

AFD IN THE MEDITERRANEAN

Developing together,
living together





GROWTH AND COHESION

Within the Mediterranean and Middle East region, the Agence Française de Développement (AFD) has a mandate to operate in Morocco, Algeria, Tunisia, Egypt, the Autonomous Palestinian Territories, Lebanon, Syria, Turkey, Jordan and Yemen. AFD has been implementing several projects on behalf of the French Administration in the Eastern Balkans. Consistent with France's objectives in this region, AFD's activities aim to:

- support growth and economic convergence between the economies of the southern and northern Mediterranean countries,
- promote social cohesion and minimize the factors that lead to tension and conflict,
- promote sustainable development to conserve the Mediterranean region, as an international and regional public good.

AFD is a lead donor in this region and has set ambitious objectives. These include improving human development, promoting the modernization of the productive sector, supporting balanced land development planning, encouraging improved management of the environmental and cultural heritage and promoting low carbon development.

The Mediterranean and Middle East region accounts for approximately one third of AFD's annual commitments abroad. With the exception of its grant-based assistance to the Palestinian Territories, AFD's financial assistance is channeled through loans. More than half of all new commitments are non-sovereign loans. Commitments increased from €160 million in 2002 to €650 million in 2007. The Agency's subsidiary company, Proparco, also provides funding to the private sector – its commitments amounted to €108 million in this region in 2007.

PUBLICATIONS, STUDIES AND CONFERENCES DEDICATED TO STRATEGIC DIALOGUE

AFD's publications and conferences dedicated to the Mediterranean region focus on three main challenges:

- How to strengthen Euro-Mediterranean integration: impact evaluation of the Euro-Med free trade area, joining-up the infrastructure networks in the southern Mediterranean region, long-term availability of financing.
- How to promote faster economic growth: growth models and growth determining factors, SME financing, liberalization of the higher and vocational education systems, sustainable development and tourism, climate change impacts.
- Migration and development: financing health insurance through migrant revenues; training and migration of health professionals.

Other studies aim to improve our knowledge of the latest countries in the region to receive or be eligible for AFD assistance (Egypt, Yemen) as well as new economic and financial stakeholders.

AFD publications can be found online at: <http://www.afd.fr/jahia/Jahia/home/publications>



ECONOMIC GROWTH AND CONVERGENCE WITH EUROPE

INDUSTRIAL RETROFITTING AND VOCATIONAL TRAINING IN TUNISIA

Tunisia committed to upgrade its production system to prepare for industrial free-trade with the European Union by January 1, 2008. AFD has been supporting this process since 1997 and efforts have focused on improving company productivity through investment, innovation, financial restructuring and human resources, using guidelines that include a skills-based approach, public-private partnerships, cooperation between French and Tunisian professional groups and academic and professional training. Net cumulative commitments to support this modernization process amount to €179.6 million.

MICROFINANCE IN ALGERIA AND MOROCCO

To encourage very small business owners to access credit, AFD helps create and develop micro-finance institutions in many countries. It financed the first private micro-finance company in Algeria (with a PROPARCO equity investment of €1.6 million and AFD subsidies of €0.9 million). In Morocco, AFD has supported several micro-finance associations by helping to mobilize private sector resources, by encouraging diversification towards new client segments and by assisting the national authorities to modernize the sector (€3.5 million in AFD loans or grants and €10 million in PROPARCO loans).



AFD AND CSR

Promoting Corporate Social and Environmental Responsibility (CSR) in Turkey

Turkey's alignment with Europe means that Turkish companies face critical challenges: developing sustainable production schemes and a solid governance which requires pro-active social and environmental management. Between 2005 and 2007, AFD granted approximately €150 million in soft loans to three banking partners; these loans are dedicated to promoting social and environmental good practices within the banks and their client companies, including in the less developed regions of Anatolia and eastern Turkey. Banks are relevant partners to channel the

CSR concepts and practices to the SMEs. CSR programs include awareness raising, training, diagnosis, and technical support modules. They rely on a wide range of communication tools (conference, guidelines, hotline, internet, television, etc.). Approximately 200 companies have benefited from those credit lines and programs and AFD hopes to reach out to a further 300 companies over the next two years.

The short documentary film "Rendez-vous in Turkey" illustrates the Agency's work in this domain and can be downloaded from AFD's website: www.afd.fr



AFD, EUROMED AND THE UNION FOR THE MEDITERRANEAN

Building "lasting partnerships" is AFD's key objective in this region which the Agency tries to achieve through promoting economic growth through business support, vocational training and building an "interconnected Mediterranean" by developing energy and transport networks, or providing populations with access to social services. AFD's contribution to the debate on the new Union for the Mediterranean focuses on growth, infrastructure, the environment and development financing. The development of a European Union Neighborhood Policy has led European donors to focus more on ways to increase synergies between the EU and non-EU countries in the Mediterranean region. The new "Neighborhood Investment Facility" in which AFD participates should allow for more European co-financing and a more consistent way to meet Mediterranean countries' expectations.

SOCIAL COHESION AND SERVICE PROVISION TO THE POPULATIONS



MOROCCO: SUPPORT FOR THE “TOWNS WITHOUT SLUMS” NATIONAL PROGRAM

More than 3 million people live in slums in Morocco. The “Towns without slums” national program is jointly funded by the Moroccan Government, AFD, the World Bank, the European Union and the EIB. The introduction of basic reforms as well as the establishment of a national operator, the public rehabilitation company, “Holding d’Aménagement AL OMRANE”, were prerequisites to funding. The main objective of this company is to rehabilitate and service plots that have been earmarked for low-cost housing. AFD is providing funding to this company in the form of loans, guaranteed by the Moroccan Government, amounting to €50 million. Social management has been strengthened to better take into account targeted household’s standards of living (a €0.6 million grant). This project will provide 50,000 families (300,000 people) with real housing and improved living conditions.

YEMEN: SCADA

AFD has been active in Sanaa since 2007. Its first commitment in Yemen, which amounted to €26 million, was aimed at modernizing the power grid control system. The objective of the SCADA/EMS (Supervisory Control and Data Acquisition/Energy Management System) project is to construct a new national control center to replace the existing one and five new local centers. The SCADA/EMS project should eventually improve the quality of the electricity supply throughout Yemen, and in particular, reduce the outage periods which will encourage economic activity and improve the power supply service to the population.

LEBANON: PTS

AFD provided funding for the creation of the “Pôle technologie Santé” (Center for Technology and Health) at the Saint-Joseph University (USJ) in Beirut (€3.2 million in AFD loans and €4.1 million in PROPARCO loans). This financial assistance should make it possible to develop and enhance research activities in the areas of health, genetics and nutrition as well as helping USJ to take on a public service role. AFD financial tools combined with the University’s own resources and financial assistance from the local banks have made it possible to provide funding solutions that meet the expectations of the Lebanese partner.

AFD ACTIVITIES IN POST-CONFLICT SITUATIONS

The situation in the Palestinian Territories over the last several years and in Lebanon since summer 2006 prompted AFD to adapt its activities to crisis situations. AFD’s objectives remain the same, i.e. to help support or restart economic growth and provide basic services to the population, but the way in which it operates must be adapted to ensure responsiveness without diluting the relevance or impact of its activities. This involves speeding up project appraisal (establishing a credit line for Lebanese SMEs within six months), adapting to the political context (partnerships with municipalities in the Palestinian Territories) and to the security context (appraisal of small-sized projects within the UNIFIL deployment zone in the south of Lebanon) and exploring projects that may have a direct impact on the population (job creation projects in the Palestinian Territories).



SUSTAINABLE DEVELOPMENT AND PROTECTION OF THE ENVIRONMENTAL AND CULTURAL HERITAGE

EGYPTE : LIGNEGYPT: CREDIT LINE TO SUPPORT ENVIRONMENTAL PROTECTION



This project, launched in December 2006, aims to improve the lives of the Egyptian population by reducing industrial pollution and promoting awareness of sustainable

development in productive activities. AFD has introduced a credit line of €40 million for the National Bank of Egypt (NBE) as part of its involvement in the SPAP (Second Pollution Abatement Project), co-financed by the World Bank, the EIB and the JBIC totaling €142 million. The project focuses on:

- Financing investments aimed at industrial pollution abatement in the critical areas of Greater Cairo and Alexandria,
- Technical assistance to strengthen the capacity of the Egyptian Environmental Affairs Agency (EEAA), a project partner, as well as the banks and shareholders concerned.

MOROCCO: MANAGEMENT AND PROTECTION OF IFRANE FORESTS

The Middle Atlas region and the Province of Ifrane are known as the “water reservoirs” of Morocco. The cedar forests in this region are considered to be absolutely unique biological resources. These forests, together with the oak forests, are subject to huge anthropogenic pressure since they are a source for firewood and animal feed for herds. The Forests Protection and Development project in the Province of Ifrane, jointly implemented with the Haut Commissariat aux Eaux et Forêts et à la Lutte contre la Désertification (High Commission for Water, Forestry and Desertification Control) aims to manage and exploit the natural resources through effective and sustainable methods in close cooperation with the community and users who will benefit from the project. The project adopted a participatory approach, with local community associations signing the

Contrats de Gestion de Terroir (Land Management Agreements). The project also supports the creation of Ifrane National Park which was established in 2004 and is still being expanded.



AFD AND THE BLUE PLAN: A NEW REGIONAL PARTNERSHIP TO SUPPORT SUSTAINABLE DEVELOPMENT

The Mediterranean is a main focal point for North/South trade but it is also a fragile and valuable “ecoregion”. Land management deficiencies, in particular in coastal areas and environmental degradation have made the region more susceptible to natural hazards and have been costly to the countries’ economies. As part of its contribution to the international debates on sustainable development and to support its own activities, AFD has established partnerships with the lead stakeholders in this field. The Blue Plan, regional center for the United Nations’ Environment Program (UNEP) Mediterranean Action Plan has become, after 30 years of operation, a recognized watchdog for the environment and sustainable development in the Mediterranean. AFD and the Blue Plan joined forces with the aim of promoting the integration of environmental issues and sustainable development concerns into the development strategies of the Mediterranean countries. These efforts resulted in staff exchanges and the signing of a Memorandum of Understanding in 2007. Financial assistance will also be provided via contributions from other European donors, aimed at supporting key initiatives of the Mediterranean Strategy for Sustainable Development (MSSD), focusing on water resources, energy management, transport, waste, urban development, coastal and rural areas, as well as those issues that are particularly relevant to the Mediterranean region, such as climate and ecosystems.

JORDAN: CREDIT LINE TO SUPPORT ENERGY EFFICIENCY

This project, financed by an interbank credit line of €40 million, aims to:

- Promote energy efficiency in companies within the industrial and tertiary sectors,
- Promote renewable energy,
- Encourage companies to reduce air and water pollution

The project has two main components:

- Financing energy efficiency, renewable energy and environmental improvement projects,
- A technical assistance program that will provide support for introducing institutional reforms, promoting information campaigns and support for formulating, assessing and financing projects.



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The Agence Française de Développement (AFD) is a public institution which aims to finance and promote sustainable development. . As a specialized financial institution, it provides assistance to social and economic projects in the public as well as private sector: infrastructure, financial systems, urban and rural development, education and health.

Today it operates in more than sixty developing countries and in Overseas France using a wide range of financial instruments – from grants to commercial loans and targeting a variety of actors (sovereign, local authorities and private enterprises).

In coordination with its governing ministries, it also plays a key role in the formulation of public policies and the promotion of French influence within the development field. AFD's activities are all dedicated to the implementation of the Millennium Development Goals and French development assistance priorities of economic growth, poverty reduction and sustainable development. In 2007 AFD's commitments amounted to €3,3 billion.

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