

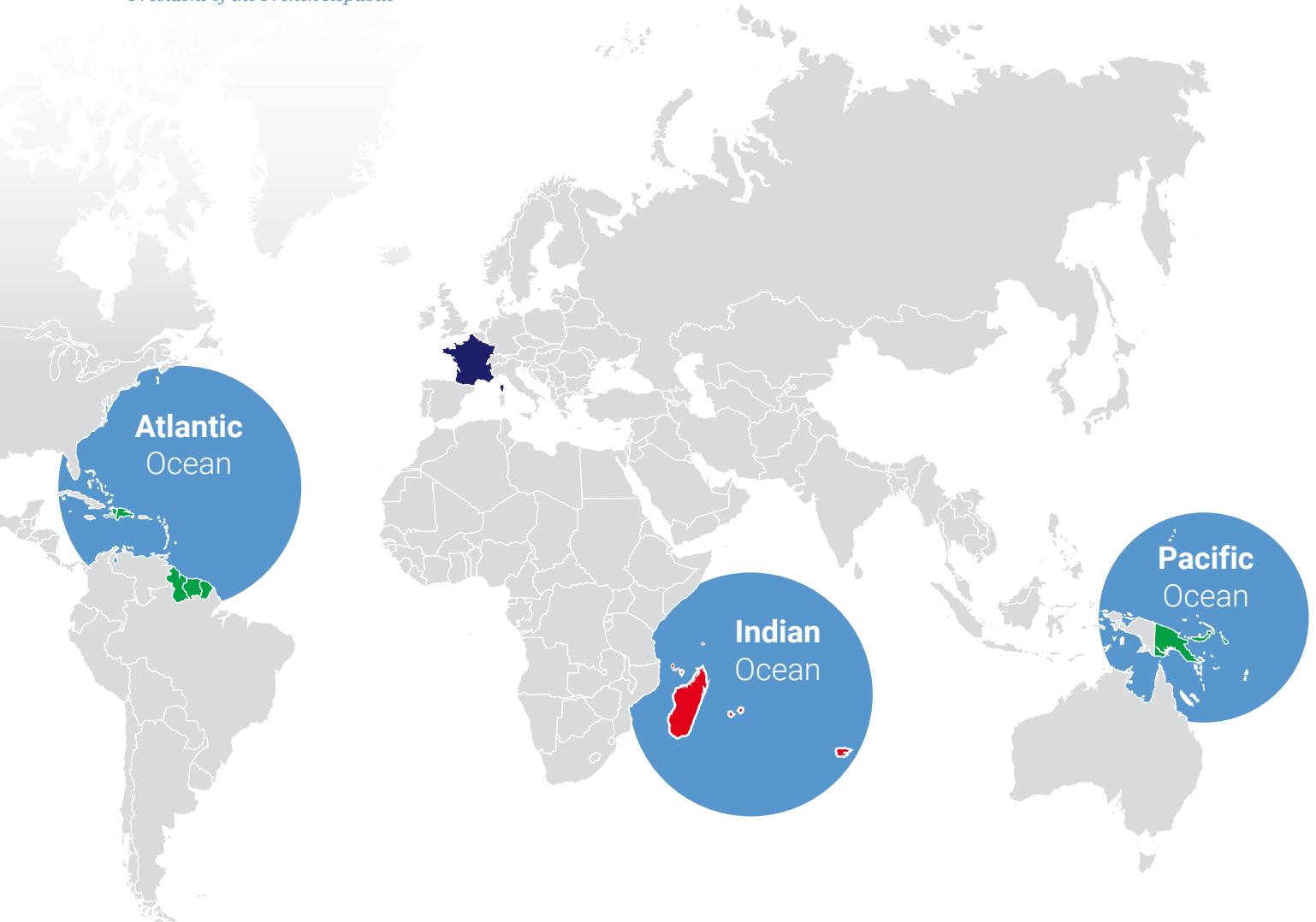
— THREE OCEANS

A regional strategy
to serve a world
in common
2019-2026

*“Nothing hits some people
while sparing others any more.
We are all interdependent.”*

~

*E. Macron,
President of the French Republic*



- Guadeloupe
- Guyana
- French Guiana
- Haiti
- Martinique
- Lesser Antilles
- Dominican Republic
- Saint-Barthélemy
- Saint-Martin
- Saint-Pierre and Miquelon
- Suriname

- Comoros
- Madagascar
- Mauritius
- Mayotte
- Réunion Island
- Seychelles
- TAAF

- New Caledonia
- Pacific Small Island States
- French Polynesia
- Vanuatu
- Wallis and Futuna

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1.

CONTEXT

1.1. FRENCH OVERSEAS TERRITORIES, A COMMON THREAD LINKING THREE OCEAN BASINS

Present in the Atlantic, Pacific and Indian Oceans, France has five departments and regions (Martinique, Guadeloupe, French Guiana, Réunion Island, Mayotte) and seven overseas collectivities (New Caledonia, French Polynesia, Wallis and Futuna, French Southern and Antarctic Territories, Saint-Pierre and Miquelon, Saint-Martin and Saint-Barthélemy) which are home to 2.7 million French citizens. Scattered across the globe, the overseas territories concentrate 97% of France's exclusive economic zone (EEZ) – the second largest in the world – covering 11 million km². The territories are located in three large ocean basins that span a broad diversity of countries. This heterogeneity is notably visible in their disparate levels of development, their geographical characteristics, their statuses (autonomy, independence, ties to a foreign power), their isolation from the rest of the world and their proximity or distance within each basin. Yet, all of these communities are linked by common challenges and cross-border issues that make greater concertation and cooperation necessary at a regional scale. Mainly located in the southern hemisphere, the French Overseas Territories clearly show the interdependence of the issues that link France to the global South.

Given its longstanding and unique ties both with the French Overseas Territories and with their neighbouring foreign countries, AFD has a singular advantage among development agencies and French financial public actors when it comes to tackling the globalised challenges set out in the sustainable development goals (SDGs). The only development agency to act on either side of its national maritime borders, AFD has the mission, through its dialogue with the stakeholders, to leverage and support financial flows between these territories, which have strengths and weaknesses that compensate each other and offer opportunities for cross-development. In the overseas territories: capital and investment capacity, high-quality legislation and public infrastructure, knowledge and know-how, but also worrying unemployment rates, small markets and a production base with high input costs. In their neighbouring countries: most often, a production base with low input costs, potentially broader markets, extensive investment opportunities, but a scarcity of skilled labour, insufficient capital, as well as legislative frameworks and public actions that need to be further developed.

AFD will intervene in the countries and territories of the three following basins,¹ which constitute the scope of its Three Oceans department (OCN):

The Atlantic Ocean: Guadeloupe, French Guiana, Haiti, Martinique, the Lesser Antilles, Suriname, Dominican Republic, Saint-Barthélemy, Saint-Martin, Saint-Pierre and Miquelon, and potentially Guyana. The Guiana Shield and the Caribbean basin constitute an overall space that should be apprehended as a single unit so as to respond to the increasingly pressing cross-border issues. Yet, there should also be a differentiated approach tailored to the specificities of each of these two sub-areas and to the diverse development needs of their constituent countries.² The presence of French Guiana, Guyana and Suriname within this whole will also help to create interregional ties between the American continent and the Atlantic.

The Indian Ocean: Comoros, Madagascar, Mauritius, Mayotte, Réunion Island, Seychelles³ the French Southern and Antarctic Territories (TAAF). Reflecting the scope of the inter-governmental cooperation deployed under the Indian Ocean Commission (IOC), the integration of Madagascar into the Indian regional basin also serves as a bridge to continental Africa.

The Pacific Ocean: New Caledonia, French Polynesia, Wallis and Futuna, Vanuatu, Fiji, Papua New Guinea, Tuvalu, Kiribati, Marshall Islands, Tonga, Samoa, Cook Islands, Niue, the Federated States of Micronesia, Palau, Solomon Islands, Nauru and Timor-Leste. As a regional basin where the fight against climate change is inseparable from the future of the region, the French and foreign territories that make up the Pacific are linked by a common destiny which calls for responses better harmonised with those of our local and international partners.

¹The only geographies cited are those for which AFD has an operating mandate and those in which the Agency is authorised to prospect (Guyana).

²Along with the Indian Ocean, the Atlantic basin is the only area to include a priority country (Haiti) for French development policy.

³Following the exit of the Seychelles from the list of countries eligible for official development assistance as defined by the OECD/DAC as at 1 January 2018, AFD is authorised to use delegated funds until the end of 2020 to support regional cooperation projects benefitting the Indian Ocean Commission, which includes Seychelles as one of the territories concerned.

1.2 COMMON AND SHARED CHALLENGES

1.2.1. Great vulnerability to climate change and natural disasters

- Climate and biodiversity: priority issues for the territories under pressure

The Three Oceans territories are mostly islands, except for Suriname, Guyana and French Guiana. Yet, the presence of the Amazon forest, the islands' vast stretches of coastline and the difficulties posed by accessibility create specific features that are somewhat similar to those inherent to insularity. **The global issue of climate change raises particularly severe common challenges for these territories.** Be they French or foreign, these spaces are among the most vulnerable to the effects of climate change. Coastal erosion, rising sea levels and the risk of submersion, the increased frequency and intensity of extreme climate events, changes in rainfall and ocean warming are all issues facing the countries and overseas territories in the Atlantic, Indian and Pacific oceans. In the West Pacific, the sea level rise over the period 1993–2015 was three times higher than the global average. This means that flood-prone areas are becoming more extensive. Three countries whose entire landmass is less than 5 metres above sea level are particularly exposed to the risk of submersion: Tuvalu, the Marshall Islands and Kiribati. The Small Island Developing States (SIDSs) are among the most fragile in the face of climate change, as much in human as economic terms: according to the World Risk Index,⁴ eleven territories inside the Three Oceans perimeter are among the thirty most vulnerable in the world.

France is home to 10% of the planet's biodiversity, most of which is found in the overseas territories. For example, four-fifths of the 19,424 endemic species listed for France are in the overseas territories.⁵ In addition, France is the country with the highest number of protected areas on the IUCN green list.⁶ A case in point is the endemism of New Caledonia's fauna and flora, which is comparable to that found in the whole of continental Europe. And the Guianese forest is one of the planet's primary forests. Moreover, the islands of New Caledonia, East Melanesia, Micronesia and Polynesia, the Caribbean, West Indian Ocean and Madagascar are located in 5 of the world's 35 biodiversity hotspots,⁷ which designate the most biologically rich but also most threatened ecosystems. These zones are characterised by a high level of endemism for both flora and fauna and a diversity of terrestrial ecosystems (wetlands, rainforests, etc.) and

marine ecosystems (coral reefs, mangroves, etc.). This biodiversity is now under threat from demographic pressure and human activities. Madagascar, Papua New Guinea and Tonga are among the ten countries that have the most fragile ecosystems.⁸ Some of the main threats include invasive alien species (mainly due to maritime transport), the unsustainable exploitation of resources, the conversion of natural habitats (infrastructure, agriculture, urbanisation, etc.), the extractive industries, marine pollution (notably micro-plastics, Sargassum seaweed) and climate change (rising sea levels, more frequent and intense climate events, droughts, etc.). Other factors are exacerbating these difficulties, notably the lack of awareness about the importance of environmental protection and the social, economic and climate benefits brought by healthy well-conserved ecosystems, inadequate implementation of environmental legislation, limited technical data, weak environmental institutions and insufficient financing.⁹ Yet, the challenges of preserving terrestrial and marine environments and natural resources are all the more crucial given that they have significant repercussions on populations (health, nutrition, resilience to climatic accidents, quality of life) and that some communities depend on ecosystem services for their livelihood (agriculture, fisheries, etc.). This means that nature-based solutions and their many co-benefits will crucially need to be mobilised to achieve the SDGs.

- Faced with recurrent crisis situations, these territories are showing their solidarity

Populations in the Three Oceans territories regularly face crisis situations. They have to confront not only destructive cyclone events (Irma, Maria, or Matthew in the Atlantic) – the cost of damages caused by Hurricane Irma on the Saint-Martin and Saint-Barthélemy islands was estimated at 1.2 billion euros¹⁰ –, but also seismic risks (in the Antilles, Haiti, Mayotte and Comoros),¹¹ volcanic eruptions (e.g., the 2017 eruption on Tonga in the Polynesian archipelago), drought (e.g., Mayotte in 2017, southern Madagascar due to the El Niño phenomenon) and flooding (in the Caribbean this past year). Among the victims of natural disasters, women and children are harder hit than men on account of their greater economic precarity. **The Three Oceans territories also share a series of constraints specific to their geographical features, which exacerbate the consequences of natural catastrophes and climate change:** isolation, high population density in coastal areas, concentration of precarious housing, low levels of infrastructure and, in

⁴<http://collections.unu.edu/view/UNU:5763#viewAttachments>

⁵<http://indicateurs-biodiversite.naturefrance.fr/fr/actualites/les-chiffres-cles-de-la-biodiversite-edition-2018> (in French).

⁶<https://www.iucn.org/theme/protected-areas/our-work/iucn-green-list-protected-and-conserved-areas/iucn-green-list-areas>

⁷<https://www.conservation.org/How/Pages/Hotspots.aspx>

⁸According to the University of Notre Dame ND-GAIN Country Index.

⁹Critical Ecosystem Partnership Facility, <https://www.cepf.net>

¹⁰Assessment conducted by the public-sector reinsurer, Caisse centrale de réassurance.

¹¹The National Centers for Environmental Information have reported nearly 291 earthquakes of a magnitude greater than 7 between 1990 and 2018. 20% of identified earthquakes have affected the countries within AFD's Three Oceans Department.

some territories, steep slopes and rivers flowing down narrow valleys... On this subject, rising sea levels increase the risk of coastal flooding, particularly during storms, as well as damage to strategic infrastructure, which could lead to population displacements. Other sources of pressure include the impact of beach-sand exploitation – which is responsible for accelerating coastal erosion and receding shorelines in many parts of the world – and natural coastal dynamics under the effects of currents and waves.

This vulnerability has given rise to solidarity, firstly de facto and then institutional,¹² among all the territories within these basins. On the international stage, the small island developing states form a united block in the fight against climate change and express themselves with one voice. Moreover, their joint mobilisation led the international community to recognise, in the 1994 Declaration of Barbados, their vulnerability to "natural as well as environmental disasters", whereas they "have a limited capacity to respond to and recover from such disasters" and are "among those that contribute least to global climate change".

1.2.2. Diverse challenges for economic development and social issues

- **Economic development model and integrating these territories into the global economy**

The Three Oceans territories all have a fragile economic structure. Their narrow domestic markets, their weak economic fabric and their economies' increasing dependence on the exterior – particularly for food and energy imports – make them highly vulnerable to variations in the international economic environment. Added to the issue of size is the challenge of distance – even geographical isolation and dispersion, particularly in the Pacific. The distance that separates these economies from major global markets constrains the development of local productive activities, which depend heavily on sea and air transport infrastructure as well as on ancillary services for the storage, logistics, packaging and distribution of goods. In all of the countries within the scope of the Three Oceans department, fisheries resources – albeit the very core of these geographies' maritime identity – are products imported more often than exported, which reflects how difficult it is for these economies to take root in endogenous development models.

- **Inequalities and the permeability of social issues**

The Three Oceans territories have followed and still follow very different development paths. Their Human Development Index (HDI) rankings range from 0.49 (for Comoros) to 0.82 (estimate for Guadeloupe). There is a very clear divide between the neighbouring foreign countries, which have a median HDI of 0.67, and the French Overseas Departments and Collectivities (DCOMs), where the estimate stands at 0.76 (around forty countries separate these two indicators in the rankings). This pronounced developmental disparity stems primarily from the deficit in health and education infrastructure in the foreign states. **Internal inequalities remain relatively significant within the different territories**, as is shown by the Gini Index, which is quite homogenous although high (median coefficient of 0.4). The territories with the highest inequalities are mainly located in the South West Indian Ocean basin, where the highest poverty rates are also found, especially in Madagascar and Comoros. Moreover, intra-territorial inequalities are much greater in the DCOMs than in mainland France.¹³ With Gini coefficients above 0.4, after redistribution, some French Overseas Territories are more unequal than many Asian countries and stand on a par with some Latin America countries. The inequalities are closely linked to the difficulty of accessing employment and tend to weaken social ties.

For the same reasons as those mentioned earlier (small size, varying degrees of isolation, the difficulty of achieving economies of scale), **the populations in the territories of the three basins find it difficult to access a diversified offer of services.** Health, community care, education, higher education, vocational training, as well as culture and sport are all areas that affect a harmonious coexistence, but also those where the territories are struggling to meet their population's demand. These shortcomings have a greater than average impact on the social equation, as the unemployment rate across the whole perimeter of the Three Oceans department (13.2%) is twice as high as the global rate, and includes a significant proportion of long-term unemployed, thus heightening the risk of social exclusion. Likewise, the average unemployment rate in the overseas territories is twice that of mainland France. Young people are hit particularly hard by unemployment in the overseas territories. All combined, these difficulties damage the territories' capacity to retain their human capital (the most skilled, young people, etc.) and weaken economic balances and social ties. In the different geographies of the Three Oceans, the above-mentioned difficulties impact women first and foremost.

¹² Cf. Appendix 1.

¹³ Although a degree of economic convergence between the French Overseas Territories and the regions of mainland France has been seen over the past decades, inequalities are still pronounced. In 2015, GDP per capita in the DCOMs was 58% of that in mainland France and gross disposable income per capita was 73%.

1.3 A PLURALITY OF CROSS-BORDER CHALLENGES

The Three Oceans territories are linked not only by common challenges that require concerted and coordinated responses, but also by similar challenges that call for experience-sharing. They are also involved in diverse bilateral or multilateral dynamics to respond to the cross-border issues within their basins. These challenges call for strong regional cooperation and more effective integration, notably in the areas of health, migration, security and the economy.

1.3.1. Issues that require greater regional cooperation

In the area of health, the three basins are subject to recurring epidemics. The Pacific is particularly exposed to vector-borne diseases. In this basin, the annual number of arbovirosis cases reported by the Public Health Division of the Secretariat of the Pacific Community (SPC) has almost doubled since 2014. The Chikungunya outbreak in 2004 in the Indian Ocean and Zika infections in 2016 in the Atlantic are still remembered. Health crises, whether they affect humans, animals or plants, have strong socio-economic impacts on island territories.

For a great many foreign countries in the Three Oceans basins, as well as in Mayotte, economic growth often depends on **agriculture**, and above all **tourism**. In the DCOMs, 9% of salaried workers in the commercial sector are employed by tourism-related businesses; the added value of the hotel, café and restaurant sector alone represents 5% of total added value. More generally, the tourist trades play a structurally significant role in the balance of payments.

The question of migratory flows between the French Overseas Territories and their neighbouring countries concerns two overseas territories more particularly: French Guiana and Mayotte. The permeability of borders, the territories' geography and their river culture are driving high levels of illegal immigration in the Guiana Shield. Similarly, "mobility is prevalent in Mayotte and is altering the composition of the population":¹⁴ four in ten residents aged from 18 to 79 are foreign nationals, and half of these are in an irregular administrative situation. Nationals from Anjouan are the most numerous (30%).¹⁵ Among these exiled populations, women without residence permits are particularly vulnerable to various forms of violence.¹⁶

Other cross-border security-related factors interlink these territories. These include piracy, illegal fishing, illegal gold mining and drug, raw material and human trafficking.

1.3.2. Brakes on economic integration

Economic integration is still patchy in the different basins. None of the international communities or organisations deployed there have federated all of the ocean basins. Although France often sits among the member states on the various bodies, the DCOMs are not directly represented as territories, with the notable exception of the Pacific regional and local authorities in the Pacific Island Forum (PIF). Finding synergies between the territories is highly complex given that the regulatory or normative corpuses are structurally very different from each other. For the DCOMs, part or total application of European Union standards is both a handicap in terms of competition, but also a guarantee for the desired quality and security.

¹⁴ Source INSEE (in French).

¹⁵ Source INSEE (in French).

¹⁶ Tackling violence against women Overseas, French Economic, Social and Environmental Council, 2017: <https://www.lecese.fr/en/publications/tackling-violence-against-women-overseas>

2.

PRIORITIES FOR AFD GROUP

2.1. THE GROUP'S STRATEGIC VISION FOR THE THREE OCEANS

AFD intervenes in the three ocean basins to achieve three overarching goals which all promote "a world in common": (i) national solidarity to promote the economic and social development of the French Overseas Territories in line with the "5.0 Trajectory"¹⁷ supported by the Ministry for Overseas France to adapt the SDGs to the specifics of the overseas territories; (ii) international solidarity to further the development of neighbouring foreign countries, particularly those that are a priority for France (Comoros, Haiti, Madagascar); and (iii) more effective integration of common challenges, the first of which is the fight against climate change and the strengthening of social link.

AFD Group is fully engaged in supporting the overseas economies by intervening to support companies and by financing the investments of regional and local authorities and other public stakeholders. More specifically, it must help to reinforce the integration of the overseas territories into their respective regional basins by supporting cooperation projects shared with neighbouring countries.

AFD's activity in the foreign countries of the Three Oceans basins¹⁸ is in line with the Group's different mandates, ranging from the poverty reduction, mainly in France's priority countries (Comoros, Haiti and Madagascar), to financing for projects for climate change adaptation and the protection/enhancement of biodiversity in the Pacific.

Finally, 2018 saw the reorganisation of AFD Group with the creation of i) the new geography-based "Three Oceans" department covering the French Overseas Territories and neighbouring foreign countries, underpinned by a rationale of mixed geographical basins and ii) three regional divisions, based in Noumea, Fort-de-France and Saint-Denis, which will supervise the local field offices. The Group will use this new organisation to deepen the dynamics of regional development and amplify its action to foster sustainable development in the three basins.

In French Overseas Territories: results of 2018 activities

In 2018, approvals for Group AFD's commitments in the French Overseas Territories totalled €1.416 billion.

Despite a difficult context for public-sector actors, notably for local authorities experiencing a substantial decrease in their debt capacity and thus in their investments, the volume of commitments for this sector reached €724 M. The projected activity plan, which could not have foreseen the extent of this adverse trend, had set a relatively off-the-mark target of €973 M.

Subsidised loans increased significantly to reach €326 M (including a €103 M green loan to the public sector [PSP Vert]). The increase was mainly driven by extending the fund to all of the overseas territories (in 2017, it had been reserved for the Pacific territories). Many projects related to waste treatment and community care were again supported.

For the private sector, the target was reached with commitments totalling €133 M. These satisfying results were reflected by a rebound of the banking sector's refinancing business (non-concessional loans to banks) amounting to €50 M compared to the €10 M expected at the start of 2018. However, the activity of loans to businesses marked a temporary decline, down to €83 M. This was due to an extremely competitive context resulting not only from the financial environment and the postponement of several long-term projects, but also from the refusal of a large project that had an overly risky profile.

Guarantee activities on behalf of Pacific local authorities (SOGEFOM) increased significantly, rising to €30 M, up €23 M on the amount initially planned.

For operations on behalf of Bpifrance, the targeted amount was €600 M, whereas the activity at year-end totalled €520 M. This level was dependent on Bpifrance's risk policy, which prevails when it comes to granting loans.

¹⁷ A support mechanism implemented as from 9 April 2019 by the Ministry for Overseas France with 5 objectives: 0 waste, 0 carbon, 0 agricultural pollutant, 0 exclusion, 0 vulnerability to climate change.

¹⁸ See the results of the activities in Appendix 3.

In the priority countries: Haiti, Comoros, Madagascar

In Haiti, the Agency's action is part of its support to public institutions and Haitian civil society organisations by working to build up capacities that facilitate project implementation and ownership. AFD's activity is structured around four priority sectors: agriculture, health, education and, more recently, governance. In the area of agriculture, the Agency financed agro-forestry projects (developing catchment areas, reforestation) and the development of irrigation infrastructure aimed at reinforcing food security (support to producers, structuring downstream value chains). Apart from the rebuilding of Haiti's State University Hospital – a flagship project for the Agency in Haiti – and maternal and child health projects, the modernisation of vocational training is an important challenge in the country. Two projects thus aim to support the National Vocational Training Institute in enhancing and modernising its training offer to meet the needs for skilled economic operators and enable the socio-professional integration of young Haitians.

For the Union of the Comoros, AFD continues to implement its intervention strategy, which rests on three priority lines of action: preserve and sustainably develop the environmental heritage and combat the impacts of climate change (support project for the Moheli Island National Marine Park, a climate adaptation project under the protocol signed by Comoros at the One Planet Summit in Paris in December 2017);

increase economic opportunities and job creation with priority set on the local rural sector, which offers the greatest potential (support to microfinance institutions, promotion of rural activities); strengthen human capital and improve access to basic services via the structuring support actions that have been funded for over ten years in the drinking water and health sectors.

In Madagascar, the Agency's interventions aim to reduce poverty and promote sustainable and inclusive development. They are based on four operational lines of action: the controlled, equitable and sustainable development of urban spaces (the support programme for balanced city development, the integrated sanitation programme in Antananarivo...); support for rural areas based on sustainable agriculture and the preservation of natural resources, including forest resources (participation in the capital of the Foundation for Protected Areas and Biodiversity in Madagascar, reinforcing the management and governance of 9 protected areas in the Diana region...); support to young people through education and vocational training (enhancing the quality of primary and secondary school education by training school teachers and principals, strengthening human capital by setting up a Malagasy fund to finance vocational training...); and improvements to employment by structuring and developing the SME base.

2.2 PRIORITY 1 – ENSURE THE THREE OCEANS ARE “100% PARIS AGREEMENT”-COMPLIANT TERRITORIES

In its AFD Group 2018–2022 Strategy, the Group committed to making its actions “100% Paris Agreement”-compliant. It will systematically ensure that all its financing is consistent with a low-carbon and resilient development of the country or territory concerned, in line with the Paris Agreement. It will continue to devote 50% of its financing to projects that directly benefit the fight against climate change, be it in terms of mitigation or adaptation. To support the most vulnerable countries, the Group has committed to substantially increase its financing for adaptation, with a focus on Africa, the least developed countries and small island developing states. Lastly, within the framework of an ambitious partnership-based dialogue, the Group will work to channel public and private investment towards projects that are adapted to low-carbon and resilient development.

In the Three Oceans geographies, the Group will be particularly attentive to the resilience of populations and territories facing natural disasters and will work on preventive and insurance mechanisms. Adopting a long-term vision of the fight against climate change, it will seek to promote territorial development conducive to the adaptation of populations, ecosystem preservation and low-carbon growth.

With a strategy extended to include marine ecosystems, AFD also intends to position itself at the forefront of protecting and enhancing the oceans – in line with SDG 14¹⁹ –, which are subject to severe pollution as revealed by the ocean gyres.²⁰ Jointly with the European Investment Bank and KfW, AFD is participating in the Clean Oceans Initiative to support the development and implementation of sustainable projects in many countries in order to reduce

¹⁹ Conserve and sustainably use the oceans, seas and marine resources for the purposes of sustainable development.

²⁰ A gyre is a large system of circulating ocean currents in which the plastic waste dumped in the oceans congregates and accumulates to form gigantic vortices of pollution. A precise mapping of these gyres has not yet been completed. So far, five gyres have been identified across the world: in the North and South Atlantic, the North and South Pacific, and the South Indian Ocean.

ocean pollution over the next five years. This partnership will provide €2 billion of long-term financing for projects aimed at reducing marine waste, particularly plastics and discharges of untreated wastewater, with a view to attracting private-sector investment.

2.2.1. Contribute to the resilience of populations, territories and ecosystems

- Prepare a mechanism for physical and financial crisis prevention

As natural disasters often occur within a perimeter encompassing several territories, the national solutions traditionally deployed need to be reconsidered in order to prevent or contain crisis situations and enable recovery from such crises. In the three basins, recurrent cyclone events or the repeated propagation of invasive species harmful to the territories' agricultural production and biodiversity underline the need to set up regional response systems, which are alone capable of producing an impact able to tackle the challenges at hand. AFD is working notably on early-warning systems and has a list of diverse projects and experiences in this area – capacity building for natural disaster management, networking of early-warning systems and insurance. On this count, AFD wishes to foster a dialogue between local officials, the State and communities by supporting index insurance instruments for the French Overseas Territories and countries facing similar pressures. This is the purpose of the dialogue that could be initiated in the Atlantic Ocean basin about the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

Moreover, **crisis episodes require the capability for rapid deployment of operational responses** to support several territories, sometimes simultaneously. This observation is behind the setting-up of shared surveillance, prevention and intervention systems that will allow a pooling of means and resources rather than a disjointed approach detrimental to a threefold requirement: anticipation, organisation and operationalisation. In terms of prevention, support for finding solutions within regional cooperation frameworks – on existing and emerging natural hazards such as the proliferation of Sargassum seaweed in recent years – must be encouraged.²¹

Example: AFD supports the Regional Intervention Platforms (PIROI) of the French Red Cross to tackle natural disasters.

These regional platforms are headed by the Red Cross and located in the overseas territories. They have very rapid deployment capabilities in the event of a climate-related or health crisis in neighbouring foreign countries via their mobilisation of national Red Cross and Red Crescent branches. AFD financing enables the construction of warehouses for pre-positioning emergency equipment (tool kits, water purification units, etc.), as well as for developing local-language sensitisation programmes. In Madagascar, for example, in the days following Cyclone Enawo in March 2017, PIROI activated its emergency relief plan from Réunion Island and sent 2,300 shelter tool kits, transported with the help of France's South Indian Ocean Armed Forces (FAZS01), to supplement PIROI's stock in Antananarivo.

- Support the territorial and ecological transition

The Three Oceans territories can act as pathfinders for implementation of the Sustainable Development Goals. In this perspective, **the Agency must continue to support projects that foster resilient territories** – notably in the areas of sanitation and access to drinking water,²² but also rainwater drainage systems, protection of ecosystems and services provided by corals, mangroves, etc.

AFD will work to strengthen not only the project sponsors responsible for defining and monitoring territorial projects, but also the stakeholders and beneficiaries. It will support the design of public policies and strategic planning at both national and local level, as this type of approach and support is required to produce long-term scenarios and develop a collective vision of the region. In the French Overseas Territories, AFD will bolster its offer of support and advice to local authorities to assist them in optimising and improving the soundness of their financial management. The aim will be to lastingly restore the financial situation of struggling local authorities, enable them to access financing and thus reaffirm their role as financier and manager of public service infrastructure.

Furthermore, AFD will mobilise in support of projects with real benefits for the environment and will step up its support for nature-based solutions.

²¹ In compliance with Recommendation 2 of the information report No. 688 (in French) of the Senate Delegation for the overseas territories "Risques naturels majeurs : urgence déclarée outre-mer" (2018).

²² Over the period 2016–2018, the Group's commitments (AFD and Proparco) totalled over €210 million.

In cities, the preservation and development of good-quality natural spaces will offer real advantages for resilience in urban areas, often coastal, that are particularly vulnerable to the effects of climate change. By limiting impervious built-up land, urban greening will offer solutions for the natural infiltration of rainwater and run-off, thus helping to curb the risk of flooding. AFD-financed investment can be channelled into creating green spaces, either as islets (squares, parks, etc.) or linear facilities (pavements, green belts, redeveloping river banks or coastal areas). This greening will also have an impact on social inclusion and the inhabitants' well-being.

As ecosystems are the cornerstone of efforts to mitigate and adapt to climate change, AFD will work in particular to protect coastlines, combat deforestation and create protected areas at local level. AFD and its partners will also support regional initiatives to finance integrated coastal zone management programmes and observation systems, for example. Finally, AFD will mobilise more strongly to support the conservation, restoration and sustainable management of biodiversity and will be mindful of the impacts generated by its operations in the different sectors it finances (transport, energy, agriculture, etc.).

Example: the joint Pacific Initiative on Biodiversity, Climate Change and Resilience

Announced on 12 December 2017 at the One Planet Summit by the President of the French Republic, the Pacific Initiative aims to build, jointly with the European Union, a multi-donor coalition to encourage coordination between the fight against climate change and biodiversity protection, restoration and enhancement. This is based on a two-pronged strategy: on the one hand, conserve and restore marine and terrestrial biodiversity to foster climate change adaptation and, on the other, anticipate, reduce and manage climate-related vulnerabilities affecting human activities and economic sectors through nature-based solutions. So far, Canada, Australia and New Zealand have joined the Initiative.

Example: the Plan Sierra, in the Dominican Republic

The Plan Sierra, deployed with AFD support, has enabled the restoration of forest cover in the Sierra region with reforestation of over 10,250 ha, economic development in the area and the construction of various service infrastructures. Today, the Plan Sierra is recognised by all of the sector's private and public stakeholders for its know-how in natural resources management and the territory's economic development – as well as for its capacity to bring together local stakeholders and state institutions.

2.2.2. Engage in low-carbon development trajectories

The geographies of the three basins are, to different degrees, directly and strongly impacted by global warming and yet their CO₂ emissions per inhabitant are particularly low.²³ The challenges regarding GHG emissions lie chiefly with the energy sector and most of the territories have already begun to develop renewable energies to reduce their energy dependency (close to 90% overall) and their trade deficit.

AFD Group's Energy Transition Strategy aims to extend access to low-carbon and resilient energy services to all. In the island states and territories (ISTs), energy issues differ from those encountered by the large interconnected grids carrying several dozen if not hundreds of gigawatts and typical of the European, American or Asian energy systems. The Group is well acquainted with the economics and operations of small isolated grids and mini-grids²⁴ and is highly active when it comes to deploying renewable energies (solar, wind, biomass, geothermal and mini-hydropower plants...) particularly in the French Overseas Territories. French overseas regional and local authorities have developed multi-year energy plans (PPEs) intended to significantly boost the share of renewable and bio-sourced energies in their electricity mix by 2023. AFD can play a decisive role in moving this policy forward by accelerating the structuring of energy transition investments and contributing to their financing. New Caledonia, for example, is 95% dependent on fossil fuels.

The innovative studies and projects funded by AFD to accelerate the energy transition in the French Overseas Territories (bioelectricity from sugarcane bagasse in Guadeloupe and Martinique, an ethanol power plant in Réunion Island, the programmatic approach to mini-power plants running on renewable energy in New Caledonia) should be promoted in the neighbouring foreign countries, notably in the island territories with similar characteristics, based on a regional integration approach. The Group will also be attentive to infrastructure resilience, to energy-efficiency questions and demand management, as well as access issues, depending on the specific geographies. To fully play its role, the Group will strengthen its partnerships with the other energy transition stakeholders, notably the European Union, the regional and local governments, the French Environment and Energy Management Agency (ADEME), the French energy regulator (CRE), and energy operators that run and invest in mid-sized power companies. It will intervene to support public policies and the private sector.

²³With the notable exception of New Caledonia, which has three world-class metallurgical plants.

²⁴Small mainly solar grids, micro-grids running on renewables, off-grid photovoltaic systems on a pay-as-you-go basis.

Transport is another source of emissions. AFD will implement its actions to promote sustainable mobility on three time scales: in the long term, it is a matter of planning the city and territories to optimise the movements of goods and people to limit the number and length of trips, and thereby reduce emissions; in the medium term, the shift to

low-carbon systems must be promoted (more public transport, support for non-motorised transport modes such as cycling or walking, priority for rail or waterway freight); and in the shorter term, improvements will be made through greater energy efficiency for fuel and vehicles – particularly the promotion of low-carbon electric vehicles.

2.3 PRIORITY 2 – CONTRIBUTE TO ECONOMIC AND SOCIAL DEVELOPMENT

AFD Group wishes to reconcile improvements to the well-being of populations with the fight against climate change. This is the idea underpinning the “100% social link” commitment to reduce inequalities, as set out in the AFD Group 2018–2022 Strategy along with the “100% Paris Agreement” commitment. The Group thus commits to ensure that all its actions reinforce the social link among populations and among territories or, at least, not weaken it. The Group will first of all work to bolster the dialogue with local actors and civil society so as to better respond to their needs. It will make the fight against inequalities a key focus of its strategy in the Three Oceans by being attentive to the most vulnerable population groups (women, young people, disadvantaged communities) and to social and economic disparities within the basins, countries and territories. In this context, specific focus will be placed on the creation of economic activities and access to employment. Finally, and particularly with regard to combatting gender inequality – which is a prime concern of the French President’s term –, the Group has committed to ensuring that 50% of the volume of its annual commitments will have gender as their principal objective or significant objective. In fact, 70% of poor workers in the French Overseas Territories are women. Actions to correct gender-related inequalities will be a priority area to be analysed with counterparties.

2.3.1. Promote job-creating economic development

Subsistence farming is still predominant in Comoros, Madagascar and Haiti. Elsewhere, **the expansion of the tertiary sector is generally very advanced**. The economies of the three basins are mostly buoyed by services (two-thirds of GDP on average) and more specifically by tourism. **The “blue economy” also has a structuring role**, even though its economic weight remains limited overall. Fishing, most often for self-consumption, is a traditional activity in all three basins, and supplemented in some territories by a growing aquaculture business. Yet, fishery product imports generally remain higher than exports.²⁵ Many Indian Ocean and Pacific Ocean islands also earn substantial revenue from their fisheries zones, mainly by selling fishing permits to countries that request them. In most of the geographies, tourism is identified as one of the potentially job-creating sectors, for both direct and indirect employment and including low-skilled jobs. The DCOMs and the different foreign countries are clearly **competing on the tourism front** (14 million tourists received in 2016). While the Dominican Republic (6 million tourists) and Mauritius (1.3 million tourists)²⁶ are the most attractive destinations, the offer still needs to be developed or consolidated in the other territories. This could be achieved by looking for synergies and complementarities and finding the right balance among the different geographies in this highly competitive context.

²⁵ This is not the case for the Solomon Islands, Fiji, Tuvalu and Papua New Guinea.
²⁶ The DCOMs welcomed a total 2.6 million tourists that same year.

At the economic level, AFD will support all private or public initiatives designed to reinforce the logics of developing local or regional value chains, economic cooperation (akin to the support for UCCIOI) and concerted discussions on trade barriers (market opportunities, attractiveness for foreign direct investment and international financing). Given that a key condition for the economic development of a country or territory, particularly island territories, is being connecting to the rest of the world and integrated into international trade, AFD will position itself on projects to improve connectivity within the ocean basins, whether these involve port and airport infrastructure²⁷ or digital networks. In the case of air and sea transport, the Agency's operations will focus on: i) the necessary energy transition in these sectors; ii) the issues of safety and security; and iii) the need to develop platforms integrated into their environment so as to maximise spillover effects on the economy and local employment. Moreover, the basin-based approach is designed to promote a logic of supra-regional cooperation. The reorganisation of AFD into large geographical zones should, for example, help to densify Réunion Island's interregional exchanges with its environment, beyond its own basin, with India and South Africa in particular.

In the French Overseas Territories, AFD's activity in own-account loans to businesses and banks is showing an encouraging dynamic. The Agency has a sound footing in the overseas private sector thanks to the relationships of trust built up over the years and the support efforts that enable the Agency to differentiate itself from the other banking actors. True to a logic of subsidiarity and complementarity with the private banking sector, it supports flagship operations to bolster sectors with high growth potential (digital, hotel business, medium-income housing, innovative renewable energies – biomass, storage, hydrogen fuel cells...). Additionally, for the Pacific basin local authorities, it offers local banks guarantee funds (including SOGEFOM funds) which they can use to catalyse bank loans to overseas micro-enterprises and SMEs. The Group's private sector activity contributes locally to its advisory role vis-à-vis the public authorities. AFD's participation at different levels in the recent French Overseas Territories Conference, through local field offices and headquarters, is a perfect example of this. Business relationships are the best guarantees for acquiring a granular knowledge of a local economic fabric.

In the foreign countries, the Group's subsidiary Proparco is active in Madagascar, Haiti and Mauritius. In Madagascar, support for employment is provided through financial institutions able to support dynamic SMEs. Agri-business is a specific target for this. In Madagascar, AFD's

risk-sharing product, ARIZ, is extensively developed with banks. Proparco is keen to enhance its capacity to step up support to SMEs via equity and quasi-equity tools and thus finances capital investment funds operating in the zone. In the Mauritian business environment, it is possible to rely on large groups that are established locally but whose activities also have international scope (Africa). Proparco sets up long-term partnerships with these key actors to invest in health and education in particular.

2.3.2. Reduce inequalities and contribute to the populations' well-being

The countries and territories in the three basins show contrasted socio-demographic dynamics that imply different needs for health, education and housing services.

In some territories, the rapid aging of the population is coupled with the emigration of young workers, for the most part graduates. This is the case for Martinique and Guadeloupe (which in 2030 will be one of the French departments with the highest proportion of elderly people) and, to a lesser extent, Réunion Island, Mauritius and some territories in the Lesser Antilles and the Pacific. These ongoing trends will rapidly have repercussions on public policy (care for the elderly, health...), in a context where intergenerational solidarity, already weakened by a declining purchasing power, is coming under pressure.

In other territories, a high birth rate among locally born populations is sometimes coupled with a high rate of immigration, thus portending challenges for social housing, early childhood assistance, education... This is the case in French Guiana, Mayotte and Saint-Martin.

Leaving no one behind and contributing to the well-being of populations is a major commitment for AFD that requires efforts to promote access to essential facilities and services for all: health and education, water and sanitation, energy, transport, public spaces and waste management. It also means acting to improve and diversify the housing offer and paying special attention to spatial planning and infrastructure in disadvantaged and/or outlying territories, the ultimate objective being to foster a harmonious coexistence. AFD will also support microfinance institutions in order to leverage economic and social development in the areas of employment, entrepreneurship and gender, for example, by supporting the creation of businesses and the professional integration of people who have been unemployed for a long time and are excluded from the conventional banking system.

²⁷ AFD Group's overarching goal in the air transport sector is to support the industry's development and accelerate its modernisation and transition towards becoming a safer, better performing, more ecological and low-carbon sector. AFD Group will position itself on the four following lines of action: support the air sector's contribution to economic and social development by improving access to the territories and promoting territorial continuity (particularly for the islands) and integration into regional and international trade; improve safety and compliance with air transport standards; support the stakeholders in achieving better performance and governance of the air sector; and accelerate the sector's ecological and energy transition towards more effective control of energy consumption and greenhouse gas (GHG) emissions.

Sport and development

AFD is active in the area of sport as a vector for development and social link, be it abroad or in the French Overseas Territories. As principal lender to the overseas local authorities, AFD regularly finances sports infrastructure via investment budgets: stadiums, sports halls, small local sports facilities, etc. Since 2018, support for this theme has been stepped up, as sports infrastructures funded by local authorities are now eligible for subsidised loans. Apart from financing, there is also the challenge of helping the authorities to provide more innovative infrastructure: energy-efficient buildings, inclusion of publics unaccustomed to sports activities, or adaptation to the climate conditions specific to the overseas territories. In this vein, AFD sat on the jury for the French Ministry of Sport's call for innovative sports projects in the French Overseas Territories, which gave awards to five highly promising projects.

Examples of projects

In Suriname, AFD helped to improve equitable access to primary and secondary care by financing health centres on the banks of the Maroni river and developing hospital cooperation with French Guiana.

In the Dominican Republic, a US\$210 M loan has helped to finance the rehousing of people living in a regularly flooded area. They have been rehoused in a new neighbourhood equipped with good quality public facilities and connected to an efficient transport system.

French Guiana, will benefit largely from the fund to assist project sponsors. The fund has been endowed with €2 M by the Ministry for Overseas France and will mainly target issues related to early childhood.

2.4 PRIORITY 3 – STRENGTHEN REGIONAL COOPERATION

2.4.1. Prevent and contain cross-border fragilities

Health vulnerabilities, the foremost of these being epidemiological phenomena, are a typical example that demonstrates the need to build regional-level responses. For many years, AFD has supported regional initiatives to understand epidemiological challenges in a concerted manner. This is the purpose of the project *Réseau de Surveillance et d'Investigation Épidémiologique* (Epidemiological surveillance and investigation network – RSIE) to be deployed by the Indian Ocean Commission and funded by AFD. The project sets up a regional network for epidemiological surveillance and response coordination in case of crisis; reinforces national capacities for surveillance of epidemic-prone diseases and for responses to epidemics in the IOC member states. In 2017, AFD continued to support this type of approach with €3 M of financing for the Pacific Public Health Surveillance Network (PPHSN) deployed by the SPC and, in 2018, by financing the same kind of project with CARPHA.²⁸

On the subject of migration, AFD intervenes under the 2018–2022 international migration and development action plan, which sets out the French government's migration policy. The plan aims to "bolster the positive contributions of migration to development, act on the structural factors driving forced migration and coordinate emergency responses as well as long-term action." French Guiana and Mayotte are among the territories that will receive priority treatment. One of the plan's objectives is to integrate the migratory dimension into development policies. This involves scaling basic services to prevent crises more effectively and facilitate the integration of migrants and the re-integration of returning citizens. It also means taking migration into account in economic development projects, particularly in the area of employment at both local and regional level. It is also relevant to assess the needs of host communities to avoid saturation of basic services and a deterioration of social cohesion. These are issues on which local authorities, the private sector and civil society have a crucial role to play.

²⁸ Caribbean Public Health Agency.

Example

In Mayotte, AFD has been closely associated with the inter-ministerial consultations held to prepare the elements of a renewed partnership between France and Union of the Comoros. A France–Comoros development plan has been proposed based on three strategic priorities: the economic and social integration of young Comorians, a stimulus for job-creating economic activities and widespread access to quality healthcare grounded chiefly on regional health cooperation.

In the Three Oceans, security-related threats are a source of destabilisation for the neighbouring countries and DCOMs. As part of the “Defence–Diplomacy–Development” approach, AFD will take action in the field of fisheries monitoring and the management of protected marine areas to promote sustainable fishing practices that are income-generating and friendly to local biodiversity. In matters of migration, AFD will be able to tackle the economic, social and environmental vulnerabilities that trigger migratory flows and assist regional organisations and countries in setting up regulatory frameworks. To this end, the Agency will seek synergies with diaspora networks. Finally, in governance matters, AFD will be able to support the regional organisations with whom partnerships exist, strengthen their skills and thus contribute to making them key actors.

2.4.2. Look for complementarities and promote regional convergences

Logics of complementarity must be explored in the regional basins. The fields of higher education and vocational training seem particularly relevant to regional dynamics and could lead to university exchanges (akin to a regional ERASMUS) and even the introduction of common courses. This objective is also in line with the priority objective of the *Livre Bleu outre-mer* (Overseas Blue Book). This recommends extending and adapting the education offer by promoting synergies between universities within the same regional basin and developing the use of information technologies in order to reinforce regional ties and links with mainland France. In fact, the overseas universities “facing the challenge of distance and sometimes insufficient critical size...must create the synergies required to accompany students towards success and contribute to the territories’ international influence.”²⁹ Drawing on the strength of its international outreach, AFD will facilitate the sharing of experiences.

The health sector also illustrates the need for complementarity and experience-sharing in the ocean basins facing similar issues: the prevalence rate of **non-communicable diseases** (cardiovascular diseases, diabetes...) and the associated risk factors (hypertension, hyperglycaemia, obesity, etc.) are particularly high in the foreign countries and the DCOMs. **These diseases are responsible for around 75% of deaths.** The incidence of diabetes in particular is higher than 10% in almost all the territories covered by AFD’s Three Oceans department. This disease affects nearly one-third of the population in the Marshall Islands and Tuvalu.³⁰ This worrying fact makes regional health cooperation fully relevant and indispensable in these domains. For example, regional cooperation in the Pacific has taken the form of a project funded by the French Local Authorities Financing Facility (FICOL) designed to enable surveillance of arbovirosis within the basin. Actions to promote telemedicine will also be supported as they correspond to the need for healthcare that is not only specialised but also covers all of the territories.

2.4.3. Promote French expertise to accelerate sustainable development

Following a logic of diplomacy and economic development, AFD will be attentive to supporting overseas companies in developing their influence within their own basin and beyond. In addition to using its conventional financial tools (loans, guarantees, equity participation) notably for projects abroad, the Agency will be able to invite the overseas business networks to participate in tenders for AFD-funded projects in neighbouring countries. Today, the territories are generally inward-looking with a rather low trade openness ratio relative to their size and wealth, as trade is mainly to or from mainland France. With this in mind, the Agency intends to consolidate its relations with Business France, which helps to implement public policy in view of promoting the internationalisation of the French economy. AFD Group’s activity in support of the private sector (with its subsidiary Proparc for operations abroad) will thus not only serve the logic of economic and social development (for employment) needed both in the French Overseas Territories and their neighbouring countries, but also the cross-cutting logic of regional development for overseas and foreign companies in local economic growth sectors.

French expertise in the area of innovation³¹ must also be promoted, particularly in the field of infrastructure construction. For instance, in 2017, within a call for ideas launched by FICOL, AFD financed a decentralised cooperation project between the Urban Community of Central Martinique (CACEM) and Region des Palmes in Haiti. The

²⁹ *Livre Bleu outre-mer*, Ministry for Overseas France, 2018.

³⁰ The proportion of children under 5 who are overweight often borders 10% and even reaches 17% in Tonga. Nauru is the state with the world’s highest rate of obesity as 90% of its inhabitants are overweight.

³¹ As attested by the 2018 ranking of the Bloomberg Innovation Index, which places France among the world’s top ten most innovative countries.

project aims to extend the photovoltaic street lamp network notably thanks to technical assistance from CACEM. This also concretises the drive to reinforce regional integration among the Caribbean territories by highlighting the key role played by expertise-sharing in deepening the regional dynamics.

Promoting and sharing French expertise

In each basin, to overcome the challenges common to the French Overseas Territories and foreign countries, AFD will decompartmentalise those activities that are poorly suited to functioning in silos. To achieve this, experience-sharing must steer the Agency's action. Waste management in an island environment, construction techniques for tropical or earthquake-resistant buildings, the promotion of international norms and standards adapted to the tropical belt ecosystem, and the encouragement of innovation for adaptation and sustainable energy generation are all themes that the countries and the Three Ocean territories have in common and which deserve a greater degree of sharing.

2.5 PRIORITY 4 – INCREASE THE NUMBER OF PARTNERSHIP INITIATIVES

AFD Group will prioritise partnership solutions in its operations in order to enhance project design, increase project results and impacts, and encourage innovation and peer exchange through experience-sharing.

2.5.1. With the network of French stakeholders

As a bilateral platform for France's development policy, AFD is fully part of Team France and seeks to reinforce its ties with the Team's other members to encourage networking. Embodying the Group at regional level, AFD's regional divisions will bring high added value to the understanding of intervention contexts. They will be particularly well-positioned to promote experience-sharing and identify and raise awareness of the institutional, technical and societal innovations in their intervention geographies.

In agreement with its oversight ministries,³² the Agency will deepen its relations with the ministries relevant to its activities (including the ministries for Solidarity and Health, for Ecological and Inclusive Transition, of Agriculture and Food) and with decentralised operators and local authorities, primarily the regional authorities, responsible for economic development.

In the neighbouring foreign countries, the Group will maintain a close relationship with the French embassies, particularly their cooperation and cultural action services and economic services. In the overseas territories, AFD will seek to act in complementarity with the other French public finance institutions such as the Caisse des Dépôts et Consignations (CDC) and Bpifrance. Buoyed by its dual footing in the foreign countries and the French Overseas Territories, the Group will be able to combine its efforts with those of the CDC to the benefit of local populations (co-financing, joint actions) and contribute to the missions of Bpifrance to support French companies abroad. There is real complementarity between these stakeholders, not only with regard to their respective fields of action but also to their modalities for supporting projects. AFD intervenes primarily on projects relating to water, sanitation and urban planning through fixed-rate loans and for shorter terms than those proposed by the CDC, as well as bringing high added value through its assistance to project sponsors. This complementarity translates into partnerships on projects involving transport or hospitals, for example.

AFD will consolidate or broaden its relations with the key actors of French expertise: the French Environment and Energy Management Agency (ADEME), Météo France,

³² Ministry for Europe and Foreign Affairs, Ministry of Economy and Finance, Ministry for Overseas France.

universities, France Education International (CIEP), private innovation networks, institutes for research in tropical environments (IRD, CIRAD, IFREMER), as well as with hospitals and technical operators (chiefly in the fields of water and sanitation, biodiversity – notably with the Agence Française de la Biodiversité –, housing and energy production and distribution for isolated island systems, etc.). In fact, the ecosystem in which the Three Oceans department operates gives it a unique dimension compared to the Agency's other operational departments, as the strong presence and nature of French expertise in the overseas territories facilitates its export abroad.

Lastly, through its integration into AFD Group, Expertise France will necessarily be closely associated with this networking effort, mainly with respect to its know-how in mobilising public expertise, to its role as integrator of different know-hows and to its capacity to mobilise additional international financing.

2.5.2. With all levels of the European Union

AFD will consolidate its partnership with the European Union by deepening its relations with the Delegations of the European Union (DEUs) in the Three Oceans states, with the managing authorities in the Overseas territories working on the European Cross-border Cooperation programmes (INTERREG), as well as with the central services in Brussels. This partner-oriented ambition will help to create synergies based on the search for cofinancing operations. It may also lead to a reflection on the European delegated funds and foster the design of innovative financing tools by developing common AFD and EU tools (cf. the above-mentioned example of the joint Pacific Initiative on Biodiversity, Climate Change and Resilience, which aims to build a multi-donor coalition).

In liaison with its oversight administrations, AFD will work closely with the European Union (DG Regio/DEVCO) to develop a common strategic vision at the scale of the ocean basins, including French Overseas Territories and their neighbouring foreign countries. Within the Group, the regional divisions will be the main focal points for the regional-level EU delegations. The field offices will seek to dovetail their country strategies with the joint programming exercises led by the EU.

2.5.3. With multilateral, regional and national institutions and organisations

Each of the three basin strategies will make it possible to define the partnerships to be implemented in priority and the objectives to be pursued. In line with French diplomatic action, AFD will work in a logic of openness and partnership-building with the major countries and financial institutions in each zone.

More specifically, **AFD will deepen its rapprochement with the regional organisations of the three basins** – in the Indian Ocean (IOC), the Atlantic (CARICOM) and the Pacific (SPC, SPREP).³³ These are the regional project sponsors adapted to delivering regional projects, particularly those promoting common goods (biodiversity protection, prevention of and response to natural disasters, etc.). AFD's support can take the form of financing regional projects, leading a strategic and technical dialogue, or strengthening the capacities of project sponsors by deploying technical assistance. **In this spirit, AFD will seek to work more closely with the regional and local authorities in its intervention basins** by developing logics of decentralised cooperation with local governments in the overseas territories and foreign countries through FICOL.

In addition to these institutional partnerships, many actors are able to implement regional projects in the three basins, including non-governmental organisations with proven expertise. In recent years, AFD has been working with various associations (e.g., the Red Cross and w) and cooperating with networks such as the UCCIOI. AFD has worked through its “civil society organisations” window to support French non-governmental organisations operating in foreign countries, as for example, a Guianese association working in Suriname.

³³ Non-exhaustive list.



3. PERSPECTIVES AND MEANS OF ACTION

3.1 PERSPECTIVES FOR FINANCIAL ACTIVITIES AND RESOURCE ALLOCATION

Between 2016 and 2018, the Group's financing in the countries and territories of Three Oceans amounted to nearly €5.3 billion, including €4.5 billion³⁴ in the Overseas Departments and Collectivities and nearly €0.76 billion in the neighbouring foreign countries. In 2018, the activity targeting both the French Overseas Territories and foreign countries totalled only €14.7 million, a level that points up a deficit of tools tailored to actions at regional scale and on either side of France's borders (cf. Section 3.2).

In the DCOMs, the Group's own-behalf loans to the public and private sectors amounted to €1.9 billion over three years (AFD strategic analysis document – DAS). In a context of growth for the Group's overall activity, the annual volume of loan approvals for the French Overseas Territories should also gradually increase to reach €1 billion in 2019 and €1.2 billion in 2020.³⁵ The effort on subsidies will target the sectors and counterparties that are a priority for implementing the French government's public policies in the French Overseas Territories. Since 2017, the level and selectivity of subsidies have been stepped up and earmarked for the environmental, health and community care sectors (DAS). Finally, the growing momentum to develop tools specific to certain territories (the grant portfolio to assist project sponsors in Mayotte in 2017 or Saint-Martin in 2018, subsidised public sector loans to the Guianese and Mahoran municipalities, whatever their size) must also be strengthened.

In neighbouring foreign countries, financing projections are set to sustain the dynamic observed so far. Financing will be distributed to respond to the very varied needs of the countries in the three basins, which are themselves characterised by a high degree of heterogeneity. The Group will focus its grant effort on the countries defined as a priority by the CICID³⁶ (for the Three Oceans, this includes Comoros, Haiti and Madagascar) and which now need this support more than ever in order to address their development challenges (education, vocational training, health, etc.) and mitigate the vulnerabilities jeopardising their take-off. Adaptation to climate change, community care and governance will be specifically targeted. In the other countries, the emphasis will be on projects with climate co-benefits, notably in the areas of energy and transport, thanks to an array of products (loans, subsidised loans, delegated funds).

Develop tailored tools

In the drive for adaptability and agility so as to take highly diverse contexts into account, it would be relevant to further explore a differentiation logic by deploying tailor-made tools. The first milestones for a more targeted financial offer include the Adapt'aktion facility, which supports the most vulnerable foreign countries in low-carbon development trajectories resilient to climate change, and green public sector loans (PSP Vert) to the French Overseas Territories, centred as much on adaptation as mitigation.

AFD, a financial company and development institution, will strengthen its positioning with regard to its financial and expertise support by seeking a scale that ensures sufficient volume and quality, in a way that also enables it to control its costs and risks. The French Overseas Territories credit portfolio represented an outstanding amount of €5.5 billion at the end of 2018 and constitutes a stable and secure element for AFD's overall activity. Its average quality is judged good (63% with "investment grade" status) thanks to the French state's support to local authorities and public institutions. Even though the percentage of non-performing loans has tended to rise in recent years and is an area requiring vigilance, it remains limited to 3.4%, with a very low rate of arrears. Although the cost of risk does not show a structural uptrend (on average 0.24% of outstanding amounts over the past five years), it remains volatile given that some years it may be significantly impacted by events that adversely affect some portfolio counterparties. Since 2018, this cost has integrated a share of the collective provisions in compliance with the new accounting rules.

³⁴ Including the BPIfrance products distributed by the overseas field offices.

³⁵ Contract governing objectives and resources for 2017–2019. The objective for 2022 activities will be defined under the next Contract of objectives and resources.

³⁶ Half of the French state's grant financing and two-thirds of the grants disbursed by AFD (excluding funds earmarked for project preparation) will be to the benefit of a list of 19 priority countries (CICID 2018).

3.2 TOOLS TO DEVELOP FOR REGIONAL-SCALE OPERATIONS

The Group intends to position itself as a key actor at the level of regional logics. To achieve this, it will build on its new organisation by ocean basin and its regional divisions. It will implement the present strategy to fit each of the three ocean basins, as requested by the CICID, and will deploy its regional engineering capabilities. AFD will develop innovative instruments to better respond to regional issues: the introduction of specific multi-donor financing vehicles akin to the Pacific Initiative, the design of ad-hoc bilateral solutions for development issues like those affecting Comoros and Mayotte, and discussions with French ministries and European authorities to optimise coordination of existing instruments in conjunction with the positions held by France vis-à-vis the European Union. In this respect, AFD will continue to support the

creation of a common EDF/ERDF delegation mechanism and will take a position supporting the INTERREG Management Authorities and EDF-OCT authorising officers. It will seek synergies with the European funds in the areas of financing and technical expertise.

This innovative offer can complement the classical regional cooperation tools (Fund for Technical Expertise and Experience Transfers [FEXTE], FICOL, the Trade Capacity Building Program [PRCC], whose resources will be increased to achieve the ambitious objectives set for official development assistance.

3.3 ONE IMPERATIVE, REINFORCED ACCOUNTABILITY

Embracing the sustainable development goals, AFD Group intends to contribute to all areas by building on its dual local footing: in the overseas territories and in the neighbouring foreign countries. To convince its partners to step up their action for sustainable development, AFD must demonstrate its effectiveness and accountability vis-à-vis its beneficiaries and borrowers, citizens and elected officials. This mainly involves integrating accountability right from project design, a new evaluation policy and greater visibility on the ground. Transparency and dialogue are a commitment of the Group's Corporate Social Responsibility policy, which reflects its determination not only to be open, more transparent and accountable, but also to create the conditions for relations of trust with all stakeholders, as well as increasing the relevance of its actions through exchanges with these stakeholders.

In this context, the Agency will seek to harmonise its efforts for transparency on the projects it finances both in the French Overseas Territories and neighbouring foreign countries by ensuring, when possible, that the funds granted are published online so that they can be consulted by all. As for accountability, the dialogue with the local authorities, communities and associations must be amplified and factor in the environmental and social risks carefully so as to ensure project longevity by improving the living conditions of the populations concerned. Moreover, the Three Oceans department will produce indicators for the activities carried out in the overseas territories, ensuring that they are consistent with the existing indicators applied to the Agency's activities in foreign countries, but also ensuring their relevance to the specificities of overseas activities. Lastly, the Three Oceans department will continue to produce operational analyses of these sub-regions.

4.

APPENDICES

APPENDIX 1: Institutional recognition of the small developing island states

The coordinated mobilisation of small island states and territories has led the international community to recognise their vulnerability “to natural as well as environmental disasters”, and that they “have a limited capacity to respond to and recover from such disasters” and are “among those that contribute least to global climate change”.³⁷ As a result, these small countries have help to push the climate issue to the forefront of the international stage, over and beyond their own destiny.

As early as 1990, small island or low-lying coastal states joined together under the Alliance of Small Island States (AOSIS).³⁸ This intergovernmental organisation allows them to amplify their voice when stating common positions, particularly on climate. In 1992, Agenda 21, adopted at the Rio Earth Summit, recognised the unique character of small island developing states (SIDS): these constitute “a special case both for the environment and development”. This principle resulted in the organisation of international conferences specifically focused on sustainable development in the SIDS.

The first conference was held in Barbados in 1994. The Barbados Program of Action (BPoA) that resulted from this led to a series of measures aimed at enabling the SIDS to “achieve sustainable development”. Its application was reviewed in 1999 at an extraordinary session of the United Nations General Assembly (UNGA), then again in 2002 at the World Summit on Sustainable Development. This resulted in the adoption of the Johannesburg Plan of Action, which reasserted the political commitment of all countries vis-à-vis the SIDS and laid down the priority lines of action.

In 2005, a second international conference was organised in Mauritius under the auspices of the United Nations in order to specify the further implementation of the BPoA. This led to the Mauritius Strategy, which identifies the actions to be implemented in 19 priority areas to help the SIDS to reach the internationally defined goals, such as those of the Millennium and the Mauritius Declaration.

The Strategy underlines that special attention must be paid to strengthening the SIDS’ resilience capacity, notably by transferring and implementing technologies, consolidating their overall capacities and developing their human resources.

In line with what had been decided by UNGA in 2012, 2014 was declared the “International Year of Small Island Developing States”, during which the Third International Conference on the SIDS was held in Samoa. “We call for an increase in all forms of partnership with and for small island developing States.” This is the key message from the final document, “The SAMOA Pathway”, which attests to a renewed political commitment to support the 39 SIDS,³⁹ along with 75 new partnerships in six priority areas, including sustainable economic development, climate change and disaster risk management.

Following this conference, a framework for monitoring, implementing and promoting partnerships was adopted in 2015. That same year, the Paris Agreement provided for “pursuing efforts to limit the temperature increase to 1.5°C” (Article 2) – a target added under pressure from the AOSIS. In 2019, a conference will be organised at UN headquarters to measure the progress achieved and draw up a concise policy declaration based on a proposal for intergovernmental action.

APPENDIX 2: Key economic and demographic data

	GDP (USD billion)	Population	GDP/cap. (USD constant)	HDI	HDI ranking (out of 188 countries)
Comoros	0.6	795 601	768	0.49	160
Madagascar	11.4	24 894 551	416	0.51	158
Mauritius	12.4	1 263 473	9 822	0.78	64
Mayotte	2.3	200 000	10 855	0.65	121
Réunion Island	20.0	800 000	27 680	0.75	81
Seychelles	1.4	94 677	13 963	0.78	63

Foreign countries	25.8	27 048 302	913		
DCOMs	22.3	1 000 000	24 315		
Indian Ocean	48.1	28 048 302	1747		

Dominica	0.5	73 543	6 880	nd	nd
Dominican Republic	75.0	10 648 791	6 909	0.72	99
French Guiana.	4.7	260 000	17 916	0.73	94
Guadeloupe	9.7	400 000	28 757	0.82	47
Guyana	3.6	773 303	3 783	0.63	127
Haiti	8.6	10 648 791	729	0.49	163
Martinique	9.7	370 000	25 601	0.81	47
St-Barthélémy	0.5	9 427	50 692	nd	nd
St-Martin	0.7	35 107	19 110	nd	nd
Saint Lucia	1.5	172 547	8 554	0.73	92
St Pierre and Miquelon	0.2	6 000	36 825	0.76	78
Suriname	3.3	558 368	8 108	0.72	97

Foreign countries	92.5	23 073 886	3 940		
DCOMs	25.4	1 080 534	24 990		
Atlantic Ocean	117.9	24 154 420	4 882		

³⁷ Declaration of Barbados, 1994.

³⁸ Member countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Cabo Verde, Comoros, Cook Islands, Cuba, Dominica, Dominican Republic, Fiji, Grenada, Guinea-Bissau, Guyana, Haiti, Jamaica, Kiribati, Maldives, Marshall Islands, Mauritius, Micronesia (Federated States of), Nauru, Niue, Palau, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, São Tomé and Príncipe, Seychelles, Singapore, Solomon Islands, Suriname, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu, Vanuatu.

³⁹ Member countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Cabo Verde, Comoros, Cook Islands, Cuba, Dominica, Dominican Republic, Fiji, Grenada, Guinea-Bissau, Guyana, Haiti, Marshall Islands, Jamaica, Kiribati, Maldives, Mauritius, Micronesia (Federated States of), Nauru, Niue, Palau, Papua New Guinea, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Samoa, São Tomé and Príncipe, Seychelles, Singapore, Solomon Islands, Suriname, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu, Vanuatu.

	GDP (USD billion)	Population	GDP/cap. (USD constant)	HDI	HDI ranking (out of 188 countries)
Federated States of Micronesia	0.3	104 937	2 823	0.63	127
Cook Islands	0.3	21 923	13 812	0.78	59
Fiji	5.0	898 760	4 196	0.72	91
French Polynesia	5.4	280 208	18 738	0.73	94
Marshall Islands	0.2	53 066	3 373	nd	nd
Kiribati	0.2	114 395	1 686	0.51	137
Nauru	0.1	13 049	9 650	nd	nd
New Caledonia	8.8	277 000	32 198	0.78	65
Niue	0.0	1 612	15 807	0.77	69
Palau	0.3	21 503	10 909	0.78	60
Papua New Guinea	23.6	8 084 991	2 436	0.50	154
Samoa	0.8	195 125	3 782	0.70	104
Solomon Islands	1.2	599 419	1 479	0.51	156
Timor-Leste	2.6	1 268 671	3 782	0.60	133
Tonga	0.4	107 122	939	0.71	101
Tuvalu	0.0	11 097	3 792	0.58	139
Vanuatu	0.8	270 402	3 402	0.59	134
Wallis and Futuna	0.2	12 000	13 130	0.76	78
Foreign countries	35.9	11 766 072	2 746		
DCOMs	14.4	569 208	25 170		
Pacific Ocean	50.3	12 335 280	3 781		

APPENDIX 3: AFD Group's cumulated commitments in the three oceans territories, 2016–2018

Amount APPROVED in EUROS			Financial instrument				
Regional division (RD)	COUNTRY	YEAR	BPIfrance	Guarantees	Loans	Grants	Overall total
Indian Ocean RD	COMOROS	2016				4 538 000	4 538 000
		2017				11 000 000	11 000 000
		2018				461 140	461 140
	Total COMORES					15 999 140	15 999 140
	MADAGASCAR	2016		11 788 280	47 000 000	17 125 605	75 913 885
		2017		13 766 113	79 000 000	16 485 169	109 251 282
		2018			30 000 000	19 360 202	49 360 202
	Total MADAGASCAR			25 554 393	156 000 000	52 970 976	234 525 369
	MAURITIUS	2016				700 000	700 000
		2017				75 000 000	7684 000
		2018				42 859 592	37 820 365
	Total MAURITIUS				117 859 592	46 204 365	164 063 957
MAYOTTE	MAYOTTE	2016	14 800 000	1 593 000	32 749 000	2 325 000	47 549 000
		2017	16 410 000	513 000	37 268 646		57 596 646
		2018	13 804 000		59 706 452		74 023 452
	Total MAYOTTE		45 014 000	2 106 000	129 724 097	2 325 000	179 169 097
	MULTI-COUNTRY	2018				628 490	628 490
	Total MULTI-COUNTRY					628 490	628 490
	REUNION ISLAND	2016	184 850 000	590 000	243 537 774		428 977 774
		2017	193 445 000	505 000	215 302 708		409 252 708
		2018	171 774 303	520 000	203 339 182		375 633 485
	Total REUNION ISLAND		550 069 303	1 615 000	662 179 664		1 213 863 967
	SEYCHELLES	2017				16 500 000	
	Total SEYCHELLES					16 500 000	16 500 000
Total Indian Ocean RD			595 083 303	29 275 393	1 082 263 353	118 127 971	1 824 750 020

Amount APPROVED in EUROS			Financial instrument				
Regional division (RD)	Country	YEAR	BPIfrance	Guarantees	Loans	Grants	Overall total
Atlantic Ocean RD	GUADELOUPE	2016	126 000 000	60 000	56 594 897		182 654 897
		2017	136 113 000	169 000	200 123 482		336 405 482
		2018	115 241 002	148 000	98 818 980		214 207 982
	Total GUADELOUPE		377 354 002	370 000	355 537 359		733 268 361
	HAITI	2016		2 019 249	22 826 750	13 400 000	15 419 249
		2017				32 650 317	32 650 317
		2018				43 526 050	66 352 800
	Total HAITI			2 019 249	22 826 750	89 576 367	114 422 366
	MARTINIQUE	2016	152 770 000	346 840	268 214 615		420 984 615
		2017	152 498 000	512 000	205 084 436		357 929 276
		2018	146 765 007			65 779 618	213 056 625
	Total MARTINIQUE		452 033 007	858 840	539 078 669		991 970 516
	MULTI-COUNTRY	2018				1 500 000	1 500 000
	Total MULTI-COUNTRY					1 500 000	1 500 000
	MULTI-PAYS DOM	2016			22 045 618		22 045 618
	Total MULTI-PAYS DOM				22 045 618		22 045 618
	ST-PIERRE and-MIQU.	2016	90 000	225 000	2 177 000		225 000
		2017		20 000	5 900 000		2 197 000
		2018		63 700			6 053 700
	Total ST-PIERRE and-MIQU.		90 000	308 700	8 077 000		8 475 700
	SURINAME	2017				3 000 000	3 000 000
		2018				5 000 000	5 000 000
	Total SURINAME					8 000 000	8 000 000
	FRENCH GUIANA	2016	39 240 000	41 000	68 385 821		107 625 821
		2017	38 080 000	455 000	53 421 635		91 542 635
		2018	45 437 600			17 617 497	63 510 097
	Total FRENCH GUIANA		122 757 600	496 000	139 424 953		262 678 553
	DOMINICAN REP.	2016			50 000 000	80 000	50 000 000
		2017			19 410 443		19 490 443
		2018			130 500 000		130 500 000
	Total DOMINICAN REP.				199 910 443	80 000	199 990 443
	SAINT-MARTIN (PF)	2018	520 000		11 000 000		11 520 000
	Total SAINT-MARTIN (PF)		520 000		11 000 000		11 520 000
Total Atlantic Ocean RD			952 754 609	4 059 789	1 297 900 793	99 156 367	2 353 871 557

Amount APPROVED in EUROS			Financial instrument				
Regional division (RD)	Country	YEAR	BPIfrance	Guarantees	Loans	Grants	Overall total
Pacific Ocean RD	FIJI	2016					30 000
		2017					57 000
		2018					685 800
	Total FIJI						772 800
	MULTI-COUNTRY	2018					3 484 950
	Total MULTI-COUNTRY						3 484 950
	MULTI-COUNTRY TOM	2016					63 000
		2017					20 000
	Total MULTI-COUNTRY TOM						83 000
	NEW CALEDONIA	2016					286 021 179
		2017					229 825 230
		2018					182 926 317
	Total NEW CALEDONIA						698 772 726
	POLYNESIA	2016					79 284 618
		2017					60 190 395
		2018					189 149 573
	Total POLYNESIA						328 624 587
	VANUATU	2016					1 495 000
		2017					700 000
	Total VANUATU						2 195 000
	WALLIS-FUTUNA	2016					13 833 000
		2017					122 514
		2018					47 515
	Total WALLIS-FUTUNA						14 003 029
Total Pacific Ocean RD							1 047 936 091
HEAD-QUARTERS	MULTI-COUNTRY	2018					5 000 000
	Total MULTI-COUNTRY						5 000 000
	MULTI-COUNTRY DOM	2016					5 000 000
	2018					12 600 000	
	Total MULTI-COUNTRY DOM						17 600 000
	MULTI-COUNTRY TOM	2016					
	2017						
	2018						
	Total MULTI-COUNTRY TOM						87 000
	Total HEADQUARTERS						34 464 400
Grand total			1 547 837 912	110 065 861	3 367 092 927	236 025 368	5 261 022 069

ACRONYMS AND ABBREVIATIONS

ADEME: Agence de l'environnement et de la maîtrise de l'énergie (French Environment and Energy Management Agency)

AFD: Agence Française de Développement (French development agency)

AOSIS: Alliance of Small Island States

ARIZ: Accompagnement du risque de financement de l'investissement privé en zone d'intervention (risk-sharing mechanism for private-sector investment in AFD Group's intervention zone)

CACEM: Urban Community of Central Martinique

CARICOM: Caribbean Community

CCI: Chamber of Commerce and Industry

CCRIF: Caribbean Catastrophe Risk Insurance Facility

CDC: Caisse des Dépôts et Consignations (French state-controlled financial institution)

CICID: Comité interministériel de la coopération internationale et du développement (Interministerial Committee for International Cooperation and Development)

CIEP: Centre international d'études pédagogiques (France Education International)

CIRAD: Centre de coopération internationale en recherche agronomique pour le développement (French agricultural research and international cooperation organization)

CO₂: Carbon dioxide

COM: French Overseas Collectivities

CRE: Commission de régulation de l'énergie (French energy regulatory commission)

DAC: Development Assistance Committee (OECD)

DAS: Document d'analyse stratégique (strategic analysis document)

DCOMs: French Overseas Departments and Collectivities

DEU: Delegation of the European Union

DG DEVCO: European Commission's Directorate-General for International Cooperation and Development

DOM: French Overseas Departments

EDF: European Development Fund

EEZ: Exclusive economic zone

ERDF: European Regional Development Fund

EU: European Union

FAZSOI: South Indian Ocean Armed Forces (France)

FEXTE: Fonds d'expertise et de transferts d'expérience (Fund for technical expertise and experience transfers)

FICOL: Facilité de financement des collectivités territoriales françaises (French local authorities financing facility)

GHG: Greenhouse gas

HDI: Human Development Index

IFREMER: Institut Français de Recherche pour l'Exploitation de la Mer (French National Institute for Ocean Science.)

INSEE: Institut national de la statistique et des études économiques (French National Institute of Statistics and Economic Studies)

INTERREG: European Cross-border Cooperation programme

IOC: Indian Ocean Commission

IRD: Institut de recherche pour le développement (French research institute for development)

IUCN: International Union for the Conservation of Nature

KfW: German state-owned development bank

M: Million

OCN: Three Oceans Department (AFD)

OCT: Overseas countries and territories

OECD: Organisation for Economic Co-operation and Development

PIROI: Indian Ocean Regional Intervention Platform (intervention tool of the French Red Cross)

PPE: Programmations Pluriannuelles de l'Energie (Multi-year energy plans)

PPHSN: Pacific Public Health Surveillance Network

PRCC: Programme de renforcement des capacités commerciales (Trade Capacity Building Program)

PSP: Prêt au secteur public (Public sector loan)

RD: Regional division (AFD)

SDGs: Sustainable Development Goals

SIDS: Small Island Developing States

SMEs: Small and medium-sized enterprises

SOGEFOM: Société de Gestion de Fonds de Garantie d'Outre-Mer (French Overseas Guarantee Fund Management Company)

SPC: Secretariat of the Pacific Community

SPREP: Programme régional océanien de l'environnement (Pacific Regional Environment Programme)

TAAF: Terres australes et antarctiques françaises (French Southern and Antarctic Territories)

TOM: French Overseas Territories

UCCIO: Union des Chambres de commerce et d'industrie de l'Océan indien (Union of the Indian Ocean Chambers of Commerce and Industry)

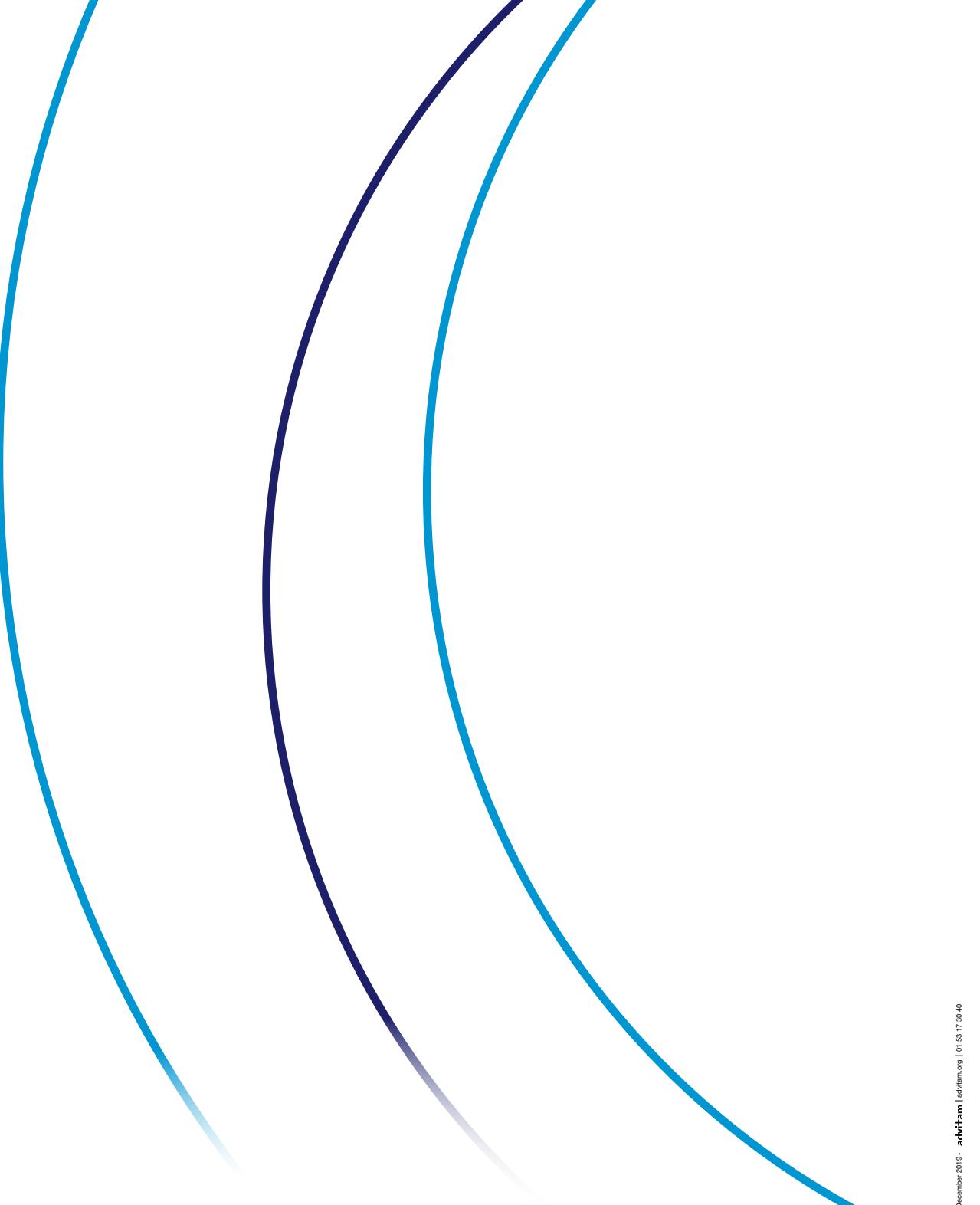
UN: United Nations

UNGA: United Nations General Assembly

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