



— Southeast Asia

Regional Strategy
2020-2024

#WorldInCommon





How does AFD Group intend to respond to Covid-19 in Southeast Asia?

Covid-19 has triggered a major economic and social crisis, the extent of which is still difficult to assess. AFD Group's intervention strategy does not, in fact, specifically take into account the impacts of Covid-19 in their entirety. However, the strategy proposed by AFD's Regional Office for Southeast Asia remains relevant in a post-Covid context as it provides responses notably to the health and inequality aspects of this crisis.

Its design will enable AFD to tailor its actions to each of the countries covered and a review, either mid-term or one-third along the way, will provide the opportunity to modify the intervention framework, if need be, in line with structural transformations and the beneficiaries' evolving needs and requests arising from the effects of the Covid-19 crisis.

As at July 2020, AFD Group in Southeast Asia, under the Health in Common initiative, has supported seven Southeast Asian laboratories through a EUR 2 M grant (ECOMORE II project in Laos, Myanmar, Vietnam, Philippines and Cambodia). A policy-based loan designed to strengthen the financial sector in Indonesia and a credit line to PTSMI have also responded to the demands of the Agency's partners in the face of the health crisis and its economic and social consequences. Finally, French NGOs and associations have benefited from budget reallocations to help tackle the Covid-19 crisis.

AFD Group's regional strategy for Southeast Asia aligns with the priorities of French development policy defined by the Interministerial Committee on International Cooperation and Development (CICID), and with France's vision of the Indo-Pacific, in the context of implementing the Sustainable Development Goals (SDGs), the Paris Agreement and the protection of global common goods. It establishes the commitments and priorities of the AFD Group Strategy 2018–2022 for Southeast Asia. The strategy thus brings a coherent regional-scale vision and serves as a tool for our partners and the Group's local agencies operating in countries in the region. The local agencies will select the relevant themes and actors to mobilise in view of achieving the objectives laid out in the regional strategy, which is not, however, intended to strictly cover all of the Group's country strategies for the region.

The Southeast Asia regional strategy was prepared based on numerous consultations conducted in-house, within Team France and with AFD's partners. It defines the framework for action, the objectives and result indicators for the period 2020–2024, taking into account the partnership framework under which AFD Group's activities necessarily operate. The unprecedented nature of the crisis sparked by the Covid-19 pandemic coupled with the uncertainty of its outcome requires that AFD Group act with adaptability and flexibility to optimally respond to the needs expressed by governments in the region, while at the same time sustaining the momentum to align with the SDGs.

The Southeast Asia Regional Office: capitalise on the Group's experience and organisation to respond to the region's challenges

Between 2017 and 2019, AFD restructured its network around seventeen Regional Offices (ROs) based on a two-pronged rationale of decentralising and pooling its skills and expertise so as to better respond to local needs. The setting-up of the Southeast Asia Regional Office (SARO¹) in 2018 was grounded on AFD's long-standing presence in Cambodia, Laos and Vietnam since 1993 and a gradual extension of its activity to Thailand in 2006, Indonesia in 2007, the Philippines in 2009 and Myanmar in 2012. It bolsters AFD Group's capacity to respond to the challenges of Southeast Asia on a regional scale by drawing on the expertise of AFD, Proparco, the Group's private sector financing arm, and Expertise France for technical cooperation.² The SARO drives greater efficiency in implementing the Group's priorities, while also amplifying

communication activities and dialogue with local actors, businesses, bilateral and multilateral donors and civil society, mainly through its actions of coordination, synergy, regional monitoring and interaction with regional actors.

To carry out its mission, AFD Group relies on its agencies located in each of the intervention countries, a technical hub in the Bangkok-based Regional Office, Proparco's Regional Office in Bangkok, and the growing activities of Expertise France which so far has a single project office in Hanoi. The Group uses the appropriate financial instruments to support the projects and actions of a broad range of actors: governments, public and private enterprises, banks and investment funds, local authorities, SCOs, NGOs, universities, think tanks, etc.



¹ The mandate of the Southeast Asia Regional Office covers Myanmar, Cambodia, Indonesia, Laos, Philippines, Thailand and Vietnam. Proparco and Expertise France are not bound by this mandate. Proparco operates in Malaysia (where AFD is also authorised to prospect), while also covering North Asia (China and Mongolia) out of its Bangkok office.

² On this count, the term "AFD Group" has been chosen and used in the present document to underline a Group-based approach designed to reinforce the synergies between the three entities, AFD, Proparco and Expertise France.

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1.

**SOUTHEAST ASIA, A DIVERSE
REGION MARKED BY MAJOR
COMMON CHALLENGES**

Comprising 11 countries³ home to a total population of nearly 616 million inhabitants,⁴ Southeast Asia shows pronounced contrasts in terms of language, religion, politics, economy and geography. The seven countries in which AFD operates exhibit⁵ very different levels of development, with several LDCs⁶ (Cambodia, Laos and Myanmar) found alongside lower-middle-income countries (Indonesia, Philippines, Vietnam) and upper-middle-income countries

(Thailand). Laos, with 7 million inhabitants, is completely landlocked, whereas Indonesia and the Philippines, each with over 100 million inhabitants (272 million for Indonesia), are fragmented territories made up of thousands of islands. Yet, common dynamics can be seen primarily when it comes to these territories' great vulnerability to climate change.

1.1. CONTEXT

With an annual GDP growth averaging over 5% since 2010, Southeast Asia is one of the foremost drivers of global economic growth and is firmly integrated into international trade, with goods exports accounting for 49% of the region's GDP.⁷ Aside from agriculture and the tertiary sector, development in the countries of the region relies on the blue economy,⁸ which employs several million people in the fisheries and aquaculture sector.⁹ The Mekong River and its tributaries are a crucial source of income for Laos, Vietnam, Cambodia and Thailand, thanks to their irrigated agriculture and exploitation of fisheries and hydroelectric resources. Yet, the Mekong continues to create points of tension that have crystallised around the countries' different rationales for managing the river.

However, the economic vitality of Southeast Asia largely depends on Chinese financing and investment.¹⁰ This relationship with China gives rise not only to divergences (as shown by the ASEAN countries' stance on the conflict in the South China Sea or by the discussions on managing the Mekong River, whose source is in China¹¹), but also to possible economic instability as Southeast Asia is exposed

to exogenous factors such as the trade war between the United States and China. The current Covid-19 pandemic has helped to deepen the ties between China and Southeast Asia as China has refocused its economic activities on this region.

In this setting, France is present as a long-standing actor in the region and committed to its ties with the Southeast Asia countries. Moreover, France was the first European country to sign the ASEAN Treaty of Amity and Cooperation (TAC) and maintains close relations with countries in the region, which are often fostered by a shared historical past. France wishes to step up its involvement in the region in order to contribute to promoting multilateralism, sustainable development, peace and security, as for example, through its recently acquired status of ASEAN Development Partner. As a reminder, between 2010 and 2014, France contributed over EUR 1.5 billion in official development assistance (bilateral and multilateral) to countries in Southeast Asia, mainly on the basis of commitments from AFD, which has been operating in the region for 25 years.¹²

³ Myanmar, Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

⁴ World Bank 2018 data.

⁵ Hereafter, the term "Southeast Asia" will denote the area covered by AFD's mandate.

⁶ According to the classification of the OECD-DAC and the United Nations.

⁷ Some countries, however, are still deeply rural, as is the case of Laos and Myanmar, where some 70% of the population live in rural areas and depend on agriculture for their livelihood.

⁸ The AFD defines this as a maritime economy that takes the three dimensions of sustainable development into account; economic, social and environmental, covering sea resources, connectivity, the resilience of coastal communities, etc.

⁹ According to the World Resources Institute, in 2009, income from coastal fisheries stood at USD 2.4 billion.

¹⁰ In 2018, FDI flows from China to ASEAN countries totalled USD 10.2 billion, equivalent to 6.6% of ASEAN's total FDI, according to the Chairman's statement at the 22nd ASEAN-China Summit held in Bangkok in November 2019.

¹¹ China, a major player in the river's management, is not a member of the Mekong River Commission (MRC). This means that it is not subject to the commitments of the founding agreement (which frames the construction and operating of dams, among other things). The dialogue is between the MRC and the Lancang Mekong Cooperation, established by China along with five other riparian states of the Mekong River.

¹² An overview of AFD Group's activities in Southeast Asia between 2015 and 2019 can be found in Appendix 1.

1.2. CHALLENGES

A region on the front line of climate change and vulnerable to natural disasters

Growth in Southeast Asia is characterised by its heavy reliance on carbon-intensive fuels (cf. Appendices 2 and 3), given that the region's economic development and urbanisation create a high energy demand, the bulk of which is covered by fossil-fuel-based generation, accounting for 75% of the energy mix in 2018.¹³ Some countries in the region are among the biggest emitters of greenhouse gases (GHG), with Indonesia in the lead (ranked 10th in the world), Thailand (22nd) and Vietnam (29th). What's more, air pollution is a mounting concern that adds to the overall issue of the region's extreme vulnerability to climate change (droughts, flooding, rising sea levels and hydrological changes to rivers, particularly the Mekong). These issues are especially challenging as Southeast Asia has a high population density concentrated in coastal areas that are very exposed to the effects of climate change, such as coastal erosion, coastline retreat and flooding by the sea. Lastly, several countries are regularly impacted by major natural disasters: extreme climate events (cyclones, droughts, floods), earthquakes and tsunamis.¹⁴

A vulnerable biodiversity hotspot under threat

By 2050,¹⁵ around half of the region's biodiversity could disappear. As one of the planet's major biodiversity hotspots¹⁶ and home to over 20% of animal, marine and plant species, Southeast Asia is now on the front line of the sixth mass extinction.¹⁷ The exceptional biodiversity of two megadiverse countries,¹⁸ Indonesia and the Philippines, is now threatened by fast-paced infrastructure development, industrial agriculture and the overexploitation of rivers and forests. Deforestation is impacting all countries across the region. For instance, Indonesia lost over 500,000 hectares of forest between 2005 and 2010,¹⁹ while Cambodia had the world's highest increase in the rate of deforestation between 2001 and 2014 (+14.4%).²⁰

The biomass in the Mekong Basin is especially impacted by the many dam-building projects, overfishing and intensive aquaculture. The region is facing a rapid degradation of the marine environment due to human-induced pressures (urbanisation, land-clearing, inadequate management of waste and air pollution) and the effects of climate change (cf. Appendix 3). Yet, the sea in general and the mangroves and coral reefs in particular are what ensure the survival of coastal populations, enable the reproduction of numerous species, and ensure water purification and the absorption of CO₂, while also providing protection against tsunamis and erosion. The IPBES²¹ has underlined the persistent character of these threats, which are impacting the economic potential of the blue and river economies.²² The fight against climate change and biodiversity conservation are thus closely intertwined.

Inequalities still widespread

Southeast Asian growth does not appear to be very inclusive, which is a factor contributing to the persistence of deep inequalities, as shown by Gini coefficients²³ exceeding 0.4 in the Philippines, Indonesia, Thailand, Vietnam and Laos (cf. Appendix 2). The absence of effective redistribution mechanisms further reinforces these inequalities, be they social (access to public services, education, job opportunities), spatial (between districts and provinces) or intergenerational given the rapid aging of populations. The lack of organised care for the elderly exacerbates the precariousness and exclusion of this population segment. Access to education remains variable, with only 67% of Cambodians and 77% of Laotians reaching their final year of secondary education,²⁴ and marked disparities persist depending on gender and the area of residence. Moreover, healthcare services are still underdeveloped, with an average of one bed and less than one doctor per 1,000 inhabitants in Laos, Vietnam, Cambodia, Myanmar and Thailand.²⁵ Health-related issues are even greater for migrant populations,²⁶ who are mostly excluded from the health systems due to unfavourable socio-economic conditions and financial, linguistic, cultural and administrative barriers.

¹³ Source IEA.

¹⁴ According to Germanwatch's Global Climate Risk Index, between 1999 and 2018, Myanmar was the world's 2nd second most affected country due to extreme weather events (after Porto Rico). The Philippines ranked 4th, Vietnam 6th, Thailand 8th, Cambodia 12th, Laos 76th and Indonesia 77th.

¹⁵ Source IPBES.

¹⁶ "Hotspot" denotes a terrestrial or marine area with a significant level of biodiversity that is under threat from human activity.

¹⁷ According to the IPCC. This term denotes the accelerated disappearance of a large number of species over a short time-span.

¹⁸ Countries with a large diversity of species and a high concentration of biodiversity.

¹⁹ Source FAO, 2018.

²⁰ World Resources Institute.

²¹ IPBES, "The Regional Assessment Report on Biodiversity and Ecosystem Services for Asia and the Pacific", 2018.

²² World Bank, "The Potential of the Blue Economy", 2018.

²³ The Gini Index (or coefficient) is a synthetic indicator that measures the level of inequality for a given variable and for a given population. It varies between 0 (perfect equality) and 1 (maximal inequality). On the scale of 0 to 1, the higher the Gini index, the greater the inequality. The variables measuring inequalities can relate to income, salaries, standard of living, etc.

²⁴ Source: UNDP and World Bank (2017 data).

²⁵ 2016 data from the Greater Mekong Subregion Database.

²⁶ This denotes all categories of migration – internal and external – linked to work as well as the economic and political conditions in each country.

1.3. AFD GROUP'S POSITIONING IN SOUTHEAST ASIA

Between 2015 and 2019, the Group's activity marked up steady high growth, reaching over EUR 3 billion of authorised commitments and EUR 1.4 billion of disbursements (cf. Appendix 1). Proparco accounted for around 8% of total commitments. Over the same period, climate co-benefits amounted to EUR 1,223 M and gender co-benefits stood at EUR 468 M (for 2018 and 2019 only). The year 2019 was particularly important for the Group with EUR 869 M committed. Lastly, within the scope of its mandate in Southeast Asia, AFD Group is particularly focused on subjects linked to economic diplomacy.

The main countries in terms of volume of commitments were Indonesia (38%), Cambodia (19%), Vietnam (16%), the Philippines (14%), then Myanmar (9%), Laos (1.5%) and Thailand. Half of the French state's grant contribution (about EUR 75 M) was concentrated on two countries, Laos and Cambodia. Sovereign loans were the main financial tool used, accounting for 73% of approved amounts over the period, followed by non-sovereign loans representing 16% and grants 7%, (two-thirds of which were European Union delegated funds).

The territorial and ecological transition represented over 40% of financing (EUR 1,255 M), with activities mainly focused on the water and sanitation sectors (EUR 462 M, chiefly in Cambodia, Vietnam and Myanmar) and transport sector (EUR 411 M in Indonesia, Myanmar and the Philippines). Support for the agricultural sector and biodiversity focused on Cambodia, Laos and Myanmar. The energy transition and the political and civic transition were two further intervention priorities, each accounting for some EUR 600 M over the period. The energy transition was supported primarily in Vietnam and Indonesia, while the political and civic transition almost exclusively involved Indonesia and the Philippines, with support to fiscal reform or financial inclusion.

Expertise France intervenes in the region on all of its priority areas, particularly democratic, economic and financial governance, sustainable development, climate and agriculture, as well as health and human development, mainly via EU financing. Expertise France manages, on behalf of the MEAE, twelve international technical experts working in the education, governance and health sectors, as well as an AFD-funded technical assistant in the urban sector.

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2.

**A REGIONAL STRATEGY BUILT
AROUND THREE PRIORITIES**

The CICID of February 2018 set out the geographic and thematic priorities for French official development assistance, which is required to reach 0.55% of gross national income (GNI) in 2022. AFD Group has integrated these priorities into the AFD Group Strategy 2018–2022. More specifically, the Group committed to becoming 100% Paris Agreement and 100% social link compliant. This means that each funded project has to be compatible with a low-carbon and resilient development trajectory, while also seeking to strengthen social cohesion, or at least do it no harm, primarily by working to reduce inequalities and adopt participatory approaches.

The regional strategy endorses these commitments and details the orientations for Southeast Asia. The priorities defined respond to the regional climate, environmental and social challenges. They are coherent with European ambitions and in line with the French Strategy for the Indo-Pacific²⁷ (2018), which aims to strengthen French presence and activities in the region in the political, strategic, economic and environmental spheres, primarily by consolidating strategic partnerships. This means that the Group will support sustainable and inclusive development in Southeast Asia, thus furthering the achievement of the sustainable development goals, to improve the quality of life of its populations and develop an effective response to climate change by promoting relevant solutions and French expertise.

The priorities for the coming years mainly involve the territorial and ecological, energy and demographic and social transitions.

This will mean:

- encouraging transitions towards low-carbon trajectories and the resilience of territories,
- supporting the preservation and sustainable management of the terrestrial and marine environment, and
- mitigating social imbalances and reducing inequalities.

The Group will thus strengthen its positioning on the objectives to fight against climate change and will work to take inequalities into greater account. The fight against climate change will be a priority in the countries that are the largest GHG emitters. In these emerging economies, the Group will be particularly committed to associating all of the French economic actors, including businesses, to better meet the development challenges in these countries. The bilateral aid implemented by AFD can usefully develop synergies with the other financing tools of Team France and Team Europe (Treasury loans, EU guarantees, etc.) to structure ambitious development projects able to generate economic benefits as much for the beneficiary country as for France.

The Group will prioritise actions to reduce poverty, provide essential services in the least developed countries and will support governments of the more advanced countries in putting in place public policies designed to reduce inequalities and ensure a sustainable and inclusive recovery (notably in the wake of the Covid-19 crisis).

2.1. ENCOURAGE TRANSITIONS TOWARDS LOW-CARBON TRAJECTORIES AND THE RESILIENCE OF TERRITORIES

As a planetwide challenge, the fight against climate change is of particular concern for Southeast Asia given the level of GHG emissions that the region generates and its high vulnerability to the consequences of climate change. AFD will rely on its experience with these subjects and their importance for the region to ensure that its interventions produce maximal positive impacts (climate co-benefits) on both mitigation and adaptation. These interventions will promote “win-win” solutions such that policies to fight against climate change also contribute to social justice. The Group's action will be structured around the following intervention objectives which relate to the energy, territorial and ecological, and economic and financial transitions:

1) Accelerate the energy transition: the energy transition, which has had a timid start in some countries in the region, needs not only to gradually phase out fossil energies in favour of renewable energies, but also increase energy efficiency in the productive sectors, such as construction or power systems. The transition is supported as much by the public sector as by the private sector and, on this count, the complementary offerings from AFD Group entities provide real added value (cf. box). AFD Group actions will be differentiated and adapted in line with the countries' needs: access to electricity via renewable energy mini-grids, construction of power transmission lines in the least developed countries, including in rural areas (Myanmar,

²⁷ White Paper, “2030 French Strategy in Asia-Oceania – Towards an Inclusive Asian Indo-Pacific Region” (2018).

Cambodia), construction and rehabilitation of hydropower plants (Vietnam, Indonesia, Myanmar), optimisation of existing networks to promote the introduction of renewable energies (Indonesia, Vietnam, Cambodia), development of storage capacities (Cambodia), and the promotion of energy efficiency (Indonesia, Vietnam, Cambodia). Projects to rehabilitate or extend hydropower plants will be relevant, possibly in conjunction with security-strengthening components (Indonesia, Vietnam, Philippines, Laos, Myanmar). The Group's action will also involve financial intermediation in the form of credit lines allocated to "climate" project financing in the more advanced countries (Vietnam, Indonesia and Philippines).²⁸ In addition, AFD will seek to set up frameworks conducive to developing sustainable infrastructure for energy (renewables) and consumer sectors (transport mainly, energy efficiency in industry and buildings) by participating in international initiatives and the Programme for Energy Efficiency in Buildings (PEEB) as well as in regional-level "green" project financing via its contribution to the ACGF (cf. box p.20).

2) Encourage natural risk management and protection of coastlines: although long viewed through a purely economic prism, marine and coastal areas are increasingly emerging as an environmental priority at both national and regional level. In the middle-income countries, AFD Group will support the development of efficient port infrastructure presenting climate co-benefits (concept of eco-ports in Indonesia) by seeking to promote the expertise of French enterprises, when relevant. Moreover, given these territories' inherent vulnerabilities, AFD intervention will be particularly relevant for the detection of natural terrestrial and marine phenomena (earthquakes, flooding, volcanic eruptions, tsunamis, etc.), and will contribute to developing systems for managing and reducing natural disaster risks in the countries exposed (Indonesia, Vietnam, Cambodia). An integrated approach will be promoted as, for example, the framework for sustainable management of river basins in Laos, Myanmar and Cambodia.



AFD's interventions will promote "win-win" solutions such that policies to fight against climate change also contribute to social justice.

FOCUS: AFD–Proparco synergy in the energy sector

AFD and Proparco are mobilising complementary tools to extend and bolster AFD Group's actions in the region, particularly in the energy sector. In this area, the public sector is creating and structuring an enabling environment for the deployment of private initiatives. For example, AFD is providing support to the Burmese government for the study of a planned 500 kV power line that will connect up the Shweli 3 hydropower project. The project's private shareholders are currently discussing the project's financing with Proparco.

Proparco relies on AFD's knowledge of sectors that depend heavily on public-sector action. In Vietnam, AFD's knowledge of network issues are thus very useful to Proparco for appraisals of renewable energy projects.

Finally, and particularly in Vietnam where the development of renewables is a key challenge for the country's resilience, AFD and Proparco are working together to propose green credit lines to both private and public banks (BIDV), which is enabling them to develop a comprehensive Group expertise.

3) Strengthen urban and rural resilience: cities in the region's middle-income countries concentrate most of the population and are thus facing numerous challenges (enhance economic attractiveness and job creation, step up resources to finance infrastructure, improve local governance, craft urban development plans, reduce congestion). In this context, AFD Group will support the dissemination of innovative urban public policies (eco-districts in Indonesia), environment-friendly urban practices and nature-based solutions in order to increase the cities' resilience to the effects of climate change and improve air quality.²⁹ To this end, the Group will finance infrastructure that is adapted to a country's specific context and also conducive to promoting the expertise of French economic actors (flooding/high water in Vietnam and Cambodia, transport in the Philippines and Indonesia). At the regional level, AFD will develop programmes and actions to enhance planning and sustainable urban mobility via joint AFD-ADB facilities (Cities Development Initiative for Asia and Mobilise Your City). Being deeply involved in programmes linked to innovative and environment-friendly urban policies, Expertise France will support projects implemented by French local authorities (in Vietnam). In the least developed countries, AFD's action will target rural areas³⁰ with a view to stimulating their economic growth (Myanmar), enhancing their cultural heritage (Laos), and making their agricultural systems more resilient to the effects of climate change (development of irrigation in Cambodia, Laos and Myanmar;

²⁸ Intermediated interventions will also help to facilitate the development of commercial relations between final beneficiaries and French actors.

²⁹ Air pollution from fossil fuels generates hefty external costs that could increase by 35% between 2014 and 2025 to reach USD 225 billion by 2025, and this will have a significant impact the countries in the region.

³⁰ In Cambodia, Laos and Myanmar, over 65% of the population lives in rural areas (World Bank data).

agroecological practices for the coffee, tea and banana sectors in Laos, and rice and market gardening in Cambodia; geographical indications in Laos, Cambodia and Myanmar).³¹ In addition, AFD will continue its support to small planters, and promote agroecology as a sustainable alternative, especially for oil palm and rubber plantations. Through its ARIZ guarantee tool (cf. box), Proparco will continue to support MSMEs in the region to encourage job-creating economic growth and develop microfinance (Myanmar and Cambodia).

FOCUS: ARIZ, an ideal tool to support SMEs

AFD Group's key instrument to support SMEs is the ARIZ guarantee. This has been rolled out in Laos since 2014 via some 15 guarantees issued with the BFL BRED GROUP, then in Cambodia in 2015 with Acleda Bank, Foreign Trade Bank, and the Bred Bank in 2018. Since the bulk of private-sector activities were transferred to Proparco in 2019, the Group subsidiary has deployed this instrument extensively, notably within a new partnership signed in Indonesia with BNP Paribas and further partnerships are now under discussion in several countries in the region.

2.2. SUPPORT THE PRESERVATION AND SUSTAINABLE MANAGEMENT OF THE TERRESTRIAL AND MARINE ENVIRONMENT

The Southeast Asia region not only harbours a unique biodiversity but it is also one of the regions most vulnerable to climate change. The rapid economic growth marked up by countries in the region has been largely underpinned by the exploitation of natural resources and biodiversity, which has created considerable pressure on the environment. As a result, environmental degradation has now reached alarming levels (high rates of deforestation and fast-declining water resources, loss of species), particularly in the Mekong Basin, Myanmar and Indonesia. Preserving and regenerating this natural capital is thus crucial in order to reduce vulnerabilities to climate change effects (notably drought) and maintain employment for millions of people. The second priority for the Southeast Asia Regional Office thus focuses on this theme, which has many aspects that interlink and converge with the two other priorities.

1) Contribute to conserving biodiversity and managing natural resources: the priority of conserving biodiversity is as crucial as the climate priority, and lies at the heart of AFD Group's actions. To halt biodiversity loss and protect threatened ecosystems, AFD Group is supporting activities dedicated to defining, extending and managing protected marine and terrestrial areas, as was done for the Indo-Burmese hotspot (in this case, it involves Cambodia, Myanmar and Laos). Partnered by NGOs, the Group supports the

restoration and sustainable management of natural spaces – together with and for the benefit of populations – and mainstreams this dimension into all of its development policies. AFD Group will thus work on maintaining ecosystem services that benefit communities on a local and national scale (Myanmar) and on integrated water resource management in the most affected countries (Vietnam, Cambodia, Myanmar). The Group will also continue to assist the Mekong River Commission (MRC) in monitoring and analysing hydrometeorological data and will aim to improve the transparency of the forest-timber sector (Myanmar). At regional and local levels, AFD Group will contribute to the agroecological transition by integrating value-chain approaches that enhance the quality (notably the sanitary standards) of products derived from these practices. This will involve the One Health approach, which aims to integrate health and phytosanitary considerations into projects supporting agricultural sectors, projects for food-processing and distribution infrastructure, and biodiversity conservation projects.

2) Promote a resilient and sustainable blue economy: the centrality of the blue economy is a particular feature of Southeast Asia. Overexploitation of marine fisheries and aquaculture production (Thailand, Myanmar, Indonesia, Philippines and Cambodia) and the inefficiency of the

³¹ Assistance on climate-smart rice/agricultural practices could also be envisaged, particularly with national research institutes.

PROJECT FOCUS: Extension and improvement of the Mekong River Hycos Network

Since 1995, MRC has been promoting cooperation between the countries bordering the lower reaches of the river to ensure the sustainable management of its waters. In a context where the populations living along the Mekong (65 million people live in the Lower-Mekong Basin³²) depend on the river for their livelihood, where the economy and population are growing fast, and where climate change is harming biodiversity and increasing erosion, the MRC-AFD partnership has helped to deepen knowledge of the river and improve the impact studies conducted on hydroelectric works. The partnership has also financed participation in the Commission's environmental programme to gain a deeper understanding of the biodiversity issues and other environmental parameters linked to the Mekong River. Now nearing completion, the project strengthens MRC's hydrometeorological expertise as it extends and upgrades the network of hydromet stations and promotes the use of the data in Laos, Cambodia and Vietnam, giving these countries greater insights into the river's hydrological changes.

countries' existing infrastructure (support for reform of the maritime transport sector and port performance in Indonesia) pose a potential threat to the way of life of several hundred millions of inhabitants. AFD will focus its efforts on the region's more advanced countries, especially on the sustainable management of marine resources (including the fight against illegal fishing), by supporting oceanographic research and the restoration, conservation and sustainable management of mangroves and seagrass beds and by combatting marine pollution caused by plastics. Reducing pollution caused by plastic waste will also be a focus of the Group's intervention (AFD and Expertise France) in Southeast Asia at both national and regional levels. Within the *Asie-Sécurité* project, Expertise France is also involved in maritime security in five pilot Asian countries, including Indonesia and Vietnam, to promote cooperation between the EU and ASEAN.

2.3. MITIGATE SOCIAL IMBALANCES AND REDUCE INEQUALITIES

Poverty has been greatly reduced and the quality of life has improved thanks to the sustained economic growth of Southeast Asia countries. Yet, this growth has not benefited all segments of their populations and increasing inequality and persistent malnutrition are observed despite a rise in per capita income. In line with its 100% social link commitment, AFD Group will pay special attention to territorial, generational and gender inequalities in its dialogue with the public authorities, based on a redistributive logic. It will promote the concept of a "fair transition", which couples an ambitious stance regarding the definition of low-carbon trajectories and the necessary integration of key challenges for employment/inequality/redistribution in the region. The focus areas below are designed to reduce social imbalances and involve all of the transitions supported by the Group – more specifically, the demographic and social transition, the economic and financial transition and the political and civic transition. Given the context of the economic and social crisis driven by the Covid-19 pandemic, this priority is fully relevant as it responds to the needs and expectations of the Southeast Asia countries.

1) Broaden the offer of public services: the access to basic goods and services provided by the public sector is highly unequal between and within Southeast Asia countries.³³ AFD Group will pursue its action in Southeast Asia to increase the populations' access to drinking water and sanitation systems, electricity, health care services, telecommunications and financial products and services, by focusing its actions on intermediary cities and rural areas with little or no service. Financing for dedicated infrastructure will be allocated in priority to the least developed countries in the region (renovation of hospitals, medical laboratories and blood collection centres in Myanmar; creation of power lines in Cambodia). In middle-income countries, improvements to the quality of essential services provided will be proposed (Vietnam and Indonesia). These actions will not only target public enterprises but also private operators. In addition, Expertise France will continue to support local actors in order to build up their skills in the fields of health, notably through the "Initiative" programme, which involves five Southeast Asia countries (Myanmar, Cambodia, Laos, Thailand and Vietnam), and through the SUCCESS project in the Philippines.

³² Laos, Thailand, Cambodia and Vietnam.

³³ Disparities in access to essential goods and services are often seen between urban and rural territories (cf. Appendix 1).

2) Reinforce human capital: while populations have benefited from improved education and health, the average indicators in education, skills development and health remain lower than those for countries with an equivalent level of income. AFD Group's expertise in the field of vocational training is well-established in the region (mainly Vietnam and Cambodia) and has already been substantially capitalised. AFD will use this capitalisation to pursue its action, with a particular focus on young people. Technical and scientific assistance on specific themes (e.g. transport, water cycle) will bolster the implementation of the above-mentioned priorities and "training/capacity-building" actions will also be integrated into projects that are not specifically dedicated to this theme.

3) Reduce inequalities by promoting social inclusion: jeopardised by rising inequalities, social cohesion is a major challenge in the region, and one that must be central to AFD's different actions in support of the transitions. Social inequalities are often a source of conflict, tensions and migrations. The medium-term objectives that AFD has adopted in Southeast Asia to promote more inclusive growth, particularly for women and girls, include: create more opportunities, promote employability (notably of women and young people), support entrepreneurship capacities, disseminate good governance practices to promote broader citizen participation (including women), reduce corruption and social exclusion. In connection with the three challenges mentioned earlier, AFD will work on regulatory frameworks and can also assist States on the topics of environmental and/or climate justice and adaptive social protection so as to reduce the vulnerability of threatened populations or victims of ecological disasters ("climate refugees"). The Group will pursue its action in the region to ensure that rural populations (mainly famers, livestock farmers and fishermen) have access to job opportunities

and decent incomes, notably by promoting cooperatives and other farmer organisations. Proparco will assist its beneficiaries in reducing gender inequality and support women's entrepreneurship in the region. AFD will work with the World Bank to broaden the outreach of Indonesia's financial sector and strengthen its resilience to shocks such as those linked to the Covid-19 crisis. Expertise France will pursue its actions under the SOCIEUX+ programme, mainly in Thailand (informal labour) and in Cambodia (regulation and supervision of social security funds; social protection for the disabled).

FOCUS: Support for microfinance institutions in Cambodia

Since the 1990s, AFD Group has been working to promote financial inclusion and microfinance in Southeast Asia and thus further the economic and social development of vulnerable populations. In Cambodia, between 2012 and 2018, AFD and Proparco provided grants to the Profession Microfinance Association totalling EUR 820,000 to assist it in putting in place responsible financing practices and principles to protect the customers of microfinance institutions (MFIs), to reduce the risk of customers' excessive indebtedness and ensure the sustainability of these institutions' activities. Proparco also directly assists Cambodian MFIs that are "Smart Campaign" – certified and implement more responsible financing practices, by supporting their growth through loans or equity investments. Proparco carried out two operations in this sector in 2019 and has marked up a total of 14 operations since 2008. These MFIs enable vulnerable populations, mainly women and rural populations, to access financial products tailored to their needs, and thus contribute to their social and economic development.

2.4. ENGAGE IN A SYSTEMIC SEARCH FOR THE NEXUSES BETWEEN ENVIRONMENTAL, CLIMATIC AND SOCIAL CHALLENGES

The three strategic objectives of the Southeast Asia Regional Office offer substantial opportunities for synergies between climate, environment and social on the one hand, and the short term and long term on the other hand. These objectives determine AFD Group's intervention in the region based on a sustainable recovery and a fair transition. In this optic, AFD Group financing in Southeast Asia will target long-term support for sustainable, resilient growth in line with the SDGs, while at the same time supporting an inclusive approach vis-à-vis local populations (job creation, higher incomes). This financing will target different types of co-benefits so as to integrate at least two of the three strategic priorities, whenever possible and with our partners' agreement. The search for nexuses between the climatic, environmental and social challenges will be systematic so as to propose an offering that is consistent with the two strategic commitments of AFD Group and the 17 SDGs.

This crisis has served to shed greater light on the need to rethink our vision of development aid – a subject of discussion before the outbreak of Covid-19 – and shift from a siloed implementation of the priorities mentioned towards an integrated approach to social and ecological issues in public policies. This will involve, for instance, helping countries to prevent a deterioration of their economy (job losses, deepening inequalities), while also factoring in the economic, social and environmental impacts of policies designed to support employment and economic activity. A reflection will be conducted on the identification of “win-win” solutions so that policies to combat climate change and reduce poverty complement and reinforce each other, while also helping to bolster the resilience of populations.

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3.

**BOOST THE MOBILISATION
OF PARTNERS AND ACTORS
AT THE REGIONAL SCALE**

As a crucial target for delivering the 2030 Agenda, partnership dialogue (SDG 17) occupies a prime place in the AFD Group Strategy 2018–2022, as set out in the commitment to a “partnership reflex”. In a region where its operations are mainly limited by its mandate and financing conditions, and even though it is targeting EUR 1 billion of new commitments per year, AFD Group remains a small player. This

means that the Group imperatively needs to deploy a partnership reflex in Southeast Asia. To this end, it belongs to a network of partners enabling it to improve its efficiency, increase its impacts and contribute relevant responses to the region's challenges, based on a rationale of uniting around the Paris Agreement and the SDGs.

3.1. STRENGTHEN THE SYNERGIES BETWEEN FRENCH ACTORS

AFD Group will provide support for disseminating expertise and mobilising the network of French actors in the region, be they public or private. Several programmes, conducted jointly with the IRD, CIRAD and their local partners, will be launched to produce analytical data on climate³⁴ and inequalities, both of which are salient themes in the region. Support to the Institut Pasteur's international network and its counterparts will be continued, as will support to the Mérieux Foundation, in order to improve the populations' health and fight against the risk of epidemics. AFD will continue to co-finance projects led by the FFEM, which has sound and long-standing experience in the region, and to support CSO initiatives. The Group will also continue to call on French local authorities for grassroots actions and peer-to-peer experience-sharing through decentralised cooperation (Ile-de-France Region in Vietnam, Port du Havre in Indonesia). Based on its mandates and within Team France, AFD Group will provide support to French economic actors and strengthen France's economic influence in Southeast Asia. To this end, AFD will facilitate the continuum, within its financing activities, between France's Economic Services and French companies and will capitalise on its results in terms of economic influence.

Within Team France, AFD Group will contribute to implementing the Indo-Pacific strategy³⁵ as set out in the White Paper, “2030 French Strategy in Asia-Oceania – Towards an Inclusive Asian Indo-Pacific Region”, by bolstering experience-sharing and promoting solutions from actors in the French ecosystem (CSOs, local authorities, businesses, foundations, research centres). The Group will base its actions on France economic strategy in Southeast Asia, which it helps to further, and will also echo the National Strategy against Imported Deforestation³⁶ relating to oil palm plantations in Southeast Asia, by supporting national initiatives (e.g. FLEGT certification for Indonesian timber).

Lastly, a key focus will be on communication and awareness-raising actions to strengthen AFD Group's capacity in Southeast Asia to mobilise different stakeholders and heighten the visibility of France's action in the region.

“

AFD Group, as the French development-policy platform, will contribute to implementing the «Development» dimension of France's strategy in the Indo-Pacific.

³⁴ See <https://www.afd.fr/fr/carte-des-projets/analyse-des-impacts-socio-economiques-du-changement-climatique-au-vietnam-et-des-strategies-dadaptation-moyen-et-long-terme>

³⁵ The goal of the Indo-Pacific focus is to tackle, jointly with the European Union, India and Australia, the challenges common to the region, the foremost being climate change.

³⁶ https://www.ecologique-solidaire.gouv.fr/sites/default/files/2018.11.14_SNDI_0.pdf

FOCUS: AFD Group operations in the Indo-Pacific space

The "Indo-Pacific" space has a geographic dimension (a maritime area stretching from the South China Sea to East Africa by way of the Pacific Ocean,³⁷ Southeast Asia, the Indian Ocean and the coast of East Africa). It also has a geostrategic dimension involving sectors linked to the Paris Agreement. In 2018, AFD Group intervened in 27 territories within or bordering this space, with commitments totalling EUR 3 billion,³⁸ including EUR 335 M via its subsidiary, Proparco.

AFD Group has decided to target its action to support three themes on which France has an added value that is recognised and solicited by its partners:

i) The fight against climate change and the adaptation to its effects through mitigation projects (e.g. urban public transport,

promotion of renewable energies, biodiversity protection) and adaptation projects (risk prevention and management, agriculture, water and sanitation),

ii) The blue economy (projects linked to connectivity issues such as port infrastructure, maritime surveillance and meteorological monitoring, fisheries activities, management of protected marine areas and coastal areas),

iii) Democratic governance (projects to promote the principles and good practices of transparency, accountability and citizen participation).

On each of these themes, priority will be given to promoting the expertise of French institutes and businesses.

3.2. PROPOSE AN INTEGRATED OFFER SO AS TO CONTRIBUTE TO THE RAPPROCHEMENT BETWEEN EUROPE, THE EUROPEAN UNION AND SOUTHEAST ASIA

The relationship between the European Union and AFD Group is strategic in Southeast Asia as 17% of projects were co-financed (2015–2019). This relationship is part of a constructive ongoing dialogue with the EU on strategy and sectoral priorities, in line with the respective priorities of AFD and the EU in the region.³⁹ France's development policy set out in the CICID's priorities must contribute to increasing the EU's presence on the international development stage. In this context, the project approach thus far privileged will be complemented by a programme approach that will help to reduce appraisal time and heighten the visibility of joint programmes. In parallel, the Group will mobilise European resources to support our partners' projects, with priority given to blended facilities, delegated funds for programmes and European regional facilities to finance technical assistance programmes. This will help to enhance

offers for our beneficiaries by providing a range of tools that broadens and complements AFD's instruments (delegated grants, investment grants, technical expertise). In addition to the operational side, the partnership with the EU will include a study component in the form of a research programme on inequalities in developing and emerging countries. This will include a study on Indonesia as well as another one on the countries of the Lower Mekong River Basin.

Furthermore, AFD Group will participate in crafting European financial solutions based on strengthened partnerships with KfW and EIB (a joint effort will focus on financing under the MRI – Mutual Reliance Initiative). At the same time, the Group will join forces with other regional or bilateral European development finance actors.

³⁷ Excerpt from the speech by the President of the French Republic at the Conference of Ambassadors (2018): "I hope that you can present this link crossing the Indian Ocean to the Pacific Ocean, by way of Southeast Asia, in a resolute, ambitious and clear manner."

³⁸ This calculation relates to a geographic perimeter covering 27 territories, including 21 foreign states and 6 Overseas France territories: South Africa, Bangladesh, Myanmar, Cambodia, Comoros, Djibouti, Fiji, India, Indonesia, Kenya, Laos, Malaysia, Mauritius, Mayotte, Mozambique, New Caledonia, Pakistan, Philippines, French Polynesia, Réunion, Seychelles, Sri Lanka, Tanzania, French Southern and Antarctic Lands, Vietnam, Wallis and Futuna, Zimbabwe.

³⁹ The EU strategy for Southeast Asia is based on connectivity. The main aspects are the creation of digital, energy and transport networks, sustainable financing through various financial instruments and the establishment of partnerships with Asian countries and relevant organisations.

⁴⁰ See <https://www.afd.fr/en/research-facility-better-understand-inequalities> and <https://www.afd.fr/en/carte-des-projets/inequalities-and-environmental-changes-lower-mekong-river-basin>

The “Team Europe” approach will be a key focus of the Regional Office's partnership strategy and will enable it to capitalise on the resources of the EU, its Member States and European financial institutions, including the EIB. This will mean implementing a coordinated action to improve

aid effectiveness and enhance the visibility of the EU and the French approach. In this context, exchanges and complementarities on certain topics (including deforestation) will be sought with EU delegations and European donors.

3.3. FORGE NEW TIES WITH INTERNATIONAL DONORS AND NATIONAL DEVELOPMENT BANKS IN A REGIONAL APPROACH

AFD Group intends to deepen its cooperation with international aid donors. Co-financing, given its leveraging power, will be prioritised. AFD's participation in the ACGF (cf. box below) strengthens and confers a regional dimension to the strategic partnership with the Asian Development Bank (ADB), a key player in the region⁴¹ with whom AFD has set a co-financing target of EUR 5 Bn between 2020 and 2022 for Asia as a whole. Greater on-the-ground coordination to drive strategic synergies and more regular research cooperation will be put in place on identified themes (climate change, air pollution, sustainable cities, social protection and terrestrial and marine biodiversity) with a view to better sharing of knowledge and expertise. To heighten the visibility of our action, joint communication on co-financing initiatives will be launched with ADB. In the same logic, the longstanding operational partnership with the World Bank will be continued.

So as to strengthen France's action in the Indo-Pacific, the Group will work more closely with JICA to try to develop joint operations along the lines of the project for natural disaster management in Indonesia.

Lastly, as national development banks are emerging as a new pillar of development finance, the Southeast Asia Regional Office will aim to be part of the Group's momentum to build a stakeholder collation able to create a global response to global challenges and contribute to redirecting financial flows towards the SDGs. To this end, AFD Group will promote cooperation and dialogue between the IDFC⁴² members operating in the region (PT/SMI in Indonesia, JICA, KfW, CDB⁴³).

FOCUS: AFD's participation in the ASEAN Catalytic Green Finance Facility (ACGF)

The partnership with ASEAN and ADB is fortified by AFD Group's participation in the ACGF. In 2019, ADB and ASEAN Member States launched a new initiative, the ACGF, dedicated to preparing and financing infrastructure projects through sovereign loans, with a mandate focusing on green infrastructure and the leverage of private-sector funds. AFD contributes a EUR 1-million grant (including a technical assistance component from Expertise France) and the Group could potentially co-finance “ACGF” projects that comply with its mandate and priorities in the region.

⁴¹ In Southeast Asia, between 2010 and 2019, 40% of AFD's co-financed projects were with the ADB.

⁴² IDFC gathers 24 national, regional and bilateral development banks. It was founded in 2011 and aims to implement the Paris Agreement and the SDG 2030 Agenda.

⁴³ The partnership between AFD and CDB signed in January 2018 prioritises a concrete approach with China, based on projects targeting development in third countries (under the 2015 Franco-Chinese cooperation agreement) that comply with the best environmental, social and procurement standards and without the “BRI” label.

3.4. INTENSIFY RELATIONS WITH KEY ACTORS IN THE REGION: INTERNATIONAL CIVIL SOCIETY

To support the ongoing transitions and reinforce the rationale of uniting around the SDGs and the Paris Agreement, AFD Group will consolidate its relations with two regional organisations in particular. First, the rapprochement with ASEAN⁴⁴ will help to drive the French policy set out in the Asia-Oceania White Paper (2018), which foregrounds the centrality of ASEAN at a political, security and regional level, and has also led to France becoming an ASEAN Development Partner. In addition, AFD will seek to integrate into its projects an advocacy dimension vis-à-vis ASEAN (when relevant) and will encourage experience-sharing with ASEAN's thematic entities and work with them to identify subjects of common interest and set up joint programmes. Secondly, AFD will continue to deepen its relations with the MRC in operational areas and knowledge production for a better understanding of regional challenges.

In parallel, since the One Planet Summit (October 2019), forging closer links with civil society has become an even greater strategic priority, aimed at uniting efforts to achieve

the SDGs and combat the effects of climate change. AFD Group will capitalise on the already strong partnership with international NGOs like the WCS and WWF and will consider supporting other NGOs highly active in the region (within the limits of the grants available) via a two-pronged approach: integrating them into projects and sharing experiences and know-how. Moreover, the Group will support the setting-up of research and publication programmes with universities (e.g. that undertaken with Rouen University to develop the GEMMES model in Vietnam) and think tanks, in order to deepen knowledge on challenges in Southeast Asia, particularly "climate" and "social cohesion".

Finally, under the Task Force on Philanthropic Innovation,⁴⁵ AFD and the Children Investment Fund Foundation (CIFF) officialised the Energy Transition Partnership aiming to coordinate and step up support from donors and philanthropies to accelerate the energy transition in Southeast Asia countries.

⁴⁴ Created in 1967, this regional organisation gathers ten Southeast Asia countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia) and deals with political, economic and cultural topics.

⁴⁵ The Task Force on Philanthropic Innovation emerged out of the Climate Finance Partnership created on the occasion of the One Planet Summit in New York in 2018. AFD is a member of the Task Force.

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4.

FINANCIAL PERSPECTIVES AND INTERVENTION MODALITIES

4.1. FINANCIAL PERSPECTIVES

AFD Group commitments in Southeast Asia over the period 2015–2019 totalled EUR 3.09 Bn, including EUR 869 M committed in 2019 (the annual increase averaging 8% over the period) of which EUR 90 M for private sector operations.

AFD Group's financial programming for the region over the next five years could follow an ambitious trajectory, ranging between EUR 4.8 Bn and EUR 5.7 Bn⁴⁶ of total commitments over the period, equivalent to an increase of over 50% compared to the previous period

Several assumptions underpin this potential activity:

- Strengthen the partnership with the European Union: the projections factor in AFD Group's capacity to further strengthen its cooperation with the European Union by mobilising blended facilities and supporting the regional projects anticipated by our partners (mainly given France's status as an ASEAN Development Partner).
- Scale up non-sovereign activity in the region (driven by Proparco and AFD), with the possibility of developing non-sovereign activity in Cambodia.
- Maintain grants in the region at a satisfactory level (assumption of EUR 12 M/year minimum).
- Integrate changes in national contexts, all of which are impacted by the Covid-19 pandemic, assuming an improvement over the period (2020–2024).

The Covid-19 crisis and its economic and financial consequences are nonetheless impacting these forecasts due not only to the type of tools mobilised, but also to the volumes of commitments forecast. Currently, it is still difficult to precisely define the responses that AFD will provide.

At the end of March 2020, the business plan for 2020 (and the same will likely be true for 2021) was already subject to revision. The Covid-19 crisis has heightened the countries' needs for budgetary support, which AFD has to meet. As a result, projects specifically targeting the countries' response to Covid-19 and to strengthening their health care systems are currently emerging. Anticipating a decrease in fiscal revenue and wanting to avert an excessive deficit, some ministries have approached donors to request policy-based loans or sectoral budgetary aid mainly to support the economy, vulnerable populations and SMEs, as well as the health sector. It is highly likely that, in the coming months, AFD's support will mainly involve sovereign activity to give governments a greater margin of manoeuvre. Nevertheless, non-sovereign activity will remain a priority and the Group will make the necessary, yet vigilant, efforts to assist and support our non-sovereign partners during this period and beyond.

Lastly, the European Union's guarantee instruments will be required to support financing for risks linked to economic instability. AFD will fully mobilise these tools in order to play a counter-cyclical role whenever appropriate.

4.2. INTERVENTION MODALITIES

To finance projects and programmes in Southeast Asia operations, AFD Group will mobilise all of its current tools: sovereign and non-sovereign loans, guarantees, grants (including delegated funds), equity investment, technical assistance and provision of experts, financing for research programmes, and the use of specific tools to finance projects led by French CSOs and local authorities. However, as mentioned earlier, all these tools will not be mobilised in the same manner across the countries where the Group operates. In middle-income countries such as Indonesia,

the Philippines and Thailand, the use of grants and project-grants (aside from funding for French NGOs) is virtually impossible, with the exception of support to regional projects that de facto benefit these countries. In these circumstances, AFD will mobilise non-subsidised financing for investments and grants for expertise (public and private, local authorities' expertise). In addition, synergies with other financing tools from Team France will be sought (e.g. Treasury loans).

⁴⁶ The actual activity will depend on the Agency's medium-term financial model. More specifically, the modelling for activity in Southeast Asia would require a guarantee from the French State or an increase in AFD's own funds, given AFD's already high exposure in Indonesia, which is close to the regulatory limit, with a financial exposure ratio of 18.19%. To a lesser extent, Vietnam, with a ratio of 13.21%, is also concerned by this "High Risk" limit. These operational constraints, under identical conditions, will clearly curb activity in these two countries, which accounted for two-thirds of approvals over the past ten years, and will thus impact the objective for commitments. At this stage however, no discussion has been held regarding a possible state guarantee or an increase in AFD's own funds. As a result, it is uncertain whether or not this trajectory will be maintained.

Although AFD will use policy-based loans, which are effectively deployed in the region (Vietnam, the Philippines and Indonesia) and useful for initiating dialogue with public authorities (cf. box below) for the period covered by this strategy, AFD Group will also specifically target project

financing with a view to ensuring a balance. It is also worth noting that the strategic partnership with the Asian Development Bank has a structuring effect on the activity. AFD will nonetheless seek to finance projects with a high positive impact on development and French influence.

PROJECT FOCUS: A policy-based loan for “logistics and connectivity” in Indonesia

The maritime transport sector and the associated logistics chain are central to Indonesia's development policy. However, the shortcomings of the logistics chain, under-investment in port infrastructure, the lack of clarity in the responsibilities between the different public actors in charge, and the barriers to foreign investors as well as international operators still present structural weaknesses hampering the development of the Indonesian economy.

To respond to these challenges, the World Bank, KfW and AFD jointly defined a programme to support the government's reform agenda for the period 2015–2019. The programme was organised into two phases, with AFD contributing two financings of EUR 150 M each. The support and sector dialogue deployed since 2015 have resulted in a matrix of public policies structured around the three following pillars: the

performance of ports (improve the efficiency, governance and management of commercial ports); quality of logistic services (promote the development and efficiency of the logistics chain); trade facilitation (simplify and improve the transparency of import/export procedures to reduce costs and strengthen competitiveness).

AFD is supporting this reform programme by providing technical assistance focused on capacity-building for port authorities, mainly in the area of sustainable development, in partnership with the Grand Port Maritime du Havre. Implementation of the technical assistance stretched from mid-2018 to the end of 2019. The close interlinking of this technical assistance with the reform matrix and the quality of French expertise provided make up the added value of AFD's contribution to the programme.

4.3. RESULT INDICATORS

AFD Group operates in a context that ensures the monitoring-evaluation-accountability of its interventions. To better guide its operations, fulfil its duty of accountability and evaluate the results and impacts of implemented projects and programmes on the beneficiaries, the Group defines a number of monitoring indicators, including:

- Volume of Group commitments (analysed by instrument, by sector, by geography)

- Volume of disbursements
- Number and volumes of regional or cross-border projects
- Volume of commitments and percentage of projects with climate co-benefits
- The volume share of annual commitments for projects integrating a gender objective.

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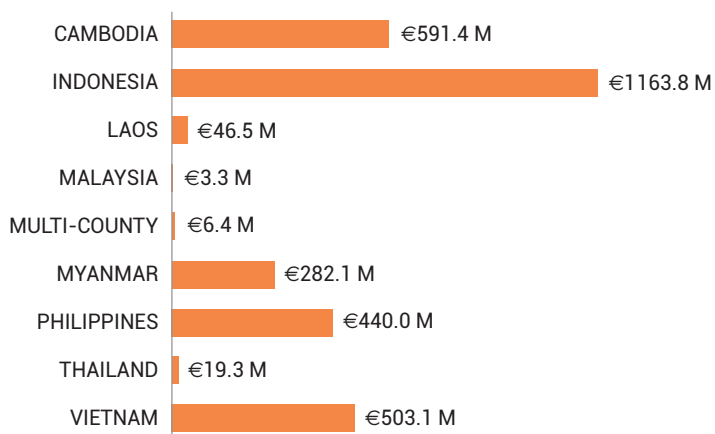
5.

APPENDICES

APPENDIX 1. OVERVIEW OF THE GROUP'S ACTIVITIES IN SOUTHEAST ASIA, 2015–2019

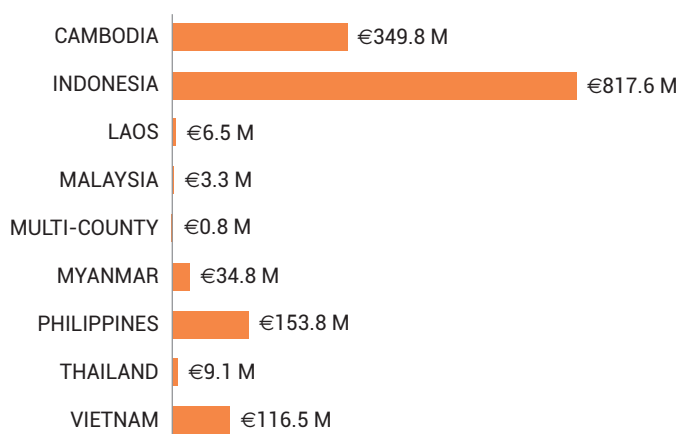
Total approvals 2015-2019:	€3 057 M
Total approvals with climate co-benefits:	€1 223 M
Total approvals with gender co-benefits:	€469 M
Total state cost mobilised:	€217 M

Group approvals by country, 2015–2019



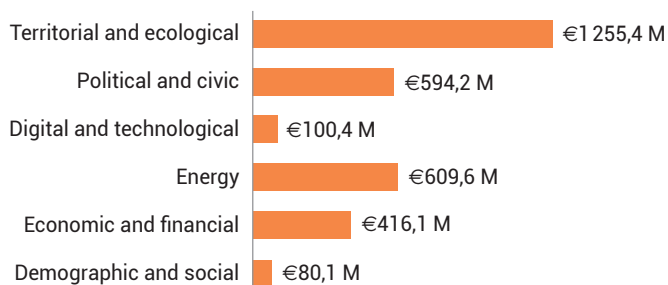
Including Proparco: €240.3 M

Group disbursements by country, 2015–2019

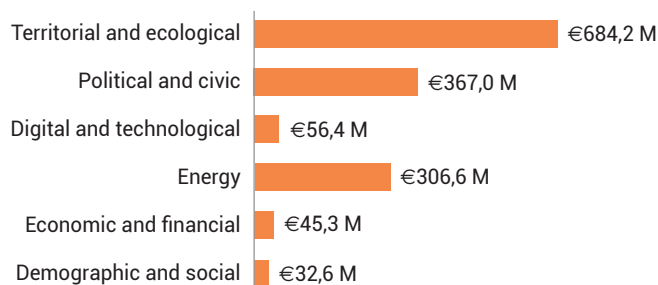


Including Proparco: €131 M

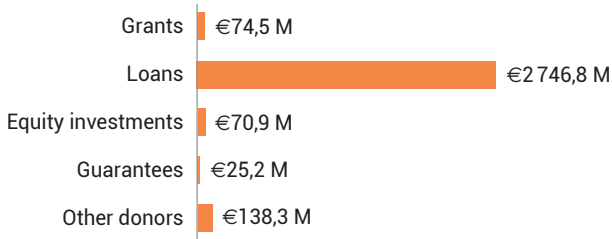
Group approvals by "transition", 2015–2019



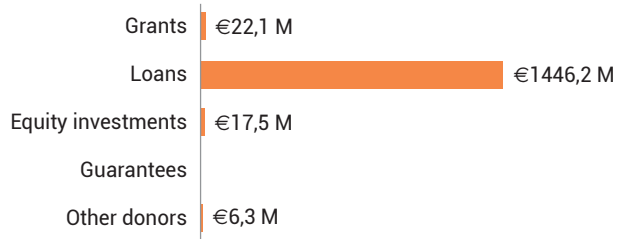
Group disbursements by "transition", 2015–2019



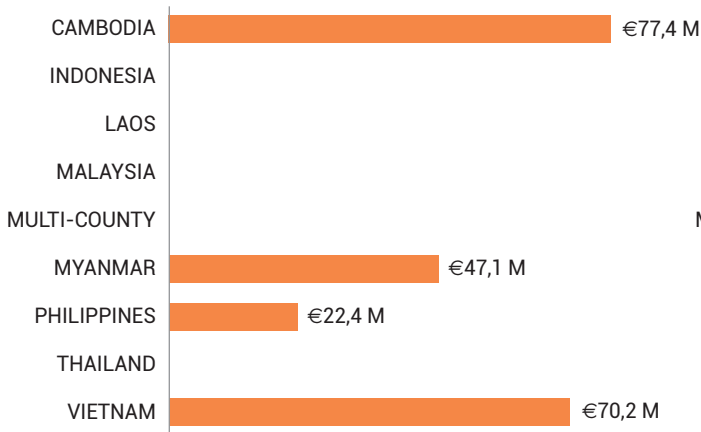
Group approvals by instrument, 2015–2019



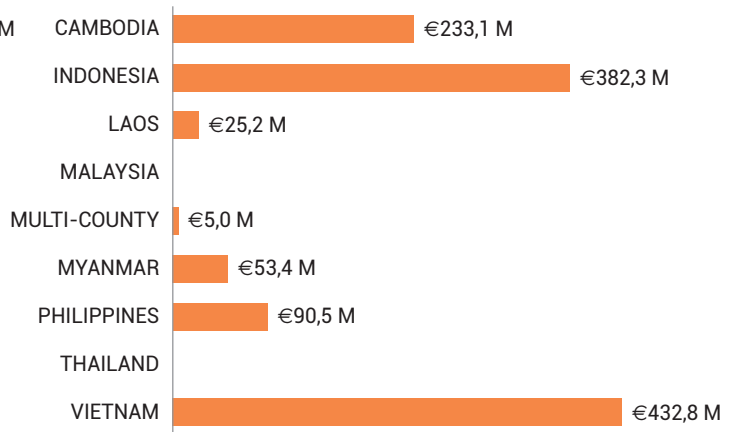
Group disbursements by instrument, 2015–2019



State costs mobilised, 2015–2019



Group climate financing by country, 2015–2019



APPENDIX 2.

ECONOMIC AND SOCIAL INDICATORS

Economic indicators

	Current GDP (USD million)	GNI/capita (current USD)*	Inflation rate (%)
Cambodia	24 542	1 390	3.1
Indonesia	1 042 173	3 840	3.8
Laos	17 954	2 450	1.9
Myanmar	71 215	1 310	1.9
Philippines	330 910	3 830	3.8
Thailand	504 993	6 610	1.4
Vietnam	245 214	2 360	3.4

Source: World Bank, 2018. *: Atlas method used by OECD for country classification.

Inequality indicators

	Human Development Index (HDI)	Rang HDI	GINI Index*
Cambodia	0.582	146	36.6
Indonesia	0.694	116	45.7
Laos	0.601	139	41.1
Myanmar	0.578	148	30.7*
Philippines	0.699	113	47.9
Thailand	0.755	83	43.7
Vietnam	0.694	116	42.2

Sources: UNDP, World Bank. * Source: WEF Inclusive Growth Report 2018, except Myanmar (source: World Bank, 2017).

Population (Millions of inhabitants)

	2018	2020	2025	2050
Cambodia	16.2	16.7	17.8	21.8
Indonesia	266.8	273.5	287.1	330.9
Laos	7.0	7.3	7.8	9.5
Myanmar	53.9	54.4	56.5	62.3
Philippines	106.5	109.6	116.8	144.5
Thailand	69.2	69.8	70.3	65.9
Vietnam	96.5	97.3	101.1	109.6

Source: UN-DESA. 2019 (median estimate).

Urban population (% of total population)

Cambodia	23.8
Indonesia	55.9
Laos	35.7
Myanmar	30.9
Philippines	47.2
Thailand	50.7
Vietnam	36.6

Source: UNCTAD, 2019.

Life expectancy (Years)

	Women	Men
Cambodia	71.2	67.1
Indonesia	73.5	69.2
Laos	69.1	65.5
Myanmar	69.6	63.4
Philippines	75.3	67
Thailand	80.5	73
Vietnam	79.4	71.1

Source: World Bank, 2017.

Birth and mortality rates (‰)

	Birth rate	Mortality rate	Infant mortality rate
Cambodia	22.9	6	24
Indonesia	18.4	6.4	21.1
Laos	23.9	6.5	37.6
Myanmar	17.7	8.2	36.8
Philippines	21	5.8	22.5
Thailand	10.5	7.6	7.8
Vietnam	17	6.3	16.5

Source: World Bank, 2017..

Percentage of population with access to essential services (%)

	Percentage of population with access to electricity (2018)		Percentage of population with at least one access to drinking water within a 30-minute round trip	Percentage of population with access to private sanitation facilities
	Urban	Rural		
Cambodia	89	86	78.5	59.2
Indonesia	98	96	89.3	73.1
Laos	94	91	82.01	74.8
Myanmar	70	60	81.8	64.3
Philippines	93	90	93.6	76.5
Thailand	100	100	99.9	98.8
Vietnam	100	100	94.7	83.5

Sources: World Bank, WHO.

Access to education (%)

	Literacy rate	Primary school enrolment rate	Secondary school enrolment rate
Cambodia	80.5 (2015)	96.5 (2012)	87.4 (2017)
Indonesia	95.4 (2016)	43.6 (2018)	62.7 (2017)
Laos	84.7 (2015)	91.1 (2018)	87.6 (2017)
Myanmar	75.5 (2016)	89.9 (2017)	30.5 (2017)
Philippines	96.4 (2013)	65.1 (2017)	41.4 (2017)
Thailand	92.9 (2015)	62.7 (2015)	97.7 (2017)
Vietnam	93.5 (2009)	N/A	42.4 (2017)

Source: World Bank, 2017. N/A: not available.

Farming land areas

	Total land area (km ²)	Farming land area (km ²)	Farming land area per capita (ha)
Cambodia	176 520	54 550	0.36
Indonesia	1 811 570	570 000	0.22
Laos	230 800	23 690	0.35
Myanmar	653 080	126 450	0.24
Philippines	298 170	124 400	0.13
Thailand	510 890	221 100	0.33
Vietnam	310 070	108 737	0.12

Source: FAO.

Change in forest cover by country (%)

	2000	2005	2010	2016
Cambodia	65.4	60.8	57.2	52.9
Indonesia	54.9	54.0	52.1	49.9
Laos	71.6	73.1	77.2	82.1
Myanmar	53.4	51.0	48.6	43.6
Philippines	23.6	23.7	22.9	27.8
Thailand	33.3	31.5	31.8	32.2
Vietnam	37.7	42.2	45.6	48.1

Source: World Bank.

APPENDIX 3.

CLIMATE CHANGE-RELATED DATA

CO₂ emissions indicators

	GHG emissions / capita	Rang émetteur de CO ₂	% des émissions globales de CO ₂	Taux d'indépendance énergétique	Intensité énergétique du PIB (tep/unité de PIB)
Cambodia	2.2	112th	0.03%	59%	0.4
Indonesia	3.3	14th	1.47%	100%	0.2
Laos	4.7	153rd	0.01%	100%	N/A
Myanmar	4.0	76th	0.09%	100%	0.3
Philippines	1.8	38th	0.39%	52%	0.2
Thailand	4.6	26th	0.74%	73%	0.3
Vietnam	2.9	28th	0.72%	85%	0.5

Sources: IEA, EDGAR database, ND-Gain.

Sectoral contributions to CO₂ emissions (%)

	Industry	Transport	Residential	Services	Agriculture	Non-energy uses	Other
Cambodia	20	26	47	5	1	0	1
Indonesia	26	28	37	4	1	4	0
Laos	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Myanmar	17	10	57	4	7	2	3
Philippines	24	35	22	13	1	4	1
Thailand	55	20	18	4	2	1	0
Vietnam	32	28	10	5	3	23	1

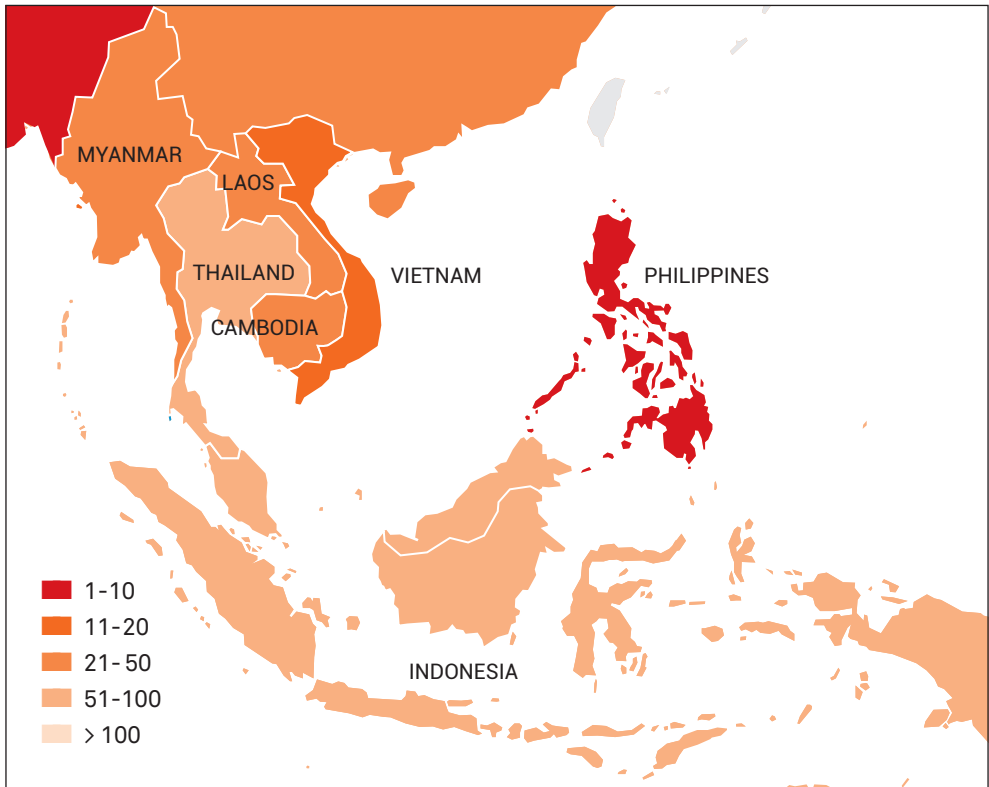
Source: IEA. N/A: not available.

Level of vulnerability to climate hazards

Climate risks	Myanmar	Cambodia	Indonesia	Laos	Philippines	Thailand	Vietnam
River flood	High	High	High	High	High	High	High
Urban flood	High	High	High	High	High	High	High
Coastal flood	High	High	High	Medium	High	High	High
Landslide	High	Low	High	High	High	High	High
Cyclone	High	High	High	High	High	High	High
Extreme heat	High	High	Medium	Medium	Medium	High	High
Wildfire	High	High	High	High	High	High	High
Tsunami	Medium	Low	High	N/A	High	Medium	Medium
Water scarcity	Low	Low	Medium	Low	High	Medium	Low

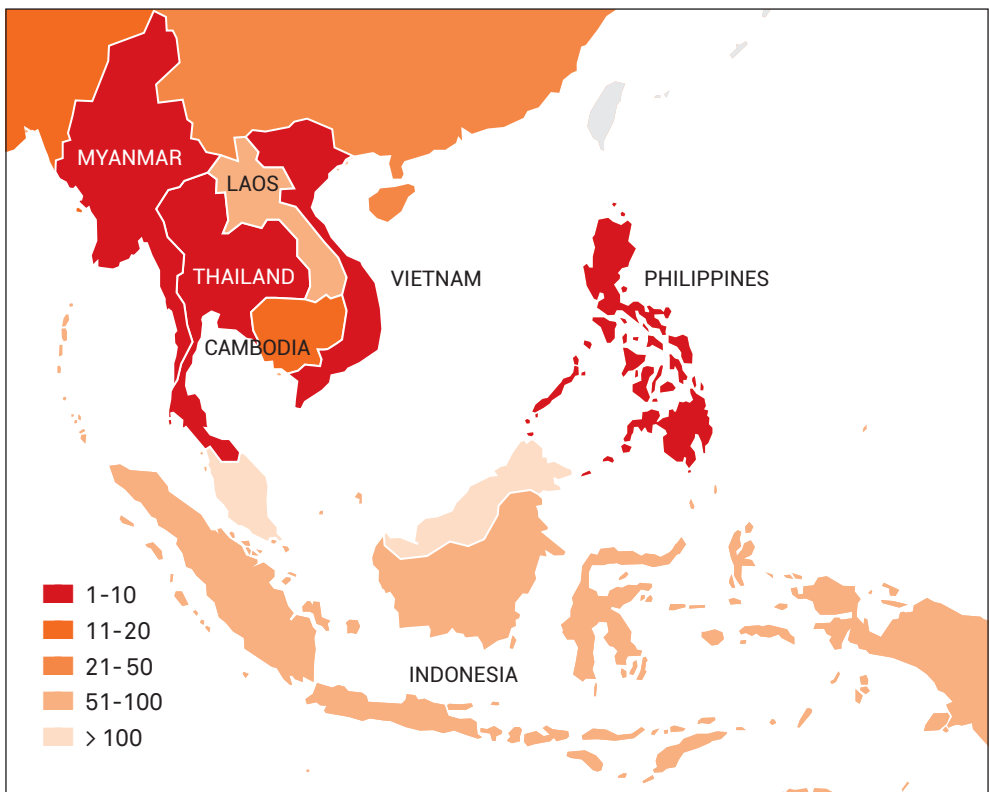
Source: Think Hazard. N/A: not available.

Country ranking based on vulnerability to the effects of climate change in 2018



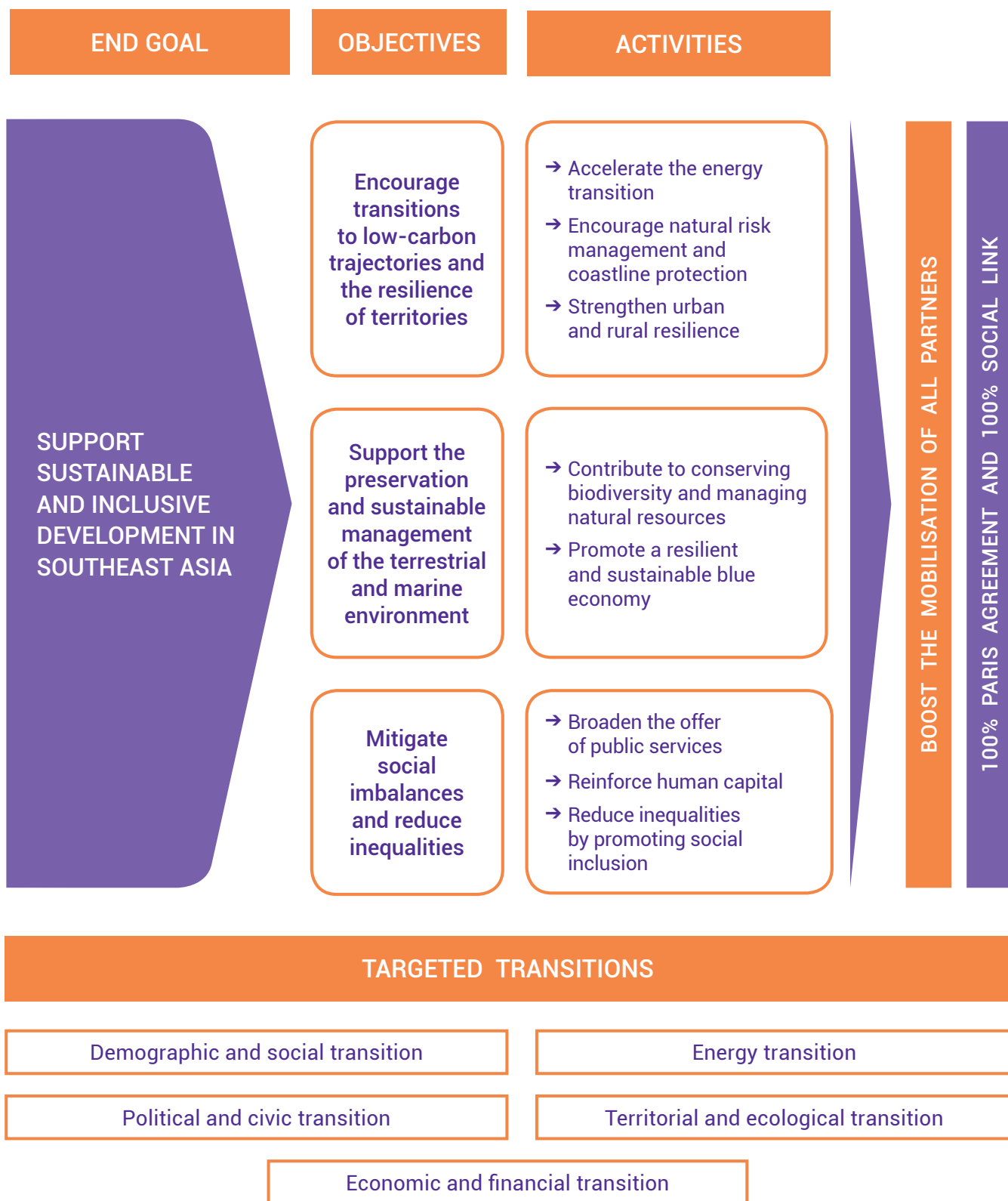
Source: Germanwatch, Global Climate Risk Index, 2020. Note: the Philippines was the world's second-most exposed country to the effects of climate change in 2018 (after Japan). Vietnam ranked 16th, Laos 22nd, Cambodia 38th, Myanmar 48th, Indonesia 64th and Thailand 67th.

Country vulnerability to the effects of climate change, 1999–2018



Source: Germanwatch, Global Climate Risk Index, 2020. Over the period 1999–2018, Myanmar is the second most climate-change-affected country (after Porto Rico). The Philippines are 4th, Vietnam 6th, Thailand 8th, Cambodia 12th, Laos 76th and Indonesia 77th.

APPENDIX 4. LOGICAL FRAMEWORK



ACRONYMS AND ABBREVIATIONS

ACGF : ASEAN Catalytic Green Finance Facility

ASEAN : Association of Southeast Asian Nations

BRI : Belt and Road Initiative

CDB : China Development Bank

CICID : *Comité interministériel de la coopération internationale et du développement* (Interministerial Committee for international cooperation and development)

CIRAD : *Centre de coopération internationale pour la recherche agronomique pour le développement* (French agricultural research and international cooperation organisation)

CSO : Civil society organisation

EF : Expertise France

ESCAP : Economic and Social Commission for Asia and the Pacific

EU : European Union

EUD : European Union Delegation

FDI : Foreign direct investment

FFEM : French Facility for Global Environment

GDP : Gross domestic product

GNI : Gross national income

GRET : *Groupe de recherche et d'échange technologique* (Professionals for Fair Development)

ha : hectare

IDFC : International Development Finance Club

IEA : International Energy Agency

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

IPCC : Intergovernmental Panel on Climate Change

IRASEC : Research Institute on Contemporary Southeast Asia

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

ITE : International technical expert

JICA : Japan International Cooperation Agency

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

LDCs : Least developed countries

MEAE : *Ministère de l'Europe et des Affaires étrangères* (French Ministry for Europe and Foreign Affairs)

MFI : Microfinance institution

MRC : Mekong River Commission

NGO : Non-governmental organisation

PEEB : Programme for Energy Efficiency in Buildings

PTSMI : PT Sarana Multi Infrastruktur

RO : Regional Office (AFD)

SARO : Southeast Asia Regional Office (AFD)

SDG : Sustainable development goal

toe : Tonne of oil equivalent

UN-DESA : United Nations, Department of Social and Economic Affairs

UNCTAD : United Nations Conference on Trade and Development

UNDP : United Nations Development Programme

WB : World Bank

WCS : Wildlife Conservation Society

WHO : World Health Organization

WRI : World Resources Institute

WWF : World Wildlife Fund



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AGENCE FRANÇAISE DE DÉVELOPPEMENT

Tel.: +33 1 53 44 31 31 – Fax: +33 1 44 87 99 39
5, rue Roland Barthes, 75 598 Paris Cedex 12 – France

www.afd.fr