



# — Territorial and Ecological Transition

Strategy 2020-2024

#WorldInCommon





# CONTENTS

|   |           |
|---|-----------|
| <b>1. THE CHALLENGES OF THE TERRITORIAL AND ECOLOGICAL TRANSITION</b> .....   | <b>4</b>  |
| 1.1 Current dynamics .....  | 5         |
| 1.2 The need for a fresh territorial approach .....   | 6         |
| 1.3 The ecological imperative: reconciling the climate-biodiversity convergence with a just transition .....          | 6         |
| <b>2. AFD GROUP'S FRAMEWORK FOR ACTION</b> .....  | <b>8</b>  |
| 2.1 The international agreements and initiatives binding France .....   | 9         |
| 2.2 CICID guidelines and AFD Group's commitments .....  | 10        |
| 2.3 AFD Group's action to promote the territorial and ecological transition .....                                     | 11        |
| <b>3. THE TERRITORIAL AND ECOLOGICAL TRANSITION STRATEGY 2020–2024</b> .....  | <b>12</b> |
| 3.1 PRIORITY AREA 1 – Improve living conditions for all and foster harmonious coexistence .....                       | 14        |
| 3.1.1 Ensure equitable access to essential services .....   | 14        |
| 3.1.2 Promote a decent, sustainable and inclusive living environment .....  | 16        |
| 3.2 PRIORITY AREA 2 – Enhance the attractiveness of territories for shared prosperity .....                           | 19        |
| 3.2.1 Combat territorial divides and promote a rebalancing .....  | 19        |
| 3.2.2 Interconnect territories to develop their full potential .....  | 21        |
| 3.2.3 Promote inclusive and sustainable economies adapted to climate change .....                                     | 22        |
| 3.3 PRIORITY AREA 3 – Support ecological and resilient territories .....  | 24        |
| 3.3.1 Promote integrated water resources management .....   | 24        |
| 3.3.2 Conserve ecosystems and protect biodiversity .....  | 24        |
| 3.3.3 Strengthen capabilities to adapt to natural disasters .....   | 27        |
| 3.4 ACCELERATION LEVERS FOR THE TRANSITION .....  | 28        |
| 3.4.1 Improve territorial governance and plan the sustainable development of territories .....                        | 28        |
| 3.4.2 Adopt and roll out innovative and complementary approaches .....  | 30        |
| 3.4.3 Mobilise partners .....   | 31        |
| <b>4. APPENDICES</b> .....  | <b>33</b> |
| Appendix 1 – Priorities of the Territorial and Ecological Transition Strategy by geography .....                      | 34        |
| Appendix 2 – Selectivity guidelines for financing the Territorial and Ecological Transition .....                     | 37        |
| Appendix 3 – AFD Group's Biodiversity Roadmap 2019–2022 .....   | 38        |
| Appendix 4 – AFD Group's Ocean Strategy Framework .....   | 46        |
| Appendix 5 – AFD Group's positioning and interventions in the housing sector and urban planning and development ..... | 47        |
| Appendix 6 – AFD Group's positioning and interventions in the transport sector .....                                  | 49        |
| Appendix 7 – Accountability framework: Indicators for the Territorial and Ecological Transition Strategy .....        | 50        |
| <b>ACRONYMS AND ABBREVIATIONS</b> .....   | <b>51</b> |

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**1.**

**THE CHALLENGES  
OF THE TERRITORIAL  
AND ECOLOGICAL  
TRANSITION**

# 1.1. CURRENT DYNAMICS

**The planet is becoming urbanised at an unprecedented pace.** Already, over half of the world's population resides in cities – a proportion set to rise to 70% by 2050. Yet, while this trend is global, it is far from uniform: (i) 90% of the world's urban growth is in Asia and Africa with varying characteristics from one country to another in terms of speed, scale, the structure of urban fabric and territorial coverage; (ii) while urban growth involves megalopolises, 75% of this growth is happening, and will happen, in intermediary cities with fewer than one million inhabitants; (iii) coastal areas continue to become more densely populated even though their location renders them highly vulnerable to the climate disruption posing a growing threat to the sustainability of human settlements.

Today, the dynamism of developing cities is undeniably a source of economic growth and propelling the rise of middle classes. However, numerous problems are being created by this exponential urbanisation, which was very often not anticipated and thus uncontrolled. As a result, land artificialisation is advancing twice as rapidly as urbanisation itself. A growing number of cities are unable to absorb the massive increase in their populations in terms of giving them access to essential services, affordable housing and a decent standard of living.

**Alongside this rapid urbanisation, rural areas exhibit heterogeneous dynamics.** Whereas many of these areas are emptying, others continue to see their populations densify, particularly in Africa and South Asia, while the settlement of agricultural pioneer fronts is expanding in South America and Southeast Asia, with heavy consequences for the environment.

**Due to anthropogenic pressure and the effects of climate change, ecosystems are deteriorating with major impacts on biodiversity** and the ecosystem services that mainly benefit the poorest populations. The emergence of new pandemics linked to animal pathogens, which is strongly suspected to be the case of the recent Covid-19<sup>1</sup> crisis, shows how human interference can adversely impact biodiversity. This degradation of ecosystems is undermining current development models. In Africa, for example, 500,000 km<sup>2</sup> of land have already been degraded due to overexploitation, and climate change could lead to the substantial loss of plant species and over 50% of bird and

mammal species. Similarly, in light of projected rises in temperature, France's partner countries, particularly in Africa, will face reduced yields (-10–20%) for several strategic crops (especially cereals). Amplified by food insecurity and malnutrition – which have again been rising over the past few years –, migratory movements will likely intensify and add to the concentration of populations in urban centres, coastal areas and more temperate climate zones. This suggests an exacerbation of tensions around resources, which are the early warning signs of crises and conflict.

**Now more than ever, these dynamics call for a change in trajectory. The scale, strength and above all the speed of these changes require that we act fast.** The new urban and rural landscapes of the next 30 years will, of course, be shaped by demographic changes, economic opportunities, evolving climate and environmental conditions, or crises and conflicts. But they will also be determined by public policies on spatial planning and infrastructure, which must be inclusive to ensure that a social, economic and environmental balance is maintained in a context of far-reaching change.

**What needs to be done straight away, therefore, is to invent development models that preserve nature and ensure the lowest possible level of inequality.** This means improving living conditions for each and every one while also respecting the key natural balances of our planet; moving away from the growth of urban sprawl to a denser consumption of space, from the expansion of cultivated areas to agroecological intensification, from the overconsumption of water to its optimised and coordinated use, etc. The territorial and ecological transition thus translates the need to change countries' development trajectories and to factor in the specifics of each territory to ensure that no one is left behind and that the ecological footprint of these trajectories is sustainable.

AFD Group wishes to support its partners – governments and local authorities, economic actors and civil society – in these transitions, which are incumbent on all of us if we are to change the current vulnerability-creating trajectories and promote the emergence of a renewed paradigm that favours balanced and socially cohesive development resilient to climate and environmental changes.

<sup>1</sup> This transition strategy was drafted before the outbreak of the Covid-19 health crisis, but the document has been updated to incorporate the health impacts of the crisis.

## 1.2. THE NEED FOR A FRESH TERRITORIAL APPROACH

**To a large extent, the responses to planetwide challenges are to be found at the local level.** It is at this level that interdependencies and the necessary complementarity between urban and rural areas can be understood and that adapted and coherent solutions can be developed to tackle exceptional and complex issues.

By committing to furthering mutual solidarity among urban and rural territories and helping them to be more productive together from an ecological viewpoint, AFD Group intends to take better account of the tensions and disruptions in a world in transition and thus bring concrete responses to alleviate territorial divides and strengthen cohesion.

These areas of tension lie mainly on the interface between:

### (i) Local authorities and territories

A territory – understood to mean a cohesive entity, a life-space and an economic basin – represents the scale on which the challenges of social cohesion, ecology and attractiveness emerge. In fact, the social, economic and, above all, environmental dynamics linked to a local authority very often stretch beyond its administrative boundaries. For example, maintaining the major ecological balances (managing water, catchment basins, biodiversity corridors) may involve organising and/or defining an action plan at intermunicipal or sometimes cross-border level.

### (ii) Urban, peri-urban and rural territories

Metropolitan areas act as hubs that are intended to produce an economic trickle-down effect on their hinterland. What actually happens is that they often create tensions with their peri-urban and neighbouring rural areas when these are unable to capitalise on the urban dynamics. Yet, the increasing flows between these different territories reflect the reciprocities and interdependencies that need to act as levers for a new vision of territorial development. Promoting synergies and interactions between the urban, peri-urban and rural areas, including cross-border ones, will be one of the components of the territorial and ecological transition.

### (iii) Coastlines or estuaries and seas/oceans

Seas and oceans are a source not only of opportunities, development and amenities, but also of mounting risks due to the changing climate, resource depletion and pollution, particularly by plastics. This situation, felt with particular force in insular and coastal territories and notably Overseas France, calls for a sharp focus on the adaptation to climate change through improved foresight work on its effects and proposals for resilient development solutions. It also means we must no longer “turn our back on the sea” and put in place solutions to conserve and manage ocean areas, which are considered as a global common good.

## 1.3. THE ECOLOGICAL IMPERATIVE: RECONCILING THE CLIMATE-BIODIVERSITY CONVERGENCE WITH A JUST TRANSITION

Since 2015, the climate negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) have recognised the importance of forests, oceans, agricultural lands, wetlands and other ecosystems in absorbing CO<sub>2</sub> and making societies more resilient to the impacts of climate change.

In all corners of the planet, biodiversity degradation is whittling away nature's contribution to the well-being of populations, human development and the resolution of climate-related and social crises at an ever faster rate. According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), over two-thirds of the planet's ecosystems – so vital for humanity – are now degraded, with some on the brink of collapse.

Recent scientific studies<sup>2</sup> estimate that nature-based solutions could provide over 30% of the climate mitigation measures required between now and 2030 to stabilise warming at below 2°C. And reciprocally, limiting average temperature increases to 2°C or even 1.5°C by 2100 is crucial to safeguarding the biosphere. Yet, today, only 2% of international climate finance goes to supporting biodiversity or involves ecosystems.

What's more, with the crisis now sweeping across the world, IPBES also underlines that the destruction of nature is the crisis behind the Covid-19 crisis. Conserving large interconnected ecosystems and limiting contact between humans and wildlife – mainly by regulating wildlife trade when this is authorised – are potential solutions to prevent the emergence of human pathogens that can cause pandemics. In addition, the World Organization for Animal Health (OIE) estimates that 75% of emerging human diseases are of animal origin (domestic or wild). Long overdue and preceded by other epidemics of animal origin (the 2009 H1N1 influenza, SRAS, etc.), the Covid-19 crisis was triggered by a virus strongly suspected of being from animal sources. This crisis and its human and economic consequences highlight the relevance not only of acting to support the conservation and restoration of ecosystems and biodiversity, but also of strengthening the "One Health" approach to health in order to limit the risks of health disasters, while at the same time bolstering ecosystem services for mainly poor and rural populations and the resilience of societies.

AFD Group now wishes to recognise the importance of biodiversity in achieving the Paris Agreement objectives by engaging on a trajectory to promote pro-biodiversity "climate" solutions.

The Group has therefore adopted a biodiversity roadmap 2019–2022 (cf. Appendix 3 – AFD Group's Biodiversity Roadmap 2019–2022) to immediately begin promoting

the biodiversity agenda with a view to the COP 15 of the Convention on Biological Diversity (CBD) and its follow-up. On this count, AFD commits to doubling its biodiversity financing by 2025, scaling up from €500 M to €1 Bn, primarily through greater mainstreaming of biodiversity in its sectoral operations.

Additionally, AFD has set the objective of stepping up its **pro-biodiversity climate financing from 15% in 2018 to 30% by 2025 (equivalent to €1.8 Bn in 2025), with a mid-term objective of €1.5 Bn in 2022**. An increasing proportion of climate and biodiversity projects will be sought in the sectors of water and sanitation, agriculture, livestock farming and oceans, the latter sector being one with high potential.

To align its financing with biodiversity protection, **AFD is heightening its vigilance on projects with high negative impacts on biodiversity**. This is concretised through stronger selectivity criteria (cf. Appendix 2 – Selectivity guidelines for financing the territorial and ecological transition) and a project-by-project analysis whereby projects harmful to biodiversity can be ruled out.

Parallel to these challenges for a convergence between climate and biodiversity, the burden of social and economic inequalities is growing heavier across the world and it is widely recognised that the consequences of environmental degradation have greater impact on the poorest countries and most vulnerable populations in each country. In light of this, the concept of a just transition<sup>3</sup> invites us to reflect and act on the interplay between the environmental and social SGDs and ensure that the objectives of preserving the planet and social justice are mutually reinforcing and conflict with one another as little as possible.

AFD Group also intends to act in support of this just transition so that the ecological transition becomes a vector of social justice, and social justice an engine of the ecological transition underpinned by sustainable development.

<sup>2</sup> Natural Climate Solutions, Griscom *et al.*, PNAS, 2017.

<sup>3</sup> The concept of a "just transition" appeared in the post-war trade union movements in the United States and gradually gained currency in international fora (cf. ILO, 2015, "Guidelines for a just transition towards ecologically sustainable economies and societies for all"; COP 14, European Commission, "The European Green Deal", EC, Brussels, December 2019).

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# 2.

**AFD GROUP'S  
FRAMEWORK  
FOR ACTION**



## 2.1. THE INTERNATIONAL AGREEMENTS AND INITIATIVES BINDING FRANCE

In 2015, the United Nations Member States adopted the **2030 Agenda for Sustainable Development**, with 17 goals that address all developed or developing countries, as all are involved in tackling global challenges. The sustainable development themes are interdependent and call for the coherence of public policies and actions on the ground. This is particularly relevant to the case of the Territorial and Ecological Transition Strategy.

In addition, the Territorial and Ecological Transition Strategy is aligned with the principles of the major declarations adopted by the international community in recent years:

**The Paris Agreement**, adopted in 2015, marked a historic milestone as countries from the global North and South recognised the need to change current development models. Three long-term objectives were set: (i) hold the increase in the global average temperature to well below 2°C, which supposes reaching zero net global GHG emissions between 2050 and 2100; (ii) increase the ability to adapt to the adverse impacts of climate change and foster low greenhouse gas emissions development, in a manner that does not threaten food production; and (iii) make financial flows consistent with a pathway towards low greenhouse emissions and climate-resilient development.

The adoption of the **Addis Ababa Action Agenda on Financing for Development** also marks an important turning point for the international development agenda. Fully integrated into the SDG framework, the conference recognised

the strategic role of local authorities, which are legitimate and relevant actors for building innovative responses closely matched to the needs of local communities (Par.34). Having the powers to make decisions on the sustainable development of territories, these authorities also need support from governments and financial institutions to mobilise the necessary human and financial resources as well as adequate technical and technological capabilities.

The third United Nations Conference on Housing and Sustainable Urban Development (Habitat III, Quito, 2016) established a **New Urban Agenda** that defined the international strategic and normative framework for the following twenty years. This action plan for all urban stakeholders details the conditions for implementing an innovative and dynamic development respectful of people and the environment.

Lastly, the three **United Nations Conventions on Climate, on Biological Diversity, and on Desertification** attest to a commitment of 193 countries to fight against the current rapid and often already irreversible degradation of the conditions of life on our planet (climate and biosphere). The fifteenth Conference of the Parties to the CBD Convention will be held in Kunming (China) in March 2021 to define new objectives for 2030 following on from those defined at Aichi in 2010. This should give rise to a shared vision for 2050 so that biological diversity is valued, conserved, restored and wisely used to maintain ecosystems services, sustain a healthy planet and deliver benefits essential for all people.

## 2.2. CICID GUIDELINES AND AFD GROUP'S COMMITMENTS

To fully participate in implementing the commitments made by the international community, notably the Sustainable Development Goals and the Paris Agreement, **the Interministerial Committee for International Cooperation and Development (CICID) convened in February 2018 to establish the thematic and geographic priorities for French official development assistance (ODA)**. The CICID thus set out the objectives, means and modalities of a renewed development and international solidarity policy to build a shared world that must focus on young people, particularly those in Africa.

**The AFD Group Strategy 2018–2022, adopted in August 2018, takes up and applies the CICID guidelines.** By making two key commitments, 100% Paris Agreement and 100% Social Link, the Group intends to reconcile the fight against poverty and inequality with the fight against climate change.

AFD Group commits to ensuring that all its financing, in each country, is consistent with a low-carbon and resilient development within the meaning of the Paris Agreement. Moreover, 50% of its financing volume must present climate co-benefits in terms of mitigation or adaptation.

The Group will also ensure that all of its actions help to strengthen social cohesion within populations and between territories, or at least not weaken it: by working to reduce inequalities, improve access to essential goods and services, and promote the economic integration of populations and territories. On this count, 50% of its annual commitments must have a positive impact vis-à-vis reducing gender inequality.

Lastly, AFD Group sets the target of strengthening the convergence of climate and biodiversity challenges (cf. 1.3): by 2025, 30% of its climate finance must be favourable to biodiversity.

By positioning itself in support of territorial dynamics, AFD Group recognises that all projects are designed within a specific local context in relation to ongoing initiatives and stakeholder logics. AFD will be mindful of the need to anchor projects in their political, institutional and social context, and design them taking into account life-spaces and economic basins, which very often means beyond the official administrative boundaries associated with a project, in order to maximise impacts.

AFD will encourage multi-sectoral approaches, which are vital not only for spatial planning to enhance the urban-rural continuum, but also for finding solutions tailored to a territory's specific features and, if possible, based on nature.

## 2.3. AFD GROUP'S ACTION TO PROMOTE THE TERRITORIAL AND ECOLOGICAL TRANSITION

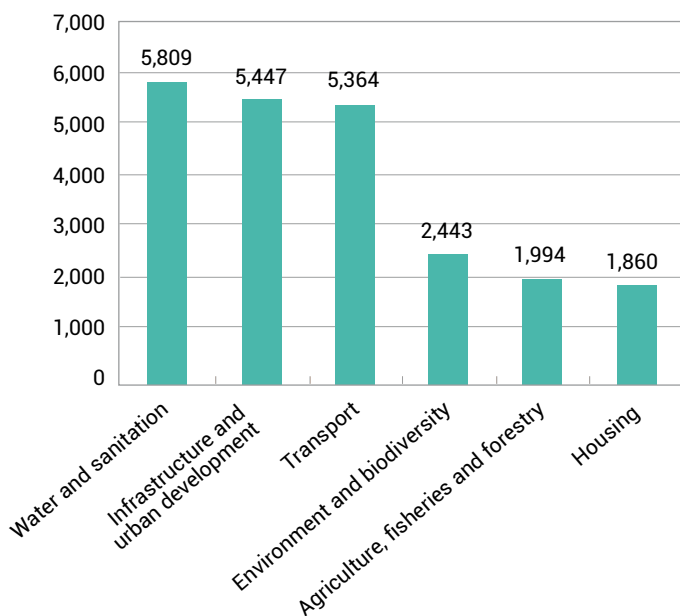
The territorial and ecological transition covers the sectors of water and sanitation, mobility, housing, agriculture, conservation of biodiversity and natural resources, decentralisation and spatial planning in both rural and urban areas. Given this broad scope, the transition accounted for 43% of financing approvals between 2015 and 2019. In 2019, commitments approved under the Territorial and Ecological Transition Strategy stood at €5.6 billion out of the €14 billion committed by the Group, including nearly €350 million linked to the activity of Proparco (the Group's private-sector financing arm). Since 2015, financing approvals linked to this transition have risen rapidly, increasing from €3.1 billion in 2014 to €5.6 billion in 2019 (+81%), which is at a slightly higher pace than for the Group's average (+70%). Since 2015, Proparco's has more than tripled its volume of financing to support the territorial and ecological transition. Transport infrastructure, sanitation

and drinking water supply systems and urban development financing accounts for over 70% of commitments approved for this transition over the period 2015–2019.

This transition is a key contributor to AFD Group's climate objectives: over the period 2015–2019, 54% of financing presented climate co-benefits. In 2019, this contribution reached 58%. On the theme of gender equality, results surpassed the Group's objectives, which required that 50% of annual commitments involve a principal objective, or at least one component focused on gender. In 2019, nearly 55% of financing volumes for the territorial and ecological transition contributed to gender equality.

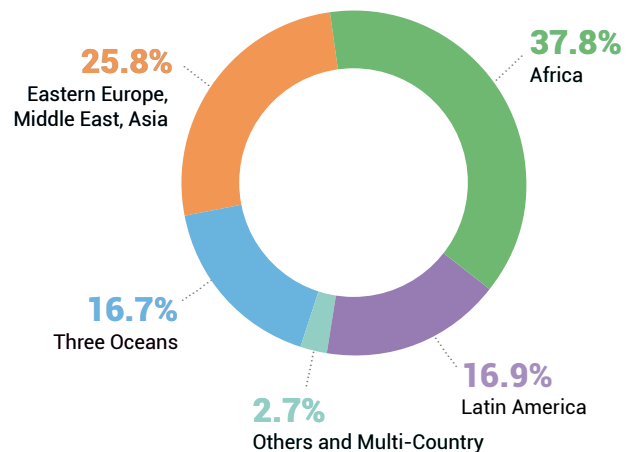
In 2019, the volume of financing approvals related to protection of the environment and biodiversity tripled, rising from €336 million to €1,042 million between 2018 and 2019.

**Breakdown of the volume of financing approvals, 2015–2019 (€ millions)**



With almost €4.5 billion of financing approvals in 2019, sovereign loans remained AFD Group's main financing instrument for projects related to the territorial and ecological transition (almost 80% of financing). These were mainly

**Breakdown by geographic region, 2019 (%)**



used to promote the transport (95%), infrastructure and urban development (85%) and water and sanitation (64%) sectors.

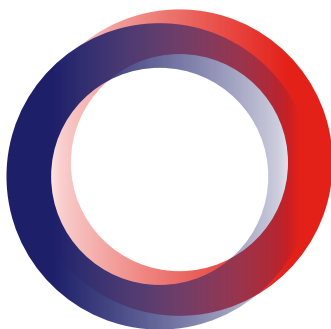
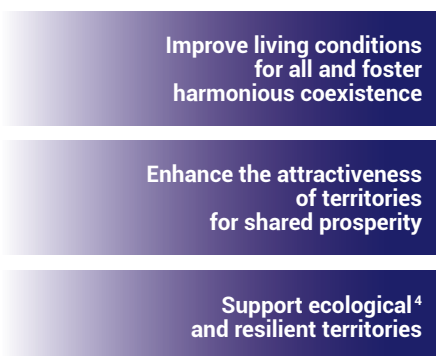
# 3.

**THE TERRITORIAL  
AND ECOLOGICAL  
TRANSITION STRATEGY  
2020–2024**

**Making a success of the territorial and ecological transition means developing the potential of each region** and ensuring that it delivers responses to the challenges involving populations, the planet and prosperity as set out in the Sustainable Development Goals. It means placing human beings at the centre of our concerns, whilst also ensuring that their ecological footprint is sustainable even in the face of stress and shocks. To achieve this, relevant

policy makers and technical experts at both national and local levels need to adopt a long-term vision to ensure access to essential services, develop infrastructure and local economies, while protecting natural capital and strengthening social cohesion. These challenges involve both urban and rural territories, forests and wetlands, as well as oceans.

### Three priority intervention areas



### Three acceleration levers



The Territorial and Ecological Transition Strategy presented here encompasses these three priorities and three accelerators. At the same time, it will remain intelligible and connected to the "sectoral" realities of AFD-funded operations on the ground.

It should be emphasised – and this is a key point – that for AFD these three intervention areas are not disjointed approaches but correspond to a holistic vision in which living conditions (People), attractiveness and prosperity (*Prosperity*) and ecological resilience (*Planet*) in each region are three inseparable dimensions of the Group's action.

#### So why separate it into three parts?

This choice responds to the actual demand for development aid, which is most often expressed in terms of one of the three above categories (People, Prosperity, Planet) and much less often as a demand for territorial development that combines all sectors.

#### So what is new in this Strategy?

In this strategy, AFD makes precise commitments in support of the territorial and ecological transition by integrating the three dimensions of People-Prosperity-Planet on a project-by-project basis across its different intervention areas. Concretely, this will mean systematically taking these three dimensions into account, while also recognising that each demand and each project are generally built around a specific sectoral development theme. This gives rise to multi-sector projects, which are more elaborate and sometimes more complicated as they integrate the different dimensions of sustainable development and very often involve several contracting authorities. As a result, greater efforts are required to implement a more synergistic and integrated action on the scale of urban and rural territories.

Lastly, the Strategy, grounded in a territorial approach, lies at the intersection of all the other transitions supported by AFD Group: the demographic and social transition, the energy transition, the political and civic transition, the digital and technological transition and the economic and financial transition.

<sup>4</sup> Ecological territories are understood as those whose ecosystem services and resilience are maintained or improved.

# 3.1. PRIORITY AREA 1 – IMPROVE LIVING CONDITIONS FOR ALL AND FOSTER HARMONIOUS COEXISTENCE

Enabling all the inhabitants of a territory, be it urban or rural, to lead a decent life and reach their full potential is a strong commitment for AFD. Achieving this requires working to promote access to infrastructure and essential services (water, sanitation, energy,<sup>5</sup> waste management and mobility, education and health<sup>6</sup>) for all and across all territories. It also involves developing a sustainable and pleasant living environment through access to affordable quality housing, green public spaces, and healthy, nutritional and sufficient food. Ensuring equitable access to essential services and an improved quality of life for all will ultimately contribute to fostering a more harmonious co-existence.

## 3.1.1 Ensure equitable access to essential services

Depending on the situation, this will involve developing coherent networks of key infrastructure and facilities, whether at community or individual level, in dwellings or public institutions. AFD Group will thus support the establishment of services that are:

- Inclusive and thus accessible to all, which presupposes good service provision for areas far from urban centres, as well as for pockets of poverty. This will be achieved through adapted technical solutions and pricing (for service access and the service itself) adjusted to people's incomes.
- Sustainable, thanks to solutions with lower GHG emissions and which protect natural resources and air quality.
- Safe and secure, especially for women, children and people with disabilities, particularly in transport, public spaces and in the area of sanitation.
- Well-managed or, in other words, based on strategic and participatory planning that integrates climate change adaptation goals, and is operated cost-effectively by both public and private operators.

The application of these four principles will underpin access for all to the essential services<sup>7</sup> of water, sanitation, waste collection and management, and mobility.

## Ensure access to drinking water and sanitation for all

Central to the sustainable development challenges, access to water and sanitation has been recognised by the United Nations (UN) as a basic human right since 2010. The international community has thus set it as a priority for the fight against poverty and substantial headway has been made on this count. Yet, much remains to be done: over two billion people have no access to a safely-managed drinking water service in their homes and one in three people lack adequate sanitation facilities.<sup>8</sup>

As a vector of public health, dignity and women's empowerment, sustainable and non-discriminatory access to these services promotes participation in the economic and social life of a territory. If absent or of poor quality, it may produce the opposite effect of driving segregation, environmental degradation and instability.

To contribute to SDG 6 between now and 2030, AFD Group will pursue and step up its action to promote access for all to safely managed drinking water and sanitation services. To this end, the Group will finance water supply infrastructure to ensure that drinkable water is accessible when needed, either in dwellings or from public taps (standpipes, wells, etc.). In all drinking water projects, AFD will pay special attention to the related wastewater treatment and, in parallel, will finance sanitation infrastructure as often as possible, based on a contextual analysis (i.e., interventions of other donors, the sector's maturity, etc.). AFD will seek to finance collective and individual infrastructure and facilities across the whole sanitation supply chain: from wastewater treatment through its recovery and by-products.

To maximise the benefits of these actions for populations and ensure equitable service access, the Group will specifically monitor (i) the social mechanisms enabling the most vulnerable people, especially women in precarious situations, to access the service at an affordable price; (ii) the coverage of public and collective institutions (notably schools and health care facilities<sup>9</sup>); (iii) the implementation of technical solutions adapted to the constraints of different territories (peri-urban, rural, etc.) and their socio-cultural

<sup>5</sup> Energy transition.

<sup>6</sup> Demographic and social transition.

<sup>7</sup> Access to energy is dealt with in the Energy Transition Strategy 2019–2022 (<https://www.afd.fr/en/ressources/energy-transition-strategy-2019-2022>).

<sup>8</sup> WWAP (UNESCO's World Water Assessment Programme). 2019. *United Nations World Water Development Report 2019 – Leaving No One Behind*. Paris, UNESCO.

<sup>9</sup> France's external action for water and sanitation, MAEDI 2014.

characteristics; and (iv) actions to promote hygiene. In addition, AFD will focus particularly on extending these services to areas with a high prevalence of malnutrition<sup>10</sup> or cholera.

To help to further territories' ecological transition, AFD will prioritise interventions that integrate environmental externalities and climate change effects (particularly changes in water resources). All projects will help to strengthen territories' resilience to the effects of climate change. For this, AFD will ensure that nature-based solutions are promoted to either complement or substitute traditional grey solutions. Priority will be given to solutions that integrate externalities and co-benefits over the long term (estimated on the service life of the built structures) and which necessarily apply the principles of "do no harm" and "no regrets".

Lastly, actions to reinforce the technical and financial performance of operators (public, private, local, national) will be ensured to improve the quality and sustainability of the services.

### **Improve the collection, management, recycling and recovery of solid waste**

Without well-structured household waste collection and treatment chains, the generation of solid waste seriously degrades health and hygiene conditions. It also leads to major environmental degradation and nuisances, adding directly to the pollution of terrestrial environments and the oceans.

Committed to extending a quality service to all inhabitants, AFD's strategy in the solid waste sector aims to improve the entire chain (reduced waste generation, primary collection, collection, transport, disposal, recycling and recovery). AFD will specifically take into account the large numbers of informal workers operating in the sector, who are particularly vulnerable and yet often the source of effective, innovative and resilient solutions. In this context, projects will offer opportunities to make headway in reducing gender inequality and promoting women's empowerment.

Furthermore, the supported projects will systematically aim for a positive impact on climate through the capture and treatment of gases produced by organic waste (gas flaring or recovery), which will help to reduce GHG emissions. Beyond this, efforts will be made to promote practices to reduce waste at source and recycle waste materials.

Crucially, the continuity of safe and sustainable solid waste management services must be ensured, including during health crises. On top of protecting all of the sector's formal and informal workers, this will mean prioritising

the management of infectious waste. To this end, AFD will encourage the integration of specific components in the waste management projects that it finances.

### **The Clean Oceans Initiative**

Since 2018, AFD Group, jointly with the EIB and KfW, has been contributing to the Clean Oceans Initiative, which primarily targets Asia, Africa and the Middle East. The goal is to encourage projects aimed at collecting, sorting and treating waste before it reaches the sea. The Initiative also aims to improve waste management in ports; improve treatment of wastewater discharged into rivers and oceans; support plastic-prevention measures and development of the recycling market; and raise public awareness. Aside from providing financial support, the challenge will also involve attracting private-sector investment.

Under this initiative, AFD granted €3 million in 2019 to finance a waste management project in the Pacific region (collection, sorting and recovery), which should drive the development of innovative solutions (calls for pilot projects) and further strengthen local authorities' capacities.

### **Act in support of sustainable and inclusive mobility systems**

As a powerful lever to improve access to services and employment, open up marginalised or remote territories, and also enhance safety (by reducing the number of road deaths), AFD will focus on mobility as a key component of its action to support territorial development (cf. Appendix 6, AFD Group's positioning and interventions in the transport sector).

**IN CITIES** – Faced with rapid economic growth and increased flows of people and goods, maintaining or building sustainable mobility systems is a crucial challenge for cities.

AFD will work for better integration of urban development planning and transport planning on all scales (street/district/city) to achieve a more dense, compact and mixed-use urban landscape. This will limit the number and distance of trips and thus reduce not only emissions but also the per capita infrastructure cost. The Agency will also promote "non-motorised" modes (cycling, walking, etc.) and encourage the equitable sharing of public space. Lastly, it will continue to work on developing an offer of high-quality safe public transport (chiefly, by systemically mainstreaming actions to promote women's access to mobility services, notably ease of access, fight against harassment and violence, and

<sup>10</sup> France's objective is to reach, by 2024, 15% of all AFD commitments in the fields of health, agriculture and water, hygiene and sanitation, which contribute to nutrition in the countries concerned by the nutrition roadmap and according to the OECD marker methodology (France's International Strategy for Food Security, Nutrition and Sustainable Agriculture 2019–2024, p. 27).

access to employment) as a realistic alternative to cars. This will involve mass transport modes (metro, tramway, BRT, etc.) that provide effective connecting transport for the "last mile" (urban buses or minibuses, etc.), and more generally promote intermodality. On this count, AFD will support the modernisation of paratransit modes, which is the predominant means of urban transport in Africa.

### **BRT in Peshawar, Pakistan, a concentration of good practices to serve the city's inhabitants and sustainable development**

AFD is cofinancing the first Bus Rapid Transit (BRT) network in Peshawar City through a €130 million loan. This mass transit solution offers a service quality and passenger transport capacity comparable to that of the metro at an incomparably lower investment cost. The city will thus have a regular priority bus service that uses segregated corridors and is accessible to disabled people. This is a flagship project particularly in terms of low-carbon benefits (buses with diesel-electric hybrid engines).

Given that the combination of different transport modes providing interconnections for the same "door-to-door" trip meets the needs of most people, particularly those in the most isolated areas, AFD will encourage intermodal solutions covering the physical, ticketing and fare aspects. This will be achieved by developing modern multimodal hubs combining commerce and services with the traditional functions of stations, so as to create spaces open to the city and capable of structuring urban centralities. It will also lead to the development of digital solutions able to facilitate more integrated trips.

Lastly, AFD will act on the levers that limit the nuisances of polluting modes of transport (solo internal combustion engine vehicles, in priority): promoting vehicle-sharing, establishing urban tolls, parking management, greening fleets, promoting electric, hybrid or biogas-powered engines, etc. As the transport sector accounts for a large share of GHG emissions in cities (between 20 and 50%), optimising it would be a powerful lever for low-carbon and energy-efficiency solutions, as well as contributing to improve public health (cf. air quality in 3.1.2).

### **Road safety**

Each year, road accidents cause the death of 1.3 million people, 90% of which occur in low- or middle-income countries (WHO, 2017). Yet, these countries account for only half of the world's vehicles. Road safety must be systematically embedded in road projects, particularly for urban areas that are both dense and close to residential areas, as must the needs for pedestrian accessibility (pavements, zebra crossings).

**IN RURAL AREAS** – AFD will continue to finance rural transport to facilitate access for populations and strengthen social cohesion, promote economic growth and contribute to food and nutritional security in vulnerable areas. The following good practices will be systematically applied: diagnosis of mobility needs to rationalise investments, treatment of critical points on transport routes rather than reinforcing complete lines, adapted construction materials to improve infrastructural resilience to adverse weather conditions. Attention will be paid to the design of works to ensure all-season operability, territorial approaches to promote integration, and participatory approaches for planning, construction and maintenance to more deeply involve the populations concerned (works that mobilise inhabitants and generate income, creation of local committees, etc.).

### **3.1.2 Promote a decent, sustainable and inclusive living environment**

#### **Foster access to housing and improve living conditions**

Faced with a rapid urban growth that they find difficult to anticipate or accommodate, local authorities in developing cities are very often unable to meet housing needs. Yet, finding the resources to improve citizens' living conditions will be one of the most pressing challenges over the coming decades, notably for Africa's national and sub-national governments. In fact, African cities, which today account for 472 million inhabitants, will be home to more than 1.2 billion citizens by 2050.

On top of the quantitative shortfall comes the issue of the quality of dwellings and their alignment with inhabitants' needs. Then come the issues of the location of dwellings (reducing their impact on natural environments and factoring in the risks related to climate change) and their integration into the urban fabric and a sustainable economic dynamic. The housing model must be sustainable for both the beneficiary households, who need to be able to pay, and for the local authorities managing the housing stock.



In this context, AFD Group will support the elaboration of national and local policies as much as possible, as well as the development of financing tools and schemes to help develop a qualitative offer that is diversified and tailored to demand, especially for low-income households. It will support its partners in identifying and acquiring adapted

land reserves. The Group will also seek to develop an environmental approach to buildings with a focus on energy-efficiency for dwellings under construction or being rehabilitated and the priority given to local materials adapted to the climate.

### **Social housing in Ecuador: a roof for everyone**

Despite substantial progress, the provision of housing in Ecuador has a large quantitative and qualitative shortfall. To bridge the gap, the government has designed a social housing subsidy programme that will lead to the construction of 220,000 dwellings. AFD is providing €71 million funding to house households on the lowest incomes: i) direct aid to finance housing construction, notably for the most vulnerable citizens and households headed by women, ii) aid to

supplement the initial deposit of households taking out mortgages. At the same time, AFD is supporting the development of a new rent-to-buy product for households with no access to the traditional banking system. The programme also places greater focus on the quality of operations, taking into account criteria not only on proximity to urban centres, but also on social and community facilities.

### **Integrated communities in Mexico: energy efficiency and social diversity**

Proparco has taken a shareholding in VINTE, a company operating in the sustainable housing sector whose strategy is based on a concept totally new in Mexico: the development of integrated communities. The company's activity spans the whole urban construction process (purchasing land, obtaining permits, urban planning, design, construction and sale of plots), offering its customers a final product that includes all the basic infrastructure of a mid-sized town (water, electricity, roads, health care, education, park, sports

ground, play areas, etc.). VINTE offers a choice of dwellings at different prices, which fosters a very socially diverse space within a single community. Its approach seeks to promote a living environment grounded in community values and environmental protection, thanks to more efficient use of natural resources. The homes are designed for energy savings and responsible resource management, and come with energy-efficiency certificates.

### **Develop quality public spaces and nature in the city**

Public spaces are multifunctional areas conducive to social inclusion, human health and people's well-being. They foster social interaction and intergenerational exchange, cultural expression and citizen participation. In addition, the conservation and development of high-quality natural areas in cities offer advantages in terms of climate resilience, pollution absorption, disaster risk reduction or limiting heat islands, which have increasingly visible impacts on urban environments due to global warming. By restricting land artificialisation, city greening, preferably with local species, allows for the natural infiltration of rainwater and runoff and help to reduce the risk of flooding. These nature-based solutions also further enhance the landscaping of public spaces and create positive repercussions on residents' quality of life and public health (improved air quality, recreational and sports areas).

AFD will work to develop "public spaces and nature in the city" components as part of projects for urban planning or neighbourhood rehabilitation. These investments will involve (i) creating green spaces on a neighbourhood scale either in island form – squares, parks, gardens, etc. – or linear form – pavements, green belts, river bank or coastal development; as well as (ii) sports facilities when these help to strengthen social cohesion, education, health and gender equality.

AFD will pay special attention to the accessibility of these spaces, which need to be safe and open to all. It will also encourage the definition of public policies and awareness-raising actions geared to eliminating all forms of discrimination, violence and harassment of women and girls in public spaces. In addition, facilities will be designed to ensure that these spaces are safe for everyone (street lighting, elimination of dangerous areas, creation of emergency exits, etc.).

## Strive to improve air quality

Over 90% of the world's population lives in areas where air pollution exceeds the thresholds defined by the World Health Organization. It is estimated that, each year, seven million deaths are attributable to poor air quality. Transport, urban heating, cooking and agricultural waste management are among the most polluting activities. Their respective weights vary significantly depending on a territory's profile.<sup>11</sup>

AFD's commitment to the transport, energy and waste sectors logically and increasingly leads it to work on the theme of air quality. AFD's support will mainly be in the form of technical assistance for public decision-makers with a view to deepening knowledge on the levels and sources of pollution; improving anticipatory capacities (pollution peaks); crafting action plans and dedicated policies, and building capacities (governments, local authorities, specialist agencies). The implementation of action plans, either sectoral or cross-sectoral, can then be financed through policy-based or sector-based loans, for example, for public transport projects to limit pollution.

## Facilitate access to healthy, nutritional and sufficient food

In line with France's Strategy for Food Security, Nutrition and Sustainable Agriculture<sup>12</sup> adopted in 2019, AFD will accord increasing importance to food security and nutrition in cities and rural areas.

In this optic, AFD will extend its intervention logic to supply chains in order to achieve better integration between production areas and patterns and consumption areas and patterns. AFD will thus aim to fund projects that tackle the question of urban and rural food supply as a component of sustainable food systems<sup>13</sup> that are better integrated in that they encompass the upstream and downstream links of the food supply chain. For this, urban and rural lines of expertise will be mobilised, covering the upgrade of commercial infrastructure (storage, different levels of commercial facilities – e.g., wholesale and retail markets) through to developing sustainable agricultural and agro-industrial supply chains.

This approach will promote the circular economy by prioritising short supply chains, family farms and agroecological practices, at the same time fostering responsible consumption and supporting sustainable waste management schemes and recycling chains. It will also aim to fight all forms of malnutrition (undernutrition, micronutrient deficiencies, obesity/overweight), through healthy, diversified, nutritional and sustainable diets.<sup>14</sup>

<sup>11</sup> For example, industry and road transport are the main causes of air pollution in Beijing, China, whereas in India slash-and-burn agriculture is still the main cause of deteriorating air quality.

<sup>12</sup> France's International Strategy for Food Security, Nutrition and Sustainable Agriculture, for the period 2019–2024  
[https://www.diplomatie.gouv.fr/IMG/pdf/frances\\_international\\_strategy\\_for\\_food\\_security\\_nutrition\\_and\\_sustainable\\_agriculture\\_cle4f3e1a.pdf](https://www.diplomatie.gouv.fr/IMG/pdf/frances_international_strategy_for_food_security_nutrition_and_sustainable_agriculture_cle4f3e1a.pdf)

<sup>13</sup> A food system gathers all the elements (environment, people, inputs, processes, infrastructures, institutions, etc.) and activities that relate to the production, processing, distribution, preparation and consumption of food products, and the outputs of these activities, including socio-economic and environmental outcomes (cf. the HLPE definition in the above-mentioned strategy, page 35).

<sup>14</sup> In connection with the Demographic and Social Transition Strategy now being prepared.

## 3.2. PRIORITY AREA 2 – ENHANCE THE ATTRACTIVENESS OF TERRITORIES FOR SHARED PROSPERITY

As transformations gain momentum worldwide, the risk of deepening territorial divides is increasing. Large disparities are growing particularly between rural and urban areas, but in reality they characterise all territories: inequalities exist between rural municipalities within the same region, as some – often within proximity of communication routes – attract new inhabitants, while others are struggling with rural exodus; some intermediary cities are well-integrated into the local economic fabric and able to act as real growth engines; or within large metropolitan areas where centres of attraction are found alongside neighbourhoods in great difficulty.

The second priority area of the Territorial and Ecological Transition Strategy presents AFD Group's commitments to promote improving the attractiveness of all territories. This calls for more balanced development, the creation of opportunities for young people, the promotion of inclusive and sustainable economies and increased exchange and solidarity between territories. This priority also acts as a link. In other words, it creates a nexus (cf. p. 13 on the linkage between the three priority areas) with the Strategy's first priority (access to basic services, with a focus on the most vulnerable populations) and the third (territorial resilience), following the rationale for a *just transition*.<sup>15</sup>

### 3.2.1 Combat territorial divides and promote a rebalancing

#### Improve the urban-rural continuum by promoting the development of intermediary cities

Intermediate cities, with between 100,000 and 1 million inhabitants, are those experiencing the fastest growth, especially in Asia and Africa. Yet, they are often less well-equipped than megacities when it comes to infrastructure, local management capacities and financial resources.

The purpose of reinforcing secondary hubs is to create a more evenly balanced urban coverage by countering the weight of the major cities. Moreover, in addition to fostering territorial equity, better urban coverage usually has a positive impact on transport emissions given that the distances travelled are shorter.

For this reason, AFD will step up financing for national programmes that target intermediary cities. This will first involve overcoming the lack of structural investments (roads, market facilities, urban services and public spaces) and reviving the local economy to drive job creation. It will also involve extending services to cover their areas of influence and sourcing, and thus their hinterlands and rural areas. Lastly, AFD will work to strengthen the capacities of local stakeholders (cf. 3.4. – acceleration levers).

#### Support for developing secondary cities in Lebanon

Less well-endowed than the capital, Lebanon's secondary cities are facing head-on the effects of a drop in growth and a rise of unemployment that affects 34% of young people. To tackle this, AFD is supporting the programme launched by the Lebanese government to support the development of nine of the country's secondary cities: four seaboard cities El Mina (municipality in Tripoli's urban area), Jbeil, Sidon and Tyre and five inland cities, Aley, Baalbek, Halba, Nabatieh and Zahlé.

An AFD €100 M loan, supplemented by €60 M of European funds, will make it possible to: (i) develop the cities' attractiveness by improving urban mobility; (ii) revitalise local economic activities by rehabilitating markets and upgrading fishing ports to include new functions; and (iii) promote national tourism and small businesses and strengthen social cohesion by enhancing cultural heritage and the urban environment.

#### Regenerate and revitalise city centres

To limit the consumption of natural spaces and halt the impoverishment of city centres, AFD will support urban renewal strategies to regenerate built structures and urban fabric in a state of decline. AFD's action will aim to keep these city centres alive, which can serve as a lever to reclaim urban spaces and a virtuous alternative to urban sprawl on city outskirts. For this, the Agency will develop the offer of social housing in city centres. This will also mean promoting greater accessibility to city centres, mainly via public transport, while also ensuring that congestion is kept to a minimum – all of which will contribute to their economic revival.

<sup>15</sup> Guidelines for a just transition towards environmentally sustainable economies and societies for all, ILO, 2015: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf)

Optimising urban forms also offers a powerful lever to achieve carbon sobriety and energy efficiency. AFD will encourage actions that promote densification to reduce energy consumption and per capita infrastructure cost, and encourage compact development to shorten distances between residential and working areas, while also managing the risk of urban heat islands.

Furthermore, AFD will support the conservation and enhancement of urban heritage, which is not only the bedrock of a collective identity, but also contributes to the attractiveness of a territory and job creation. In addition to rehabilitating buildings, AFD-funded projects will aim to (i) promote tourism and (ii) improve living environments such that urban upgrading first and foremost benefits inhabitants. To better manage the risks of museumization, real estate speculation and gentrification associated with this type of project, AFD will urge its partners to implement a mixed-use approach (commercial, residential, services, tourism, etc.), preserve existing usages and ensure the residents of target neighbourhoods access to housing.

### **In Johannesburg, optimising urban forms for a territorial project with climate co-benefits**

AFD has assisted the City of Johannesburg in elaborating its “structural sobriety” policy to reduce energy consumption caused by urban sprawl. To this end, the Agency supported the Urban Morphology Institute in drawing up the Spatial Development Framework so that issues linked to climate change mitigation could be more effectively mainstreamed into the main operational urban planning document. Since AFD is developing a partnership reflex in its operations as much as possible, it has also promoted experience-sharing with (i) the City of Paris on mainstreaming climate issues into the preparation of urban renewal operations and (ii) the European Metropolis of Lille on implementing urban development operations that ensure a diversity of activities and accessibility of services for all, particularly for those most in need.

### **Encourage the improvement and integration of precarious neighbourhoods**

According to UN-Habitat, if nothing is done, precarious neighbourhoods<sup>16</sup> could see their population double – from 1 to 2 billion – by 2030. AFD has always paid particular attention to this issue, and will continue to step up its support for strategies geared towards integrating precarious neighbourhoods into the rest of the urban space to improve the inhabitants' living conditions. AFD's action will also aim to prevent the formation of new informal settlements.

AFD will prioritise *in situ* rehabilitation operations, as these minimise the displacement and rehousing of residents, safeguard existing social ties and maintain the proximity to places of work and transport services. This pragmatic approach is less costly, requires no new land reserves and can be developed more quickly. As such, it can provide a solution that corresponds more closely to the residents' expectations. For this, AFD will support interventions that aim to: (i) secure land tenure; (ii) improve access to and the coverage of public facilities and basic services; (iii) facilitate access to the city and employment (mobility); (iv) facilitate connections both inside the city and within neighbourhoods (actions to improve public space, parks, squares and roadways in particular).

When *in situ* rehabilitation proves impossible and/or too costly, notably in the case of known risks (flooding, erosion, etc.), AFD will pay particular attention to rehousing operations, as these must be adapted to people's needs. AFD will thus prioritise approaches that combine urban planning and mobility so as to alleviate difficulties caused by the distance from the original area of residence.

In each situation, AFD will seek to strengthen the public authorities' role by fostering the link between these and the inhabitants, and ensuring that the latter are fully involved in the project with respect to development choices, implementation and maintenance of the structures built, particularly through labour-intensive works.

### **Adapt to the context of territories in crisis**

Increasingly often, AFD is called on to intervene in crisis situations, mainly in cases where the local governance bodies have collapsed. For AFD, this loss of territorial control justifies a tailored approach and operating procedures. Following on from diplomatic and military interventions and as a complement to humanitarian crisis response operations, AFD will seek to contribute to the gradual recovery of fragile territories, in line with the integrated 3D approach (Diplomacy-Defence-Development).

Relying on crisis-management specialists and on the emergency–development continuum while paying careful attention to psychosocial risks, conflict mediation and specific vulnerabilities (women, children, people with disabilities, the elderly), AFD will support the rapid provision of basic services (including water, sanitation and food) and infrastructure rebuilding, taking care to mobilise a local and non-native workforce. Moreover, AFD's operational response to crises will above all be implemented through the deployment of reinforced social engineering based primarily on the inhabitants and civil society organisations, as these are the key actors for reconstruction and ensure

<sup>16</sup> AFD Group defines precarious neighbourhoods as districts suffering from inadequate access to services and facilities and which are characterised by urban and socio-economic exclusion.

the continuity of the management function for cities or rural areas and villages. AFD will also help to re-establish links between the inhabitants and the public authorities, whose already weak capacities and legitimacy are eroded even further in times of crisis.

### 3.2.2 Interconnect territories to develop their full potential

#### Promote equity by strengthening networks across national territory

It is impossible to increase the attractiveness of territories if they are not connected to one another. A country cannot achieve sustainable growth without developing and enhancing its "connectors". These include roads (infrastructure for "last-mile" services enabling door-to-door trips), railways (adapted to densely populated corridors and when freight volumes warrant it, on sufficiently long segments of line), and waterways, when suitable conditions are met and the environmental impact is limited and offset. Increasing the attractiveness of intermediary cities is crucial as it helps to prevent the "megalopolisation" of regional capitals along with the issues this creates. It is also, and above all, a key driver of equity and social cohesion. For these reasons, AFD will pay close attention to projects that help to effectively interconnect people, places, goods, services and economic opportunities.

By supporting the construction and maintenance of road and rail infrastructure, AFD will work to link supply and demand from rural and urban areas to open up territories, boost sustainable productivity, unlock new perspectives, promote balanced regional development, bridge socio-economic gaps and contribute to food and nutritional security in vulnerable areas.

AFD will be attentive to improvements in environmental performance and will focus support on projects that foster low-carbon development and trajectories either through more efficient and cleaner implementation, operating and maintenance methods, or through a modal shift towards mass transit systems (notably rail). In addition, it will prioritise the upgrade and strengthening of existing infrastructure.

When it comes to engineering new road infrastructure, close attention will be paid to project sizing in order to rationalise investments with respect to the high number of large-scale needs (cf. supra – paragraph on rural roads). AFD will also take related infrastructure (bus terminals, connections to villages,<sup>17</sup> etc.) into consideration and set the objective of improving the connectivity of regional capitals and/or intermediate cities.

#### Open up territories to integrate their economies into international trade

Carrying over 10 billion tonnes of goods, maritime transport accounts for nearly 90% of world trade in volume and stands as the backbone of countries' economic growth. In parallel, air freight represents low volumes but high added value (35% of global value). Air passenger transport has surged with nearly three billion passengers carried.

Air and maritime transport contribute 2% and 3% of global GHG emissions respectively. However, given the medium-term projections of high structural growth, particularly for air transport, significant decarbonisation issues exist. As a result, AFD will support measures for an ecological and energy transition to impact the two main emissions-mitigation levers: (i) reduce the fuel consumption of aircraft and vessels and use alternative fuels and (ii) optimise the design and management of ports and airports in view of carbon neutrality and greater resilience and, for air transport, limit emissions produced on landing and take-off.

#### Improve the performance and sustainability of Indonesia's maritime and logistics sectors

As an archipelago comprising upwards of 17,000 islands, Indonesia crucially depends on its maritime sector. However, the country is facing multiple challenges on governance, effectiveness and sustainability.

Apart from the connectivity challenges key to the economic catch-up of the islands to the east of the country, mitigating the environmental impacts of major infrastructure projects, mainly ports, is a critical challenge. AFD is providing a €150 M policy-based loan to finance a large-scale reform programme to enhance the performance and sustainability of the maritime and logistics sectors, clarify their institutional organisation and boost the confidence of private operators likely to invest. AFD is also initiating a long-term dialogue with all of the sector's stakeholders.

Additionally, AFD will support the benefits that international air and maritime transport creates for economic and social development. As this sector is a powerful driver not only of national cohesion (for French overseas departments and communities), the opening-up of territories and territorial continuity (mainly for islands), but also of territories' connectivity and integration into the large international trade corridors and platforms.

<sup>17</sup> In Africa, particularly, over two-thirds of the population live more than 2 km away from an all-season road.

Lastly, AFD will exercise greater vigilance regarding the relevance of increasing port and airport capacities, in a world where international trade will not always be able to grow exponentially. AFD will only support the development of air capacities when this aligns with a rationale of economic catch-up for low-income and poorly connected countries, or furthers territorial continuity, and when there is no feasible alternative (e.g. island contexts).

AFD will thus focus its operations on island territories and Africa where there is an infrastructure deficit. It can also intervene, however, in other geographies to accelerate the ecological transition, respond to issues related to the environment, energy efficiency and the security of maritime and airport facilities. It will adopt an approach that maximises local added value, while also adhering to a sustainable growth path with mitigation and management of environmental impacts.

### 3.2.3 Promote inclusive and sustainable economies adapted to climate change

#### Promote the emergence of more integrated and more sustainable food systems

As a provider of food, jobs and social and environmental amenities, agriculture is core to the attractiveness and economic resilience of rural territories. Moreover, it is crucial to maintaining a balance – mainly demographic – between

the countryside and the city. Yet, the extension of agricultural and grazing land to the detriment of natural heritage is no longer an option compatible with a sustainable future. Agriculture and livestock farming in countries receiving AFD Group financing are not only a source of GHG emissions,<sup>18</sup> but also sectors of economic activity and employment that are hard hit by the effects of climate change.

As a result, it is now vital to transition towards ecologically intensive production methods that are more productive, more sparing of natural capital and land area, and more resilient. These transitions need to contribute to reducing greenhouse gas emissions from agriculture and livestock farming, but also enable these activities to adapt to climate change. The intended goal will be to reinforce populations' food security, combat all forms of malnutrition, promote decent jobs<sup>19</sup> and improve the living standards of farmers and breeders, while supporting ecological transitions in areas where they emerge. Priority will be given to supporting family farms since they are more able to maintain jobs and the social fabric of rural areas and engage in transitions towards production methods and systems that take greater account of the environment and climate for the benefit of the majority of people. AFD Group will also pay particular attention to the qualitative aspects of agricultural production, especially by promoting certifications not only with a view to exports, but also to building an advisory environment to encourage a more reasonable use of inputs and promote agroecological practices.

#### Proparco's interventions to support agricultural supply chains and the food economy

Proparco supports private-sector projects in agriculture and agro-industry across all stages of the supply chain in order to improve food security and nutrition of populations. Upstream of the chain, this support enables small farmers to access the financing or inputs required to run their business, increase their yields and improve income security. Downstream, it involves improving processing and storage activities, developing the necessary infrastructure to reduce farm losses, and accelerating product distribution in local, regional and international markets.

Support for agricultural supply chains is a strong through-line of Proparco's intervention strategy in fragile regions, as these

chains have a structuring impact on food security and nutrition, employment, the integration of populations and land-use planning.

Supporting these supply chains requires strict management of potential environmental and social risks, particularly deforestation, biodiversity loss, pollution or land-grabbing. On a social level, close attention is paid to work conditions and value-sharing, which is a prerequisite for poverty alleviation.

Proparco encourages its partners to disseminate best practices across their entire supply chains in order to promote sustainable models in developing countries.

<sup>18</sup> Note, however, that most of agriculture's contribution to GHG emissions (25% globally) comes from "Western" agricultural systems that are still highly dependent on agrochemical inputs and intensive livestock practices to meet the demand of unsustainable consumption patterns.

<sup>19</sup> 60 to 65% of formal or informal employment in Africa is linked to agriculture and food.

AFD will seek to scale up (spatially, timewise, socially and organisationally) different agroecological solutions tested as pilots, as well as green-economy solutions identified by action research. Support for agroecological transitions will also involve an ambitious action on fundamental mechanisms that structure the agricultural sector: (i) the development and modernisation of mechanisms for technical and economic advisory, agricultural and rural training, and the integration of young people into agricultural occupations; (ii) the development of green finance to boost these transitions; and (iii) assistance to agro-industrial businesses to improve their environmental and social practices. More particularly, AFD will support opening up opportunities for young people.

### **Support the agroecological transition of cotton production systems**

The cotton sector provides livelihoods either directly or indirectly for over 20% of Mali's population. It also contributes significantly to achieving Mali's food security objectives as it has a knock-on effect on the whole of the agricultural sector. In the face of multiple constraints (climate hazards, price volatility, soil fertility depletion, inadequate advisory and training services), strengthening the resilience of cotton farmers is now more necessary than ever before. The AgrEco project provides support for the agroecological transition of production systems in cotton-growing areas and helps to improve incomes for cotton producers. The activities of development-research, training and advisory make it possible to design more sustainable agricultural techniques and production strategies, support producers and their organisations on a path to the ecological intensification of agricultural production and promote practices to adapt agriculture to the effects of climate change.

In specific contexts where agricultural activities are threatened by increasing aridity or greater rainfall variability due to climate change effects, or where water availability is a major issue for sustaining agriculture, AFD will support the development of sustainable irrigation (creation or rehabilitation of irrigated areas) by applying the principles of integrated water resources management (IWRM – cf. 3.3.1). AFD will also prioritise all opportunities for cropping systems that consume little water and for the use of non-conventional water resources (e.g., reuse of treated wastewater). It will also address issues involving infrastructure management and maintenance, economic models (optimising agricultural development while also ensuring its inclusiveness) and pollution (drainage water management). Programmes aimed at reducing fossil energy consumption for pumping purposes can also be implemented, as well as renewable energy solutions adapted to local contexts.

### **Support the blue economy**

Today, around one-third of the world's fish stocks are classified as overexploited and 60% harvested at the maximum sustainable yield. At the same time, the degradation of marine environments due to pollution – from hydrocarbons, untreated wastewater and agricultural effluents, plastic waste – and the excessive artificialisation of coasts are impacting marine productivity and heightening the fragility of coastal communities. Yet, the sustainability of marine ecosystems and the conservation of their productive potential are vital for coastal territories and national and sub-regional economies that depend on fishing.

AFD will thus support the development of sectors that are competitive, inclusive and resilient to climate change (migration of fish stocks, modified trophic chains, loss of habitat). In particular, it will finance improvements to governance and sectoral policies on fisheries and aquaculture through support to (i) scientific, ecological, economic and social observatories and satellite-based fisheries monitoring; (ii) definition of fisheries development plans; and (iii) eco-labelling for fishery products (cf. Appendix 4 –AFD Group's Ocean Strategy Framework).

AFD's support will also be provided through: (i) the energy, sanitary, technical and social upgrading of fisheries facilities and vessels; (ii) the limitation of post-catch losses, compliance with health and traceability standards across all links of the supply chain; (iv) introduction of centralised information systems in ports; (v) sanitary, technological, environmental and social upgrading of land-based fish processing companies and (vi) development of resilient port infrastructure and landing platforms (rising sea levels and extreme events).

### **Develop economic activity hubs**

As cities have a concentration of production zones and generate trade in goods and services, they can serve as economic engines. AFD Group will seek to bolster these dynamics by supporting the economic growth of cities and local sectors. It will promote the development of economic and commercial areas that create wealth and sustainable employment and comply with sound social and environmental standards. The supported projects will involve the creation of new economic and commercial areas within the existing or expanding urban fabric, while systematically ensuring that these are appropriately integrated into the rest of the city. To curb urban sprawl, areas of economic activity will be connected with residential areas. In rural areas, areas of economic activity will be supported particularly in view of opening up opportunities for young people.

## 3.3. PRIORITY AREA 3 – SUPPORT ECOLOGICAL AND RESILIENT TERRITORIES

It is at the local scale that actions to promote territories that consume less energy and fewer natural resources are implemented. Now more than ever, it is imperative to enhance the performance of the services and facilities financed, and thus improve the relationship between the results achieved and the resources used, be they financial or environmental. On this count, particular attention needs to be paid to (i) carbon sobriety in the transport sector, by encouraging a shift to public transport, supporting non-motorised transport modes and promoting clean electric vehicles; (ii) sustainable energy efficiency of public infrastructure (street lighting, buildings, heating and cooling networks); (iii) the efficiency of water and sanitation systems particularly by reducing leaks; and (iv) the circular economy, by prioritising short supply chains.

It is at the local scale that global tensions related to food and nutritional security, inclusion and environmental conservation are emerging and affecting human lives. Due to the medium-term effects of climate change and its slow onset events, it is also on this scale that increasing aridity, flooding, extreme events and natural resource depletion are constraining economic activity and negatively impacting the quality of life and the functioning of societies and ecosystems. It is thus on this scale – also factoring in projected climate change effects between now and 2050 – that strong and swift measures are now required to protect natural resources and areas and strengthen territorial resilience.

In this respect, the “One Health” approach<sup>20</sup> is useful for thinking through and designing programmes that contribute to territorial resilience, including managing the risks of epizootic diseases, epidemics and pandemics. This type of approach reflects more broadly the present Strategy’s intention to address territorial resilience as holistically as possible, depending on the context. It involves interlinking ecosystem health, animal and plant health (including cultivated plants and farmed animals) and human health, which is largely determined by the access to a number of basic services (mainly access to safe drinking water, hygiene and sanitation, and mobility, cf. Priority area 1), and to healthy and sustainable diets.

### 3.3.1 Promote integrated water resources management

Water resources are coming under increasing pressure due to the combined effects of (i) soaring demand and thus withdrawals (resulting from population growth, urbanisation, industrialisation and changing diets); (ii) climate change effects and (iii) anthropogenic pollution (over 80% of the wastewater from human activities is discharged into rivers or the sea without treatment). Putting in place Integrated Water Resources Management frameworks (IWRM) is thus one of the key challenges for the coming years.

AFD will work to promote projects designed to enhance the knowledge and monitoring of water resources and ensure they are managed sustainably through conservation efforts both in terms of quantity (more efficient use), and quality (reduced pollution), particularly by developing household sanitation and industrial wastewater treatment). AFD will also ensure that consultation mechanisms are put in place to guarantee the stewardship of a common good that is vital to a territory’s attractiveness and resilience. This will require a concerted allocation of the resource between different uses (domestic, agricultural, industrial, energy-related and environmental) on the scale of river basins, especially for the large transboundary basins in Africa.

Lastly, in urban contexts and geographic regions experiencing high water stress (Sahel), AFD will support projects working on rainwater harvesting and storage during the intensive but short wet season (micro-dams in normally dry ravines, underground or semi-underground cisterns, aquifer recharging via a network of channels, etc.)

### 3.3.2 Conserve ecosystems and protect biodiversity

It is now commonly accepted that the conservation of our ecosystems is essential if we are to regulate climate change and bolster the resilience of our societies. AFD Group will thus seek to enhance and preserve the functioning and quality of ecosystems to achieve a three-pronged goal: i) protect the wealth of biodiversity underpinning ecosystems, ii) enable them to play a role in mitigating climate change, and iii) strengthen the economic and social

<sup>20</sup> One Health uses an integrated approach to address health questions, with special attention paid to zoonoses. Historically, its approach is based on animal and human health sciences, and more recently on the environment.



co-benefits that these areas can bring. To this end, AFD will promote nature-based solutions (NBSs) to conserve natural resources and protect biodiversity (cf. Accelerator 3.4.3).

### Secure and develop protected areas

Protected areas are crucial to the conservation of terrestrial and marine species and ecosystems. As a refuge for a natural capital in grave danger, they can shelter a sensitive and remarkable natural space from destructive anthropogenic pressures (deforestation, overfishing, overhunting, overgrazing, the spraying or spreading of pollutants, land-use changes for agricultural purposes, mining operations, infrastructure).

Planetwide, the number of protected areas is on the rise. In its Protected Planet Report 2016, the International Union for the Conservation of Nature (IUCN) counted over 215,000 terrestrial and marine protected areas worldwide, covering 14.7% of land, 10.2% of marine and coastal waters under national jurisdiction and 4.12% of the global ocean. However, their extent still falls below the targets set by the Convention on Biological Diversity (Aichi Target 11: 17% of terrestrial and inland water areas and 10% of coastal and marine areas). Their management also has shortcomings, hence the importance of supporting the global South countries that harbour most of the world's biodiversity, but now also accumulate the most severe risk factors and pressures.

Their management methods often still lead to approaches that tend to exclude communities, yield insufficient local benefits and even exacerbate poverty. Yet the stewardship of natural areas needs to be guided as much by a planetary objective as by the key dimensions of productivity, adaptation and attractiveness of rural and urban territories.

This is the spirit in which AFD will continue its support to protect and develop terrestrial and marine protected areas by implementing an integrated territorial approach and systematically working to strengthen the co-benefits these areas provide at an economic, social, educational, health, security and resilience level. Inclusive governance, the sustainable enhancement of natural resources, the recognition of local knowledge, usages and values, the consolidation of user rights and duties, and the creation of common goods are all crucial to the sustainability of these areas and the services they render.

The Group's operations on terrestrial and marine protected areas pursue four objectives: (i) develop and strengthen these areas through improved governance and management; (ii) integrate them into a territorial project by supporting the establishment of territorial planning authorities and the development of sustainable supply chains; (iii) secure their long-term financing through innovative mechanisms; and (iv) reinforce public policies and partnerships to promote them at different levels.

### Support for protected areas: the example of China

Cognisant of the limits of its development model and the risks it carries, China (one of the planet's 18 mega-diversity countries) has for several years been following a proactive policy to conserve its natural capital and reduce its ecological footprint. This has mainly involved a major reform (ongoing) of its entire national system of protected areas.

AFD-funded projects to preserve and enhance natural capital in China represented non-concessional loans worth more than €350 million over the period 2013–2019. In this context, AFD

is working to promote French expertise in ecological engineering and conservation. By way of illustration, since 2017, AFD has been supporting a pilot project for a national park in Xianju (Zhejiang Province), which promotes innovative approaches: preparation of a territorial charter, definition of values and a "Park" brand, as well as educational activities on the environment. To shore up this approach, AFD is also financing a partnership to enhance the technical and strategic dialogue between the Xianju National Park and the Ballons des Vosges regional natural park.

### Combat land degradation and slow down desertification

Each year, at least 12 million hectares of land lose the capacity to provide natural and human ecosystem services. Were this land not degraded, the UN estimates that an additional 20 million tonnes of cereals could be produced. Soil depletion, caused primarily by human activity, presents a direct threat to the food and nutritional security of around one billion people living in 100 countries. It also has other devastating long-term effects – it exacerbates climate change by reducing the amount of carbon stored in the soil and increases the loss of biodiversity (and its associated climate services).

In light of this, AFD will finance projects that encourage actors to transition to an agriculture (including livestock farming and harvested forests) that is productive, highly resilient and based on adapted and sustainable land and soil management. As part of its support to the earlier mentioned ecological transitions in agriculture, AFD will support concrete actions to promote soil carbon sequestration and develop virtuous practices to this end (agroecology, agroforestry, conservation agriculture, landscape management, etc.).

In addition, the desertification of arid areas is intensifying in some regions of the world. To reduce the degradation of arid land, AFD Group will continue to provide support to such areas (e.g., the Sahel) to promote good practices for sustainable land management and assist local authorities keen to invest in the conservation of their territory's natural resources and combat desertification. During the term of this Strategy, AFD's action will align with France's strategic framework to combat desertification and the French International Strategy for Food Security, Nutrition and Sustainable Agriculture.

### **Combat deforestation and promote sustainable forest management**

Forests provide essential services for humanity's survival and well-being as they account for two-thirds of the planet's photosynthesis and store large quantities of water and carbon. They also harbour a unique biodiversity of fauna and flora that is crucial to sustaining these services. This means that forests are a lever for action in fighting climate change to mitigate and adapt to its effects. If well-maintained and sustainably managed, forests are also a source of sustainable economic development. They provide sustainable wood resources as well as other products that are vital at subnational, national and international levels. However, in a context of high demographic growth, forests are subject to multiple pressures that cause them to shrink and deplete their resources: conversion of forest areas into agricultural land (for food, housing, clothing and transport), collection of wood for cooking and heating, as well as anarchic and unsustainable timber harvesting. The consequences of climate change, including drought and wildfires, are further exacerbating the vulnerability of forests.

AFD will support reasonable and sustainable harvesting of wood resources to help to slow down, reduce and, if possible, halt forest degradation by paying close attention to communities' rights to both land and resources. In line with the commitments made by France under the National Strategy to Combat Imported Deforestation (SNDI),<sup>21</sup> AFD will support the "zero deforestation" strategies of producer countries, as defined in their national roadmaps. It will support the mainstreaming of sustainable forestry development plans, the restoration of degraded landscapes, eco- and social labelling for forest value chains and the logging industry, improvement of the economic, energy, environmental and social performance of the wood-processing industry, and capacity-building for national authorities to ensure good governance of the sector and compliance with the best international standards, as a complement to forest conservation policies.

### **Support for public policies and stakeholders involved in sustainable forest management in the Congo Basin**

Between 1999 and 2015, AFD operations provided support for the forest sector in 29 countries and approved €1.1 billion for 117 projects promoting sustainable forest management, including 33 in the Congo Basin. Since 2016, AFD has also acted as the implementing agency for the multi-stakeholder Central African Forest Initiative (CAFI) and is cofinancing part of its programmes.

The purpose of the North Congo forest landscape project (€8 million, 2019–2023) is to secure the ecological continuum and conservation of biological diversity, as well as support socio-economic development and rational land-use planning. The project aims to establish a coherence between anti-poaching efforts in protected areas and the forest management units, by supporting the Congolese government, the conservation NGOs WCS and WWF, and the private sector. Secondly, dedicated experts are assisting local communities and indigenous peoples in managing territories and developing economic alternatives to hunting. Lastly, continuing education for government officials and the research activities launched by CIRAD in the 1990s on sustainable forest management will give better control over the implementation of the forest management plans.

### **Support efforts to protect and depollute seas and oceans**

Given the essential services rendered by marine ecosystems in terms of resilience for coastal communities and carbon sinks (which sequester 25% of anthropogenic CO<sub>2</sub>), it is vital that they be taken into account in the efforts to address climate change challenges.

AFD Group will support the creation and management of marine and coastal protected areas (MCPAs). At the territorial level, these areas represent a powerful tool for mainstreaming the conservation of ecosystems and fishery resources into the economic, social and management dimensions of fisheries.

AFD will support actions that significantly reduce the environmental impacts caused by economic activities in coastal areas and river basins. In particular, it will continue its efforts to improve coastal sanitation services.

<sup>21</sup> Ministry of the Ecological and Inclusive Transition, National Strategy against Imported Deforestation 2018–2030, [https://www.ecologique-solidaire.gouv.fr/sites/default/files/2018.11.14\\_SNDI\\_0.pdf](https://www.ecologique-solidaire.gouv.fr/sites/default/files/2018.11.14_SNDI_0.pdf) (in French)

### **The Pacific Initiative for Biodiversity, Climate Change and Resilience**

Since the early 2000s, AFD has been operating in the Pacific region to tackle the challenges of conserving and enhancing marine biodiversity (regional initiative for the protection and sustainable development of coral reefs, 2005–2011) and the integrated management of coastal areas with a view to climate change adaptation (RESCCUE project, 2014–2019).

Announced as a commitment at the One Planet Summit, the Pacific Initiative for Biodiversity, Climate Change and Resilience follows on from the above mentioned activities. Launched in April 2020, this multi-donor and multi-project initiative aims to facilitate access to financing for the sponsors of all types of projects aiming to develop nature-based solutions for climate change adaptation. The Initiative covers 19 countries and island territories in the South Pacific, as these are some of the most vulnerable to climate change and endowed with a wealth of exceptional terrestrial and marine biodiversity.

This joint Initiative operates under a coalition of international donors (AFD, European Union, Australia, New Zealand and Canada) with an input of €31 million over a five-year period. It is run in a spirit of coordination and dialogue with the key partners of France's Indo-Pacific strategy.

### **3.3.3 Strengthen capabilities to adapt to natural disasters**

The actions of the present Strategy aim to contribute to strengthening the adaptive capacities and medium- and long-term resilience of territories. More specifically, the combined effects of climate change, biodiversity loss, rapid urbanisation, demographic growth and economic development mean that territories, and particularly cities, need to constantly adapt in order to increase their resilience to natural disasters.

In many of AFD's intervention countries, cities, towns, neighbourhoods and villages are impacted, if not destroyed, by natural disasters (earthquakes, flooding, drought), with significant human and economic repercussions.

Although urban growth – often uncontrolled and/or located in risk areas – is an important risk factor, it is now acknowledged that climate change further exacerbates these dynamics by increasing the frequency and intensity of these disasters (especially those involving water). Over the last 20 years, 90% of disasters have been caused by climate-related phenomena (flooding, drought, etc.) and the authorities' limited capacities in the area of disaster prevention, preparedness and early warning systems have led to serious consequences.

To reduce the vulnerability of territories to these hazards (particularly, flooding risks), AFD will provide assistance in defining natural disaster prevention policies, consistent with the priority actions in the Sendai Framework for Natural Disaster Risk Reduction,<sup>22</sup> including (i) acquire a better understanding of risk, and notably hydrometeorological hazards (risk mapping), (ii) reduce risks in areas identified as the most vulnerable through financing for physical measures (green and grey protection infrastructure (e.g., drainage channels, floodplains) and non-physical measures (urban planning, regulatory measures, etc.), (iii) enhance disaster preparedness and disaster response planning (crisis management) by developing early warning systems, reinforcing civil protection and raising public awareness, and (iv) strengthen disaster risk governance through capacity-building actions and the participation of relevant stakeholders.

Within the development operations that it finances, AFD will give particular attention to cities and urban areas in coastal regions, which are severely impacted by natural disasters (flooding, erosion) and have to deal with the effects of climate change.

### **Support Madagascar in tackling natural disasters and consequences of global warming**

Extreme events (cyclones, floods and drought) are increasingly frequent and intense in Madagascar and the island's vulnerability is further heightened by a difficult socio-economic environment. The economic cost of losses caused by natural disasters has been estimated to average around USD 100 million per year, equivalent to 1% of GDP.

To strengthen the Malagasy government's technical, institutional and financial capacities for disaster risk management, AFD is financing a programme designed to i) strengthen the national risk and disaster management system; ii) reinforce financial resilience to disasters; iii) mainstream climate change adaptation and resilience to disasters into territorial and urban planning. This financing is in the form of an AFD concessional sovereign contingent loan of €25 million – including €15 million approved following the Covid-19 crisis –, added to which is grant cofinancing from the World Bank.

<sup>22</sup> United Nations, March 2015; [https://un-spider.org/sites/default/files/43291\\_sendaiframeworkfordrren.pdf](https://un-spider.org/sites/default/files/43291_sendaiframeworkfordrren.pdf)

## 3.4. ACCELERATION LEVERS FOR THE TRANSITION

Given the scale of the challenges and the climate emergency, AFD will need to accelerate its action to successfully achieve the territorial and ecological transition and reach its ambitious strategic objectives. To do so, the Group will propose its partners more sustained assistance upstream of or concurrent to its support, but in either case inseparable from its interventions to promote inclusive, attractive and ecological territories.

### 3.4.1 Improve territorial governance and plan the sustainable development of territories

#### Support decentralisation processes

To support decentralisation processes effectively and take into account each country's institutional, political and legal specificities, AFD will engage in a long-term dialogue with national and local authorities, mainly through policy-based loans. The objective will involve the effective implementation of institutional reforms based on the subsidiarity principle and provisions for clear and effective transfers of powers from central to local government, together with sufficient resources to ensure the delivery of efficient and sustainable public facilities and services. AFD's support will mainly focus on: i) restructuring financial transfers from the central to local government (amounts, distribution criteria, calculation methods, etc.) in line with the transfers of power; ii) improving the legal framework for local governments' own resources (taxation, charges, fees, land resources, etc.) to bolster their financial autonomy; and iii) improving local governments' access to loans to finance their investments (changes to the legal framework, a more diversified offer, etc.). To optimise the impact of this support, AFD will seek partnerships with other aid donors with a view to cofinancing.

#### Strengthen the capacities and performance of contracting authorities and operators

Strengthening the capacities of contracting authorities and public operators will be a priority. The Agency will support elected officials and the technical and administrative staff of the local institutions responsible for defining and implementing a territorial strategy based on the public interest. It will also assist local authorities in improving transparency and accountability in the area of local management. Lastly, AFD will encourage mechanisms for inter-municipal cooperation that create coherent functional and geographic convergences and thus make it possible to perform

#### Support the decentralisation process – the case of Morocco

Ten years ago, to support the increasing urbanisation of its territory, the Kingdom of Morocco chose to modernise its decentralisation framework in order to give local authorities a pivotal role in their territory's sustainable development. To support this dynamic, AFD has approved a €100 million loan to the Moroccan government in complement to World Bank financing of €270 million to fund a public policy geared to strengthening the management performance of participating municipalities; developing inter-municipal initiatives; training adapted to the challenges of climate change; and ultimately improving the quality of local public service provision in the main Moroccan cities. This policy-based loan should lead to the long-term reinforcement of local authorities, through an approach that holds them and the government accountable for results.

administrative tasks efficiently, deliver high-quality public services and promote local or even regional development. Improved technical and financial performance on the part of contracting authorities and specialist operators (water, forests, agriculture, transport, housing, etc.) will also be sought in order to enhance the quality of services provided to inhabitants.

#### Plan the sustainable development of territories

At local level, AFD will support strategic planning and territorial foresight processes. It will support the definition of territorial development plans that provide a comprehensive long-term vision (multi-sectoral) and set out basic guidelines and key principles (e.g., social and functional diversity, a sparing use of space, well-managed mobility, respect for the environment, etc.). AFD will also support the formulation of sectoral policies and planning documents and the development of tools that provide a deeper understanding of territories. As all urban planning or rural development projects are designed within a specific local context and in accordance with ongoing initiatives or stakeholder logics, AFD will encourage the establishment of a baseline characterising a territory's structural dynamics. This will enable decision-makers to make informed choices that integrate foresighting, and allow them to measure the results and impacts of the actions carried out. In addition to accountability requirements, this will involve producing and sharing knowledge on their territories.

Furthermore, within the framework of its support to territories – and often linked to moves towards decentralisation – AFD will support:

→ **improved knowledge of land resources** and natural resources, by making it possible to assess a territory's potential. Understanding the regenerative capacity of resources (forestry, fisheries, water) and the way in which land is accessed and used is key to a good understanding of territories. AFD is bolstering knowledge of these resources and their quantitative and qualitative monitoring by local stakeholders and governments (national and international research tools, participatory mapping, land information systems, support for national statistics systems, fish stock assessment, etc.).

→ **secure access to land and decentralised land management**, by supporting the implementation of inclusive and sustainable policies to secure land tenure, based on clear-cut recognition of existing and identified legitimate land rights, whatever their origin (customary or statutory law) or nature (individual vs. community, temporary vs. permanent). Through decentralised management tools, AFD supports three aspects of land management: i) "private" land management, to secure historic rights and facilitate the development of arable land; ii) the management and protection of commons (forests, water, rangeland) to avoid the alienation of rights and environmental degradation; and iii) the relations with the state concerning land in the national domain, particularly protected areas.

At national level, AFD will foster the emergence and strengthening of public policies and spatial planning frameworks that aim for sustainable trajectories, as well as the development of sectoral institutional frameworks that are clear, effective and inclusive. Special attention will be paid to ensuring that these policies are coherent with those pursued by regional (subcontinental) institutions that bring together countries from the same geographic zone in order to promote greater political stability, cross-border economic development, market interconnectivity and the management of shared resources and common goods.

Finally, whatever the level of planning, these operations will need to factor in demographic projections and changes in population distribution at the territorial, social and economic levels, as well as the anticipated changes in climate conditions and the environment, along with their consequences for natural resources, infrastructure and populations.

## **Promote stakeholders' involvement and effective participation**

Promoting the rebalancing and attractiveness of territories means crafting a more inclusive territorial action that stretches beyond the sphere of public actors. In its interventions, AFD will seek to enhance and boost stakeholders' capability for a shared dialogue and, beyond that, to act jointly through a collective, well-balanced approach. This will help to promote democratic, inclusive, representative and locally rooted governance. More specifically, AFD will: i) encourage local stakeholders, particularly women and young people, to participate in territorial planning activities; ii) foster the emergence of new types of direct partnerships between local decision-makers and civil society, including the setting-up of permanent consultation platforms open to all; iii), promote the creation of systems to manage user complaints; and iv) alongside its traditional long-term operations, develop rapidly actionable initiatives to test a programme (upstream) or new usages (downstream), as well as new forms of citizen participation (this will involve proposing concrete and frugal solutions on a small scale and of short duration, based on a "test and learn" approach).

### **Support the development of rural territories in Tunisia**

Since 2017, to further the development of rural territories and tackle climate change, Tunisia has been pursuing an innovative natural resource management strategy – innovative as it mainstreams natural resource management in an approach to economic development and integrated rural development. Innovative also because it places communities and local stakeholders at the centre of territorial development strategies, which enables the co-construction of development trajectories and well-balanced governance. To support this approach, the Tunisian minister of agriculture designed and built the PACTE project, with financial support from AFD and FFEM, and technical assistance from CIRAD and FranceAgriMer. The project supports development in six rural territories located in five governorates in the north and centre of Tunisia. These territories all have a high rate of poverty and rural exodus, a preponderance of small family farms and pluriactive rural households. PACTE thus supports the concerted implementation of actions to develop their local economies and land-use planning, and set up territorial development committees comprising representatives from both the community and the newly created municipalities.

### 3.4.2 Adopt and roll out innovative and complementary approaches

Support for innovative approaches can not only accelerate the implementation of the territorial and ecological transition, but also further the achievement of the SDGs. These approaches may be citizen-driven, nature-based or technological and operate at different territorial levels. Drawing on its efforts to capitalise its experience and research, AFD Group will continue to promote these innovative solutions and seek to roll out new ones, each time taking care to demonstrate their good performance and cost-effectiveness.

#### **Prioritise nature-based solutions**

Food security and nutrition, human health, environmental risks, sustainable and resilient cities, the economic development of territories – these are the many societal challenges to which nature can bring effective and long-term solutions. In addition to safeguarding natural resources and ecosystems (and associated services, notably climate-related), the concept of nature-based solutions (NBSs) aims to use green alternatives and innovate using the potential that biodiversity offers us. The deployment of these emerging and little-known solutions requires assessing their impacts, co-benefits and cost-benefit ratio more robustly, designing innovative economic and financial mechanisms and mobilising all of the stakeholders.

To complement “conventional” solutions, AFD will prioritise these alternatives in spatial planning and integrated resource management, in line with an international agenda for biodiversity and a pro-nature economy. Scaling up these green options and identifying the most sustainable options for AFD’s future actions will more specifically mean strengthening our partnerships with the research community and civil society organisations actively deploying nature-based solutions, so as to structure the public policy dialogue with counterparties in the Group’s countries of intervention.

AFD Group will prioritise nature-based solutions to tackle the challenges of climate change mitigation and adaptation and natural hazard management. For instance, AFD will encourage the development of green spaces in cities. These will be designed to absorb and filter drainage water from the streets when it rains so that pollutants such as hydrocarbons, particles from vehicle tyres, etc. are separated out before entering urban waterways. Moreover, techniques that enhance ground permeability (pervious concrete, absorbent road surfaces and pavements) can be promoted to increase the absorption of run-off and thus limit the risk of flooding, while also providing water reserves for urban vegetation.

#### **Encourage citizen-driven innovation**

As building sustainable territories implies involving broad stakeholder coalitions, AFD is proposing a new service offer: urban innovation laboratories.

The goal is to give residents and users a central role in constructing the territory, in close collaboration with the local authorities, by enabling them to design projects with high social, cultural and environmental impacts.

Since large-scale interventions (infrastructure and facilities) funded by AFD are long-term operations, urban innovation labs are intended to provide concrete solutions that are actionable at any moment:

- upstream of an AFD project to encourage ownership of a new space or test new functions in response to an urgent need (e.g., testing pedestrian traffic at a crossroads), or
- downstream to review a new use (e.g., children’s play areas in a recently rehabilitated park).

In addition to spurring creativity, mobilising as many stakeholders as possible fosters their ownership of urban projects and stimulates local democracy.

#### **Mobilise digital technologies**

As digital technologies and tools make it possible to imagine novel solutions for sustainable development, AFD Group intends to use them to accelerate the achievement of the SDGs. AFD will not only make use of these new tools in the projects it finances, but will also support the digital transformation of the stakeholders themselves, thus enabling them to operate more efficiently and mobilise new collaborations and an innovation agenda. This will require compiling a solid base of territorial data that can be digitalised and shared.

While the following list is not exhaustive, AFD will focus its support on: i) the emergence of “smart cities” (optimising services, improving risk and crisis management, municipal transparency, etc.); ii) the implementation of digital platforms to connect the users, decision-makers and operators of transport systems; and iii) the conditions of access to agricultural markets for family farmers, particularly women and young people, to ensure a lasting improvement in the terms of trade.

### 3.4.3 Mobilise partners

Given the magnitude of the challenges, no single actor can today hope to influence the territorial and ecological transition trajectories alone. Meeting these challenges requires mobilising partners and local and/or private-sector financing and being able to rely on well-trained and proficient actors. The new momentum spurred by the integration of Expertise France into AFD Group will allow both entities to strengthen their synergies and opportunities to act in favour of the SDGs, while also retaining their own identities. Moreover, to successfully fulfil its missions, AFD Group will step up its partnership reflex in line with the French government's approach, "Partner with France", being fully aware that it cannot succeed alone and that much can be learnt from others. On this count, it will continue to participate actively in platforms for exchange and reflection, such as the French Partnership for Water or the French Partnership for Cities and Territories.

#### **French Fund for Global Environment (FFEM), a choice partner for innovation**

Being a promoter of innovation for the environment and development, FFEM is a key partner for the successful implementation of this transition strategy, which has many points in common with the Fund's own 2019–2022 strategy. In addition to sectoral convergences on biodiversity, forestry, agriculture, urban nature, low-carbon transport, etc., both strategies commit to integrated and concerted approaches and have identified similar innovation drivers: digital and nature-based solutions in particular, as well as the One Health approach. FFEM grant financing for innovation can bring extra added value to AFD's offer as it allows new solutions to be tested before going to scale.

#### **Strengthen cooperation actions with public and semi-public stakeholders**

AFD will work to bolster its interventions on capacity-building actions (assistance for contracting authorities, creation of a project management unit, etc.) and technical assistance (running thematic workshops, making specialists available, etc.). These will be implemented in collaboration with Expertise France, as well as with professional and associative ecosystems, the research community and incubators.

The Agency will step up the initiatives it runs jointly with French local authorities and their groupings. AFD will also work to promote the internationalisation of local governance solutions and expertise from French territories by partnering with generalist or specialist local authority groupings (e.g., the French Federation of Regional Nature Parks and the French Network of Urban Planning Agencies) and by mobilising tools dedicated to decentralised

cooperation (FICOL). The Agency will encourage the relations that the local authorities are forging with each other in order to compare and enhance their local public policies. This is a fundamental lever for territorialising and achieving the Sustainable Development Goals.

AFD, which prioritises non-sovereign financing, will also encourage all societal actors to invest in the future: designing, financing and acting together. In this context, the strategic alliance signed with the Caisse des Dépôts Group (CDC) will not only help to improve the efficiency and responsiveness of the sustainable development financing system, but will also offer the advantage of providing feedback on CDC's experiences. CDC provides support to French territories whose issues intersect with those of many global South territories (e.g., the "Cœur de Ville" programme). Both institutions will reinforce each other by leveraging the synergies created through the use of their respective skills, networks and financing tools.

Moreover, AFD is developing and bolstering its cooperation with the French public institutions that operate or aim to operate at an international scale. As an example of the added value of public expertise, the new French Biodiversity Agency (OFB), with whom AFD and Expertise France signed a tripartite partnership agreement at the end of 2019, is a key partner in jointly advancing AFD Group's biodiversity ambitions. Over the period 2019–2020, new partnership agreements were concluded with CIRAD, ADEME, IRD and ANRU, as well as other key public-sector stakeholders that respond to the challenges of the ecological and territorial transition.

#### **Use French know-how for the benefit of territories**

Regarding its strategic relationship with the French private sector, AFD Group will seek to strengthen its cooperation with actors driving innovation. This will involve identifying technical, social, organisational or contractual advances that promote solutions adapted to the challenges of the territorial and ecological transition in the Group's geographies. The in-depth dialogue with SMEs, intermediate-sized enterprises (ETIs) and major French groups will be an opportunity for peer exchange on the most virtuous high-impact practices.

To go further, AFD can promote networking with the public-sector ecosystem. It will also make active efforts to ensure that public-sector financing operations are coherently interlinked so that they are all aligned with the SDGs (for example, the call for "waste treatment and recovery" projects financed by the FASEP fund run by the Directorate General of the Treasury). AFD will thus fully play its role as a partnership learning platform that contributes to the influence of French expertise.

### **As an increasingly important theme on the international agenda, the fight against pollution calls for partnership-based responses**

AFD has signed a partnership agreement with the association, Airparif, to help it develop adapted solutions. Airparif is the French expert body in charge of monitoring air quality in the Ile-de-France region, raising awareness, advising public policy and conducting evaluations.

This partnership has a threefold purpose: i) make the subject more visible; ii) initiate a technical dialogue with national or local authorities wanting to address the issue (metrics, diagnosis); and iii) promote the emergence of investment programmes designed to bring effective responses.

For this, Airparif will be able to draw on recognised French know-how in the field of metrics (Envea, Ecomesure, etc.), modelling (chiefly ARIA Technologies) and equipment.

### **Develop cofinancing to leverage the impacts of the territorial and ecological transition**

AFD will continue and scale up interventions cofinanced with other multilateral or bilateral donors to increase aid effectiveness, while also promoting the development of a common culture of joint interventions.

### **Develop multi-stakeholder platforms for sharing good practices: the example of Mobilise Your City**

AFD is a founding member of the Mobilise Your City (MYC) initiative, along with an alliance of international partners (development agencies, urban transport planning agencies, NGOs and other development banks). Launched in 2015 at COP 21, this global initiative supports improved urban mobility planning in order to define ambitious objectives for reducing carbon footprints and measuring their results.

In particular, AFD will continue to manage project preparation funds mainly financed by delegated funds from the European Union. These tools are essential for financing the feasibility studies and technical assistance that will allow the preparation of future investment projects presenting climate co-benefits: CICLIA for sub-Saharan Africa, CICLASIA for Asia, the CAF Facility for Latin America and UPFI for the Mediterranean.

To go further, AFD Group will reinforce its partnership with the Green Climate Fund (GCF). In line with its strategic orientations, the Group will work, for instance, on defining an electric mobility programme in Latin America that will mainly target non-governmental and private actors and will closely involve Proparco.

### **Mobilise partner development banks within the IDFC on the challenges of the territorial and ecological transition**

As a member of the International Development Finance Club (IDFC), AFD Group will contribute to coordinating thinking on the ecological transition, via the Climate Facility and the "Making Finance Work for Nature" group. Leveraging financial resources is a key challenge for the negotiation and implementation of the post-2020 global biodiversity framework. In this setting, development banks have a crucial role to play. The IDFC Nature work group is one of the key arenas for making biodiversity mainstreaming in banks happen (concerning strategy, exclusion lists and environmental safeguard clauses; pursuit of positive impacts, biodiversity finance reporting, factoring in of financial risks linked to biodiversity loss, etc.).



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**APPENDICES**

# APPENDIX 1. PRIORITIES OF THE TERRITORIAL AND ECOLOGICAL TRANSITION STRATEGY BY GEOGRAPHY

This Appendix outlines AFD Group's key priorities for the Territorial and Ecological Transition Strategy for its four major geographic regions of intervention.

The intervention priorities for AFD Group's other transitions<sup>23</sup> are not presented in this document.

## AFRICA

Building on the Territorial and Ecological Transition Strategy, the teams will step up the work already carried out over several decades to promote development in Africa. **The continent is and remains at the heart of AFD's action.**

In the coming years, AFD wishes to contribute to the transformation of territorial development models by promoting sustainable cities and through direct support to local authorities. We will also invest in rural areas and ecosystems to bolster their resilience and reduce territorial and ecological imbalances.

More than ever before, Africa's development needs to integrate the fundamental challenge of **agricultural and rural development**. Rural areas must **increase incomes from agriculture and the food economy, keep abreast of demographic growth and, at the same time, strengthen the resilience and sustainability of food systems, including agricultural production and land management**. Rural areas will see their populations continue to grow. As a result, the issues of food security, **access to drinking water**, centralised sanitation services (large sewage treatment plants receiving wastewater from a city or district) and decentralised ones (smaller-scale sewage solutions collecting less wastewater, or individual solutions) and **the fight against all types of malnutrition, including in rural areas, must all become higher priority for AFD in Africa.**

**Biodiversity conservation and mainstreaming** in AFD operations will be significantly ramped up for Africa. This will involve the Congo Basin forests, the African network of protected areas, savannah ecosystems, integrated water resources management, watersheds and their wetlands, as well as the protection of coastal areas. It will require leveraging a larger share of the concessional finance available to AFD in order to mainstream this dimension alongside the economic and social development dimensions.

At the same time, high population growth coupled with *in situ* urbanisation of rural areas is now propelling the highest urban growth rate in the world (+4% a year). **By 2035, 50% of Africa's population will be city dwellers.** In this context, AFD will continue to support programmes geared to **improving access to basic services** (housing, transport, water and sanitation, electricity, waste management, food markets) with a specific focus on **improving the living conditions of the most vulnerable populations** (residents of **precarious neighbourhoods**). AFD will support the development of **urban mobility** projects and the modernisation of para-transit transport modes, which are the predominant means of urban transportation in Africa. In addition, **road safety** will be a systematic component of road projects.

Our support for local authorities' **governance**, particularly financial, will help to strengthen the impact of the initiatives undertaken. On this count, **decentralisation processes and capacity-building actions for local authorities, participatory and inclusive territorial planning exercises, the co-construction** of projects, as well as the **digital transformation** of African cities will be supported.

AFD will encourage policies designed to **stimulate urban economies** and **boost** formal and informal **employment**. Through its actions on **food security, nutrition** and **agricultural outlets as well as water supply**, AFD will also support the **development of urban-rural connectivity**. This connectivity **will be spurred by improving territorial interconnections**, mainly through **road transport** projects (intercity roads, infrastructure, rural roads and tracks and urban motorways). As these projects touch on the **question of political instability**, they are essential particularly in helping to avoid the isolation, pauperisation and radicalisation of some territories, especially in the Sahel or Central Africa.

<sup>23</sup> The demographic and social transition, energy transition, digital and technological transition, economic and financial transition, and political and civic transition.

## LATIN AMERICA

In Latin America, AFD Group will continue its interventions in support of the ecological and territorial transition by prioritising a territorial approach.

In rural territories, the Group will ground its actions on three priorities: agricultural development, the conservation of forests and water resources, and protection of the environment and biodiversity:

- In the area of agriculture, this will involve supporting the development of agricultural supply chains and food systems ensuring a high quality both environmentally and socially.

Priority will be given to forms of agriculture that combine innovation and sustainability, such as agroecology, agroforestry or market gardening on living soil (**Priority area 2 – 3.2.3. Promote inclusive and sustainable economies adapted to climate change**).

- Building on the experience of its first interventions in the forestry sector, AFD Group will step up its efforts to support the development of protected areas and forests, particularly regarding the fight against deforestation and soil degradation (**Priority area 3 – 3.3.2. Conserve ecosystems and protect biodiversity**).
- On the subject of water, AFD Group will support projects that promote integrated water resources management.
- The Group will take action to combat pollution and conserve marine biodiversity.

The Group will also support the development of urban territories with clear commitments to furthering environmental sustainability and the fight against climate change.

These interventions can also provide co-benefits such as resilience, climate change adaptation and the reduction of economic, social and territorial inequalities. In metropolitan areas, AFD Group will intervene mainly to strengthen access to drinking water and sanitation services, develop sustainable and inclusive mobility systems, and improve living conditions (**Priority area 1. Improve living conditions for all and foster harmonious coexistence**). In the area of transport, AFD Group will prioritise transport projects that are embedded in the existing urban fabric within the framework of overarching and integrated planning policies to reduce the ecological footprint of cities and bolster their resilience. AFD will seek to develop integrated networks of efficient and accessible public transport in both major and intermediate cities. It will support initiatives aimed at controlling urban traffic flows by promoting the use of non-motorised transportation. Support for low-emission public transport with a limited environmental footprint will be renewed. Projects falling within this scope include projects for light rail, metros, clean buses, trains, cable cars, shared-access electric vehicle fleets, bicycle lanes.

Support for urban development can also apply to whole neighbourhoods to enable their rehabilitation and improve the residents' quality of life (**Priority area 1 – Improve living conditions for all and foster harmonious coexistence**). It can also support capacities for urban planning, development and innovation (**Acceleration levers – 3.4.1. Improve territorial governance and plan the sustainable development of territories**).

## THREE OCEANS

In the Three Oceans geography (countries and territories within the perimeters of the Atlantic, Indian and Pacific Ocean basins), AFD Group's interventions will align with the Three Oceans Strategy.<sup>24</sup>

In the urban territories of Overseas France, AFD will reinforce its offer to local authorities and the housing and urban development operators which AFD has been financing on a longstanding basis (budget support for local investment programmes, advisory-support for local authorities, conservation and development of high quality natural areas,

mainly in urban coastal areas) (**Priority area 1. Improve living conditions for all and foster harmonious coexistence**). In particular, AFD supports investments that fall under territorial climate plans. In the foreign states within the Three Oceans regions, AFD will intervene specifically on urban issues of waste management in insular environments and marine pollution, the rehabilitation of precarious neighbourhoods and improved access to essential urban services (**Priority area 1. Improve living conditions for all and foster harmonious coexistence; Priority area 2 – 3.2.1. Combat territorial divides and promote a rebalancing**).

<sup>24</sup> AFD Group (2019), "Three Oceans Strategy: a regional strategy to serve a world in common", October, <https://www.afd.fr/en/ressources/three-oceans-strategy>

In the area of transport, AFD Group will support the contribution of international air and maritime transport to economic and social development and will strengthen the integration of port infrastructure into the city and its hinterland (**Priority area 2 – Enhance the attractiveness of territories for shared prosperity**).

AFD will work actively to support coastal protection, the fight against deforestation and the creation of protected areas at local level. AFD Group will back interventions working for the conservation, restoration and sustainable management of biodiversity and prioritising nature-based solutions (**Priority area 3 – 3.3.2 – Conserve ecosystems and protect biodiversity**).

Lastly, AFD Group will pay specific attention to the resilience of populations and territories facing natural disasters and will work on prevention and insurance mechanisms (**Priority area 3 – 3.3.3. Strengthen capabilities to adapt to natural disasters**). The populations in the Three Ocean geographies are regularly confronted with crisis situations (destructive cyclones, seismic risks, volcanic eruptions, droughts, flooding, etc.). AFD will work to put in place regional response systems that have greater impacts in the event of natural disasters. It will also seek to deploy shared surveillance, prevention and intervention mechanisms.

## ORIENTS (EASTERN EUROPE, MIDDLE EAST, ASIA)

In the Orient, AFD Group will appraise projects that present climate co-benefits and low-carbon trajectories, in line with the Orient Strategy (2020-2024).

In application of the Paris Agreement objectives, the activity of the Orient division will focus on an **integrated vision of urban territories that targets the twofold objective of sustainability and resilience**. By supporting these territories' development, AFD Group will contribute to strengthening cities' resilience to **climate change** (flood and drought prevention and management, particularly in the Balkans, South Asia and Southeast Asia), and mainstreaming the **challenges of smart cities** (Balkans, South Asia) and **fighting air pollution** (e.g., in India and the Balkans) (**Priority area 3 – 3.3.3. Strengthen capabilities to adapt to natural disasters**). Approaching cities through the prism of their sustainability and resilience also means **reflecting on urban systems**, which includes integrating cultural spaces into the urban fabric (enhancing cultural heritage), building more ecological urban territories grounded in nature-based solutions (especially in China), and promoting low-emission urban mobility (metro, BRT, multimodal hubs) (**Priority area 1 – Improve living conditions for all and foster harmonious coexistence; Priority area 3 – Support ecological and resilient territories**).

Implementing AFD Group interventions in the Orient will also involve the **interconnection of territorial actors**, support for **decentralisation** (as in Jordan), consolidation of the urban network by **reinforcing secondary cities, the convergence of standards** (as in the Balkans), the **management of basic services** in cities and rural areas in order to **improve the quality of life in urban and rural territories** (**Priority**

**area 1 – Improve living conditions for all and foster harmonious coexistence; Priority area 2 – 3.2.1. Combat territorial divides and promote a rebalancing**). These objectives can be achieved mainly through public policy dialogue (two policy-based loans: one in Jordan and one in Indonesia to support maritime connectivity) which can build on decentralised cooperation between French actors and recipient countries (the Grand Port Maritime du Havre in Indonesia or the Ballon des Vosges Park in China are recent examples).

In the Orient geography, AFD Group will encourage **the sustainable development and conservation of natural resources** – particularly **forests** (reforestation, restoration, land registration, etc.), **water** (integrated water resources management to ensure its conservation and sustainable shared use), **soils**, and **biodiversity protection**. To do so, the Group will **support agricultural reform in particular**. This pertains notably to **the management of large supply chains and the efficient use of agricultural water (policy on irrigation and the adaptation of cropping systems)**. The aim is to enable this sector – which is a major employer – to meet the food requirements of urban populations, while also adhering to **a sustainable use of agricultural land and water resources, and biodiversity protection** (**Priority area 3 – Support ecological and resilient territories**). To address these multiple challenges, AFD Group can also draw on sovereign concessional loans (forest protection in Turkey, restoration of forest ecosystems in India, modernisation of irrigation systems in Vietnam), as well as on French technical expertise (FEXTE – e.g. experts assigned to help reinforce training for water sector actors in Pakistan).

# APPENDIX 2. SELECTIVITY GUIDELINES FOR FINANCING THE TERRITORIAL AND ECOLOGICAL TRANSITION

This Appendix presents the selectivity criteria, including exclusion criteria, for AFD Group financing in the areas related to the present Strategy.

## 2.1 Types of operations covered by the AFD Group's exclusion list

The exclusion list is binding across the entire AFD Group and describes the kinds of operations that are ineligible for Group financing. Below are those items from the list that specifically cross-cut the themes concerned by the present Strategy.

### → Critical habitats

Reminder of the wording of the exclusion list:

AFD Group will not finance any operation leading to or requiring the **destruction<sup>25</sup> of a critical habitat, or any forestry project that does not implement a plan for improvement and sustainable management.**

Precisions:

AFD Group will ensure that none of the projects it finances, whoever the project sponsors may be, cause a net loss of biodiversity in critical habitats. Critical habitats are defined as (i) spaces with high biodiversity value; (ii) spaces with a particular importance for endemic species or whose geographical range is limited; (iii) critical sites for the survival of migratory species; (iv) spaces welcoming a significant number of individuals from congregatory species; (v) spaces presenting unique assemblages of species or containing species which are associated according to key evolution processes or which fulfil key ecosystem services; (vi) territories with socially, economically or culturally significant biodiversity for local communities.

Primary forests or high conservation value forests must also be considered as critical habitats.

### → Trade in animals, plants and natural products

AFD Group will not finance any operation linked to the trade in animals, plants or any natural products complying with the provisions of the CITES Convention.<sup>26</sup>

### → Fisheries and agricultural inputs

AFD Group will not finance any operation involving fishing activity using a drift net of more than 2.5 km in length.

AFD will not finance the production, use or sale of pharmaceutical products, **pesticides/herbicides, ozone-layer-depleting substances** or any other dangerous substances that are banned or being progressively phased out internationally, particularly by the European Union.

### → Dangerous materials

Production, use or sale of any dangerous materials such as asbestos fibre (particularly for drinking-water or sewage piping) or products containing PCBs.<sup>27</sup>

## 2.2 Additional commitments

### → Zero deforestation

AFD Group will ensure that none of the projects it finances contributes to forest degradation and/or deforestation and that, conversely, it promotes the conservation and restoration of forest areas and eco-corridors. This exclusion applies particularly to programmes to extend and/or rehabilitate large plantations of perennial crops and monocrop forest plantations, whoever the programme sponsor may be.

### → Genetically modified organisms (GMO)

AFD Group will not finance research on or the purchase, promotion or multiplication of genetically modified seeds.

### → Avoid-Reduce-Offset

AFD Group will seek to integrate biodiversity protection into all of its sectoral policies in order to avoid destructive solutions, reduce impacts on the biosphere, systematically offset unavoidable damage and restore degraded ecosystems. AFD Group will apply the avoid-reduce-offset principles to all its interventions, particularly those in the areas of agriculture, energy, transport, mining and urban development.

<sup>25</sup> "Destruction" means (1) the elimination or severe reduction in the integrity of a habitat caused by a major and long-term change in land use or water resources or (2) the modification of a habitat such that this habitat's ability to fulfil its role is lost.

<sup>26</sup> Convention on International Trade in Endangered Species of wild fauna and flora threatened with extinction (Washington, 1993).

<sup>27</sup> PCBs, polychlorinated biphenyls, are a group of highly toxic chemical substances often found in oil-filled electric transformers, capacitors and switchgear dating from 1950 to 1985.

### → Ocean conservation

**As a signatory to the 14 Sustainable Blue Economy Finance Principles**, AFD Group commits to pursuing its efforts to conserve the oceans. AFD specifically commits to monitoring, reporting and increasing finance for its projects in favour of the oceans in order to consolidate its **leadership position in terms of contributing to ocean conservation and the blue economy**.<sup>28</sup>

### → Land concentration

AFD Group will not support projects leading to land concentration that is incompatible with equitable local development or which results in indigenous populations being deprived of their rights to natural resources

### → Infrastructure and transportation of fossil energy

In compliance with its "100% Paris Agreement" commitment, AFD Group will refuse to finance projects that fail to align with its partners' "Nationally defined contributions" (NDCs) and long-term strategies. As a result, infrastructure projects dedicated to the transport of fossil energies<sup>29</sup> will not be financed.

## APPENDIX 3. AFD GROUP'S BIODIVERSITY ROADMAP 2019–2022

Planetwide, biodiversity loss is continuing. As a result, nature's capacity to contribute to the well-being of populations and the richness of human life on Earth is being diminished at an ever faster pace. According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES),<sup>30</sup> a sixth mass extinction is now underway.<sup>31</sup> The disappearance of species has rocketed 100-fold since 1900, which is an unprecedented rate since the extinction of the dinosaurs 66 million years ago. Today, an annual USD 639–863 billion<sup>32</sup> would be needed to protect and ensure the long-term provision of global ecosystem services. Yet, actual biodiversity financing now stands at only USD 117–130.6 billion<sup>33</sup> a year, mainly sourced from the national budgets of OECD Member States. Moreover, although ODA is increasing significantly, it accounts for no more than USD 4–9.7 billion a year.

The key factors directly driving the degradation of land and water resources and the associated loss of biodiversity include the conversion of natural habitats into cropland and pastureland, unsustainable agricultural and forestry practices, climate change and, in some regions, the development of infrastructure and extractive industries, as well as illegal wildlife trade. These all generate consequences that directly affect<sup>34</sup> over 3.2 billion people and jeopardise the whole range of services that nature provides to our

economies. Yet, in fact, these services are estimated<sup>35</sup> to contribute more than 50% of the world's GDP (i.e., around USD 44,000 billion 2020).

This level of cost and the accelerating harmful consequences of biodiversity degradation – be they health-related (e.g. the emergence of pandemics linked to new zoonoses, as in the Covid-19 crisis), social or economic – have gradually made it clear that ensuring the integrity of the biosphere is prerequisite to achieving the 2030 Development Agenda or the Paris Climate Agreement. An estimated 30% of their targets could be reached through more efficient use of natural climate services.<sup>36</sup> On this count, although a number of sectors have developed financial mechanisms conducive to the shift towards practices more respectful of ecosystems and nature-based services,<sup>37</sup> the vast majority of development finance flows still fuels unsustainable practices. For instance, an estimated USD 500 billion per year of state subsidies go to practices that are potentially harmful to biodiversity (OECD, 2019), including 20% to the agricultural sector, which is equivalent to the amount required to protect biodiversity globally. This means that the current crisis cannot be resolved without a massive redirection of finance flows – public and private – towards a development path that takes the biosphere into account (a challenge known as "biodiversity mainstreaming").

<sup>28</sup> This commitment is specified in the Ocean Strategy Framework (cf. Appendix 4 – AFD Group's Ocean Strategy Framework).

<sup>29</sup> The Energy Transition Strategy provides for other exclusions relating to fossil energy: <https://www.afd.fr/en/ressources/energy-transition-strategy-2019-2022> (p. 20).

<sup>30</sup> IPBES is an international group of biodiversity experts, sometimes referred to as the IPCC of the CBD.

<sup>31</sup> See the four IPBES regional evaluations published in 2018.

<sup>32</sup> Little Biodiversity Finance Book, Global Canopy Program, 2020.

<sup>33</sup> This figure does not include nature-to-debt swaps, estimated at USD 1.8–3.3 billion, and investments associated with offsets, estimated at USD 6.2–9.1 billion.

It includes USD 0.8–2.0 billion of investments in natural climate solutions and USD 26.8 billion of investments dedicated to green infrastructure providing ecosystem services (watersheds, corridors, etc.).

<sup>34</sup> Summary for policymakers of the Assessment Report on Land Degradation and Restoration, IPBES, 2018.

<sup>35</sup> Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, WEF, January 2020.

<sup>36</sup> Voir [http://climateinitiativesplatform.org/index.php/The\\_30X30\\_Forests,\\_Food\\_and\\_Land\\_Challenge](http://climateinitiativesplatform.org/index.php/The_30X30_Forests,_Food_and_Land_Challenge) UNEP

<sup>37</sup> USD 2.6 billion/year, for example, are invested in OECD countries for biodiversity-friendly agriculture.

To be hosted by China in early 2021 with proactive support from the French Government, the COP 15 of the Convention on Biological Diversity (CBD) is a crucial opportunity to define a new and ambitious global biodiversity framework for the horizon of 2030. A series of international events – One Planet Summit 2019, 2021, G7 and G20, and the IUCN World Conservation Congress to be held in France in 2021 – should help to prepare the negotiations on the structure and contents of this future agreement. Like the Paris Agreement, this “New Deal for Nature” is intended to provide a framework for incentivising states and stakeholders to commit to measures that will ensure the necessary transitions in terms of spatial planning, sustainable production systems and consumption patterns, institutional organisation, and governance. Scaling up and channelling finance and investment into this “pro-nature” economy is a key challenge for the negotiation.

With its partnership-platform organisation, AFD Group intends to contribute to Team France’s international action to bring this renewed ambition into the debate and ensure the financial sector’s commitment to new development models and the way they are financed (cf. the IDFC’s recently launched “Making Finance Work for Nature” group). To this end, AFD Group will step up its financial commitments for

biodiversity protection mainly through operations dedicated to species conservation and the fight against all illegal activities impacting wildlife. An effort will be made to mainstream biodiversity into all of its investments, with priority set on those sectors creating the main pressures on nature (agriculture, water and sanitation, urban development and the financial sector). The Group thus commits to increase its biodiversity finance to €1 billion by 2025. This amount is double the Group’s current annual investment and is backed by the commitment made by its Executive Committee in March 2020 that 30% of AFD’s climate finance be biodiversity-friendly. The French Fund for Global Environment is working alongside AFD as an innovation lever to achieve these objectives.

To immediately engage AFD Group’s forces in preparing and implementing the future New Deal for Nature and People, its Board of Directors of 15 October 2020 approved a **Biodiversity Roadmap** for the period 2019–2022.<sup>38</sup>

This three-year Roadmap is structured around four main priority areas, with 10 corresponding specific objectives aimed at gradually mainstreaming biodiversity into all of AFD Group’s sectors and business processes (cf. Appendix 3.2):

#### Focus area I – Strategy and organisation within the Group

→ **Objectives:** (i) Formulate AFD Group’s pro-nature ambition in line with France’s international commitments, (ii) Structure an effective organisation for the cross-cutting implementation of the Biodiversity Roadmap and (iii) Contribute to mobilising a French multi-stakeholder “Pro-Nature” platform.

#### Focus area II – Operations and accountability

→ **Objectives:** (i) Scale up the level and quality of commitments in order to reach the target of a €1-billion commitment with biodiversity co-benefits by 2025, (ii) Manage the impacts on biodiversity of funded operations and (iii) Account for biodiversity financing and impacts.

#### Focus area III – Research and capitalisation

→ **Objectives:** (i) Generate knowledge to support biodiversity mainstreaming in operations and position AFD Group in the international debate and (ii) Capitalise on AFD Group operations and produce feedback on experiences.

#### Focus area IV – Influence and communication

→ **Objectives:** (i) Provide input for the preparation of an ambitious French positioning in the negotiation and implementation of the post-2020 global biodiversity framework, (ii) Raise the awareness of partners, clients and the general public about the place of biodiversity on the 2030 Agenda and about AFD Group’s biodiversity ambition and achievements to all of the above constituencies.

<sup>38</sup> This is a follow-on from the Cross-cutting Biodiversity Intervention Framework 2015-2018.

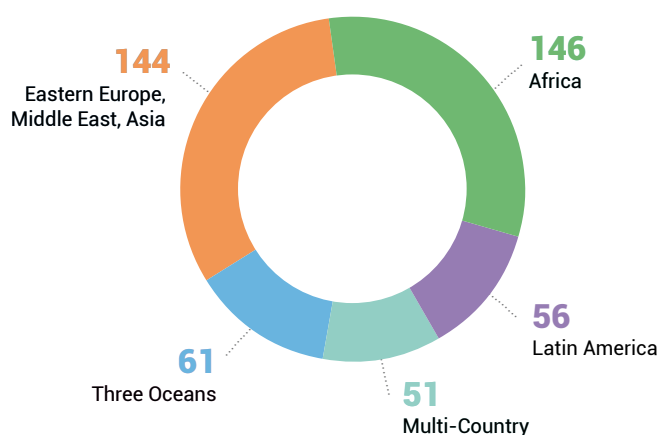
Recognising the cross-cutting character of the biodiversity challenges and capitalising on its internal network of technical experts which covers almost all of its operational and strategic departments both at AFD headquarters and the agency network, the Group has consolidated its organisation with a view to operationalising this 2019–2022 Roadmap. The Roadmap relies on a dedicated cross-cutting sectoral platform – the Green Task Force (GTF) – which takes on the following functions: (i) coordination of the operational biodiversity activity; (ii) in-house capitalisation of experiences and expertise; (iii) strengthening of in-house expertise and capitalisation of knowledge and know-how; and (iv) accountability on the biodiversity theme. The steering of the GTF is ensured by a secretariat grouping together the AFD divisions of Economic Assessment and Public Policy (IRS-ECO), Strategy, Foresight and Institutional Relations (SPC-SPR), Communication (SPR-CMN), Civil Society Organisations (SPR-OSC), Ecological Transition and Natural Resources (DOE-NAT), as well as Proparco, Expertise France and FFEM.

The coordination of this structure is carried out by a dedicated team attached to AFD's Ecological Transition and Natural Resources division. At a functional level, this department works in synergy with the thematic support teams for Climate, Social Cohesion and Fragilities, and Crises and Conflicts, which helps to position biodiversity as a full-fledged theme of these teams' mandate to support the performance of sustainable development in AFD Group's business plan.

### 3.1 Overview of AFD's biodiversity-related financing in 2019

AFD's biodiversity financing<sup>39</sup> in 2019 stood at €457 M (stable compared to 2018), equivalent to 3–5% of operations depending on the geographies. The breakdown is shown in Figure 1.

**Figure 1 – Geographic breakdown of biodiversity finance 2019**



The volume of financing presenting biodiversity co-benefits mobilised 50% of sovereign loans, 25% of grants and 15% of the European Union's delegated funds.

The year 2019 marked up a 10% increase in operations dedicated to the protection or conservation of biodiversity (€144 M marked DAC2, equivalent to 30% of total financing in 2019) and a stable level for operations with a biodiversity mainstreaming component in non-dedicated sectors (€313 M marked DAC1), two-thirds of which were activities to fight against pollution-induced pressures through sanitation infrastructure.

The biodiversity portfolio should continue to grow in 2020 and 2021, driven by the Group's commitment to achieving greater convergence between climate and biodiversity and its commitments to a sustainable post-Covid-19 recovery, as set out on the international agenda that will see an ambitious new biodiversity framework adopted at the COP 15 of the Convention on Biological Diversity (May 2021).

<sup>39</sup> AFD Group's biodiversity-related financing corresponds to the weighted sum (depending on the sector of activity) of the operations that contribute to the objectives of the Convention on Biological Diversity, and which are thus eligible for the Rio markers on biodiversity used by the Development Assistance Committee (DAC). This marker is 2 for operations dedicated to the conservation or protection of biodiversity, and 1 for operations integrating an objective to conserve biodiversity in a project that is not specifically dedicated to biodiversity (agriculture, water-sanitation, cities, etc.).



## 3.2 Biodiversity Roadmap 2019-2020

### FOCUS AREA I – STRATEGY AND ORGANISATION WITHIN THE GROUP

#### Objective 1.1 – Formulate AFD Group's pro-nature ambition in line with France's international commitments

##### Expected results

- ✓ A Territorial and Ecological Transition Strategy that fully incorporates AFD Group's renewed ambition for biodiversity is the subject of an external consultation and approved by the Executive Committee (COMEX) and the Board of Directors (BD).
- ✓ A "Biodiversity Roadmap" 2019–2022 is defined and approved by COMEX and BD. Its implementation is monitored regularly and steered on a cross-cutting basis.
- ✓ A target of 30% of the Group's climate finance is biodiversity-friendly by 2025 and is approved by COMEX.
- ✓ All technical notes and guidelines related to biodiversity are updated and enhanced to meet AFD Group's new pro-nature ambition. These documents are approved by COMEX and presented to the BD for information (no formal approval) as and when they are produced. Over the implementation period of the Biodiversity Roadmap, it is planned to review the technical note on Sustainable Forest Management and to draft the following new technical notes: Oceans (2020); Biomass Sector (2021); Operationalisation of the Climate–Biodiversity Ambition (2021); Cities and Biodiversity (2021); Biodiversity Alignment of Financial Institutions (2021); IWRM and Biodiversity (2021).
- ✓ The strategy documents (transitions or geographic) take their specific biodiversity challenges into account.

#### Objective 1.2 – Structure an effective organisation for the cross-cutting implementation of the Biodiversity Roadmap

##### Expected results

- ✓ A sectoral biodiversity platform, the "Green Task Force", is set up and has dedicated resources and coordination tools.
- ✓ The Group's vision, commitments and strategies are known and supported by all the departments/divisions/regional offices.

- ✓ Biodiversity expertise and knowledge of biodiversity-related development issues are strengthened for all of the Group's staff through the consolidation of the biodiversity training and awareness mechanism.

- ✓ A cross-cutting mechanism for steering, monitoring–evaluation and annual reporting is put in place. This constitutes the locus for decision-making within the scope of the Biodiversity Roadmap. It integrates all of the Group's entities that contribute to supporting the pro-nature ambition.

#### Objective 1.3 – Contribute to coordinating a French multi-stakeholder "Pro Nature" platform

##### Expected results

- ✓ AFD Group contributes to the international influence of French expertise, for the purpose of strengthening the capacities of global South actors to conserve biodiversity (national institutions, local authorities, businesses, financial institutions and civil society).
- ✓ The capacities for dialogue and international influence of French actors are strengthened, to increase their institutional and financial commitments in support of biodiversity and natural resources.

### FOCUS AREA II – OPERATIONS AND ACCOUNTABILITY

#### Objective 2.1 – Scale up the level and quality of commitments so as to achieve the objective of a €1 billion commitment with biodiversity co-benefits by 2025

##### Expected results

- ✓ The Group's biodiversity financing will be doubled over the period 2019–2025; this twofold increase will be achieved by consolidating the financing dedicated to biodiversity protection and by mainstreaming biodiversity into all AFD financing. It can build on greater synergies between climate and biodiversity, largely via the commitment made to ensure that 30% of AFD's climate finance is associated with positive effects for biodiversity between now and 2025 (COMEX decision of March 2020).
- ✓ AFD increases its level of financial commitment in operations dedicated to biodiversity protection and conservation. It invests mainly where the context allows and where the challenges are most significant, in order to conserve wild species protected under the CITES, and contributes to the international fight against poaching and the illegal trade or possession of these species.

✓ AFD increases its investments in operations presenting biodiversity co-benefits in the sectors identified by IPBES as sources of pressures that are unsustainable for ecosystems in the medium to long term (mainstreaming). Priority is given to operations with a double climate-biodiversity co-benefit, recognising the significant potential of harnessing nature-based solutions (NBSs) and the pro-nature economy to achieve the objectives of the Paris Agreement in the area of mitigation and adaptation.

✓ The public and private sectors, as well as civil society organisations, are mobilised for this project portfolio.

### Objective 2.2 – Manage the impacts on biodiversity of funded operations

#### Expected results

✓ The biodiversity risk management mechanism is reinforced in line with international standards, including the requirements to offset residual impacts.

✓ Greater vigilance in the Sustainable Development Opinion is ensured regarding the impacts of operations on biodiversity and natural resources, particularly if these present a strong friction between climate and biodiversity.

### Objective 2.3 – Account for biodiversity financing and impacts

#### Expected results

✓ The programming of the biodiversity business plan is regularly monitored.

✓ The accountability mechanism for AFD activities and financing in support of biodiversity is reinforced. An assessment of the annual biodiversity commitments is published each year, as well as a document reporting the aggregated impact indicators for AFD biodiversity finance.

### Objective 3.1 – Generate knowledge to support biodiversity mainstreaming in operations and position AFD Group in the international debate

#### Expected results

✓ A biodiversity research programme is set up, including in particular (i) a study of global biodiversity finance flows, partnered by CBD, UNEP, OECD, (ii) production of analyses and methods to strengthen biodiversity co-benefits in development operations (public policies, urban projects, agricultural projects, financial institutions, etc.), and (iii) an initiative to strengthen the capacities of global South researchers with the introduction of an award for global South researchers working on biodiversity.

✓ The formulation of a proposal, after a test phase, for an indicator measuring the physical biodiversity footprint of the Group's business plan – No Net Loss/Net Gain reporting.

### Objective 3.2 – Capitalise on AFD Group operations and produce feedback on experiences

#### Expected results

✓ Ex-post evaluations on operations or clusters of similar operations or themes are produced, from a biodiversity viewpoint or including the biodiversity theme.

✓ The know-how of teams is strengthened through capitalisation.

✓ The results of the evaluations are disseminated and promoted.

## FOCUS AREA IV – INFLUENCE AND COMMUNICATION

### Objective 4.1 – Provide input for the preparation of an ambitious French positioning in the negotiation and implementation of the post-2020 global biodiversity framework

#### Expected results

- ✓ AFD Group mobilises for greater mainstreaming of “Biodiversity” challenges in the public and private financial sectors, in collaboration with the relevant “Teams France” and in synergy with the objective of the post-2020 framework to leverage resources.
- ✓ AFD Group contributes to the emergence of a “renewed commitment by the international community to nature” within the framework of the international CBD negotiations, and particularly the COP 15. It also supports the contribution of developing countries which are Parties to the negotiation of this agreement, in collaboration with the relevant “Teams France”.
- ✓ AFD Group contributes to ensuring that the IUCN World Conservation Congress becomes a positive step towards an ambitious agreement at COP 15 and related events, in collaboration with the relevant “Teams France”.

- ✓ AFD Group mobilises to ensure that greater account of is taken of “Biodiversity” challenges in other relevant international summits (G7 Environment Meetings, One Planet Summit, UNFCCC, etc.), in collaboration with the relevant “Teams France”.

### Objective 4.2 – Raise the awareness of partners, clients and the general public about the place of biodiversity on the 2030 Agenda and about AFD Group’s ambition

#### Expected results

- ✓ AFD Group’s best “pro-nature” practices, policies and projects for biodiversity conservation as well as the Group’s initiatives and positionings are promoted and disseminated.
- ✓ Biodiversity is one of the “major” themes for AFD Group’s communications in 2020 and 2021, in order to reach all of the constituencies targeted by the Group for the agenda to prepare for COP 15 (partners, influencers, in-house, general public).

## 3.3 Geographic priorities

| LATIN AMERICA DIVISION                       | DAC 2 – PROTECTION AND CONSERVATION OF BIODIVERSITY                                    | DAC 1 – BIODIVERSITY MAINSTREAMING / PRO-NATURE ECONOMY  |
|--|--|--|
| <b>BRAZIL – SOUTHERN CONE RO</b><br>Brasilia | Public policies and governance for biodiversity<br>Protected areas and indigenous land | Territories, Forests, land management & sustainable supply chains<br>Urban development, green cities, fight against pollution<br>Green finance<br>Resilient infrastructure   |
| <b>ANDIN REGION RO</b><br>Bogota             | Public policies and governance for biodiversity<br>Protected areas and indigenous land | IWRM – adaptation to climate change and related disasters<br>Urban development, green cities, fight against pollution<br>Territories, agroecology, land management & sustainable supply chains<br>Resilient infrastructure |
| <b>CENTRAL AMERICA RO</b><br>Mexico          | Public policies and governance for biodiversity  | Territories, land management & sustainable supply chains<br>Sustainable fisheries management<br>Green finance<br>Urban development, green cities, fight against pollution  |

| AFRICA DIVISON                         | DAC 2 – PROTECTION AND CONSERVATION OF BIODIVERSITY  | DAC 1 – BIODIVERSITY MAINSTREAMING / PRO-NATURE ECONOMY  |
|--|--|--|
| <b>GREATER SAHEL RO</b><br>Ouagadougou | Management of terrestrial and marine protected areas<br>Fight against land degradation<br>Restoration and management of forests and wetlands<br>Community-based approaches | Territories, land management, sustainable supply chains, agroecology<br>IWRM/ICZM – adaptation to CC and related disasters<br>Securing and management of pastoral areas<br>Urban development, green cities, waste, fight against pollution |
| <b>CENTRAL AFRICA RO</b><br>Yaoundé    | Management of terrestrial and marine protected areas<br>Fight against poaching<br>Eco-corridors and community-based approaches   | Territories, Forests, land management & sustainable supply chains<br>IWRM – adaptation to climate change<br>Nature training-education  |
| <b>GULF OF GUINEA RO</b><br>Abidjan    | Management of terrestrial and marine protected areas<br>Fight against poaching<br>Fight against land degradation, restoration, eco-corridors<br>Community-based approaches | IWRM/ICZM, coastal cities et adaptation to climate change<br>Territories, land management, Forests, sustainable supply chains, pastoralism<br>Resilient infrastructure   |
| <b>SOUTHERN AFRICA RO</b><br>Joburg    | Management of terrestrial and marine protected areas<br>Fight against poaching<br>Eco-corridors and community-based approaches   | IWRM/ICZM, green coastal cities and adaptation to climate change<br>Territories, land management & sustainable supply chains including tourism<br>Green finance, Resilient infrastructure  |
| <b>EAST AFRICA RO</b><br>Nairobi       | Management of terrestrial and marine protected areas<br>Fight against poaching<br>Strengthen eco-corridors<br>Community-based approaches                                   | IWRM/ICZM, coastal cities et adaptation to climate change<br>Territories, land management & sustainable supply chains<br>Support for agricultural intensification  |
| <b>NORTH AFRICA RO</b><br>Casablanca   | Management of terrestrial and marine protected areas<br>Restoration of forests and wetlands<br>Community-based approaches  | IWRM/ICZM et adaptation to climate change<br>Territories, land management & sustainable supply chains<br>Sustainable fisheries management  |

| THREE OCEANS DIVISON                       | DAC 2 – PROTECTION AND CONSERVATION OF BIODIVERSITY                                | DAC 1 – BIODIVERSITY MAINSTREAMING / PRO-NATURE ECONOMY  |
|--|--|--|
| <b>ATLANTIC OCEAN RO</b><br>Fort de France | Terrestrial and marine protected areas<br>Restoration of forests and wetlands      | Territories, land management & sustainable supply chains<br>ICZM and adaptation to climate change<br>Green finance                   |
| <b>INDIAN OCEAN RO</b><br>St Denis         | Management of terrestrial and marine protected areas<br>Community-based approaches | Territories, land management & sustainable supply chains<br>IWRM/ICZM and adaptation to climate change<br>Green agricultural finance |
| <b>PACIFIC OCEAN RO</b><br>Nouméa          | Management of terrestrial and marine protected areas<br>community-based approaches | IWRM/ICZM and adaptation to climate change<br>Urban development, green cities, fight against pollution<br>"Blue" climate solutions   |

| ORIENTS DIVISON                            | DAC 2 – PROTECTION AND CONSERVATION OF BIODIVERSITY  | DAC 1 – BIODIVERSITY MAINSTREAMING / PRO-NATURE ECONOMY  |
|--|--|--|
| <b>SOUTHEAST ASIA RO</b><br><b>Bangkok</b> | Management of terrestrial and marine protected areas<br>Fight against poaching and illegal wildlife trade<br>Restoration of forests and wetlands | Territories, land management & sustainable supply chains<br>Sustainable fisheries management<br>Urban development, green cities, fight against pollution<br>IWRM/ICZM and adaptation to climate change                               |
| <b>CHINA RO</b><br><b>Beijing</b>          | Management of terrestrial and marine protected areas<br>Management of wetlands, grasslands, forests and coastal areas                            | Urban development, green cities, fight against pollution<br>IWRM/ICZM and adaptation to climate change<br>Sustainable tourism and cultural heritage<br>Green finance<br>Health -Environment, animal health                           |
| <b>EURASIA RO</b><br><b>Istanbul</b>       | Management of terrestrial and marine protected areas<br>Management and restoration of forests and wetlands                                       | IWRM/ICZM et adaptation to climate change<br>Territories, land management, forests, sustainable supply chains<br>Urban development, green cities, fight against pollution<br>Resilient Infrastructure                                |
| <b>SOUTH ASIA RO</b><br><b>New Delhi</b>   | Management of terrestrial and marine protected areas<br>Management and restoration of forests and wetlands                                       | Territories, land management & sustainable supply chains<br>Sustainable fisheries management<br>Urban development, green cities, fight against pollution, waste<br>IWRM and adaptation to climate change<br>Resilient infrastructure |
| <b>MIDDLE EAST RO</b><br><b>Beirut</b>     | Management of terrestrial and marine protected areas<br>Management and restoration of forests and wetlands                                       | IWRM/ICZM and adaptation to climate change<br>Territories, land management & sustainable supply chains<br>Urban development, green cities, fight against pollution   |

# APPENDIX 4. AFD GROUP'S OCEAN STRATEGY FRAMEWORK

**"The ocean is a habitat and economic resource common to all people. AFD Group's mission is to contribute to restoring the balance between preserving the ocean's good environmental status and its multiple uses by humankind:**

i. AFD Group, in its role as a public development bank, **finances initiatives to protect the ocean and the coastal economy**, spending 5% of its budget over the past 10 years, or nearly €5 billion, on related projects.

ii. The Group's strength lies in its capacity to combine financing mechanisms and **solutions that take into account economic growth, human development and ecosystem preservation** with respect to this poorly known environment that accounts for 70% of the Earth's surface area.

iii. As a signatory of the 14 Sustainable Blue Economy Finance Principles, AFD Group has committed to furthering its efforts in the "Oceans in Common" programme, and monitoring and reporting the ocean-based projects it finances to reinforce its position as **a public bank that leads the way in funding ocean conservation and supporting the sustainable blue economy.**"

## 4.1 The global context of Oceans, development, climate

The ocean is a little-known but vital space for human societies, which share and exploit its different resources. As the main source of protein for over 3 billion people, it also provides employment for 10–12% of the world's population, 90% of whom live in developing countries. It also plays a central role in the equilibrium of the climate system, as it absorbs 90% of excess heat in the atmosphere and nearly 30% of anthropogenic carbon dioxide. This means that it slows down the greenhouse effect and climate change through two mechanisms: as a physico-chemical pump, driven by the solubility of carbon dioxide in water, and a biological pump involving living organisms, mainly plankton. Moreover, some marine and coastal ecosystems are critical to strengthening the resilience and adaptation of coastal and island populations as they make infrastructure less vulnerable to climate and geological phenomena (erosion, tsunamis, extreme climate events, rising sea levels). They are also key to conserving biological diversity, which provides some assurance against the sudden extinction of species consumed as food.

Today, the ocean is threatened by climate change effects, the overexploitation of resources and pollution caused by human activities, both at sea and on land. Economic, political and institutional actors are gradually mobilising on these issues, as shown by the many international conferences on the subject (OurOcean, COP 25, United Nations Conference on SDG 14, etc.), and are calling for greater efforts to finance projects in support of a sustainable blue economy, including in developing countries.

## 4.2 AFD activities in support of the Oceans

AFD Group's commitment to the Oceans is now a multi-faceted reality: the projects financed aim to reduce pollution – particularly projects with the Clean Oceans Initiative label –, develop marine and coastal territories, promote nature-based solutions and improve the governance of marine and coastal resources. Of the **251 "ocean" projects approved by the Group between 2008 and 2018** (i.e., 3% of the Group's total projects and 5.2% – €4.7 Bn – of its financing volume), roughly **half of these projects have in principle a positive impact on the ecological status of the ocean** (projects involving conservation, sanitation, sustainable management, etc.). The **other half, by their nature** (development of coastal constructions and ports, maritime transport, tourism, etc.), **may have negative consequences for ecosystems.**

## 4.3 Strategic pillars

A framework note "The ocean, a habitat and development in common" has been prepared in line with the territorial and ecological transition note, the Three Oceans Strategy and the Biodiversity–Climate Convergence note. This framework note details the opportunities for AFD action. It also defines priorities and a clear line of action, and shores up the Agency's contribution to the French strategy of influence, notably with respect to the climate–ocean–biodiversity triptych, which is a key nexus in the current international negotiations on the environment.

It is proposed that AFD work on the three following thematic pillars and two cross-cutting pillars:

### **PILLAR 1/ Improve the governance of marine and coastal areas and resources**

- Support the production of interdisciplinary knowledge and integrated decision-making tools
- Build the capacities of bodies in charge of governance and territorial management at all levels
- Enhance maritime security to eliminate illegal activities

### **PILLAR 2/ Promote competitive, sustainable and inclusive maritime sectors**

- Support the upgrade and compliance of maritime and coastal practices, facilities and infrastructure
- Increase the availability of products and services sustainably sourced from the sea in local, regional and international markets
- Improve the economic, environmental and social well-being and resilience of coastal communities
- Advance the role of women in maritime sectors

### **PILLAR 3/ Conserve coastal and marine ecosystems and manage anthropogenic pressures**

- Mitigate anthropogenic pressures on the ocean and in particular pollution from land-based activities
- Protect and restore marine and coastal biodiversity

Cross-cutting pillar A/ Prioritise nature-based solutions to increase the resilience of ecosystems, people and infrastructure.

Cross-cutting pillar B / Support French Overseas territories and islands

## **4.4 Levers for action**

This Ocean Strategy Framework does not include any commitment to a business plan, but proposes the target of **having at least 70% of the Group's ocean-related projects reported as DAC 1 or DAC 2 Biodiversity markers within 5 years**. For this, several levers for action are proposed, specifically:

**1)** Adopt an "Ocean" marker for projects under appraisal so as to ensure their specific monitoring; better integrate Ocean issues when applying the Sustainable Development (SD) Analysis and Opinion mechanism in connection with the biodiversity Dimension 4 of the SD analysis matrix; and potentially adapt the analysis matrix under preparation to the future OECD marker; cross-analysis will allow for the monitoring and accountability of the Group's commitments regarding its contribution to ocean conservation and the sustainable blue economy.

**2)** Broaden AFD Group's mandate to international waters (in line with specific conditions) in order to finance maritime activities that are not specifically based in an ODA-eligible country but operating in international waters close to AFD's intervention geographies and which have a significant sanitary, climate and/or environmental impact. This relates mainly to the new regulations issued by the International Maritime Organization and the UN negotiations on biodiversity in the high seas.

**3)** AFD Group, including Proparco, adopts the 14 Sustainable Blue Economy Finance Principles.

**4)** Put in place a cross-cutting thematic focal point for the Ocean within the Ecological Transitions and Natural Resources division by 2021.

# **APPENDIX 5. AFD GROUP'S POSITIONING AND INTERVENTIONS IN THE HOUSING SECTOR AND URBAN PLANNING AND DEVELOPMENT**

### **Summary of the thematic Focus "Sustainable Cities" -**

<https://www.afd.fr/en/ressources/focus-sustainable-cities>

The territorial approach is crucial to grasping all the spatial scales of a city's urban challenges and identifying how these challenges are interlinked. It must enable sectoral projects

(housing, access to services, urban mobility, etc.) to dovetail with a long-term vision of the city's development. For this, the local authority is the central player with whom a dialogue needs to be built, including on projects that, in many cases, are sponsored by national governments.

## 5.1 Portfolio 2017–2019

AFD Group interventions on the theme of sustainable cities represented an average €1 billion over the period 2017–2019.

- **One of AFD's specificities: financing for the investment programmes of local authorities and overseas urban operators (around €375 M each year)**, based on the logic of partnering with territorial actors (state departments, Caisse des dépôts et consignations). This assistance aims to durably consolidate the financial situation of some struggling local authorities and reinstate their role as funder and manager of public service facilities.
- **Continental Africa receives 36% of the commitments**; 20% are committed in Asia, 8% in Latin America and 36% in the "Three Oceans" region (Overseas France and neighbouring island states)
- **Sovereign loans remain the main intervention instrument tool (44% of commitments)**: loans in Overseas France represent one-third of the commitments, and loans to foreign non-sovereign actors nearly 10% (increasing steadily).

## 5.2 Perspectives for 2020–2022

The strategic goals for 2020–2022 (Sectoral Intervention Framework, Sustainable Cities, approved in 2019 and available on the website, [www.afd.fr](http://www.afd.fr)) aim to support the development of inclusive, productive and resilient cities:

- **Improve city dwellers' quality of life**: AFD is continuing its efforts to support improved access to basic urban services and facilities, with a special focus on solid waste treatment, particularly in Africa. With this citizen-centred

approach, the Agency is working to incorporate into each project actions to promote job-creation and the economic integration of inhabitants.

- **Promote balanced urban development and reduce territorial divides**: by supporting urban planning and contributing to the development of secondary cities.
- **Strengthen the local actors in charge of cities**: AFD interventions aim to assist governments in implementing their decentralisation process, and assist the more mature local authorities in financing their investment programme.

The cross-cutting City and Climate approach is a key marker of this strategy: it encompasses the challenges of mitigation and adaptation (urban programming that integrates these dimensions, disaster risk management, urban forms, biodiversity in the city, river bank development, etc.) based on a methodological "toolbox" developed jointly with the Climate division.

Three cross-cutting levers should help to accelerate the implementation of these interventions:

- **The urban innovation labs** which allow civil society and inhabitants to be involved more effectively at each project stage (design, implementation, management of facilities).
- **Digital technology**, as a lever to transform public action, will be encouraged.
- The strategy is rolled out in **partnership with French urban development actors** (local authorities, urban planning agencies, experts, research institutes, businesses, etc.), **other aid donors** (EU and the World Bank), **international organisations (UN-Habitat) and city networks (UCLG)**.



# APPENDIX 6. AFD GROUP'S POSITIONING AND INTERVENTIONS IN THE TRANSPORT SECTOR

## Summary of the thematic Focus "Mobility and Transport"

<https://www.afd.fr/en/ressources/mobility-and-transport-sector-operational-framework-afd-group>

The mobility of people and goods is one of the key conditions for achieving the Sustainable Development Goals. It is vital for enabling people to access employment and basic services (health, education), for the effective and sustainable functioning of a productive economy, and so that cities can remain efficient, breathable and "liveable".

Moreover, the transport sector (emitting 14% of global carbon emissions) is **a key lever for combatting climate change**. On average, 50% of the transport projects approved by AFD Group have a climate co-benefit.

## 6.1 Portfolio 2017–2019

AFD Group interventions in the transport sector account for 12–15% of the Group's annual commitments, i.e. an average of €1.4 billion over the period 2017–2019. These commitments are broken down as follows:

- **Half of the commitments are devoted to sustainable urban mobility**, the remainder being equally divided between a "national connectivity" focus (long-haul road and rail transport) and an "international integration" focus (air and maritime transport).
- **Continental Africa received 42% of these commitments**; 32% were committed to Asia and 16% to the "Three Oceans" region, which includes Overseas France and neighbouring small island states (such as the Dominican Republic).
- **Sovereign loans were the main intervention instrument (66% of commitments)**, although many interventions involved non-sovereign or private-sector actors, mainly in the maritime and air transport sectors.

## 6.2 Perspectives for 2020–2022

The strategic goals for 2020–2022 (the Sectoral Intervention Framework, Mobility and Transport, approved in 2019 and available online at [www.afd.fr](http://www.afd.fr)) aim to promote the sector's transition toward **more inclusive, effective and efficient, safe and low-carbon transport systems**.

- **Urban mobility**: in addition to high-capacity public transport infrastructure such as subways and Bus Rapid Transport systems (an ideal intervention segment for a donor such as AFD), AFD will adopt a positioning that is: i) proactive on public policy dialogue (low-carbon transition, access for all, inclusion of women, digital transition, sustainable governance and financing, and ii) more diversified, with a focus on "greening" fleets of high-use vehicles (taxi, minibus, bus) and the professionalisation of para-transit operators.

- **National connectivity (rail and road)**: support for reasoned investments in the rail sector, work to improve vehicle energy efficiency (including trucks); and road safety and road maintenance as ever-present subjects of attention.

- **International transport (air and maritime)**: systematic attention paid to the sector's ecological and energy transition and to the challenges of safety and security.

Three cross-cutting levers should help to accelerate the implementation of these interventions:

- **Innovation and digital technology** will be encouraged.
- **The private sector** will be mobilised to optimise investments, with well-balanced risk-sharing according to the context – cf. Proparco's role in making this lever effective.
- **Partnerships and French and European expertise** will be promoted, mainly through decentralised cooperation fostering peer-to-peer exchange – cf. the role of Expertise France.

# APPENDIX 7. ACCOUNTABILITY FRAMEWORK: INDICATORS FOR THE TERRITORIAL AND ECOLOGICAL TRANSITION STRATEGY

## Presentation by AFD Group Strategy 2018-2022 commitments

### 100% Paris Agreement commitment

- GHG emissions reduction (tCO<sub>2</sub>e avoided)
- % in volume of commitments with climate co-benefits (distinguishing between adaptation / mitigation)
- % in volume of pro-biodiversity climate co-benefits compared to total climate co-benefits (Climate-biodiversity convergence).

### 100% Social Link commitment

- Volume share of AFD's annual commitments with a significant or principal gender objective (OECD markers 1 and 2).

## Presentation by Priority Area

### Priority area 1/ Improve living conditions for all and foster harmonious coexistence

- The amount of commitments for Priority area 1 by major geographic region (Africa, Americas, Orients, Three Oceans), in € millions
- Number of people benefitting from a safely managed sanitation service
- Number of people benefitting from a safely managed drinking water supply service
- Number of people whose living conditions and access to public spaces or to social and community urban facilities have been improved
- Number of people benefitting from better access to sustainable transport.

### Food security focus cross-cutting all transitions:

- Share of approved grant commitments in the sectors of food and nutritional security, and sustainable agriculture (AFD and Proparco).

### Priority area 2/ Enhance the attractiveness of territories for shared prosperity

- Amount of commitments for Priority area 2 by major geographic region (Africa, Americas, Orients, Three Oceans), in € millions
- Length of interurban land routes (road/rail) created or rehabilitated
- Number of people whose income-generating activities or employment have been supported within the framework of urban planning or urban development projects

### Priority area 3/ Support ecological and resilient territories

- Amount of commitments for Priority area 3 by major geographic region (Africa, Americas, Orients, Three Oceans), in € millions
- Number of family farms transitioning towards agroecological systems

### Biodiversity focus cross-cutting all transitions

- Land area benefitting from biodiversity conservation/restoration programmes (AFD)
- Share of approved commitments directly contributing to biodiversity protection (i.e. biodiversity co-benefits) in foreign States and Overseas France (AFD and Proparco).

# ACRONYMS AND ABBREVIATIONS

**ADEME** French Agency for Ecological Transition

**AFD** Agence française de développement (French development agency)

**ANRU** French National Urban Renewal Agency

**BD** Board of Directors

**Bn** Billion

**BRT** Bus Rapid Transit

**CAF** Corporación Andina de Fomento (Development Bank of Latin America)

**CAFI** Central African Forest Initiative

**CBD** Convention on Biological Diversity

**CC** Climate change

**CDC** Caisse des dépôts et consignations (French public financial institution)

**CICID** Interministerial Committee for International Cooperation and Development (France)

**CICLASIA** Cities and Climate in Asia Initiative

**CICLIA** Cities and Climate Change in Sub-Saharan Africa Initiative

**CIRAD** French Agricultural Research Centre for International Development

**CITES** Convention on International Trade in Endangered Species of Wild Fauna and Flora

**CO<sub>2</sub>** Carbon dioxide

**COMEX** Executive Committee

**COP** Conference of the Parties

**CSO** Civil society organisation

**DAC** Development Assistance Committee (OECD)

**EIB** European Investment Bank

**ETI** Intermediate-sized enterprise

**EU** European Union

**EUR** euro

**FASEP** *Fonds d'études et d'aide au secteur privé* (Private sector research and assistance fund)

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

**FFEM** French Facility for Global Environment

**FICOL** *Facilité de financement des collectivités territoriales* (French Local Authorities Financing Facility)

**GCF** Green Climate Fund

**GDP** Gross domestic product

**GHG** Greenhouse gas

**GMO** Genetically modified organism

**GTF** Green Task Force

**ICZM** Integrated coastal zone management

**IDFC** International Development Finance Club

**IPBES** Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

**IPCC** Intergovernmental Panel on Climate Change

**IRD** French National Research Institute for Sustainable Development

**IUCN** International Union for the Conservation of Nature

**IWRM** Integrated water resources management

**KfW** Kreditanstalt für Wiederaufbau (German state-owned development bank)

**M** Million

**MAEDI** French Ministry for Foreign Affairs and International Development

**MCPAs** Marine and coastal protected areas

**MYC** Mobilise your City

**NBS** Nature-based solution

**NDC** Nationally determined contribution

**NGO** Non-governmental organisation

**ODA** Official development assistance

**OECD** Organisation for Economic Co-operation and Development

**OFB** French Office for Biodiversity

**OIE** World Organization for Animal Health

**PACTE** French Action Plan for Business Growth and Transformation

**RESSCUE** Resilience to Cope with Climate Change in Urban Areas

**RO** Regional Office (AFD)

**SDG** Sustainable Development Goal

**SME** Small and medium-sized enterprises

**SNDI** French National Strategy to Combat Imported Deforestation

**UCLG** United Cities and Local Governments

**UN** United Nations

**UNEP** United Nations Environment Programme

**UNFCCC** United Nations Framework Convention on Climate Change

**UPFI** Urban Projects Finance Initiative

**USD** United States dollar

**WCS** Wildlife Conservation Society

**WHO** World Health Organization

**WWF** World Wildlife Fund

## What is AFD?

Agence Française de Développement (AFD) Group is a public financial institution that finances, supports and accelerates transitions towards a more just and sustainable world. As a French overseas aid platform for sustainable development and investment, we and our partners create shared solutions, with and for the people of the global South.

Our teams are active in more than 4,000 projects in the field - in the French overseas departments and some 115 countries. They strive to promote health, education and gender equality, and are working to protect our common resources – peace, biodiversity and a stable climate. It's our way of contributing to the commitment France and the French people have made to achieve the Sustainable Development Goals. Towards a world in common.

<http://www.afd.fr>

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