



Foreign & Commonwealth Office

ARAB PARTNERSHIP 2013/14: ANNUAL REPORT TO THE FAC

The Regional Context

1. In the twelve months covered by this report, countries of the Middle East and North Africa (MENA) clearly continued to face serious political, security and economic challenges. In contrast to the period immediately following the uprisings of 2011, where governments or populations driving for change appeared to share many commonalities, in 2013-14 the experiences of these countries were notable more for their differences than their similarities. Events have borne out the wider global experience that transitions are rarely linear or witness steady progress, particularly where long-term dictatorships leave a political vacuum subsequently filled by often protracted struggles for power. While maintaining the core principle of political inclusivity and structural economic reform as the path to long-term stability, supportive Western governments, including the UK, have had to differentiate more than ever between countries in their response.
2. Conflict dominated the headlines in 2013-14, particularly the bleak and deteriorating situation in Syria, where tens of thousands of civilians were killed and over 10 million people remain in need of humanitarian assistance. The situation in Iraq remained extremely grave, leading to the more recent violent eruption of serious extremist conflict led by ISIL in June 2014.
3. In the wider region transitions in the revolutionary countries took different paths. Yemen's transition proved elusive in the short-term, with political progress including the successful conclusion of the National Dialogue Conference and creation of the Constitutional Drafting Committee - both key building blocks - masked by economic challenges and continuing conflict. Libya's transition appeared existential, as emergent political forces competed for pre-eminence, leading to political confusion, a faltering economy, and violent clashes plaguing particularly the east of the country. Egypt's transition became increasingly exclusive under President Morsi's government and subsequently, with the ousting of the democratically elected Muslim Brotherhood government followed by its repression and the restriction of fundamental freedoms and rights. More positively, Tunisia's drive for an inclusive transition produced marked progress on the development of political systems required to bring longer-term stability, though the economic situation remains critical. Elsewhere, the non-revolutionary states of Morocco, Algeria, Bahrain and Jordan pursued degrees of incremental reform.

The UK's Approach

4. With significant UK interests in the region, including bilateral trade worth approximately £35bn annually, instability in MENA countries affects the UK's domestic situation in many ways - from energy prices, to investment in UK infrastructure and jobs, to the risks of terrorism in the UK. The region in turn affects the prosperity of other parts of the world,

not least through global energy markets. Our vision - to support a secure, prosperous MENA region with political stability and inclusive economies and systems – seems long-term against events of the last 12 months, but it remains as important as ever given these interests.

5. We have continued to develop our approach since the uprisings of 2011, to meet the challenges of this volatile and fast changing region. In particular, while violent conflict is not an inevitable part of the change in social contracts being sought by populations in some countries of the region, we have seen how quickly it can occur and escalate. During 2013 we revised the original Arab Partnership strategy into a reform and conflict framework, to strike a balance between the need to address short-term insecurity whilst laying the foundations for long-term stability. We see three main complementary paths to the long-term vision:
 - Tackling the risk of - and responding to - conflict;
 - Building capable, legitimate and inclusive institutions;
 - Enabling inclusive and sustainable economic growth and recovery.
6. Our refined approach, viewing conflict and reform work as a continuum, has brought together the practical work done on reform and conflict, under the FCO-DFID Arab Partnership and the FCO-DFID-MOD Conflict Pool, into a more coherent cross-HMG effort. We are delivering this approach through diplomatic and political channels, both bilateral and multilateral (the EU and the G7), technical programming support, and training and capacity building, differentiated to suit country circumstances.

What Have We Done?

Working bilaterally

7. The reform and conflict approach is mainstreamed into the work of our Embassies and London departments. Reform and conflict issues remain key themes in UK dialogue with foreign governments across the region, often supported by bilateral programme work. Ministers have regularly discussed reform issues with regional counterparts during visits overseas. For example, when the former FCO Minister for the Middle East, Mr Robertson, visited Bahrain, Tunisia and Morocco in 2014, his wide ranging exchanges with his counterparts included discussion of their reform programmes. We have also lobbied against discriminatory legislation and practices, stressing to governments in the Middle East and North Africa the importance of respecting the rights of minorities. Baroness Warsi has raised the importance of greater female economic and political participation through events such as the Global Muslim Women Leaders' meeting and events in the margins of the Summit on Ending Sexual Violence in Conflict.
8. Furthermore, following the closing down of political space in Egypt in late 2013-14, the former Foreign Secretary and FCO Ministers regularly called for political inclusivity and respect for human rights, messaging delivered also in response to recent events in Libya and Iraq. Such messages are not always welcome or accepted, but this advocacy and dialogue remains a critical part of the UK's approach.

Working with international partners

9. The Arab Partnership has continued to bring UK influence to multilateral organisations. Harnessing the collective weight of the EU remains important to improving the prospects for transition in the region. Though of a lesser order than funds available from some Gulf States, the EU resources on offer are considerable: the European Neighbourhood Instrument has budgeted at least €6.8bn over 2014-2020 for the EU's Southern Neighbours in North Africa. Over 2013/14, the UK engaged EU institutions and Member States applying changes agreed in 2012 on the European Neighbourhood Policy to the Southern Neighbourhood countries. Those countries making most progress, particularly Tunisia, but also Morocco, Libya, Jordan and Lebanon, received additional EU technical support and funding to support the positive steps they had taken. We continue to encourage EU alignment with UK principles.

10. The UK's 2013 G8 Presidency meant we also chaired the Deauville Partnership, the multilateral mechanism established in 2011 to support political and economic transitions in Egypt, Tunisia, Morocco, Libya, Jordan and Yemen. The Partnership includes the (now) G7, regional partners (Qatar, Saudi Arabia, the UAE, Kuwait, and Turkey), the EU and international financial institutions (IFIs). Under the headline "Open Economies, Inclusive Growth" we pursued eight areas: trade, investment, women's economic participation, capital markets access, small & medium enterprise development, asset recovery, expansion of the EBRD mandate and support through the (technical assistance) Transition Fund. Cross-Whitehall work between FCO, DFID and HMT focused on delivering results to bolster Deauville's reputation in the region - an effort recognised by G7 partners and some of the regional governments.

11. The headline achievements of the UK's Deauville chairmanship were:
 - **Turning the MENA Transition Fund from concept into practice.** The Fund allocated \$130M (\$51M from the UK) to 28 demand-led projects supporting social safety net reform, job creation and youth employment in its first year. We achieved commitments of \$200M by 2015, with the Fund attracting further support of \$270M from regional partners.

 - **Increased profile for women's economic participation.** A DFID-led Arab Women's Challenge Fund, in partnership with the Islamic Development Bank, will co-finance initiatives with the private sector to increase women's participation in Arab and international supply chains. This was a key outcome of a UK-hosted Deauville "Women in Business" conference, bringing to London 200+ businesswomen from 18 Arab countries.

 - **Ratification of the new regional mandate of the European Bank of Reconstruction and Development (EBRD),** to support job creation and an expanding private sector, enabling access to up to €2.5bn per year in additional loans for the private sector in eligible MENA countries.

 - **Improvement of business climate in the transition countries** through the London Deauville Partnership Investment Conference. The second largest UK-hosted G8

event in 2013 after the Summit itself, the conference drew 500+ participants from 25 countries, with six regional Ministers and 100 CEOs. Outputs included country-owned reform plans to improve the business climate, produced in conjunction with the OECD, and investment promotion for the transition countries, despite a turbulent regional background.

- **The launch of the “FORSA” Mentoring initiative**, promoting youth entrepreneurship in the transition countries
- **UK leadership on Asset Recovery**, alongside the World Bank StAR initiative. To deepen understanding in Egypt, Libya and Tunisia, of the judicial and evidence base required to facilitate the return of stolen assets. The Arab Forum on Asset Recovery II in Morocco also gathered 200+ participants from 37 countries.

UK Practical Assistance: Supporting Reform, Tackling Conflict

12. The technical assistance provided through the Arab Partnership remains an integral part of the UK's approach. During the year, the FCO and DFID increased the 2011-15 commitment of £110m to £165, reflecting HMG's determination to help reformers build on their successes since 2011. The programme has continued to learn lessons eg implementing recommendations following the positive 2013 review of programme by the Independent Commission for Aid Impact. As a result, the most effective projects have expanded and some of the pilot and lower impact projects have been discontinued, reflecting priorities for reform, the political environment of host countries, and levels of UK expertise.
13. In 2013/14 the FCO-led **Arab Partnership Participation Fund (APPF)** delivered political reform support – on good governance, public voice and rule of law - to reformers in 15 countries (worth £13.5m). Three years of programming has highlighted the UK's competitive advantage. A strong UK media brand means we can help develop balanced and professional media establishments, from Morocco to Iraq. Our strong parliamentary culture means that UK organisations can offer flexible and responsive support in building more accountable legislatures. Challenges remain, particularly the demand for civic education; changing the mindset and democratic experience of an electorate is the work of at least a generation. The APPF has had to continually balance the need to support these large shifts, whilst ensuring best value for money with its relatively small funds.
14. In concert, the DFID-led **Arab Partnership Economic Facility (APEF)** worked with international institutions and country governments to support economic transition across the region and in five focus countries: Egypt, Tunisia, Jordan, Morocco and Libya. In partnership with reforming governments, civil society and the private sector, in 2013-14 DFID supported projects worth approximately £46m in three key areas: job creation, economic growth, and strengthening accountable institutions. In 2013-14 over 1,300 enterprises received business advice, nearly 1,700 loans were disbursed to Small and Medium Enterprises, and an estimated 19,500 jobs were created either directly or indirectly. On economic growth, DFID's £5m contribution to the European Bank for Reconstruction and Development has enabled the EBRD to expand into the region and

is expected to unlock more than €2.5bn in private investment. Through the World Bank MENA Trust Fund projects are underway to support accountability, including technical assistance on economic governance in Morocco and Tunisia, and service delivery in Egypt.

15. Reflecting the closer synergies between reform and conflict work set out above, the Government also dedicated £69m of tri-departmental **Conflict Pool** funds in 2013-14 to the MENA region. The resulting programmes delivered upstream work to manage the risk of increased conflict, support post-conflict transitions and minimise the effect of conflicts already underway, particularly in Syria. This work included an ambitious Security, Justice and Defence programme in Libya, equipment and training to help the Lebanese authorities maintain security along their border with Syria, and projects to alleviate rising tensions between Syrian refugees and their host communities in Jordan and Lebanon. We have moved towards a portfolio of larger strategic programmes, closely aligned with our policy and diplomacy objectives and coordinated with other donors. We will continue and expand this approach as the new Conflict, Stability and Security Fund comes into effect in April 2015.
16. The map at Annex A provides some examples of our technical assistance programmes and project impact across the region.

Looking Forward

17. The Foreign Secretary said in 2011 that the changes underway in the Middle East were the work of a generation not a few years, countries would face repeat obstacles and we would need to stay the course in support. After three years the regional context remains complex and challenging. Stark headlines of continuing crises and significant power struggles in some countries obscure political progress in others, such as Tunisia, Yemen and Morocco. Against this background we remain committed to helping the region work towards its potential, for its and the UK's interests.
18. One indication of this commitment is our ongoing programming. As of July 2014, we are pursuing 47 political reform projects (worth £10m) under the APPF and 18 economic reform projects (worth £22m) through the APEF. Under the Conflict Pool we are funding 120 projects totalling £65m. This support is being directed to countries where gradual reform is being undertaken, including Tunisia, Algeria and Morocco, in supporting challenging transition processes in Libya and Egypt, where we will need to be most responsive, and in mitigating the impact of the Syria crisis on Lebanon and Jordan.
19. We need to stay open to adapting the UK's approach as necessary, as we have in 2013-14 through development of the reform and conflict framework, while retaining our long-term view and objective of regional stability. In the process we will hold to some guiding principles:
 - **Political inclusivity and structural economic reform provide the best route to longer-term stability.**

- **Reform and conflict management should remain complementary and coherent: the UK is seen as a leader among allies in this approach.**
- **We should use the full-range of bilateral and multilateral mechanisms available to us for maximum impact, including building on our 2013 G8 Presidency achievements.**
- **We should continue to focus on themes and countries where the UK has most impact.**
- **To support this, we should continue to collect evidence of our impact, evaluating closely where our technical assistance delivers most for the UK and the region.**

Arab Partnership Department

July 2014