level of the Mediterranean Sea has risen by an annual 20 mm on average since 1960, while its temperature is estimated to have increased by 1.3°C since 1982.

The projections for the coming years confirm these trends: the IPCC predicts a 2–3.5°C rise in annual mean temperature by the end of the century. This increase in temperature will go hand in hand with a disturbance of the water cycle. Rainfall is projected to continue to decrease across the whole region, and become more violent. This will cause more extreme climate events with longer droughts, more heat waves, flooding, and sand and dust storms (Iraq). The pressure on water reserves will increase due to a drop in river flows (Tigris and Euphrates in Iraq, rivers in Jordan ...), salination of groundwater due to rising seawater, as well as a poorly controlled exploitation of aquifers and high levels of pollution. The degradation of soil and desertification are also among the consequences of climate change: desertification affects between 3 and 5% of arable land in Yemen each year.

Table 1. Country ranking on the ND-GAIN Index and in terms of vulnerability and readiness (the lower the figure, the more vulnerable the country) out of 181 countries in 2017

	Lebanon	Iraq	Yemen	Syria	Jordan
ND-GAIN	76 th	49 th	15 th	43 rd	97 th
Vulnerability	102 nd	83 rd	29 th	79 th	134 th
Readiness	57 th	17 th	23 rd	16 th	84 th

Faced with these changes, the countries covered by Middle East RO show a high degree of fragility and a marked lack of readiness (Table 1). The first sector to be affected will be the water resource. In a region where most countries have a water poverty index below the standard thresholds (500 m³ per person per year), tensions are already growing around the water issue as much at the regional level (between Iraq and Turkey following the construction of hydraulic infrastructure on the Tigris and the Euphrates, for example) as at the local level (particularly vis-à-vis refugee populations in Lebanon or Syria).

Inter-state water governance seems crucial in order to avoid conflicts linked to access to resources or situations in which the more powerful countries control all access to water. What's more, it is imperative to make changes in irrigation methods (currently water-intensive) and improve the effectiveness of water networks. Losses on drinking water networks reach 40% in the Middle East compared to 10% in Europe.

With increased water stress and growing desertification, **agriculture will become increasingly vulnerable**. The region's already high food dependency will intensify and rural populations will be particularly affected. The rise in temperatures coupled with water scarcity and the increase in extreme climate events leads to a **significant health risk**. The rising sea levels will also threaten coastal areas, especially as the large cities and most economic activities are located there due to the arid climate. These impacts of global warming could also be amplified by biodiversity loss, which will in turn diminish ecosystem services (pollination, natural purification of water, etc.). These different disturbances could lead to an **increase in the number of displaced persons and climate refugees, as well as heightened regional tensions**, particularly in the event of crises triggered by access to resources, as may have been the case in Syria (cf. Focus 1).

FOCUS 1: THE IMPACTS OF CLIMATE CHANGE IN SYRIA

Between 2006 and 2011, 60% of the Syrian population was exposed to one of the worst droughts in modern history, which caused huge cereal crop failures. In 2011, one million Syrians were undernourished and in 2010, 200,000 were obliged to leave their land for the cities ("Geopolitics of Resources", IReMMO, 2019). The effects of this drought were severely aggravated by bad governance (multiplication of boreholes, marginalisation of Al-Jazira Province in territorial development policies, fragmentation of land). All in all, the drought impacted over 1.3 million people and 160 villages were abandoned due to poor harvests and the loss of 85% of their livestock (Levi J. Cramer, *The Effects of Climate Change on the Syrian Uprising*, 2013). In Syria, winter rainfall decreased by around 11% between 1961 and 1990.

III. The fight against climate change: sectoral approaches but no integrated climate policies

Although all of the countries in the region signed the 2015 Paris Agreement, only Palestine, Jordan and Syria have ratified it. **All of the countries submitted their national contribution at COP21 in 2015** (cf. Table 2), for which most CO₂ reductions relative to the business-as-usual scenario are subject to international aid. The main sectors concerned are energy through the development of renewable energies or the use of gas and improved energy efficiency. Next come the transport sector (by improving effectiveness or developing public transport or railway networks), the water sector (by improving wastewater management or desalination based on renewables) and the waste sector.

Table 2. Countries' national contribution in terms of GHG emissions reduction compared to a business-as-usual scenario

	INDC (Intended Nationally Determined Contribution)	Including required additional international aid
Lebanon	30%	15%
Iraq	14%	13%
Yemen	14%	13%
Syria	14%	12.5%
Jordan	14%	12.5%
Palestine	24.4% (independence scenario) 12.8% (business-as-usual scenario)	Not calculated

On climate change adaptation or risk mitigation, the governments have recently produced their first adaptation plans identifying the main sectors to be adapted: agriculture, the coasts and marine environment, energy, food, industry, terrestrial ecosystems, tourism, infrastructure, and waste and water management.

However, the absence of an integrated climate policy, of a strong political will, an adapted legal framework, etc. makes it difficult to operationalise these measures. When environmental laws do exist, they are rarely followed by implementing decrees. It should also be pointed out that in several countries, no climate law exists as such, but several administrative texts, mainly sector-based, are connected to climate matters.

Greater awareness of climate issues in the region would help to implement these reforms. In its NDC, Jordan has committed, for example, to training its population more on water-related problems or to raising the actors' awareness of the long-term advantages of energy efficiency. The country can rely on its numerous environmental NGOs (82 in 2014), even though many of them are experiencing financial difficulties for want of state support. In Palestine, 12 associations launched the Palestinian Coalition for Climate Justice in 2016, which focuses on solutions for the agricultural sector, for problems of water and soil, and on environmental research. Civil society is a key actor regarding information on the region's climate risks, which are further amplified given that they receive little attention.

FOCUS 2: CLIMATE GOVERNANCE IN OCCUPIED TERRITORY

The Israeli occupation considerably reduces Palestine's means of action and capacities for climate and environmental adaptation, particularly in the C Zone and the Gaza Strip. The ministry concerned (Palestinian Energy and Natural Resources Authority) has produced several strategic plans (The Comprehensive National Strategy of the Energy Sector in Palestine 2017-2022, The Renewable Energy Strategy et The National Energy Efficiency Action Plan) that have set practical short-term objectives: 5% of consumed electricity must be from renewable sources by 2020; a 5% electricity savings will be made by decreasing overall demand by 2020 (i.e., an annual saving of 384 GWh).

IV. Donor support for the climate policies of Middle East countries

In line with AFD Group policy, 100% of projects in the Middle East regions must comply with the Paris Agreement objectives and 50% of these projects must bring climate co-benefits.

Currently, climate projects are mainly focused on the sectors of energy, water (sanitation/irrigation), agricultural development and waste management, which are those with the greatest impact in terms of climate mitigation and resilience. Some projects are also headed by NGOs that receive AFD support (e.g., the Association France-Palestine Solidarité is leading agricultural projects in Palestine). In terms of mitigation, most projects in the region involve developing renewable energies and energy efficiency (via SUNREF credit lines, for example).

Since 2015, the fight against climate change has also gained in importance for international donors, particularly those who invest in the energy sector, although their actions to support climate are not always sufficient in practice. Among AFD's partners, the World Bank has high ambitions for its climate policy notably through financing renewable energies and raising awareness on or developing investment plans for an agriculture in step with climate challenges. The UNDP supports capacity building for sectoral institutions to drive the fight against climate change, particularly in Lebanon and Jordan. Lastly, funds dedicated to combatting climate change or promoting energy efficiency exist, as for example, the Green Climate Fund, attached to the United Nations, which enables co-financing for climate projects with donors in the sector, such as the EBRD in Jordan.

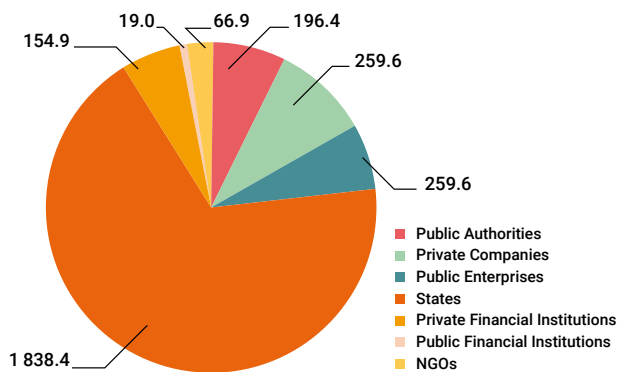
APPENDIX 3: AFD Group's financial and non-financial tools in the middle east

AFD Group, the main operator of French official development assistance, intends to mobilise its whole range of financial and non-financial tools to respond to the objectives detailed in the present strategy: financing for investment policies and projects implemented by the public sector and NGOs (AFD), support for the private sector (Proparco) and technical-cooperation and expertise-sharing programmes (Expertise France). The different tools described below will be used conjointly to embed all of AFD Group in an integrated development approach.

I. The AFD Group financings

The AFD Group develops projects through loans, grants, guarantees or equity investments. AFD financings are allocated to States, Local Authorities, Public Enterprises, Public Banks, French NGOs and Foundations (cf. Figure 1). The Group also grants financing to private businesses and banks in developing countries primarily through its private sector financing arm, Proparco.

AFD commitments in the Middle East since 2000 by type of counterpart (in €M)



A. Financial tools for the public sector

a) Sovereign loans

Loans contracted or guaranteed by States are known as **sovereign loans**. They are, of course, conditional on the borrowing capacity of the potential beneficiary States. The terms applied depend on the nature of the project (the benefits for development and compliance with AFD's intervention strategy) and its environment (impact and the political, economic, social and environmental context). They are mainly intended for States but some public institutions can also

use this type of financing (which is then guaranteed by their "shareholder" State). In the Middle East, AFD has committed €1.7 billion in the form of sovereign loans, including €126 million for public enterprises.

Depending on the beneficiary country's level of development and the characteristics of the project to be funded (environmental or social goals, no short-term return on investment whatsoever, etc.), the financial terms applied to AFD's sovereign loans may be concessional (subsidised loans) or at market rates.

Lastly, AFD's sovereign loans are rolled out via three main tools:

- **Project loan**, aimed at financing a specific investment project (e.g., urban transport line),
- **Programme loan**, which is a line of credit aimed at financing a series of investments according to pre-defined eligibility criteria (e.g., financing for works included in a territorial master plan for sanitation),
- **Policy-based loan**, a budget financing tool that, coupled with a technical cooperation programme and based on an indicator matrix, helps to fuel a public policy dialogue with the authorities of the country concerned in a specific area (e.g., financing and assistance for energy sector reform).

b) Non-sovereign loans

Local authorities and public enterprises can also benefit from **non-sovereign loans**, which are not state-guaranteed, provided these institutions are in a position to issue debt. This may involve "standard" loans for companies or public authorities, or credit lines for public banks and financial institutions. These credit lines may be granted, for example, under the **SUNREF** (Sustainable Use of Natural Resources and Energy Finance) label, which enables financial institutions to mobilise against climate change, or via **AGREENFI**, which aims to support financial inclusion for rural populations, the development of a productive and resilient agriculture and the structured development of rural areas. Note that the two above initiatives benefit both public and private financial institutions.

By way of illustration, AFD granted a €130M direct loan in 2010 to the Municipality of Amman in Jordan to finance the construction of Bus Rapid Transit (BRT) lines. This project, due for commissioning in 2021, should help to decongest the traffic and substantially reduce CO₂ emissions.

c) Grants

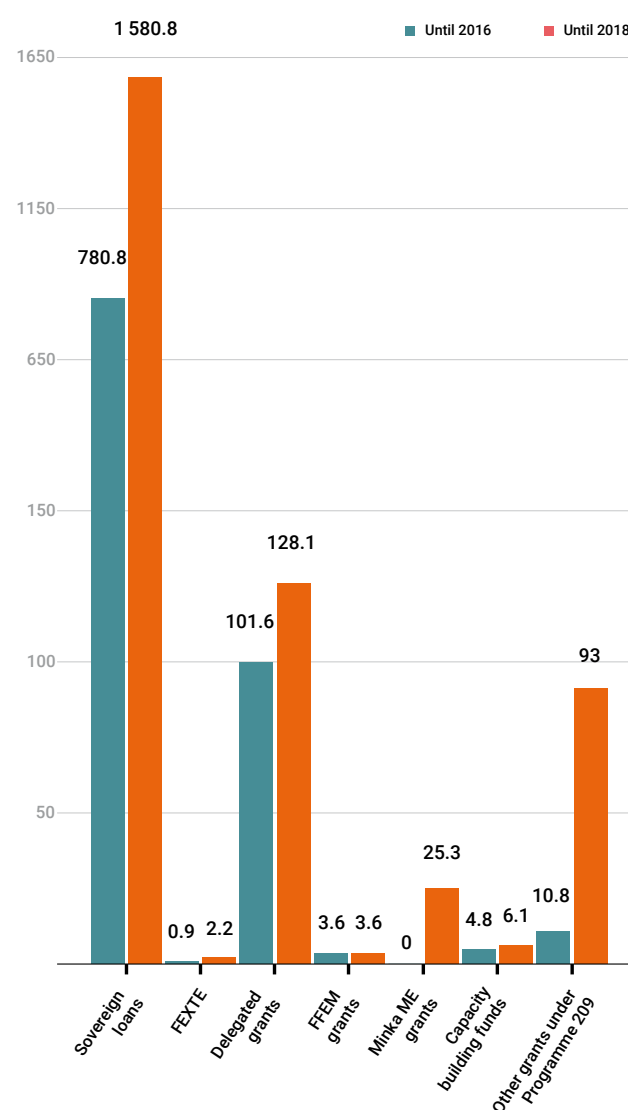
Some projects, especially those that have particularly ambitious development impacts, are financed through **grants**. This mainly involves actions in the social sector (health, education), rural and urban development initiatives or infrastructure projects. A substantial share of the grants to States are allocated via the **delegation of funds from other donors** (particularly, the European Union) which are then managed by AFD.

Financing for project studies, seeding and monitoring (mainly under FAPS – the Fund for Project Preparation and Monitoring) helps to fund feasibility studies and project preparation studies as well as assistance for contracting authorities or capacity building for institutional, organisational and functional plans, intended for States but also public enterprises. For example, Lebanon benefited from a grant in 2018 to carry out pre-project advisability and feasibility studies in the framework of financing to strengthen the public health system.

Likewise, grants are allocated via **FEXTE (Fund for Technical Expertise and Experience Transfers)**, which finances technical cooperation programmes and project-preparation studies. This fund is designed to respond to the requests and needs for French expertise and added value from countries benefiting from official development assistance, whether this involves central authorities, local authorities or public enterprises.

Other grants come from the French Fund for Global Environment (FFEM), whose secretariat is managed by AFD. The mission of this fund is to support innovative operations in the areas of climate, biodiversity, international waters and land degradation. As a result €3.6M have been allocated to the Palestinian autonomous territories and Jordan, chiefly in the energy sector. The FFEM not only finances States but also civil society organisations.

AFD commitments (in €M) to Middle East States by financial tool used, from 2013 until 2016 and until 2018



GRANTS UNDER THE MINKA MIDDLE EAST INITIATIVE

Under the Minka Middle East Initiative, partners working with populations recovering from crises were allocated grants from the Minka Peace and Resilience Fund. In 2017–2018, the commitments made in this framework amounted to €75.09M. This total amount represents 21% of commitments implemented in the region over this period. They are also available to state actors (States, public enterprises) as much as NGOs, or to private companies (although the latter are a minority).

The Minka Middle East Initiative also benefits from other sources of finance, notably funds delegated by the Madad Fund (EU) and the Danish cooperation agency (Danida) in Lebanon, which totalled €49M in 2017, €4M in 2018 and €9.2M in 2019.

B. Financial tools for NGOs

Since they are also key development actors, civil society organisations (SCOs) can benefit from AFD grants to finance their projects in developing countries. In the Middle East, AFD commitments to NGOs reached €62.8M and benefited 23 different NGOs. For Iraq, Jordan, Syria or Lebanon, some grants are allocated under the Minka Middle East Initiative (see box). Some of these grants also come from funds delegated to AFD by the European Union, for example (around one-third of the committed amounts) or from the FFEM (see Part I). The NGOs can also respond to calls for projects or be involved in the implementation of AFD projects.

a) Financing for initiatives from French Civil Society Organisations (CSOs)

French CSOs can respond to calls for expressions of project intentions in order to receive AFD financing for certain projects. For example, the **“NGO Initiative” mechanism**, financed by the Ministry for Europe and Foreign Affairs, makes it possible to finance field projects or programmes led by French CSOs which focus on structuring or strengthening the capacities of local civil society organisations. For small-scale projects, two support facilities are funded by AFD. The first is managed by the **Micro-projects Agency** (for amounts lower than €300,000), which also assists project initiators in preparing, monitoring and evaluating their initiatives. The second is managed by the **Forum of Migrant International Solidarity Organisations (FORIM)** via the Programme to support Immigrant Communities’ International Solidarity Organisations (PRA/OSIM), which co-finances and assists local development micro- projects headed by the OSIMs.

b) Financing for CSOs via calls for projects

Every year, calls for projects are launched and NGOs are invited to respond in order to obtain grants. The **Sectoral Innovation Facility for NGOs (FISONG)**, managed by AFD’s Operations Department, is a “call for ideas” on themes defined in consultation with the NGOs with the aim of encouraging the emergence of innovative practices led by both French and non-French CSOs. This financing tool is launched through biannual competitive calls for projects open to international CSOs. **Crisis and Post-crisis Calls for Projects (APCC)** fall under the Minka Middle East Initiative. Based on specifications defined by AFD, they allow projects to be built jointly with CSOs or other local, French or international non-profit organisations. For example, the Shabake project in Lebanon aims to strengthen the capacities of the Lebanese NGOs and assist them on projects involving the reduction of vulnerability to crises.

C. Financial tools for the private sector

Through its private-sector financing arm, Proparco, AFD finances companies or financial institutions that contribute to development. This financing can take diverse forms: loans, guarantees, grants... In some cases, they can be allocated in local currency to mitigate the exchange rate risk for companies that do not have revenues in foreign currency (dollars or euros). Proparco has been established in the Middle East at the Group’s Regional Office since the summer of 2019.

a) Guarantees

The guarantees provided by AFD make it easier for small companies and microfinance institutions in developing countries to access financing. For the beneficiary institutions, these guarantees play a key role in the medium to long term. They also allow AFD Group to facilitate capacity building for identifying and understanding new risks, such as climate risk. This will enable the local financial sector to take over leadership in a second phase. They also help French SMEs to set up abroad. Moreover, they are also an effective tool to encourage investment and job creation.

• ARIZ

To set up and develop their business, SMEs need middle- and long-term financial resources. However, since they are often perceived as high-risk clients, their access to financing remains very limited. To respond to this, Proparco offers private financial institutions a risk-sharing mechanism: **ARIZ**. This **final loss guarantee** facilitates coverage of individual loans or a loan portfolio for SMEs (up to 50%) or microfinance institutions (up to 75%). For example, a tyre renovation company in Nablus in Palestine has contracted a 20-month loan of which 50% is guaranteed by ARIZ. This small company with nine employees sells renovated tyres for a third of the price of new ones and has now been able to buy tyres to renovate and launch its activity.

• UNLOCK

UNLOCK is Proparco’s innovative guarantee scheme offered to financial institutions for joint cover of long-term financing risks on key development projects. With this guarantee, Proparco can extend the tenor of local currency financing and enhance creditworthiness thanks to its AA rating (S&P). Only sectoral development projects (infrastructure, energy, agriculture, manufacturing and services) with financing needs of USD 20–50M can benefit from this guarantee.

b) Long-term loans

Proparco offers **loans** (€3–100M), **in foreign or local currency**, to businesses or financial institutions **with long maturities** (up to 20 years), and a grace period for repayment of the principal where warranted. It offers comprehensive financing solutions and can syndicate large amounts thanks to mechanisms for co-financing with its partners, mainly European (FMO, DEG). For example, CreditBank in Lebanon

has benefited from a USD 20M credit line to support its portfolio growth and the strengthening of its long-term financing business.

c) Equity for growth

Proparco also offers **equity instruments**: minority investments – direct or indirect – through investment funds, subordinated or equity loans, shareholder current accounts, convertible bonds or bonds redeemable for shares, and foreign-currency green bonds. Companies can also access equity which is essential for their growth as well as robust assistance in defining their strategy, improving their governance or accessing international professional networks.

d) Support Fund for Governance Capacity Building (FRCG)

In order to strengthen the environmental, social and governance management capacities of its clients, Proparco mobilises financing from the **Support Fund for Governance Capacity Building (FRCG)**, which is managed by AFD. This makes it possible to co-finance studies (diagnostics, action plans, etc.) or technical assistance or training services.

The companies and financial institutions eligible for this financing must be AFD Group partners and based in the poorest countries or priority countries for French cooperation (sub-Saharan Africa and the southern and eastern Mediterranean). The co-financing allocated via FRCG to each technical assistance mission ranges from €10,000 to €50,000. The support project is required to include a minimum of 25% self-financing from the company involved.

II. Expertise France's range of services

Expertise France designs and implements projects that lastingly strengthen public policies in developing and emerging countries by providing a broad range of services that draw on public and private expertise.

Mobilisation of this expertise can take two forms:

- **Provision of services or technical assistance**, by mobilising tools such as Experts techniques internationaux (ETI), (managed on behalf of the Ministry for Europe and Foreign Affairs and AFD), peer-to-peer exchanges, running a pool of experts, or the SOCIEUX+ programme,
- **Direct implementation of entire projects**, which can also integrate assistance to counterparties, supply of equipment, supervision of infrastructure, etc. In this framework, Expertise France can also act as lead operator, lead partner in international consortiums, or mobilise French know-how on PPPs (public-private partnerships).

- The SOCIEUX + programme

The SOCIEUX+ programme is a facility that can mobilise expertise at the request of partner countries who are members of the European Union, to assist them in implementing more inclusive social protection systems and preparing more sustainable labour and employment policies. SOCIEUX+ is a simple, flexible mechanism that allows mainly public European expertise to be mobilised rapidly to respond to specific needs through short-term missions. This facility can be mobilised in all of the countries covered by the Middle East RO.

- Financing the service provision

The services provided by Expertise France have different sources of financing. Eighty per cent of financing for its activity in the region come from European credits. The agency intervenes in line with all of the contractual modalities set out by European cooperation on all the themes of the European agenda. Authorised to manage Europe's delegated funds (ECHO), the agency can design large-scale European programmes at a very early stage, thus ensuring increased impact in terms of solidarity and influence.

Expertise France can also access funds from international donors such as JICA, DFID, etc. when these wish to support actions in the region led by Expertise France, as is currently the case in Syria. This can be done by responding to calls for bids.

Lastly, Expertise France intervenes in the framework of French financing. Commitment approvals from the French Ministry for the Economy and Finance enable implementation of public expertise missions or projects in areas such as public finances, statistics, customs, and the environment. In the area of stabilisation, commitment approvals from the Crisis and Support Centre enable financing for initial projects before going to scale in a country (as is the case in Iraq) or co-financing larger-scale projects to establish France's strategic positioning (as in Syria and Iraq). Finally, Expertise France can also intervene on AFD-funded projects.

LIST OF ABBREVIATIONS

AMEL: Amel, international association

ASMAE: Sister Emmanuelle Association

BOP: Bank of Palestine

CAPS: Centre d'Analyse de Préviation et de Stratégie (Policy Planning Staff, MEAE)

CDCS: Centre de Crise et de Soutien (Crisis and Support Centre)

CICID: Comité Interministériel de la Coopération Internationale et du Développement (Inter-ministerial Committee on International Cooperation and Development)

DANIDA: Denmark's development cooperation

DFID: Department for International Development (UK)

EEZ: Exclusive Economic Zone

EIB: European Investment Bank

EU: European Union

GBA: Global budgetary aid

IcSP: Instrument contributing to Stability and Peace (EU)

ICRC: International Committee of the Red Cross

ID4D: Ideas 4 Development

IECD: Institut Européen de Coopération et de Développement (European Institute for Cooperation and Development)

IFPO: Institut Français du Proche Orient (French Institute for the Near East)

ILO: International Labor Organization

INDC: Intended nationally determined contribution

IPCC: Intergovernmental Panel on Climate Change

iReMMO: Institut de Recherche des Etudes Méditerranée et Moyen Orient (Institute for Research and Studies on the Mediterranean and Middle East)

JICA: Japan International Cooperation Agency

MADAD : EU Regional Trust Fund in Response to the Syrian Crisis

MEAE: Ministry for Europe and Foreign Affairs (France)

ND-GAIN: Notre Dame Global Adaptation Initiative

NIF: Neighbourhood Investment Facility (EU)

NSL: Non-sovereign loan (to states)

POMEPS: Project on Middle East Political Science

RE: Renewable energy

SCO: Civil society organisation

SDGs: Sustainable development goals

SL: Sovereign loan

UNDP: United Nations Development Programme

UNESCWA: United Nations Economic and Social Commission for Western Asia

What is AFD?

AFD is France's inclusive public development bank. It commits financing and technical assistance to projects that genuinely improve everyday life, both in developing and emerging countries and in the French overseas territories. In keeping with the United Nations Sustainable Development Goals, AFD works in many sectors – energy, healthcare, biodiversity, water, digital technology, professional training, among others – to assist with transitions towards a safer, more equitable, and more sustainable world: a world in common. Through its network of 85 field offices, AFD currently finances, monitors, and assists more than 4,000 development projects in 115 countries. In 2018, AFD earmarked EUR 11.4bn to finance projects in developing countries and for overseas France.

<http://www.afd.fr>

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