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# — **Orients**

## Regional Strategy 2021-2026

#WorldInCommon



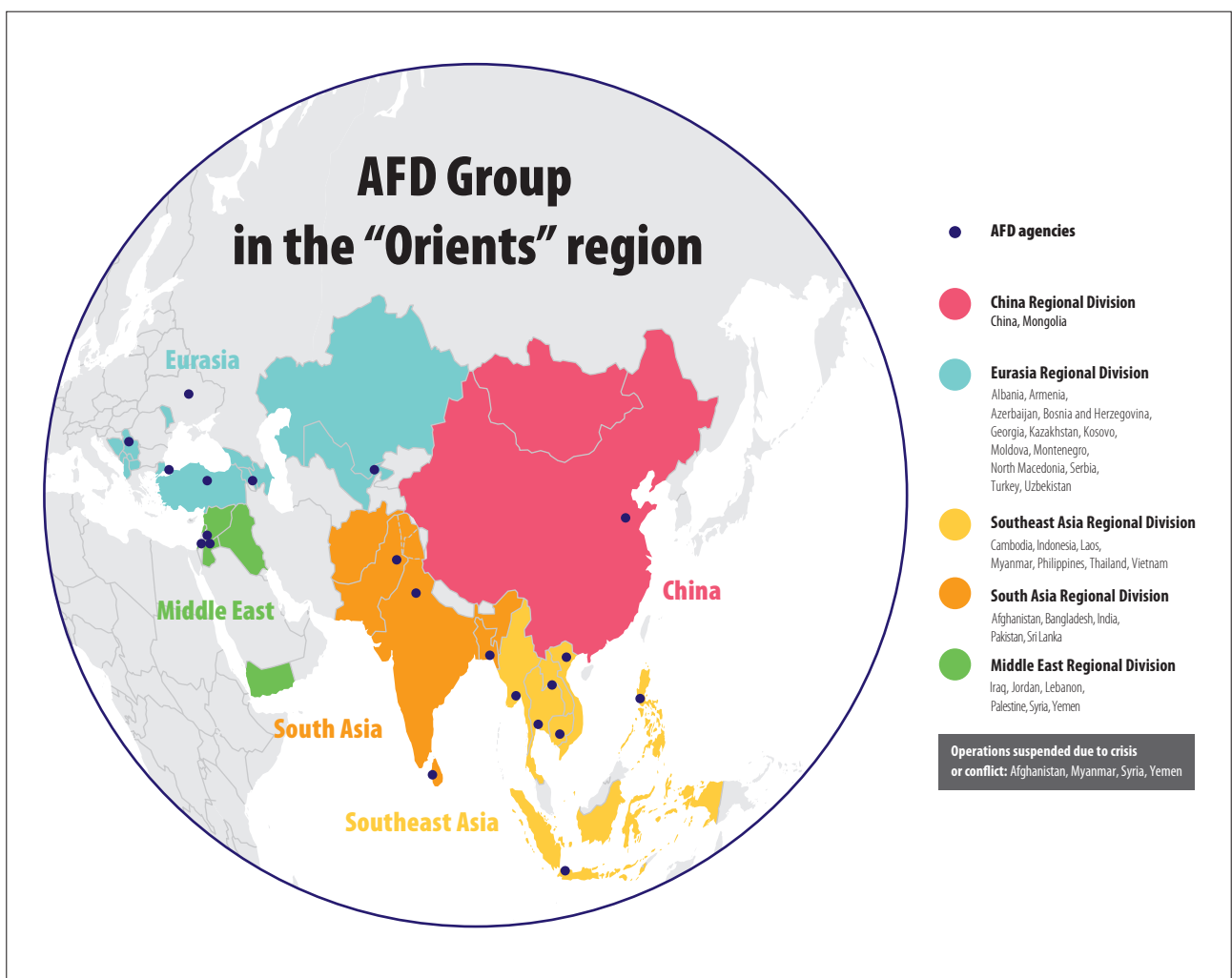
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# PREAMBLE

The fourth AFD Group Strategy proposed a renewed vision of development stakes through a new breakdown of regional geographies, reflected in the Agency's functional organisation. It encompasses Africa ("Whole of Africa"), foregrounds the close ties between French Overseas Territories and their respective environments ("Three Oceans") and provides a better understanding of the geopolitical and economic dynamics operating between Asia and Europe ("Orient's") or across the South American continent.

Created in September 2018, the "Orient's" department is tasked with coordinating and implementing the Group Strategy in the Western Balkans, the Middle East and Asia. The "Orient's" region stretches from the Balkans to Indonesia and harbours important challenges for international peace, and for the collective global transition towards low-carbon, economic and social sustainability. While AFD's bilateral and multilateral partners rely on other geographical divisions, this unique approach enables synergies that are useful to the Group's operational and partnership dynamics.



# INTRODUCTION

## A region with significant demographic, economic and political weight

Due to its demographic, economic and political weight, the "Orientals" region lies at the heart of global dynamics. It stretches from the Balkans to Indonesia, has some four billion inhabitants and comprises five of the world's demographic powerhouses. The region accounts for 80% of global economic growth and 25% of world GDP. This last figure is likely to double by 2050 according to the World Bank. Today, six of the world's twenty-five leading economic powers – including China and India in second and fifth places – are located in the "Orientals". However, the region's mounting weight in the global economy is not necessarily leading to a homogeneous improvement in income per capita, and the "Orientals" contains all three categories of countries eligible for official development assistance (ODA).

China, India, Indonesia and Turkey are members of the G20, which reflects their growing weight in global governance and international issues. The region also includes economic and political powers such as South Korea and Japan, both historical financiers of the region alongside China. The "Orientals" countries are also the theatre of major geopolitical tensions.

## A region marked by high climate-related and social stakes

The "Orientals" region accounts for a growing share of global CO<sub>2</sub> emissions. The highest emitting countries are G20 members and, as such, play a vital role in ensuring a response to the climate challenge.

Many countries experience strong vulnerabilities stemming from conflict or exposure to climate change. In fact, the "Orientals" space is marked by large areas of instability: it encompasses numerous border disputes and two of the world's largest sources of emigration are located in South Asia and Middle East. Moreover, the latter region is experiencing compounding crises that are undermining human, economic and political development in its component countries.

## A region with geopolitical priorities for France and Europe

In addition to the key economic and political relations that they maintain with countries in the "Orientals", France and Europe support development cooperation within the region. They pay particular attention to tackling climate change, peacebuilding efforts in the Middle East, and major powers' strategies to gain influence, as in the case of China with its Belt and Road Initiative. The European Union and its "Global Gateway" strategy are also central to AFD's partnership and operational dynamics for 2021-2026 and beyond.

## A unique scale of intervention for a development actor

Unique within the donor community, AFD Group is the only actor operating across such a large perimeter of operations. Its competitive environment varies greatly from one area to another in the region, from the crisis-ridden Middle East to the emerging countries of Southeast Asia. To cover this vast scope of 32 countries, the Group is organised around 5 Regional Divisions with 18 local AFD agencies, 7 Proparco offices and 7 local representations of Expertise France.

Our collective capacity to build "a world in common" based on sustainable development is for a large part now being played out in the countries of the "Orientals". In this region, AFD Group positions itself as a provider of aid and solidarity, able to furnish rapid and adapted responses. It also acts as a sustainable investment platform via diverse financial and engineering offers and a systematic search for partnerships.

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**1.**

**MAJOR STAKES FOR  
SUSTAINABLE DEVELOPMENT**

At the global scale, the “Orients” region has a key role to play in the fight against climate change, in peacebuilding and the transition towards more just, equitable and sustainable economic development. Nonetheless, envi-

ronmental degradation and the region’s vulnerability to natural disasters and to diverse crisis flashpoints threaten its resilience.

## 1.1. ENVIRONMENTAL AND CLIMATE CHALLENGES THAT STRUCTURE THE GLOBAL ECOSYSTEM

The world’s achievement of the Sustainable Development Goals (SDGs) depends on the capacity of countries in the “Orients” region to adopt low-carbon trajectories and preserve their environment.

### Development driving high greenhouse gas emissions

The “Orients” countries account for 40% of current global CO<sub>2</sub> emissions and this could potentially reach 65% of emissions by 2030, according to the scenarios of Climate Watch. Global trends will largely depend on the consumption and production choices made in the region, while its total fossil fuel consumption will continue to rise over the mid- to long term.

### The accelerating loss of natural capital

The “Orients” is home to over one-third of the planet’s biodiversity hotspots, but is strongly impacted by the degradation of natural capital due to human activities. In 2018, Indonesia, whose rainforests are of vital importance for the planet, ranks second among the countries most affected by deforestation after Brazil. A hefty share of GDP and employment in the “Orients” countries is generated by agriculture, forestry, protected areas, tourism and the blue economy – a marine economy based on sustainable development.

Although food and nutrition security has improved considerably, rural and agricultural development and natural resources management are key challenges for the region’s development and play a vital role in combatting climate change. The agricultural sector contributes to one-third of GDP in countries like Cambodia and Afghanistan, and occupies 70% of land in Kazakhstan and Bangladesh.

## 1.2. RESILIENCE WEAKENED BY CRISES, INEQUALITIES AND CLIMATE RISKS

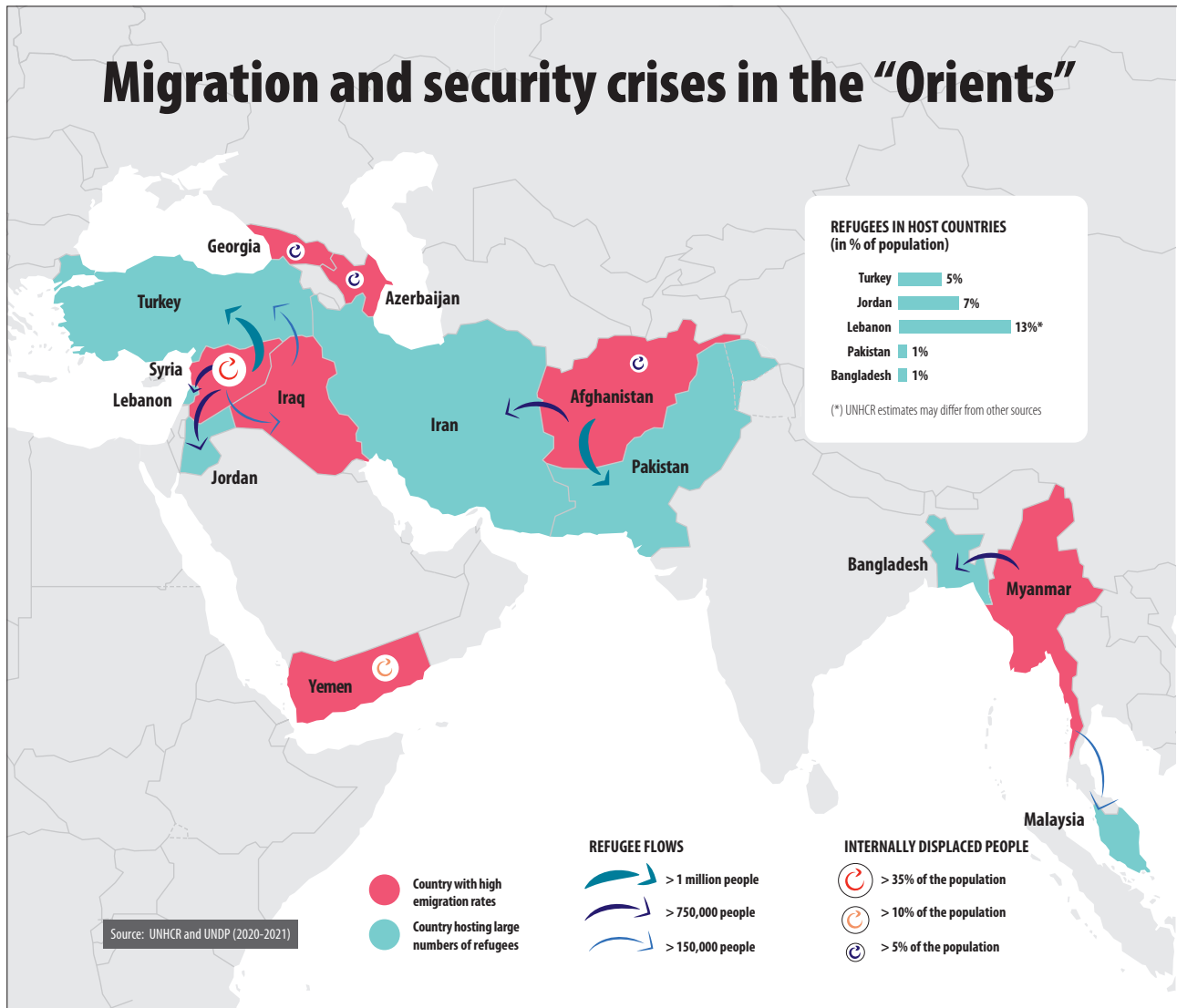
The “Orients” region contains open or latent conflicts with transnational stakes. It is also especially vulnerable to climate change. Migrations, triggered by conflict, natural disasters or worsening governance frameworks, also present a huge challenge for the host countries. In the absence

of an improved socioeconomic outlook and stronger resilience to the effects of climate change, many countries will experience a deterioration in their social, economic and environmental situation, accompanied by destabilising effects for the region, and even for the world.

## Conflicts, drivers of forced migration

Syria, Afghanistan and Myanmar are among the five countries in the world with the highest number of migrant refugees, while Turkey and Pakistan are among the five countries hosting the highest number of refugees. In the Middle East, the Syrian and Iraqi civil wars have prompted over 6.6 million people to emigrate, including 5.6 million to neighbouring countries, which are themselves sometimes in fragile internal situations. Such is the case for example of

Lebanon: the country is hosting more than 860,000 Syrians, despite its own major economic crisis. Iraq and Yemen have numerous internally displaced people, while Pakistan and Bangladesh respectively host vast communities of Afghan and Rohingya refugees. Lastly, in late 2020, the war between Armenia and Azerbaijan led to new population movements. In addition to migratory flows, these crises have long-term effects on the development paths of the impacted countries.



## Assist the demographic and urban dynamics

The "Orients" region is experiencing fast-paced urbanisation: today, it contains 32 of the world's 50 mega-cities and, in 2020, 50% of its population was urban, i.e. 2 billion people. Ninety-five of the 100 cities suffering from the worst levels of air pollution are located in the "Orients" and one-third of Asian city dwellers have no access to adequate housing, safe drinking water, health infrastructure or clean energy. A structured and coordinated urban transition that takes account of inequalities, pollution and the pressure on natural resources is critical to ensure the durability and sustainability of these territories.

In many countries of the region, particularly in the Middle East, inequalities are very pronounced. These were long kept in check through social shock absorbers based on access to public-sector employment, subsidised essential services and redistribution systems based on clientelism. Moreover, ageing populations in some of the region's countries are likely to lead to an increase in the dependency ratio and require a reform aimed at intergenerational solidarity.

## High exposure to natural hazards and climate risks

Be it flooding, droughts, earthquakes, cyclones or tsunamis, the "Orients" region is exposed to a host of extreme weather events. Most of the population lives in coastal areas and is very exposed to the consequences of climate change. Reducing the risks of natural disasters is thus a critical development challenge for the entire region, especially as the intensity and frequency of these events is likely to increase. Given this challenge, the countries will have to take greater account of climate resilience in their national and local policies in order to ensure sustainable and inclusive development.

### Air quality in the "Orients"

All of the countries in the "Orients" region are plagued by air pollution. According to the 2019 World Air Report, Afghanistan, Bangladesh, Bosnia and Herzegovina, China, India, Indonesia, Iraq, Uzbekistan, Pakistan and Vietnam are among the 15 countries most exposed to fine particulate matter. The issue of air pollution is even more severe in large urban centres. Not only a public health issue, air pollution is also an economic and environmental challenge for societies.

# 1.3. ECONOMIC AND SOCIAL MODELS IN SEARCH OF EQUITY AND SUSTAINABILITY

## Economic models losing steam

The exhaustion of some economic models is widening inequalities and developmental disparities in the "Orients". Several countries, particularly in the Middle East, are seeing their productive systems weakened. The decline of agriculture and small industry has not been offset by industrialisation or the development of a service economy able to integrate the cohorts of new entrants into the already saturated labour markets. These countries are also characterised by the prevalence of an informal economy that heightens inequalities. The disintegration of the economic

fabric is increasing social inequalities and impairing environmental capital. For want of environment-friendly growth that creates formal jobs, the development models are no longer viable.

Insufficiently inclusive growth is leaving millions of people behind. Women, who are mainly employed in the agricultural sector, still face discrimination from birth, be it in education, work or access to property. According to the UNDP's Gender Inequality Index, half of the "Orients" countries exhibit an unsatisfactory level of equality compared to the global average.

## Decent work for women

Providing as many people as possible with access to decent jobs is a key lever for reducing inequalities and achieving the SDGs, and more specifically SDG 5 “Achieve gender equality and empower all women and girls”. The Covid-19 crisis has amplified this challenge, generating a major economic crisis with severe consequences for women's employment. According to a McKinsey study, if women participated in the economy on a par with men, annual world GDP could increase by 26% over ten years, equivalent to more than 28,000 billion dollars. Moreover, gender equality also benefits societal development as it enables the control over household spending to be shared, and women invest more in health and children's education.

## Connectivity at the service of economic and social development

The “Orientals” region is the cradle of numerous development initiatives. Underpinned by land, maritime and digital networks and by flows of people, connectivity initiatives aim to establish closer ties between individuals. These platforms help to create a better match between the supply and demand for international finance and serve as platforms for dialogue to tackle development challenges. Cross-border infrastructure, particularly commercial, is the main beneficiary of this financing, but there are also projects in the area of cooperation and influence (education, training, cultural exchanges). The Chinese Belt and Road Initiative is the best known of these. The latest initiatives, notably those led by the G20 and the European Union (EU), focus on sustainable, resilient infrastructure that is both climate- and environment-friendly. The Covid-19 pandemic, which has cast greater doubt on the relevance of globalised value chains, may lead to the scope of these initiatives being rolled back to a regional scale.

## The Covid-19 crisis in the “Orientals”

The health, socioeconomic and environmental impacts of the Covid-19 pandemic on the “Orientals” countries are hard to assess, but the virus is still circulating. The health consequences of the crisis are nonetheless clear to see: variably high excess mortality rates depending on the country and healthcare systems that are often over-stretched when the different waves reach a peak. The global crisis has exacerbated socioeconomic vulnerabilities and put a historic brake on development, revealing the difficulties of many states to finance sustainable recovery plans. Only 6 of the 36 “Orientals” countries within AFD Group's scope of intervention maintained a positive growth rate in 2020. Public health and socioeconomic emergencies have also slowed down efforts to reduce poverty and combat climate change, as well as efforts to protect biodiversity.

Lastly, the crisis has highlighted the need for international concertation, as the coordination of aid is sometimes overridden by geopolitical rivalries (vaccination diplomacy, economic protectionism). The degree of uncertainty as to the timeline for a normalisation of economic and social life, as well as many mobility restrictions both internationally and within the region, are upending the action of governments and international support.

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# 2.

## **THE POLITICAL FRAMEWORK AND THE GROUP'S MANDATE**

The “Orient” region plays a pivotal role in world geopolitics and European cooperation. The end of the 2010s saw “Eurasia’s come-back” onto the international stage, a process visible in new diplomatic initiatives, the creation of continent-wide institutions and the wielding of regional geopolitical influences. The “Orient” region includes players

such as China, Japan, Turkey and Russia, whose presence influence France's external action in the region. In the latter, AFD Group is particularly supportive of French and European international actions focused on climate and biodiversity, alongside the preservation of global public goods.

## 2.1. THE FRENCH AND EUROPEAN POLITICAL FRAMEWORK

France promotes a stable multipolar order founded on the rule of law, freedom of movement, and multilateralism, and works to strengthen and develop strategic and global partnerships. In the Indo-Pacific, France aims to reinforce its presence at the political, economic and environmental levels particularly through its involvement in regional organisations such as ASEAN. It is committed to promoting common public goods such as climate, biodiversity, peace and security. In the Middle East and elsewhere, France supports human rights and the values of pluralism and tolerance. It encourages reconciliation by endeavouring to find inclusive spaces enabling peaceful conflict resolution in compliance with full respect for international law.

In addition, France attaches great importance to the European Neighbourhood Policy, which aims for prosperity and stability in countries neighbouring the European Union. For this reason, in the Western Balkans, it is working to strengthen governance and the rule of law in order to facilitate socioeconomic convergence with EU standards. Similarly, France intends to foster the European orientation of Turkey and Southern Caucasus countries.

France supports the EU's Global Gateway, which encompasses the cross-cutting issues of transport, energy, digital technology and the free movement of people. In this strategy, the European Union defends its model based on the notion of sustainable connectivity and has set ambitious goals for transparency, governance and fair competition.

## 2.2. THE GROUP'S MANDATE

In this time of health, economic and sometimes political crises, a donor's action becomes “a central tool to correct the imbalances of globalisation”, as laid out in the parliamentary report by Hervé Berville. Within the framework of its intervention in the “Orient”, at the intersection of sustainable development challenges and the priorities of French development policy, AFD Group wants to co-construct and support low-carbon and resilient development trajectories that respond to the social demands for an improved quality of life. Consistent with the priorities of the Interministerial Committee for International Cooperation and Development (CICID) and its two strategic “100% Paris Agreement” and “100% Social Link” orientations, the Group wishes to bolster synergies between SDGs. This will involve increasing the impact of supported projects that combine climate benefits, a response to biodiversity issues and the strengthening of social links.

In the “Orient” region, AFD identifies itself not only as a development bank that combats the degradation of common goods and promotes inclusive development, but also as an agency for international solidarity for the benefit of the poorest countries. The Group ambitions to act as a catalyst as a catalyst for inclusive development. Its role as a platform and its advisory mission based on French know-how will be core to the changes in the Group's intervention over the period 2021–2026 and beyond. AFD's added value in the “Orient” is not limited to its financial offer and is underpinned notably by its capacity to maintain public policy dialogues, mobilise actors within partnerships and provide expertise and knowledge.

### Differentiated partnerships

To ensure its effectiveness, France's policy on inclusive development and the fight against global inequalities is tailored to a country's situation and needs. This means that France takes account of its partners' specific features so as to choose the best-suited instruments (grants, loans, project assistance, budget support, technical expertise) and the intervention sectors where its contribution is the most

relevant. For the "Orientals" region, AFD Group mainly allocates its grant resources to countries in crisis (particularly the Middle East) and to the least developed countries (Bangladesh, Cambodia, Laos and Myanmar). The activity in the so-called major emerging countries (China, India, Indonesia and Turkey) focuses on preserving global public goods.

## 2.3. THE GROUP'S POSITIONING, PAST RESULTS AND ADDED VALUE

### High added value for Team France

AFD stands as one of the privileged vectors for expanding French expertise, standards and models internationally – particularly in the urban sectors (transport and mobility, water and sanitation) where French expertise is recognised and in demand. It also contributes to French economic influence: between 2016 and 2020, the economic spinoffs for French companies operating in the region reached nearly 490 million euros.

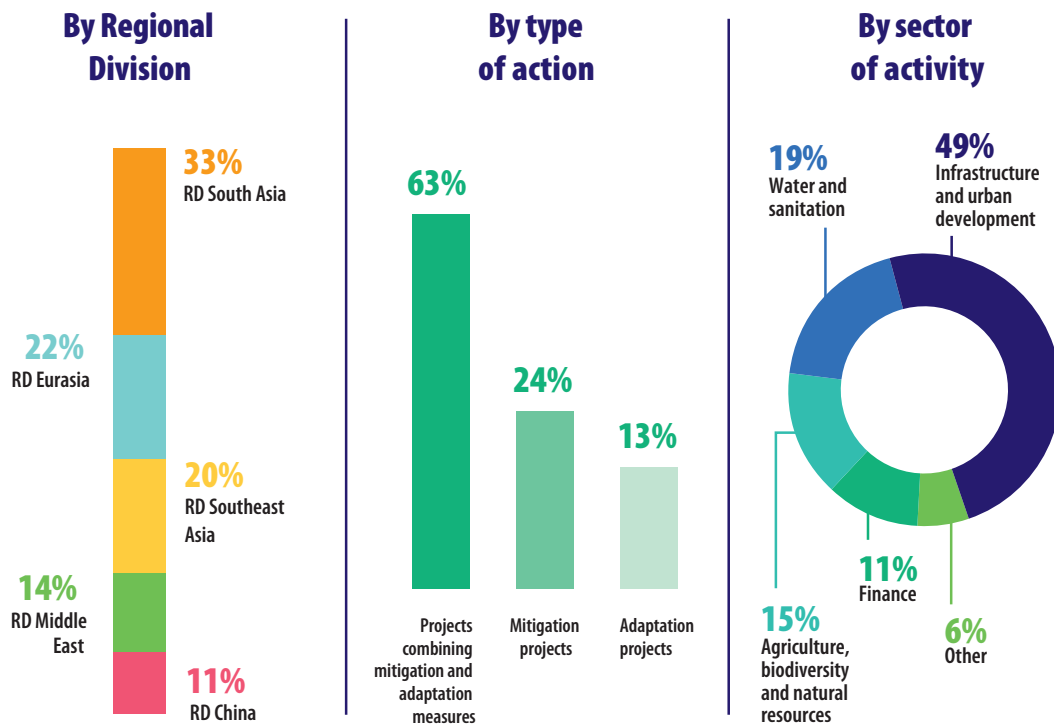
AFD Group's added value in the "Orientals" also lies in its platform-building actor, in other words, its capacity to mobilise a broad diversity of stakeholders in terms of expertise or additional financing, in order to achieve the SDGs. AFD Group thus helps to operationalise French strategies in the region, principally in the Indo-Pacific and European neighbourhood spaces.

The Group makes multiple contributions within Team France: an on-the-ground network and an ability to analyse national and regional contexts; a positive track for dialogue and bilateral cooperation; an ability to influence public policy in favour of global public goods; and opportunities for French economic actors.

### 2016–2020: commitments aligned on the strategic objectives of the AFD Group 2018–2022 Strategy

Between 2016 and 2020, the "Orientals" region accounted for an average 25% of the Group's total activity and reflects the strategic priority set on combatting climate change and protecting biodiversity. Over this period, AFD's financing for these priorities totalled nearly 12.3 billion euros, of which 63% went to projects with a positive impact on climate. Projects supported through financing for the territorial and ecological transition and the energy transition account for most of the climate co-benefits in the region over the period, respectively 67% and 18%. The fight against climate change was particularly pronounced in the four major emerging countries (China, India, Turkey, Indonesia), as well as in Jordan, Pakistan, Uzbekistan and Vietnam. The Group also posted sound results on its actions for peace and solidarity. Lastly, in light of the growing ambitions of France's feminist diplomacy, AFD's operations involving gender equity co-benefits amounted to 3.5 billion euros between 2018 and 2020.

# Breakdown of AFD Group's climate finance between 2016 and 2020



## French budgetary effort

The French state's budgetary effort (grants and interest rate subsidies) for the region is mainly allocated to the Middle East. Between 2016 and 2020, loans represented 90% of commitments (67% of sovereign and 22% of non-sovereign loans). The activity in the major emerging countries does not mobilise interest rate subsidies and the scarce grant resources are dedicated to financing project preparation studies or support via French expertise (FEXTE).

Between 2016 and 2020, the Group broadened its scope of intervention in the Caucasus, Central Asia and the Balkans. It also strengthened its partnerships with the World Bank, the Asian Development Bank and the European Union, and developed innovative partnerships particularly with the International Committee of the Red Cross.

In addition, innovative projects such as those involving nature-based solutions or policy-based loans have bolstered the Group's image as a facilitator of transitions, despite its relatively small size compared to other multilateral or bilateral donors. Finally, the "Orient" is the Group's most productive region in terms of research: operations there have been accompanied by considerable knowledge production, often linked to public policy dialogues chiefly in the area of climate challenges.

## What outlook for AFD Group's strategy in the "Orient"?

Preserving global public goods and building a more equitable globalisation are the primary challenges for the Orient, a region where systemic actors coexist. Although nature and purposes of aid are becoming ever more complex, environmental and social objectives remain at the core of AFD Group's efforts.

# 3.

**AFD GROUP'S STRATEGIC  
OBJECTIVES IN THE "ORIENTS"**

To meet its overarching goal in the “Orientals” region, namely to **co-construct low-carbon and resilient development trajectories that meet the social demand for an improved**

**quality of life**, the Group has defined three primary objectives for the period 2021–2026.

## 3.1. FIGHT CLIMATE CHANGE WITHIN THE FRAMEWORK OF JUST AND SUSTAINABLE TRANSITIONS

Consistent with its “100% Paris Agreement” commitment, the Group has set ambitious climate finance objectives and will be attentive to the convergence of climate and biodiversity challenges. It will support governments in defining national, regional or local climate policies in line with the Paris Agreement and national capacities. AFD will support the energy, territorial and ecological transitions of “Orientals” countries.

### Support the development and implementation of SDG-friendly public policies

Facilitating the transition towards sustainable, inclusive and resilient development in the “Orientals” region requires that public policies be aligned with the SDGs and enable the countries to fulfil their commitments made under the Paris Agreement. To achieve this goal, AFD acts in two fundamental areas. Upstream through a strategic dialogue, the Group supports the definition of the most relevant public policies while taking account of the trajectories specific to each country. Downstream, it contributes to their implementation and evaluation. The Group promotes research and a multidisciplinary approach to integrate the multiple issues into its analyses and bring comprehensive responses. For this, it relies on dedicated financial tools, on strategic dialogue memoranda (MoUs) and on its capacity to mobilise French and international expertise. It will also pursue thinking on the nationally defined contributions (NDCs) and related public policies.

### Finance the energy, territorial and ecological transitions

**The energy transition** – Decarbonising the energy sector and improving its effectiveness are two major challenges in the “Orientals” region, which is still highly dependent on

fossil energies. For the public and private sectors alike, the Group's offer will be highly adapted to support its partners in their energy transition. Firstly, the offer will help increase the share of renewable energies in the energy mix by developing hydropower and diverse and innovative energy sources. Secondly, it will involve promoting energy efficiency and facilitating the construction and renovation of less energy-intensive infrastructure.

**The territorial and ecological transition** – AFD promotes the integrated and sustainable management of territories in the “Orientals” and supports the implementation of innovative solutions that combine the protection of biodiversity and the fight against climate change. The Group's action will support territorial initiatives to secure water resources as well as prevent and manage flooding and drought. It will support the upscaling of more efficient and biodiversity-friendly water and sanitation services in view of urban expansion. The Group will support the development of less polluting and more inclusive urban centres conducive to strengthening social link, as well as the deployment of less emissive urban mobility systems. AFD will also work to improve connections between territorial actors to enhance the populations' quality of life by supporting the decentralisation and management of basic services in cities and rural areas.

Sustainable water and soil management as well as biodiversity protection will also be core to AFD Group's efforts in the “Orientals” with a view to mitigating and adapting to climate change. The Group will support the creation of protected areas, being receptive to projects that provide economic opportunities for the local populations. It will encourage the rise of the blue economy in the Indo-Pacific space in order to develop competitive, resilient and inclusive sectors. Finally, the Group will support agricultural reforms, especially those promoting agroecology, and will facilitate the integration of rural territories into the national space.

## 3.2. TACKLE EXISTING AND DEVELOPING FRAGILITIES TO STRENGTHEN SOCIAL RESILIENCE

Faced with deepening inequalities, there is a need to identify vulnerable populations and support governments in implementing just and inclusive policies aimed at sustainable and fair development.

### Limit vulnerabilities linked to conflict and natural disasters

To enhance risk mitigation in the «Orients», AFD Group acts on specific country and regional challenges related to conflicts and natural and climate hazards. In many countries in the region, AFD finances projects focused on reducing natural disaster risks due to climate change, including through measures for crisis prevention and management, and when necessary, for reconstruction.

In the areas affected by violent political crises, the Group takes action to reinforce the resilience of vulnerable local or refugee populations and to stabilise countries that have become fragile. In the Middle East, the Group mobilises large grants via the Minka Peace and Resilience Fund. In Iraq, since 2017, several projects have benefited communities liberated from Daesh. Lastly, the Group is also mobilised in the "Orients" to tackle the impacts of the Covid-19 pandemic and strengthen social nets and health frameworks.

### Reduce social inequalities, with a focus on gender equity

More resilient and less polarised societies cannot develop without taking in-depth action on the many inequalities that weaken development models. To reduce disparities in the "Orients", the Group promotes a proactive and structuring action framework, as well as better access to basic services

in the poorest countries. Since 2017, AFD has also been coordinating a research facility on inequalities, funded by the European Commission and mainly focussed on several "Orients" countries (Cambodia, India, Indonesia, Jordan, Laos and Vietnam).

Lastly, AFD is stepping up its work on gender inequality in line with France's International Strategy for Gender Equality (2018-2022). The "Orients" region includes some of the countries with the highest levels of gender inequality, even though greater inclusion of women would open the way to more sustainable development. To promote decent employment for women, AFD is supporting not only public policy dialogues on education and social protection, but also the introduction of legislation to counter discrimination and measures to encourage women's entrepreneurship and empowerment.

### Transform economies to enhance social and environmental balances

AFD contributes to transforming the economic environment in the "Orients" countries. To bolster the quality of their development processes, the Group promotes a convergence with the European and international standards that serve as a reference for economic and institutional actors. French expertise is mobilised on these challenges through AFD Group's dedicated tools (FEXTE and FAPS), as well as EU grants. The Group also leverages its action on public policy dialogues engaged within budgetary financing. Moreover, via its subsidiary Proparco, AFD Group supports the emergence of sustainable and innovative solutions launched by the private sector.

## 3.3. MOBILISE ACTORS AND RESOURCES TO PROMOTE THE SDGs AND FRENCH AND EUROPEAN DIPLOMACY

The complexity of the challenges calls for collective action and a thrust for synergies among a broad diversity of actors. The Group has considerable capacities to influence and advocate in favour of the climate and the SDGs. Its interventions contribute to the regional dynamics supported by France and Europe, as well as to French influence.

### Help create coalitions to support alignment with the Paris Agreement and the SDGs

Thanks to its operations, its co-financing and the partner coalitions within which it acts, AFD can contribute significantly to achieving the SDGs and to promoting compliance with the Paris Agreement commitments in the “Orientals” region.

The International Development Finance Club (IDFC) and the Finance in Common Summit (FiCS) are two key vectors of the Group’s action, particularly in the “Orientals”. Several major donors in the region (e.g., JICA, CDB) are IDFC members, which promotes stronger collaboration between its members in favour of the SDGs and the Paris Agreement.

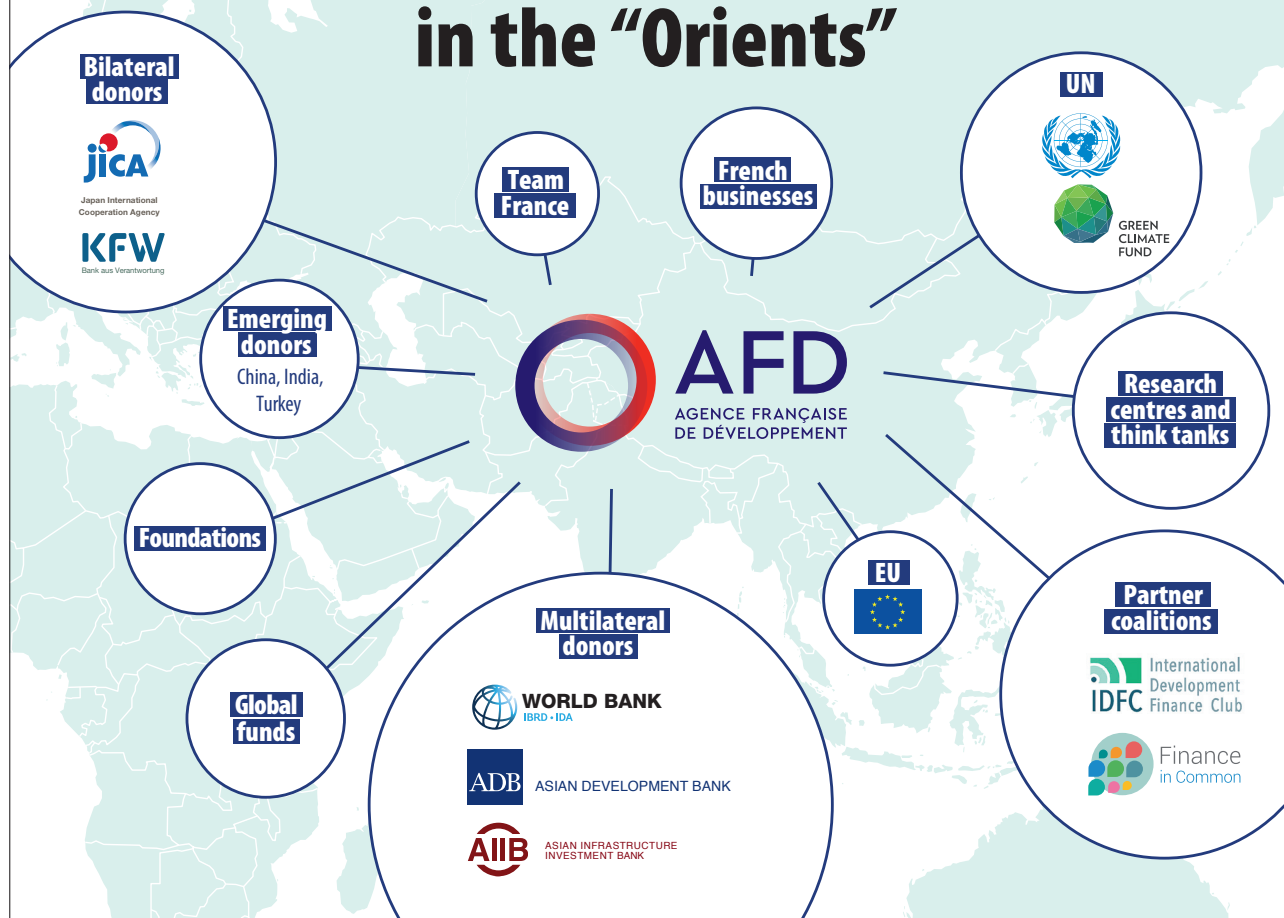
The Green Climate Fund, with an IDFC partnership signed in 2019, represents an additional lever for the eligible Asian countries, and the “Orientals” Department will work to activate this. The Group will strengthen partnerships with the regional donors that operate on a global scale such as JICA or the Indian donors. It will also continue to explore innovative partnerships such as that with the CDB on the basis of common interests.

In the “Orientals”, 48% of AFD operations are conducted through co-financing. To maximise its leverage effect, AFD Group will continue to deepen its partnership relations with the different development actors. These partnerships will enable it to position itself on themes requiring specific expertise and to propose innovative solutions.

### The EU, a key partner for AFD in the “Orientals”

The strategic synergies between AFD projects and the national and regional “Team Europe Initiatives” reinforce the Group’s dimension as a European donor. In 2019, the EU grants delegated to AFD reached €286.4 million. As a major financial partner in the “Orientals” region, the European Commission also contributes to studies and research led by AFD. Europe’s bilateral and multilateral donors (EBRD, EIB, KfW) are also important partners in dialogue and financing initiatives. AFD Group will continue to consolidate these ties in the “Orientals” region under the EU Multiannual Financial Framework 2021–2027.

# The ecosystem of AFD Group in the “Orient”



## Contribute to the operational content of French and European strategies

Within Team France, AFD Group will contribute to improving the collective knowledge on the major regional dynamics at play and on their impact in the region and internationally, particularly through a prospective approach.

AFD Group will mobilise within the framework of the “2030 French Strategy in Asia-Oceania: towards an inclusive Asian Indo-Pacific Region”, which aims to reinforce French presence in the region at the political, strategic, economic and environmental levels. More specifically, the Group will finance projects dedicated to marine biodiversity conservation and the blue economy, to the fight against coastal erosion and to the preservation of freshwater resources. For this, it will build on its partnerships with the ADB and JICA, as well as France’s partnership with ASEAN.

The Group will also support the EU Global Gateway strategy for EU-Asia connectivity in response to China’s Belt and Road Initiative, and will continue to foreground best practices in development finance. It will pursue its dialogue with the Chinese development banks within coalitions such as IDFC and the FICS.

## Contribute to France's influence and promote French know-how

To achieve its objectives, AFD Group will seek points of convergence and complementarity with its partners. The Group takes into account its partners’ positions on many structuring challenges for France and Europe (convergence of the European neighbourhood, conflicts in the Middle East, EU-Asia connectivity, regional multilateralism, Russian influence in the post-Soviet space, and the vision of development aid based on DAC/OECD principles) – all of which are unfolding in a changing geopolitical context.

To this end, AFD Group mobilises French know-how through Expertise France, which supports the establishment of EU-funded twinning programmes and disseminates standards and good practices. The Group also acts as a catalyst to encourage the emergence and spread of solutions relevant to sustainable development, by mobilising French and international research centres and ensuring the promotion of "Orients" countries' expertise. Furthermore, putting French know-how and knowledge at the service of development projects in the "Orients" reinforces the attractiveness of the Group, whose financial conditions are often less competitive than those of other donors in the region.

### **Fund studies and research on the challenges and dynamics in the "Orients" region**

AFD Group will support research linked to its strategic areas with respect to France's development priorities in the "Orients". The region offers a broad scope for the commitments of AFD's Innovation, Research and Knowledge Department. As a result, the Group will capitalise on the Climate Policy Initiative studies, mainly conducted in India and Indonesia, to assess their replicability in other regions. It will also endeavour to draw lessons from the ongoing studies on inequalities, the environment and environmental taxation in order to inform its future interventions.

### **Application of the GEMMES model in Vietnam**

The General Monetary and Multisectoral Macrodynamics for the Ecological Shift (GEMMES) programme developed by AFD is a macroeconomic modelling tool used to estimate the effects of climate change on a country's economy. AFD and the Vietnamese Ministry of Natural Resources and Environment are strengthening their collaboration on the challenges of green growth and climate change resilience via the dedicated programme, GEMMES Vietnam. This helps to evaluate what impacts climate change has on the country's socioeconomic development and to identify appropriate adaptation strategies.

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# 4.

## **OUTLOOK, INTERVENTION MODALITIES, AND MONITORING**

## 4.1. FINANCIAL PERSPECTIVES

The Group's activity in the "Orientals" has risen sharply since 2016, although it came to a standstill in 2020 due to the crisis linked to Covid-19. Between 2015 and 2019, AFD Group's commitments in the "Orientals" region averaged an annual 2.4 billion euros, including 2.1 billion euros in loans. The mobilisation of external resources, mainly from the European Union, is uncertain and the volumes not easily predictable, even though this remains a priority. The political and economic situation in some intervention countries (Lebanon, Pakistan, Myanmar, Sri Lanka, Turkey) could hamper the Group's activity in the "Orientals".

Although the consequences of the Covid-19 crisis cannot be anticipated precisely over the term of the present strategy, the baseline scenario predicts that the Group's level of commitments in the "Orientals" will remain stable or increase slightly. Assuming that Covid-19 will lose ground, a level of activity equivalent to an average annual loan amount of between 2.5 and 3 billion may be envisaged between 2022 and 2026. Sovereign loans will account for the bulk (about 75%) of the activity of the Group, which also has the ambition to step up its non-sovereign activity. AFD will adjust its level of annual commitments in line with the opportunities that arise, and with the overarching aim to achieve its strategic objectives, especially those relating to climate finance.

## 4.2. INTERVENTION MODALITIES

To propose an offer well-adapted to the needs of its partner countries, the Group will mobilise a broad raft of instruments.

Loans account for the bulk of AFD Group's operations in the "Orientals". Budgetary financing for public policies (policy-based loans) are particularly salient as they make it possible to intervene in many priority areas, encourage the convergence of standards and engage in long-term public policy dialogue. The Group will make use of this tool to strengthen French presence in the region.

Grants from the French state are mobilised in different ways: funding for studies on project preparation and monitoring which mobilise French expertise, project funding, support to NGOs, financing for projects undertaken by French local authorities or dedicated to the fight against vulnerabilities and crisis response.

AFD Group is seeking co-financing in all of the geographies to increase the impacts of its interventions. The European Union provides almost all of the grant resources mobilised in the "Orientals".

AFD Group sets priority on non-sovereign financing and makes this one of the key commitments of its action. It will prioritise direct financing for an autonomous public entity rather than funding that transits through the ministries of finance. For private-sector financing, it will mobilise the intervention capacities of the Group's private-sector financing arm, Proparco, which offers a broad range of financing instruments.

### Budget support for public policies in the "Orientals"

To align with partner countries' priorities, AFD has developed policy-based loans (FB-PP). These support the crafting and implementation of sectoral or multi-sectoral policies via three channels: financial transfers, public policy dialogue backed by a matrix of indicators, and technical cooperation.

Indonesia benefited from one of the first climate policy-based loans in 2008. These loans also serve as tools to structure sectoral dialogue in several "Orientals" countries, as for example in Jordan in the water, energy and decentralised cooperation sectors. The combination of technical assistance and policy-based loans makes AFD a privileged partner for these countries.

## AFD Group's innovative tools in the "Orients"

### SUNREF, a green label for the private sector

Set up by AFD Group, the SUNREF label mobilises banks and companies working to further green growth. Thanks to partnerships with nearly 70 financial institutions in over 30 countries, it promotes investments supporting the energy transition, natural resources management and the preservation of the environment. It provides capacity-building tools and technical assistance for its partners.

### ARIZ, an instrument of choice to support SMEs

ARIZ provides a final loss guarantee covering 50% to 75% of a single loan or a loan portfolio for SMEs and microfinance institutions. First introduced in the "Orients" region in 2008 in Bangladesh, it has since been proposed throughout the whole region.

## 4.3. ACCOUNTABILITY FRAMEWORK

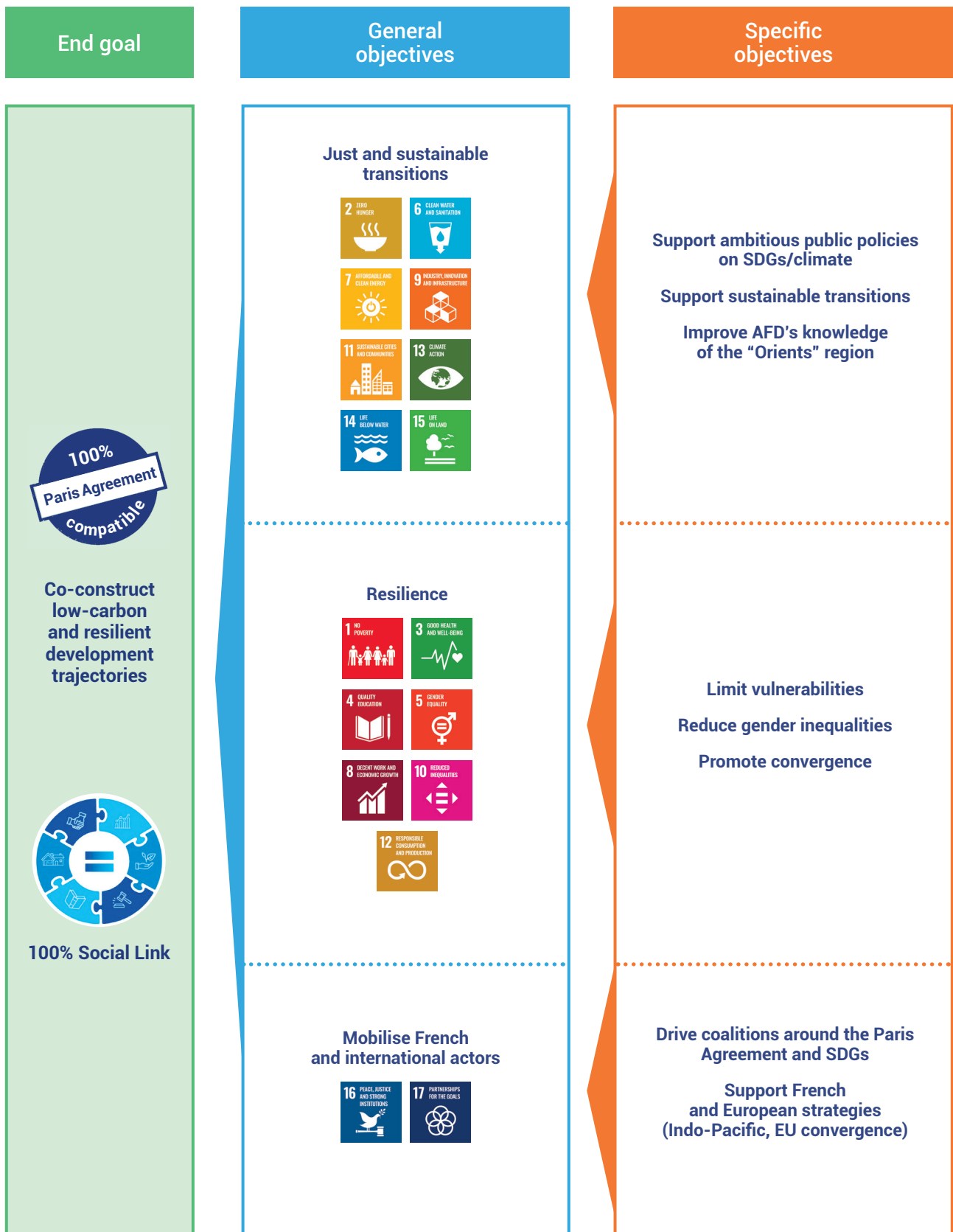
AFD Group is strengthening the monitoring-evaluation-accountability processes for its interventions in the "Orients". To steer its operations, comply with its accountability obligations and evaluate its results and impacts with respect to the chosen objectives, the Group has defined various monitoring indicators.

Activity monitoring	
Amount of the Group's annual approvals (analysis by instrument, by sector, by geography)	Share of co-financing commitments
Signed commitments	Amount of delegated funds
Disbursements	Amount of contracts related to AFD financing that has been subject to an international call for tender and has given rise to at least one French tender submission

Objectives monitoring	
<b>100% Paris Agreement commitment</b>	<b>Energy transition</b>
Share of commitments presenting climate co-benefits (% of total volume of commitments)	New installed renewable energy capacity (MW)
Percentage of climate finance from projects based on biodiversity conservation/mobilisation of nature-based solutions	Energy consumption saved (GWh/year)
Avoided CO <sub>2</sub> emissions	Surface area of energy-efficient buildings renovated or constructed
Number of people benefiting from improved climate resilience	
<b>3D commitment, vulnerability to crises, and resilience</b>	<b>Territorial and ecological transition</b>
Number of operations integrating a psychosocial support component	Number of people benefiting from access or improved access to essential services (water, sanitation, energy, waste management)
Number of operations specifically targeting displaced populations and/or host populations	Number of people benefiting from improved access to sustainable urban transport
100% Social Link commitment	Surface area benefiting from biodiversity conservation/restoration programmes (ha)
Share in amounts of annual approvals integrating a gender equality objective (DAC 1 or 2)	Surface area benefiting from programmes for sustainable resource/land management (ha)
Number of people benefitting from better social protection	Safe drinking water savings (m <sup>3</sup> /year)

In addition, a mid-term review will be conducted. This enable the intervention framework to be modified, if needs be, in light of any structural transformations and changes in the beneficiaries' needs and requests.

# LOGICAL FRAMEWORK



# ACRONYMS AND ABBREVIATIONS

**3D** Defence, Diplomacy and Development

**ADB** Asian Development Bank

**AFD** Agence française de développement

**AIIB** Asian Infrastructure Investment Bank

**ARIZ** *Accompagnement du risque de financement de l'investissement privé en zone d'intervention* (AFD's risk-sharing mechanism)

**ASEAN** Association of Southeast Asian Nations

**BRI** Belt and Road Initiative

**CICID** Interministerial Committee for International Cooperation and Development

**DAC** Development Assistance Committee

**EIB** European Investment Bank

**EBRD** European Bank for Reconstruction and Development

**EU** European Union

**FAPS** *Facilités d'Amorçage, de Préparation et de Suivi de projets* (Project Start-up, Preparation and Monitoring Facility)

**FEXTE** *Fonds d'expertise technique et d'échanges d'expériences* (Fund for Technical Expertise and Experience Transfers)

**FiCS** Finance in Common Summit

**GDP** Gross domestic product

**GEMMES** General Monetary and Multisectoral Macrodynamics for the Ecological Shift

**ha.** Hectare

**IDFC** International Development Finance Club

**JICA** Japan International Cooperation Agency

**KfW** Kreditanstalt Für Wiederaufbau (German state-owned investment and development bank)

**MoU** Memorandum of Understanding

**NDC** Nationally determined contribution

**NGO** Non-governmental organisation

**ODA** Official development assistance

**OECD** Organisation for Economic Cooperation and Development

**RD** Regional Division (AFD)

**SDG** Sustainable development goal

**SME** Small and medium-sized enterprises

**SUNREF** Sustainable Use of Natural Resources and Energy Finance

**UNDP** United Nations Development Programme

**UNHCR** United Nations High Commissioner for Refugees

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## Towards a world in common

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AFD Group implements France's policy in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and soon, Expertise France, a technical cooperation agency. The Group finances, supports and accelerates transitions towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.



[www.afd.fr](http://www.afd.fr)

Twitter: @AFD\_France - Facebook: AFDOfficiel - Instagram: afd\_france

5, rue Roland-Barthes - 75598 Paris cedex 12 - France

Tel.: +33 1 53 44 31 31