


















# Green Transition in North Africa

<div>Key results:</div> <ul style="list-style-type: none"><li>Promoting green production methods and sustainable management of natural resources</li><li>Assisting communities and sectors in adapting to the adverse effects of climate change</li><li>Creating green jobs in the agricultural sector and the clean tech industry</li></ul> <div>Justification for support:</div> <ul style="list-style-type: none"><li>The focus on climate is in line with the Government’s priorities for Danish development cooperation</li><li>The focus on Africa is in line with Governmental priorities</li><li>The programme will contribute to strengthening Denmark’s bilateral relations with countries in North Africa</li></ul> <div>Major risks and challenges:</div> <ul style="list-style-type: none"><li>Contextual risk stemming from potential political volatility in in programme countries.</li><li>Risk of social and political upheaval in programme countries</li><li>Reputational risk for Denmark in leaving some countries early due to changing geographical focus</li></ul>	File No.	2021-10384						
	Country	Morocco, Algeria, Tunisia and Egypt						
	Responsible Unit	MENA						
	Sector	Climate, environment, green transition						
		DKK million	2022	2023	2024	2025	2026	Total
	Commitment	50	50	50	0	0		150
	Projected Disbursement	50	50	50	0	0		150
	Duration	2022-2024						
	Finance Act code.	§06.32.01.23						
	Head of unit	Louise Auken Wagner						
	Desk officer	Adwan Mohamad						
	Reviewed by CFO	NO (will follow)						
	Relevant SDGs [Maximum 5 – highlight with grey]							
	<div></div> <div>No Poverty</div>	<div></div> <div>No Hunger</div>	<div></div> <div>Good Health, Wellbeing</div>	<div></div> <div>Quality Education</div>	<div></div> <div>Gender Equality</div>	<div></div> <div>Clean Water, Sanitation</div>		
	<div></div> <div>Affordable Clean Energy</div>	<div></div> <div>Decent Jobs, Econ. Growth</div>	<div></div> <div>Industry, Innovation, Infrastructure</div>	<div></div> <div>Reduced Inequalities</div>	<div></div> <div>Sustainable Cities, Communities</div>	<div></div> <div>Responsible Consumption &amp; Production</div>		
	<div></div> <div>Climate Action</div>	<div></div> <div>Life below Water</div>	<div></div> <div>Life on Land</div>	<div></div> <div>Peace &amp; Justice, strong Inst.</div>	<div></div> <div>Partnerships for Goals</div>			

## Objectives for stand-alone programme:

The overall strategic objective of the programme is to promote green transition in Morocco, Algeria, Tunisia and Egypt. The programme applies a broad definition of green transition by addressing climate change both in terms of reducing greenhouse gas emissions and adapting to the effects of climate change as well as promoting sustainable management of natural resources and green jobs in the clean tech sector.

<b>Project 1: Morocco</b>	<b>Partner</b>	<b>Budget (mill.)</b>
Sustainable management of natural resources	FAO	12.7

<b>Project 2: Algeria</b>	<b>Partner</b>	<b>Budget (mill.)</b>
Cleantech innovation and entrepreneurship in Algeria	UNIDO	11.9

<b>Project 3: Tunisia</b>	<b>Partner</b>	<b>Budget (mill.)</b>
Integrated production units for livelihoods resilience	FAO and UNDP	11.9

<b>Project 4: Egypt</b>	<b>Partner</b>	<b>Budget (mill.)</b>
Bio-Energy for Sustainable Rural Development	UNDP (with Ministry of Environment)	13.5

<b>Unallocated funds</b>	100
<b>Total</b>	150

<b>Presentation to the Programme Committee on 24 June 2021</b>	
<b>Title: Green Transition in North Africa</b>	
<b>F2: 2021-10384</b>	<b>Country/Region/Global: Regional (Morocco, Algeria, Tunisia and Egypt)</b>
<b>SDG: 13, 7, 8, 6</b>	<b>Budget: DKK 150 million</b>
<b>Period: 2022-2024</b>	
<b>Responsible office: MENA</b>	<b>Responsible officer: Adwan Mohamad</b>
<b>Key results:</b> <ul style="list-style-type: none"> <li>• Promoting green production methods and sustainable management of natural resources</li> <li>• Assisting communities and sectors in adapting to the adverse effects of climate change</li> <li>• Creating green jobs in the agricultural sector and the clean tech industry</li> </ul>	
<b>Justification for support:</b> <ul style="list-style-type: none"> <li>• The focus on climate is in line with the Government's priorities for Danish development cooperation</li> <li>• The focus on Africa is in line with Governmental priorities</li> <li>• The programme will contribute to strengthening Denmark's bilateral relations with countries in North Africa</li> </ul>	
<b>Major risks and challenges and possible mitigating measures:</b> <ul style="list-style-type: none"> <li>• Contextual risk stemming from potential political volatility in in programme countries.</li> <li>• Risk of social and political upheaval in programme countries</li> <li>• Reputational risk for Denmark in leaving some countries early due to changing geographical focus</li> </ul>	
<b>Strategic questions:</b> <p><b>Q1: How does the programme best support Denmark's priority of addressing irregular migration towards Europe and Denmark as stipulated in the Finance Act?</b></p> <p><b>Q2: How much flexibility should be given in order to allow the programme to adapt to the situation in the region and to support the political aims behind the programme?</b></p>	

## **1. Introduction**

As part of an overall ambition to strengthen Denmark's bilateral relations with countries in North Africa, the Danish Government plans to allocate DKK 50 million annually in 2021-2024 with the purpose of promoting social and economic development in Morocco, Algeria, Tunisia and Egypt (Finance Act account \$06.32.01.23). In the period of 2022-2024 DKK 150 million will be provided for a programme focusing on climate and green transition in the four North African countries.

The programme aims to promote green transition in the four countries. This includes contributing to the reduction of greenhouse gas emissions and adapting to the adverse effects of climate change. Furthermore, the programme aims to create green jobs and strengthen livelihoods thereby also reducing the incentive for irregular migration.

At the strategic level, the programme is part of an ambition of the Government of Denmark to increase the geographical focus of Denmark's Official Development Assistance on Africa.

Furthermore, the programme is intended to underpin the ambition of the Government of Denmark to promote cooperation on migration with countries in North Africa – with a view to counter irregular migration from the African continent towards Europe and Denmark.

To the extent that North Africa receives increasing political focus, additional funds may be allocated for the programme.

## **2. Context, strategic considerations, rationale and justification**

North African countries are facing a number of challenges that are intertwined and mutually reinforcing. Global warming threatens to cause temperatures in North Africa to rise faster than the global average with extreme temperatures and heat waves occurring up to five times as frequently than was the case at the turn of the millennium. Furthermore, climate change is already having both short-term and long-term impacts on surface water and groundwater, putting pressure on the regions ability to provide water to its people and economies. The rate of unemployment is relatively high (11.2 pct. in Algeria, 10.2 pct. in Morocco, 14.9 pct. in Tunisia and 10.1 pct. in Egypt) and particularly high among young people. The impact of the COVID-19 pandemic has put increased pressure on economies and employment levels in the region.

Countries on the Southern shores of the Mediterranean are playing a key role in international migration flows. Situated between Europe and the Sahel region and the Horn of Africa, the North African countries have increasingly become transit countries for migration flows towards Europe. To some extent the countries in North Africa are also themselves countries of origin, e.g. Tunisia that have seen a spike in the number of its citizens migrating to Italy in recent years. This makes the North African countries important partners in managing the migration pressure on Europe.

The current programme intends to address the challenge of climate change in North Africa in line with priorities for the Government's priorities for Danish development cooperation. Assisting North African countries in mitigating greenhouse gas emissions and adapting to the adverse effects of climate change is crucial in terms of both keeping global warming to less than 2 degrees Celsius as stipulated in the Paris

Agreement (2015) as well as increasing resilience in of communities. Supporting green transition in Morocco, Algeria, Tunisia and Egypt is expected to create employment, e.g. by introducing more productive farming techniques and creating jobs in the green sector. All other things equal, this in turn will reduce the incentive for irregular migration.

### **3. Strategic objective**

The overall strategic objective of the programme and its engagements is to promote green transition in Morocco, Algeria, Tunisia and Egypt. The programme applies a broad definition of green transition. Addressing climate change is key both in terms of reducing greenhouse gas emissions and adapting to the effects of climate change. Sustainable management of natural resources and promoting green jobs in the clean tech sector is also part of the green transition in this context.

As stipulated in the Finance Act the funds allocated for the present programme are part of an overall ambition to strengthen Denmark's bilateral relations with countries in North Africa in a range of different areas, including development, environment and migration. Therefore, an aim of the programme is to support concrete engagements within climate and green transition that are of strategic importance of host governments.

The geographical focus of the programme may change during the period of implementation. In 2022 the funds is expected to be evenly distributed between Morocco, Algeria, Tunisia and Egypt.

To the extent that bilateral relations with some specific countries develop and increase, e.g. in the field of migration, the geographical focus may narrow in and focus on fewer countries in 2023 and 2024. This means that the programme initially will only allocate DKK 50 million and then await further clarification the political prioritization of the programme's future geographical focus.

The programme is based on an adaptive approach in line with the principles of *Doing Development Differently*. Continuously throughout the programme period, assessments will be made as to whether funds are to be concentrated in fewer countries. This requires a relatively high degree of flexibility in the programming, where only DKK 50 million are programmed initially for granting in 2022. For the subsequent years 2023-2024 a list of potential projects are proposed. These projects can be programmed subsequently pending clarification of the potentially changing geographical focus.

Furthermore, in order to be able to seize potential new possibilities that may arise in all four countries flexibility is requested from the Programme Committee in terms of increasing the level of unallocated funds from 25 pct. to 67 pct.

Given the fact that engagements are implemented in four different countries, it is also requested from the Programme Committee that the maximum number of partners is increased from eight to 12. This would accommodate a scenario in which the geographical focus remains broad on all four countries each three

programme years. That being said, priority will be given to scaling up the projects that are granted in 2022, to the extent possible, in order to ensure a manageable number of partners.

#### 4. Theory of change and key assumptions

The Theory of Change of the programme is as follows:

- *if* interventions 1) respond to people's immediate and essential needs and are aligned with national priorities of the programme countries, 2) have positive effects on climate change and resilience and 3) have positive effects on local employment and training in green jobs,

- *then* livelihoods in the project areas will improve, local communities will become more resilient and the incentive for irregular migration will be reduced.

The main *assumptions* underpinning this ToC are that 1) limited employment options, and climate change induced pressures on resources in the countries are key drivers in migration and 2) adequate interventions which reverse these trends can be developed, implemented, and lesson learnt to be applied in scaling up.

#### 5. Summary of programme content and results

The tables below summarize the main objectives and outcomes for each project to be granted in 2022.

##### Morocco

Project title	Sustainable management of natural resources in socially fragile and ecologically vulnerable mountain areas in a context of climate change
Project Objective	Contribution to preserving, restoring and developing mountain areas in the province of Midelt, leading to improvement of people livelihoods and reduction of migration
Outcome 1	The governance of natural resources in the mountain area is strengthened through an integrated and participatory watershed management approach
Outcome 2	Soils are restored and water erosion is reduced in vulnerable areas of the Midelt mountains
Outcome 3	Population pressure on the natural resources in the sub-watersheds of the province of Midelt is reduced

##### Algeria

Project title	Cleantech innovation and entrepreneurship in Algeria
Project Objective	Fostering private sector initiative, entrepreneurship and engagement in accelerating the investments in innovative cleantech solutions for climate action, energy transition and green jobs
Outcome 1	Early-stage cleantech innovations are accelerated
Outcome 2	Start-ups and SMEs are promoted through advanced business growth and investment facilitation services
Outcome 3	The Cleantech innovation and entrepreneurship ecosystem in Algeria is strengthened and interconnected

## Tunisia

Project title	Promoting small scale integrated production units for livelihood resilience in rural dry areas of Tunisia
Project Objective	Improved climate resilience, livelihoods and employment through smart water management and agricultural development
Outcome 1	Improved access to water for production and human consumption in rural dry areas
Outcome 2	Increased rural employment opportunities in-farms and off-farms for the benefit of most vulnerable youth and female labors

## Egypt

Project title	Bio-Energy for Sustainable Rural Development
Project Objective	Improving livelihoods of rural households, reducing GHG emissions and improving local environmental conditions through converting animal manure and other agriculture waste into biogas and organic fertilizers
Outcome 1	A model for upscaling bioenergy technology in Egyptian village is developed and implemented
Outcome 2	Institutional and regulatory frameworks for promotion of bioenergy technology are strengthened
Outcome 3	A sustainable financial mechanism is operational

## 6. Choice of partners and aid modalities

Partners have been selected on the basis of the following criteria:

- **Impact:** The project must deliver tangible results within climate and green transition. A broad definition of green transition is applied, that can encompass climate mitigation and adaptation, clean energy, environment, water management etc.
- **National priority:** Engagements must be aligned with strategic priorities of host countries. This will furthermore contribute to the strengthening of Denmark's bilateral relations with the four programme countries.
- **Partner capacity:** Partners must have sufficient capacity to deliver concrete results and to manage funds in line with Danida's Aid Management Guidelines.

The Embassies in Algiers, Rabat and Cairo have conducted a process of identification of 5-6 potential projects in each of the four countries. These projects have been assessed on the abovementioned criteria and nine projects have been shortlisted for the proposed programme. Four projects are proposed for immediate granting in 2022. Five projects have been selected for potential granting in 2023-2024.

In identification of projects focus has been directed at existing mechanisms where Danish funds can add value to engagements that have already been tested. Thereby engagements are based on concrete experiences and lessons learned and the Danish contribution can become part of an engagement with a higher financial volume. Both elements increase the likelihood of a larger impact on the ground.

The shortlisted projects are listed below.

The proposed projects for granting in 2022 are:

Country	Partner	Title	Tentative budget (DKK)
Morocco	FAO	Sustainable management of natural resources in socially fragile and ecologically vulnerable mountain areas in a context of climate change	12,665,000
Algeria	UNIDO	Cleantech innovation and entrepreneurship in Algeria	11,920,000
Tunisia	FAO and UNDP	Promoting small scale integrated production units for livelihoods resilience in rural dry areas of Tunisia	11,920,000
Egypt	UNDP (with Ministry of Environment)	Bio-Energy for Sustainable Rural Development	13,495,000

The potential projects proposed for 2023 and 2024 are that can be programmed when decisions of future geographical focus is determined and/or in the event that additional funds are allocated for the programme:

Country	Partner	Title
Morocco	FAO	Technical support for sustainable management of water resources in Sous Massa region suffering from water scarcity that is exacerbated by climate change
Morocco	UNDP	Promoting the development of photovoltaic pumping systems for irrigation
Algeria	ILO	Promoting green jobs, skills development and business opportunities among Algerian youth
Tunisia	WFP/UN Habitat	Resilience and emergency preparedness and response to natural hazards and climate related risks
Egypt	WFP	Strengthening Climate Resilience and Food Security through Livelihood Enhancement and Rural Innovation in Southern Egypt

## 7. HRBA, LNOB, Gender, climate change and environmental considerations)

All proposed projects include gender-considerations. In preparation of the project documents, it will be ensured they have full adherence to key principles of the Human Rights Based Approach, i.e. participation, accountability, non-discrimination and transparency.

Furthermore, a focus on socially disadvantaged groups (urban and rural poor), already present in the concept notes will be ensured. LNOB (inclusion of disadvantaged youth) may require special attention in the Business Incubator project in Algeria.

All projects aim at having positive (green) effects on climate change and the environment. For the rural based (Morocco, Tunisia, Egypt), this will happen through improved water resource management and/or renewable energy and sustainable farming. In Algeria, positive effects are expected to emerge through innovative SMEs with green solutions.

## **8. Overall organisational setup**

The MENA Department is responsible for the programme, including financial management, accounting etc.

A management committee comprised of representatives from the MENA Department and the Embassies in Rabat, Algiers and Cairo will be responsible for the overall management of the programme.

Annual assessments will be made with regards to the potential narrowing geographical focus of the programme. This will include input from relevant units in the MFA Home Service as well as the Embassies in Algiers, Rabat and Cairo. Subsequently, concrete projects will be selected for implementation based on the list of potential projects for 2023-2024 and potential new projects drawing on the programme's share of unallocated funds.

The continuous monitoring of the projects and their progress will be based on the implementing partners' own monitoring systems. Progress reports and financial reports will be submitted regularly. Furthermore, the Embassies in Algiers, Rabat and Cairo will liaise regularly, as appropriate, with the partners on the ground.

At country level steering committees consisting of key stakeholders (implementing partner, Danish Embassy, local authorities) will manage the operations the projects.

Implementing partners will liaise with local governments and authorities during the implementation so as to ensure coordination on the ground.

## **9. Risk Management**

The political situation in the four programme countries pose a risk for the programme and its implementation. Morocco, Algeria, Tunisia and Egypt can be challenging environment to work in due to the sometimes unpredictable developments at the political level. Tunisia as an example has experienced a relatively high amount of changes in government over a short period of time, which creates uncertainty about the strategic priorities at high political level.

In relation to the above the risk of political upheaval, which have characterized the regions recent history, could potentially impact the programme.

The uncertainty of the programme's geographical focus over the course of the programme period could pose reputational risk for Denmark. In a situation where Denmark aspires to strengthen bilateral relations with the four countries, leaving one country after short time could have adverse effects of the ambition to promote long-term strategic cooperation with the country.

At the institutional level, the risk of corruption and financial mismanagement is also present.