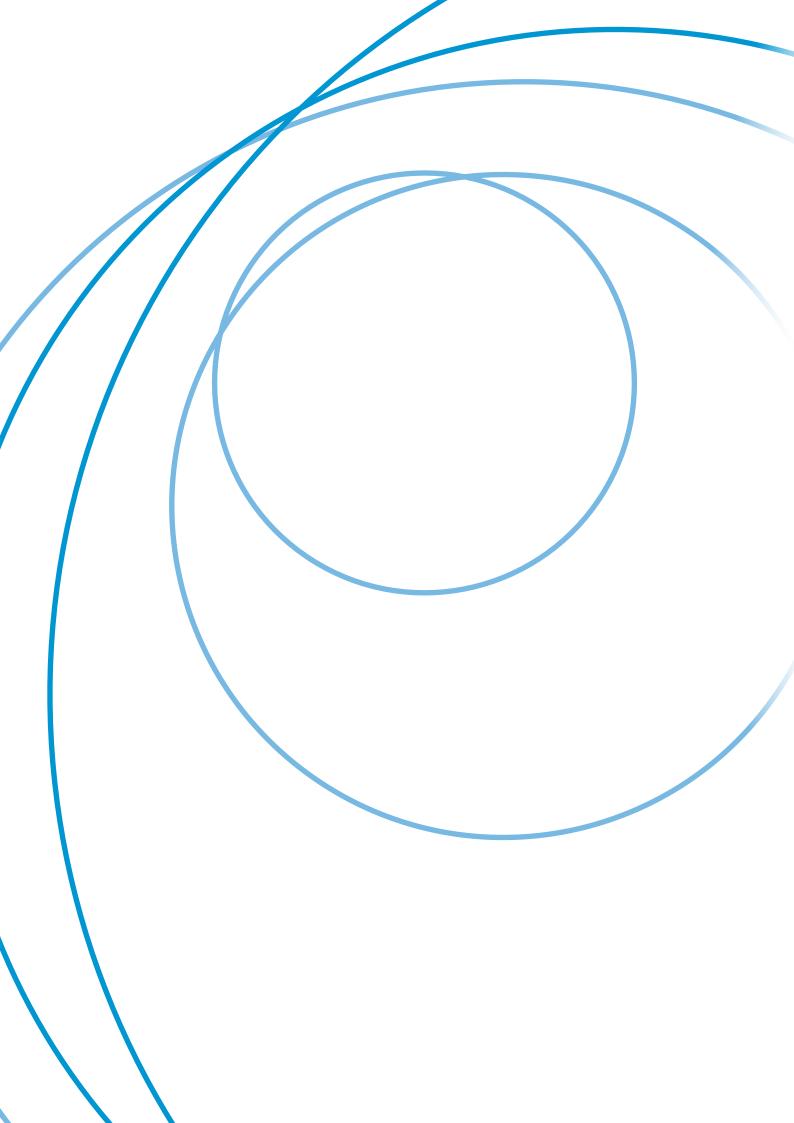


Regional strategy 2019-2023



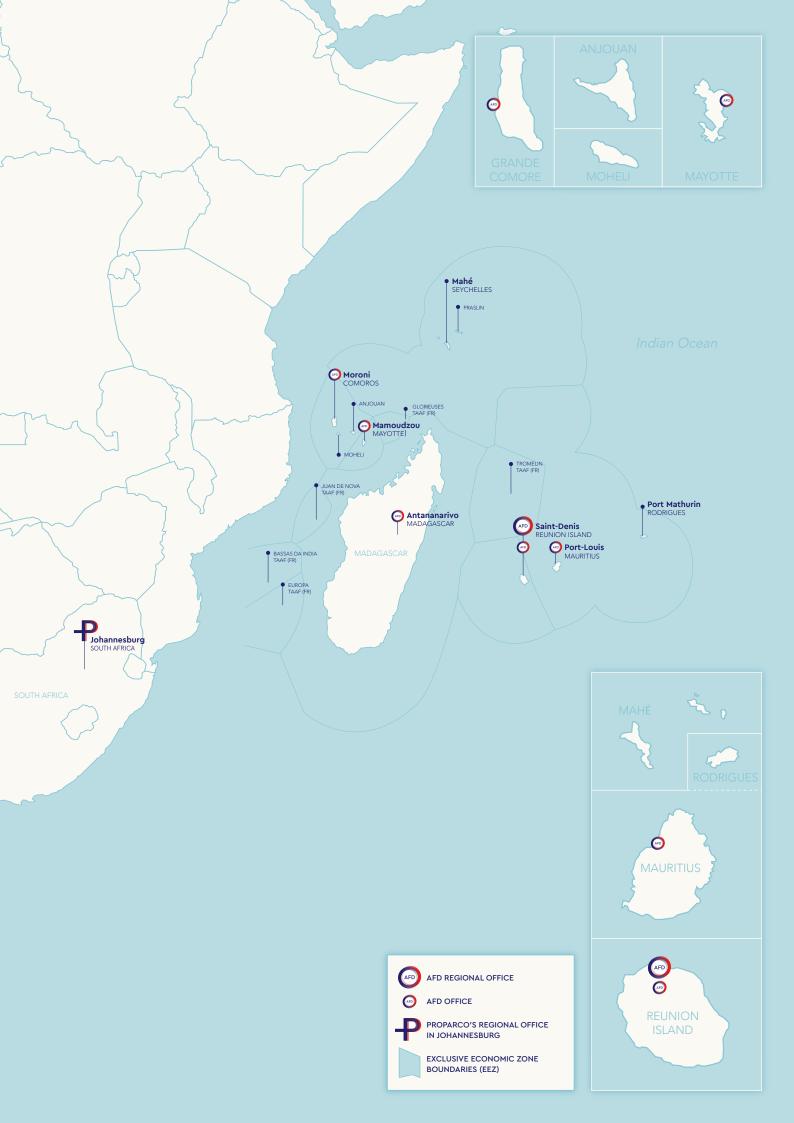


### **Preface**

At the Interministerial Committee for International Cooperation and Development (CICID) on February 8, 2018, the government made a commitment to strengthen the integration of overseas territories into their regional ocean basins by supporting cooperation projects with neighboring states. Measure No. 14 from the agreed conclusions also requires the Agence Française de Développement (AFD) to outline a strategy for each ocean basin and reorganize its network.

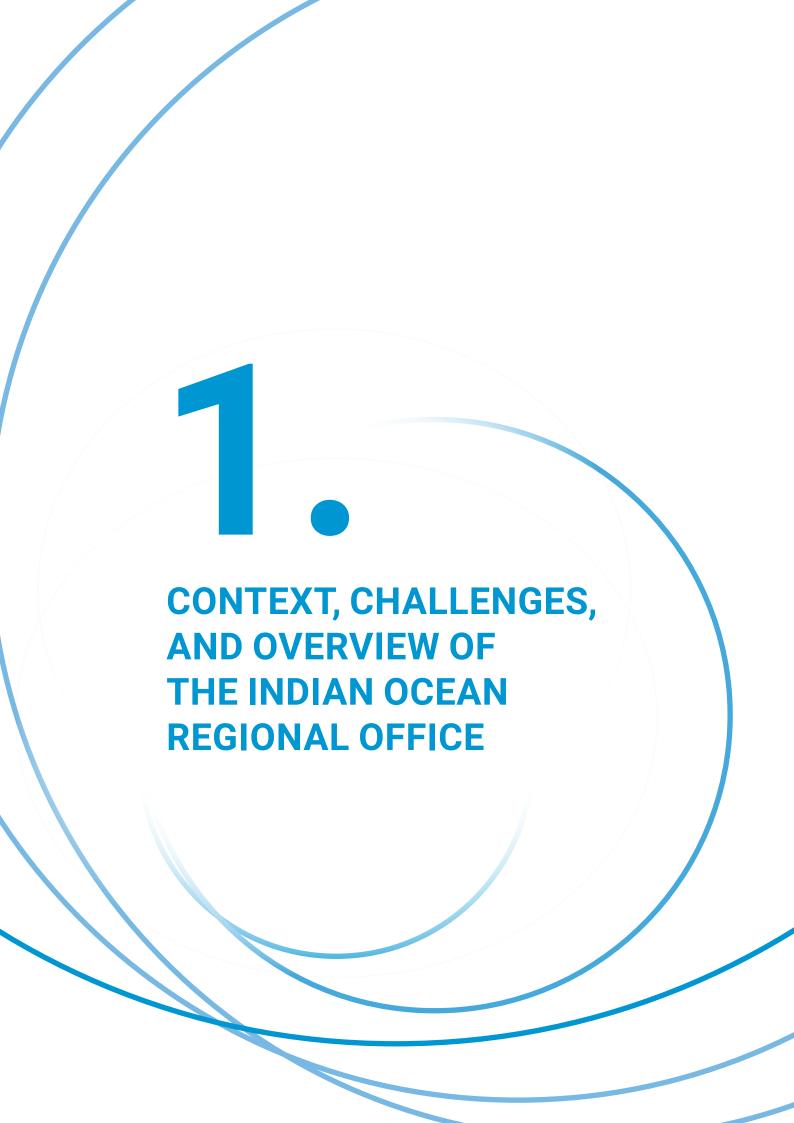
In 2018, AFD Group conducted a fundamental reform of its strategic documents by approving the new **AFD Group 2018-2022 Strategy**, categorizing the Sustainable Development Goals (SDGs) into six major transitions and five commitments. As part of this, the Three Oceans Department, which brings together the overseas territories and neighboring foreign states in the Indian, Pacific, and Atlantic Oceans, adopted its new **2019-2022 Three Oceans Strategy**. The three regional strategies for the Indian, Atlantic, and Pacific basins are part of this updated framework.

The Indian Ocean Regional Office (DROI) has been based in Saint-Denis since September 2018. The Group's regional strategy defines common challenges facing all territories in the basin. It lays out the country strategies in Madagascar, Mauritius, Union of the Comoros, Mayotte, Reunion Island, and the French Southern and Antarctic Territories (TAAF), which are strategic documents adapted to local realities. Through its network of agencies, the DROI designs cooperation projects with the goal of sharing resources, limiting the spread of negative externalities from one territory to the next, and sharing expertise on subjects of common interest.



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### 1.1. CONTEXT

There are seven territories with different statuses and living standards<sup>1</sup> in the southwest corner of the Indian Ocean, with East Africa to the west, the Asian peninsula to the north, and Antarctica to the south. These include two less-developed countries (Madagascar and the Comoros), a middle-income country (Mauritius), a high-income country (the Seychelles2), and three French overseas territories (Reunion Island, Mayotte, and the French Southern and Antarctic Territories, the only territory with no permanent population).3 A crossroads of peoples from the African, Asian, and European continents with numerous coexisting religions (Hinduism, Islam, Christianity), the Indian Ocean region is also characterized by its ties with the French-speaking world. The Union of the Comoros, Madagascar, Mauritius, and the Seychelles are full members of the International Organization of La Francophonie (IOF). They created the Indian Ocean Commission (IOC) in 1982, one of the rare multilateral organizations of the Global South of which France is a full member. It is a community of 28.5 million people (including 25.6 million people in Madagascar).

In this world region, through which a third of global maritime and oil traffic pass, there are 1.2 million French residents, and France has an exclusive economic zone (EEZ) of 2.8 million km² (a quarter of the total French EEZ area). Reunion Island and Mayotte have higher living standards than neighboring countries (except for Seychelles) and enjoy the status of a European Union outermost region (OR), which gives them access to European cooperation funds and high-quality public and private expertise. This enables both territories to promote economic, environmental, social and security-related transitions. As low-income Countries (LICs), Madagascar and the Comoro Islands are two priority countries in this region for France's development and international solidarity policy (CICID 2018).

### 1.2. CHALLENGES

Common challenges shared by these territories suggest that development should be viewed through a regional lens, in order to facilitate dialogue between the territories and help improve living conditions for local populations. This voluntary collaboration within the basin is based on awareness of joint exposure to a range of vulnerabilities and on a feeling of belonging to a community with a common economic, cultural, and social destiny, creating real opportunities for sustainable development.

In terms of vulnerabilities, this region with region with small island developing states and territories (SIDS)<sup>4</sup> and the continent-island Madagascar will be on the front line in experiencing the consequences of climate disruption<sup>5</sup> (rising sea levels, changing coastlines, groundwater salinization, changing mean temperatures). This region is the world's third most vulnerable area with respect to natural hazards (hurricanes, earthquakes, floods, droughts), some of which are exacerbated by climate change.

As for environmental issues, Madagascar and the islands of the Indian Ocean are **internationally renowned for their rich ecosystems and exceptional biodiversity** with a high number of both land and marine endemic species. It is one of the 34 global biodiversity hotspots identified by Conservation International. The Western Indian Ocean area is of particular significance, as it is one of the least environmentally disturbed ocean regions in the world. Preserving this land-based and marine biodiversity means **addressing the threats facing the region** resulting from human activity (anti-pollution measures, wastewater treatment, effective waste management, agro-ecological practices, preserving vulnerable coastal ecosystems, preventing overfishing, etc.).

<sup>&</sup>lt;sup>1</sup> See Appendix 2 – General characteristics of the territories: populations, economies, and inequalities.

<sup>&</sup>lt;sup>2</sup> Exited the OECD's Development Assistance Committee list on 01/01/2018 because of its level of development.

<sup>&</sup>lt;sup>3</sup> The French Southern and Antartctic Territories comprise five districts: the Crozet Islands, the Kerguelen Islands, the Amsterdam and Saint Paul Islands, Adélie Land, and the Scattered Islands (Glorioso Islands, Juan de Nova Islands, Europa Island, Bassas da India, and Tromelin Island). The TAAF have a population of about 300 people, mostly scientists and members of the military who are rotated on a regular basis.

<sup>4</sup> C. Bouchard, C. (2006). A question of geography and development: Small countries and island territories in the Southwest Indian Ocean, Cahiers de géographie du Québec, 50(141), pages 469–477.

<sup>&</sup>lt;sup>5</sup> See Appendix 4 – Main observations concerning climate change, trends, and future effects.

These territories suffer from common economic vulnerabilities due to their insular nature (energy dependence, pressure on natural resources, problems building economies of scale, a dearth of infrastructure, isolation from major commercial routes), the severity of which depends on their level of development. The territories' alignment with different free trade zones (EU, COMESA) and poor sea, air, and digital connectivity are some of the reasons behind weak intra-regional trade.6 In addition to fossil energy imports,7 this also leads to the region's high dependence on international trade. The take-off of several promising economic sectors (the blue, green or circular economy) at regional level depends on an incentive institutional framework being set up within the IOC member states.

In the ocean basin, some territories have undergone strong population growth due to their natural and/or migratory balance, whereas others have seen a population decline. Unequal social structures and poor public services (education, health, justice)8 in some countries are among the direct causes of rapid population growth. Consequently, working to create educational opportunities suited to the employment needs in the region and the inclusion of youth is an important common goal. Developing complementary medical, veterinary, and agricultural services between the islands, as well as common response mechanisms, helps fight the spread of human, animal, and plant diseases. Finally, decreasing inequality and the inclusion of the most vulnerable groups are key regional solutions to increasing regional stability and cohesion.

The region also faces various security risks: the trafficking of drugs, precious woods, endangered animal species, illegal fishing, illegal immigration flows...

These threats affect the stability of the region and must be addressed via regional responses within common public governance frameworks (ensuring the safety of goods and people, judicial cooperation, natural resource monitoring), which can be provided by the IOC and the Indian Ocean Rim Association (IORA).

The states and French territories of the basin have also the **capacity** to address the challenges of vulnerabilities and to work on moving towards an integrated and inclusive regional development framework.

The southern zone of the Indian Ocean is equipped with a structured regional organization, the IOC, which implements multiple programs supported by the EU and AFD. As it often relies on French expertise and French talent from the public and private sectors that operate from Reunion Island<sup>9</sup> and Mayotte (to a lesser extent, but its role is growing), the zone has an abundance of skills and expertise that are easily operational in networks, associations, clusters, or clubs, creating room for shared diagnostics, the development of joint solutions, and the presentation of well-structured projects to fund providers. Broadband IT infrastructure<sup>10</sup> in all countries in the region facilitates digital connectivity.

Public and private stakeholders, especially in industry and the service sector (consultancy firms), are increasingly interlinked and meet each other in various forums and regional seminars11 driven or supported by networks such as the Union of Chambers of Commerce and Industry of the Indian Ocean (UCCIOI), the International Association of Cities and Ports, and the Vanilla Islands Association (to promote tourism on these islands).

The local public sphere of Reunion Island and of Mayotte<sup>12</sup> is active in development work in Madagascar and the Comoro Islands. **Several CSOs**<sup>13</sup> are very active in raising awareness of the effects of climate change, preserving biodiversity, health, education, youth involvement, and rural development.

One of the biggest challenges for the area is the future of inclusive growth in Madagascar. This country's potential<sup>14</sup> and the ties which link it with the other islands in the region will determine the impetus behind the basin's development. The stabilization of the political and macroeconomic situation in Madagascar is an important prerequisite for boosting trade between the islands of the Southwest Indian Ocean. One of the main goals for the future of the region is to develop the island's agricultural and agroindustrial potential, and it is necessary for companies and structured groups from Reunion Island, Mauritius and Mayotte to contribute in order to improve the availability of local food products and ensure export opportunities to neighboring islands.

<sup>6</sup> Regional Directorate of Customs of Reunion Island, Foreign trade data for Reunion Island, 2018: the trade in goods with IOC states as a share of the Reunion's foreign trade in 2018 accounted for only 3.1% of total trade. With the exception of Madagascar, where 86% of primary energy is produced locally, mostly using biomass.

See Appendix 2 – General characteristics of the territories: populations, economies, and inequalities

<sup>9</sup> CHU, ARS, Cyroi, The University of Reunion Island, the Institut Pasteur of Madagascar, CIRAD, IRD, the Museum of Natural History, IFREMER, BRGM, Météo France, CIEP, CNRS,

The region is serviced by multiple undersea fiber optic cables, which link the islands with each other and with the African continent.
Annual regional economic fair of the Indian Ocean, the Madagascar Annual Expo, regional meetings on sustainable development, etc.

<sup>12</sup> Mainly the Regional Council and Departmental Council of Reunion Island, and the Departmental Council of Mayot

<sup>13</sup> IUCN, WWF, CI, the Madagascar Foundation for Protected Areas, the National Park of Reunion Island, the Mayotte Marine Nature Park, Kélonia, Play International, Apprentis

Madagascar possesses a wealth of attractive features: its geographic position within the basin, the size of its territory and diversity of soils and climates, its potential, especially in agriculture and the agri-business, and its exceptional biodiversity

# 1.3. THE INDIAN OCEAN REGIONAL OFFICE AND THE GROUP'S NETWORK

As the regional development platform of AFD Group (Proparco, Expertise France), the Indian Ocean Regional Office (DROI), based in Saint-Denis in Reunion Island, comprises a network of five agencies (Madagascar, Reunion Island - also responsible for the TAAF, Mayotte, the Comoros, and Mauritius - also responsible for the Seychelles and regional organizations based in Mauritius 15). It is supported by Proparco's regional office in South Africa for operations benefiting the private sector in foreign countries.

AFD operates in the Union of the Comoros exclusively by providing grant financing. In Madagascar, it provides both grants and loans. <sup>16</sup> In other countries, it prefers the use of loans when all conditions are met for debt. In overseas territories, the Group is one of main financing partners for local authorities, and it supports investments by means of budget or project aid. The Group also funds the private sector in overseas territories while respecting the principles of subsidiarity and complementarity with the local banking sector. The Group can also provide grants to fund support and advisory missions, assistance to project sponsors, capacity building, technical assistance, and research programs. In the Seychelles, AFD is authorized to support regional cooperation projects and manage the

funds allocated by the Indian Ocean Commission as part of the mandate defined in June 2018.<sup>17</sup> In foreign countries, Proparco supports the private sector by mobilizing all available tools (loans, equity, guarantees, etc.).

The Regional Office outlines the challenges and issues shared by all territories of the basin and, thanks to its network of agencies, designs cooperation activities with the aim of pooling resources (mutual assistance after natural disasters, complementarity of port and airport infrastructure), limiting the spillover of negative externalities from one territory to the next (maritime litter, disease), and sharing expertise on common issues (renewable energy, the erosion of coastal areas). Country strategies help implement regional strategies at the local level. Thanks to this new organization, the Group will be able to strengthen France's visibility in the region and promote France's overseas interests.

<sup>17</sup> The CICID co-secretariat, June 19, 2018.

<sup>15</sup> The following regional organizations are based in Port-Louis: the IOC, IORA, the Union of Chambers of Commerce and Industry of the Indian Ocean (UCCIOI), and the Commonwealth Climate Finance Access Hub.

<sup>&</sup>lt;sup>16</sup> In Madagascar, on average, grants account for 40% and loans for 60% of new annual commitments.



A REGIONAL STRATEGY FOCUSING ON FOUR KEY PRIORITIES

The AFD Group 2018-2022 Strategy summarizes the conclusions of the CICID of 8 February 2018 and outlines five commitments and six transitions that are based on the 2030 Agenda, the Sustainable Development Goals (SDGs), and the Paris Agreement. The Three Oceans Strategy (2019-2022) lays out the priorities for the three oceanic basins. The Indian Ocean Regional Strategy of AFD Group is part of this frame of reference, complemented by the sectoral strategies of the Ministry for Europe and Foreign Affairs (MEAE), the Overseas Blue Book (2018), and the Trajectory 5.018 (2019) of the Ministry of Overseas France (MOM). This is aligned with the Partnership Framework Documents (PFDs) signed by France and the states of the region if such exist, in coordination with diplomatic action plans.

In the Indian Ocean, AFD Group, together with its subsidiaries Proparco and, soon, Expertise France, will set three general objectives embodying three transitions of the AFD Group 2018-2022 Strategy, as well as one cross-cutting objective:19

- Encourage the sustainable development of sectors in the blue, green, and circular economies through an environmentally responsible approach
- Build inclusive societies that benefit populations
- Promote a more protective public governance framework
- Promote the regional integration of the French Indian Ocean islands

These objectives will be part of the 100% social link commitment of the AFD Group 2018-2022 Strategy, which strives to ensure that each action helps strengthen social cohesion, decrease socio-economic inequality, and bridge the gender gap. They will also be aligned with the 100% commitment to the Paris Agreement, according to which all AFD-funded projects must contribute to a resilient, low-carbon development path. The Group will particularly seek to maximize the climate-related co-benefits of AFD-funded operations, for both adaptation and mitigation.

## 2.1. ENCOURAGE THE SUSTAINABLE **DEVELOPMENT OF SECTORS IN** THE BLUE, GREEN, AND CIRCULAR **ECONOMIES THROUGH AN ENVIRONMENTALLY RESPONSIBLE APPROACH**

The Group will help make territories more resilient to climate change.<sup>20</sup> It will **promote better climate governance** (Specific objective - SO1) by supporting the revision and operational application of nationally determined contributions. To achieve this, it will use the Adapt'action Facility, as well as its advisory-support line for French overseas territories, and its grant or loan financing tools to support core projects for climate change adaptation and mitigation. The Group will seek to maximize the climate co-benefits of AFD-funded operations to work towards the goal of becoming the first "100% Paris Agreement-compliant" development agency in the world.

The Group will also contribute to mitigating the impact of natural disasters via a global response focused on awareness, prevention, preparedness, and response (SO2). AFD Group will continue to support initiatives such as the French Red Cross Indian Ocean Regional Intervention Platform (PIROI) by helping set up a regional center of expertise on natural hazards and climate change (PIROI Center) that will work alongside the French government, as mentioned in the Overseas Blue Book.

<sup>18</sup> The goal of Trajectory 5.0 is to turn overseas territories into zero-carbon, zero-waste, zero-chemical fertilizer, zero-vulnerability, and zero-exclusion areas.

See Appendix 1 – Logical framework for the AFD Group's Indian Ocean Strategy.
 AFD, Three Oceans Strategy, priority 1: "Ensure the Three Oceans are 100% Paris Agreement-compliant territories."

The Group will significantly strengthen its actions to **preserve**, **restore**, **and sustainably manage biodiversity** (SO3), in line with the revised Aichi targets for 2020. By offering a wide-ranging biodiversity initiative in the Indian Ocean starting in 2020, it will further support the creation and establishment of a network of protected areas on land and water, and will aim to design projects in line with the overseas challenges of creating an ecological corridor between the islands.

Finally, the Group will support the sustainable use of national resources and help **build sectors of the blue economy** (sustainable fishing, port infrastructure, shipyards, sustainable tourism), **the green economy** (agro-ecology, food safety, renewables, sustainable urban development), and **the circular economy** (short supply chains, waste

reduction, collection, management, treatment, and recycling, wastewater collection and treatment), and will take part in improving both physical and digital connectivity between islands (SO4). By supporting the development of the blue economy as a new platform for growth in the Indian Ocean, AFD is positioning itself at the forefront of efforts to protect and enhance oceans in accordance with SDG 14, which aims to ensure the preservation and sustainable use of the oceans. The Group will contribute to the funding of a regional project for plastic management by supporting an integrated socioeconomic approach for the collection/treatment/recycling sector. These sectors will help boost exports from the states of the Indian Ocean and the French overseas territories to the markets of continental Africa.

## 2.2. BUILD INCLUSIVE SOCIETIES THAT BENEFIT POPULATIONS

The second general objective aims to improve living conditions for populations and increase social cohesion while accounting for demographic changes. For this purpose, the Group will fund effective training programs to facilitate professional integration and ensure the complementarity of such programs among territories (SO1). The Group will support the development of initial and continuing vocational training programs as well as professional integration measures, especially in the blue and green economies. It will thereby contribute to measure 4 of the CICID, which focuses on increase efforts in education, higher and vocational education, and research and innovation in order to make young people more employable.

The Group will seek to strengthen social and intergenerational ties through decent employment, access to quality basic utility services, and the promotion of cultural and sport activities (SO2), in accordance with the 100% social link commitment of the AFD Group 2018-2022 Strategy. Reducing inequality between women and men, an important goal of the current presidential administration, will be an important cross-cutting focus for projects in the region funded by the Agency, especially with respect to access to education, the labor market, and entrepreneurship.<sup>21</sup>

Finally, AFD will work to reduce inequality in healthcare and prevent the spread of transmissible human and animal diseases among territories in the Southwest Indian Ocean using the One Health<sup>22</sup> approach (SO3). This objective prioritizes regional health security.

<sup>&</sup>lt;sup>21</sup> See Appendix 3 - Main areas of gender inequality identified and stakeholder map.

<sup>&</sup>lt;sup>22</sup> The One Health approach of the World Health Organization promotes an integrated approach to public, animal and environmental health at the national and international scales. In particular, it aims to improve handling of emerging diseases that carry the risk of developing into a pandemic.

## 2.3. PROMOTE A MORE PROTECTIVE PUBLIC GOVERNANCE FRAMEWORK

The implementation of more horizontal models of public governance at the regional level should promote democracy and contribute to peace and stability. Non-discriminatory societies, effective public action, institutional accountability and transparency, and freedom of opinion, in particular in the media, will have a positive effect on the progress of the other transitions.<sup>23</sup>

The Group will support the creation of a regional public framework for dealing with safety and the circulation of goods and people, **migratory issues**, **and mobility**. This governance framework **will promote judicial cooperation and increase trade within the region and with the rest of the world (SO1)**.

The Group will also support capacity building for the IOC and the Indian Ocean Rim Association (IORA) in their role as a dialogue platform between Indian Ocean territories (SO2), in line with the Overseas Blue Book, which aims to increase the participation of French overseas territories in regional organizations. Therefore, AFD will support the funding of projects managed by IOC and IORA and will work to strengthen these organizations' economic models and operational capacities.

# 2.4. PROMOTE THE BALANCED REGIONAL INTEGRATION OF THE FRENCH INDIAN OCEAN ISLANDS

In line with the government's commitment to increasing the integration of overseas territories, the Group will help align the regional cooperation strategies and actions of French public stakeholders by using **the France Cooperation Platform for the Indian Ocean (PFCOI)**, which brings together the representatives of France in Reunion Island and Mayotte and for the TAAF, the executives of three French local authorities in the area (the Regional Council of Reunion Island, Departmental Councils of Mayotte and Reunion Island), and the French Ambassador for regional cooperation in the Indian Ocean.

The Group will contribute to identifying and **promoting economic talent from overseas territories** in the area, in coordination with Business France, the chambers of commerce and industry and the UCCIOI, their regional organization, which includes the chambers of commerce and industry in Mayotte and Reunion Island. Finally, it will seek to make use of qualified overseas French expertise in projects it funds abroad and will be able, more specifically, to draw on support from Expertise France.



# 3.1. BUILD SYNERGY WITH FRENCH STAKEHOLDERS AT THE REGIONAL LEVEL

In close collaboration with diplomatic missions, prefectures and the French Ambassador for regional cooperation in the Indian Ocean, the Group will contribute to French strategy in the Indian Ocean by implementing development and international solidarity policies. It will actively contribute to the France Cooperation Platform for the Indian Ocean (PCFOI), based in Saint-Denis on Reunion Island, and will work on connecting and informing public and private stakeholders about the projects and programs supported by AFD Group in the region and neighboring regions (Southern and East Africa).

AFD Group will prioritize partnerships in its work. As part of partnership agreements which may already exist between the head offices, the Group will examine more integrated operations with French public institutions (regional health agencies, BRGM, CIEP, CIRAD, Météo France, Business France etc.) at the regional level. It will continue to fund and to support regional and local governments in overseas territories in their decentralized cooperation with neighboring counterparts. It will continue to engage in close dialogue with the the Banque des Territoires in overseas territories, especially as part of joint operations.

## 3.2. STRENGTHEN PARTNERSHIPS WITH REGIONAL ORGANIZATIONS

AFD will deepen its partnership with the **Indian Ocean Commission by supporting the implementation of its 2018-2021 Strategic Development Plan.** In cooperation with other financial partners, it will increase the number of projects in its project portfolio while making sure to maintain its absorptive capacity. It will finance initial activities on behalf of the **Indian Ocean Rim Association** and will help give favorable consideration to France's application to join this key organization in the Indo-Pacific region. It

will pursue and strengthen its partnership with the **UCCIOI** by encouraging private stakeholders of regional economic integration to create structured networks (professional organizations, employers' associations, labor unions, etc.).

## 3.3. MOBILIZE THE NETWORK OF REGIONAL FINANCIAL DONORS

AFD will continue its dialogue with the **European Union** in order to implement the regional EDF package dedicated to the IOC to structure its actions and identify impacts for sectors with regionwide leverage. It will position itself as a partner of the **ERDF-INTERREG managing authority** (Prefecture of Mayotte, Reunion Region) by identifying which sectors can be targeted by joint actions. For 2021-2027 programs, the Group will offer its services, as an approved operator for the management of European cooperation funds, and will propose the implementation of **delegated EDF-ERDF funds**.

The Group will continue its dialogue with **the World Ban**k as part of technical cooperation by prioritizing joint operations with a leverage effect. It will deepen partnerships with the **African Development Bank (AfDB)**, **the United Nations Development Programme (UNDP)**, and **the Food and Agriculture Organization of the United Nations (FAO)**. It will strengthen dialogue with the International Organization of La Francophonie (IOF) and seek out operational partnerships with bilateral donors active in the area, namely the KfW, the GIZ, China, and India.

## 3.4. INVOLVE NON-TRADITIONAL PLAYERS

The Group will support the **development of private sector activities** by contributing to rendering local groups more international and disseminating innovations among overseas territories and foreign states. The regional offices of Proparco and AFD will coordinate their actions to help increase economic exchanges and trade within the area as well as with countries on the African continent. **The Group will seek to act in sectors with strong potential for growth and to bring together economic representative organizations in the region. The Group will support initiatives aimed at grouping together industry** 

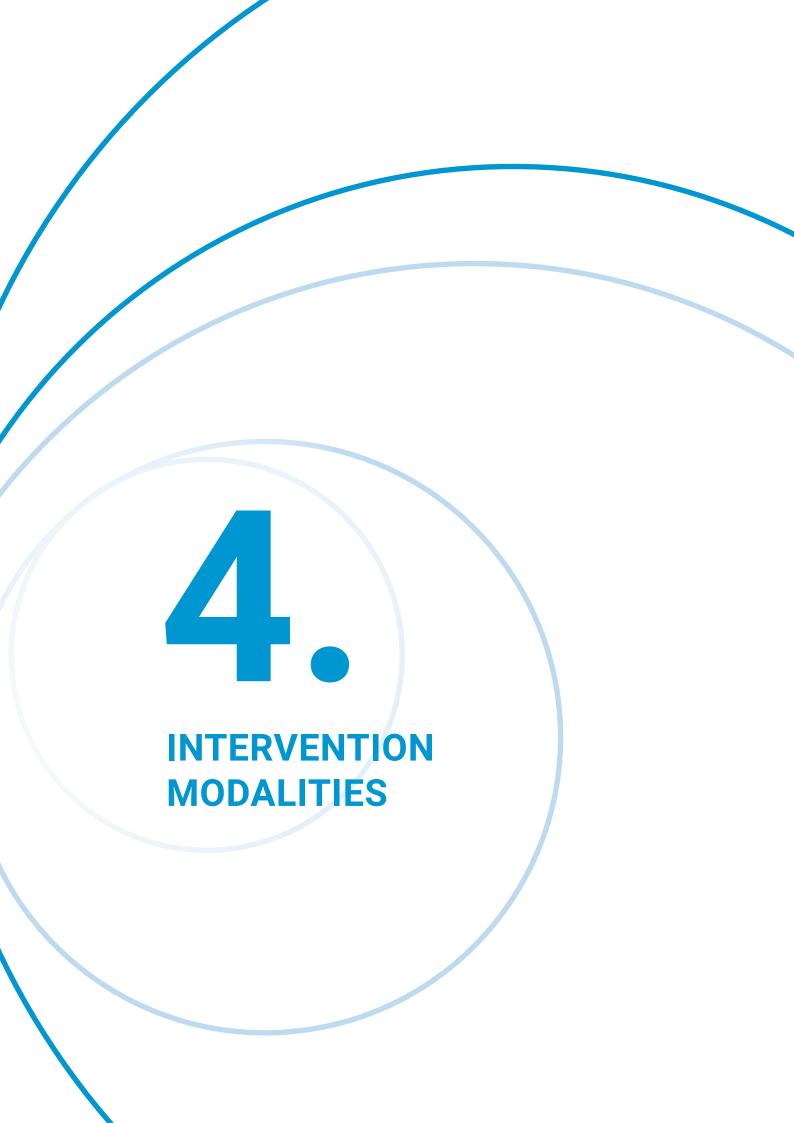
associations from countries in the region, as promoted by the UCCIOI Proparco will continue its propsection and promotion work on financing tools for private projects. Proparco and the Group, with Business France, will coordinate their efforts to improve the access of the region's most dynamic private groups and consultancy firms to business opportunities on the African continent. Coordinated actions will also target foundations active in the region or in its vicinity, such as the Aga Khan Foundation or the Prince Albert II of Monaco Foundation, in order to work together on designing innovative funding mechanisms linking the private sector with the foundations.

## 3.5. EXPAND KNOWLEDGE OF REGIONAL TRENDS

Activities related to knowledge production are strategic priorities for AFD in the region and will be supported by a regional project officer for economic foresighting. The officer will work on a macroeconomic perspective of the Southwest Indian Ocean and will analyze regional economic and social dynamics, in partnership with universities and researchers from French overseas territories and countries in the region, with some active think-tanks.<sup>24</sup> development agencies, and the Regional Economic, Social, and Environmental Councils (CESERs) in Reunion Island and Mayotte. These activities will help expand knowledge of major development challenges, as well as current territorial and economic trends in the basin, which can be used by policymakers in the decision-making process. They will also help design development projects aligned with the Group's strategy.

In order to develop tools for public policy dialogue, the Group will seek to strengthen its ties with research organizations such as the CIRAD, the IRD, and the Institut Pasteur. It will continue to communicate with the University of Reunion Island on issues related to the vulnerabilities and resilience of small island economies in the Indian Ocean region, as well as on the process for designing and implementing public policy. Moreover, through its activities and network of partners, the Group will be able to **identify innovative initiatives that could potentially be replicated in different ocean basins** in order to benefit territories grappling with similar issues.

<sup>&</sup>lt;sup>24</sup> Examples: #outremer (French overseas territories), the FEDOM think tank, IRIS [The French Institute for International and Strategic Affairs], and the James Michel Foundation, which promotes the blue economy.



### 4.1. RESOURCES AND TOOLS

The Group will mobilize all tools at its disposal. The Comoros and Madagascar will receive most of the grants allocated to the Indian Ocean region. In other areas, loans will be the priority whenever the financial situation of the counterpart will allow it. The Group will be able to provide grants to fund consulting services, assistance to project sponsors, capacity building, technical assistance, and research programs. In foreign countries, Proparco will mobilize its action tools (loans, equity, guarantees, etc.) to support the private sector, especially in the energy, connectivity, and agro-industrial sectors. In order to develop multi-country regional projects, the Group will focus on grants and attempt to create a leverage effect with the French Fund for the Global Environment (FFEM), European funds (INTERREG, FED- ACP, FED-PTOM), the Green Climate Fund (GCF), and vertical funds for biodiversity.

The Group will continue to use its French Local Authorities Financing Facility (FICOL) to support decentralized cooperation projects between a French regional or local government and a foreign one. It will utilize its Fund for Technical Expertise and Experience Transfers (FEXTE) to engage in public political dialogue with neighboring

states requesting French expertise, based on the FEXTE model for renewables on Reunion Island-Mauritius. AFD, in cooperation with the Economic Services of French embassies, will contribute to **promoting trade** between territories in the area by mobilizing the support fund of the **Trade Capacity Building Program (PRCC)**. It will design innovative tools such as **contingency loans for natural disasters** set up jointly with the World Bank in Madagascar.

AFD will open its **Civil Society Organizations Initiative** to NGOs, non-profits, trade unions, foundations, and stakeholders from the French social and solidarity economy. All projects in foreign countries consistent with the regional strategy **will be eligible.** In overseas territories, only projects whose primary goal is education for development or capacity building/strengthening for CSOs or associative platforms will be eligible.

# 4.2. ACCOUNTABILITY FRAMEWORK AND MONITORING-EVALUATION MECHANISM

The **logical framework** of the Indian Ocean strategy is laid out in **Appendix 1.** The strategy **has three general objectives and one cross-cutting objective,** which are tied together with **specific measureable, assessable goals** that are to be attained through the Group's activities.

A series of cross-cutting indicators for all of the Group's activities in the region will be used to achieve the objectives. These cross-cutting indicators will be part of the accountability framework for the Three Oceans Strategy (2019-2022) and reflect the added value of the Group's regional activities (number of cross-border projects, use of French expertise, number of partnership projects and studies). The Group will focus on the following markers for the Indian Ocean:

- Surface area, in hectares, benefiting from conservation, restoration, or sustainable management programs for type 1 biodiversity (creation, expansion, improvement, sustainable funding for protected areas)
- Number of people with improved access to healthcare
- Number of beneficiaries of natural disaster response mechanisms that have been established and funded.

The regional strategy does not contain target indicators due to the large number of new activities, which makes it impossible to obtain a comprehensive baseline at this moment. **Target indicators will be defined for the next strategy (2024-2028) using the available baseline.** 

An external ex-post evaluation of the strategy will be conducted at the end of the period covered.



# **APPENDIX 1: Logical framework for the Indian Ocean Strategy**

EXPECTED IMPACT	GENERAL OBJECTIVES	SPECIFIC OBJECTIVES
		<b>SO 1.1 –</b> Increase the resilience of territories and populations by promoting improved climate governance.
	GENERAL OBJECTIVE 1 ENCOURAGE THE SUSTAINABLE DEVELOPMENT OF SECTORS IN THE BLUE, GREEN, AND CIRCULAR ECONOMIES WITH AN ENVIRONMENTALLY RESPONSIBLE APPROACH	<b>SO 1.2 –</b> Mitigate the impact of natural disasters on territories and populations via a holistic response focusing on knowledge, prevention, and risk preparedness.
		<b>SO 1.3</b> – Utilize and sustainably manage natural resources while preserving ecosystems and biodiversity.
		<b>SO 1.4</b> – Support the development of the blue, green, and circular economies.
GOAL	GENERAL OBJECTIVE 2 BUILD INCLUSIVE SOCIETIES THAT BENEFIT POPULATIONS	<b>SO 2.1</b> – Develop effective training programs to facilitate professional integration.
CONTRIBUTE TO SUSTAINABLE AND INCLUSIVE REGIONAL DEVELOPMENT IN SOUTHWEST INDIAN OCEAN TERRITORIES  CROSS FACILI INTEGI		<b>SO 2.2</b> – Strengthen social ties and intergenerational solidarity, reduce inequality.
		<b>SO 2.3</b> – Reduce health inequality and limit the prevalence and spread of transmissible human and animal diseases.
	GENERAL OBJECTIVE 3	<b>SO 3.1 –</b> Encourage states to establish a public governance framework that would boost political, economic, and social stability.
	PROMOTE A MORE PROTECTIVE PUBLIC GOVERNANCE FRAMEWORK	<b>SO 3.2</b> – Strengthen the capacity of the Indian Ocean Commission (IOC) and the Indian Ocean Rim Association (IORA) to engage in political and diplomatic mediation.
		<b>CCO.1</b> – Help ensure the coherence of the regional cooperation strategies and actions of French public stakeholders via a partnership-based approach within the framework of the French regional development platform.
	CROSS-CUTTING OBJECTIVE FACILITATE THE BALANCED INTEGRATION OF FRENCH ISLANDS IN THE INDIAN OCEAN	<b>CCO.2</b> – Contribute to identifying and promoting French overseas economic talent and ensure awareness of the opportunities related to projects supported by the AFD Group.
		<b>CCO.3</b> – Mobilize French private and public expertise (with the support of Expertise France for public expertise) for development projects in the region.

# APPENDIX 2: General characteristics of the territories: populations, economies, inequalities

	COMOROS	REUNION ISLAND	MADAGASCAR	MAURITIUS	MAYOTTE	SEYCHELLES
Population (in millions of people)	0.79	0.85	25.6	1.2	0.26	0.094
Population ages 15-64 (%)	57	53	56	71	52.1	70
Surface area (km²)	1,861	2,512	587,295	2,040	375	460
GDP at current prices (in billions of euros)	0.55	18.1	9	10.9	2 (2014)	1.2
GDP per capita (in euros)	691	21,290	374	8,839	8,980 (2014)	12,556
Real growth rate (%) (in value for Mayotte)	2.2	3.1	4.1	3.9	10.5 (2014)	4.4
Unemployment rate (%) (2017)	20	22.8	2.4	7.4	25.9	2.5 (2015)
Unemployment rate for ages 15-24 (%)	38.5	44	3.7	22.8	43.1	11
Labor force participation rate (%) (2017)	43	61.6	86	58.6	50.5	N/A
Share of agriculture (% of jobs) (2017)	62	2	74	7	1	4.1
Public debt (% of GDP)	32.1		38.7	61.4		69
Poverty rate according to WB threshold (%)	17.8 (2011)		77.8 (2011)	0.5 (2012)		1.1 (2013)
Gini coefficient	0.45 (2013)	0.39 (2011)	0.42 (2012)	0.35 (2012)	0.49 (2011)	0.46 (2008)
Access to electricity (%)	73.8 (2014)	99.9	16.8 (2014)	99.2 (2014)	94	99.5 (2014)
Access to drinking water (%)	15 (2015)	99.6 (2012)	51.5 (2015)	100 (2015)	80 (2000)	96 (2015)
Mobile phone service subscribers (%)	58	104	41	144	N/A	161
Infant mortality rate (‰)	35	6.8	34	12	10	12
Life expectancy (years)	63 (2015)	80.9 (2015)	66 (2015)	74 (2015)	76.5 (2015)	73 (2015)
Literacy rate (15 years and older, %)	77.8		64 (2015)	90 (2015)		95 (2015)
HDI	0.49	0.77	0.51	0.78	0.63 (2005)	0.78
Trade balance (Goods and services, % of GDP)	-30.1	-25.1	-3.1	-12.4	-25.2 (goods)	-7
Doing Business (2018)	158		162	25		95
Number of tourists (millions)	0.02	0.5 (2017)	0.29	1.3 (2017)	0.05	0.3
Per capita CO <sub>2</sub> emissions (2014) (tons)	0.2	4.8	0.1	3.4	N/A	5.4
Share of renewables in the energy generation mix (%)	<1	34	30.3	20	5	9
Electricity consumption (2015) (in billions of kWh)	0.050	2.7 (2016)	1.4	2.6	0.3 (2016)	0.322

Source: Atlas of the Indian Ocean, CEROM June 2018/all of the data are from 2016 unless indicated.

## **APPENDIX 3: Main areas of gender inequality identified and stakeholder** map

COUNTRY/ TERRITORY	EDUCATION AND PROFESSIONAL INTEGRATION	ACCESS TO HEALTH SERVICES, PARTICULARLY SEXUAL AND REPRODUCTIVE HEALTH	DEMOGRAPHICS	VIOLENCE AGAINST WOMEN	ACCESS TO DECISION- MAKING BODIES	LEGAL AND CUSTOMARY CONTEXT
MADAGASCAR	Lower levels of literacy among women.  Large discrepancies in higher education and vocational training.  Wage gap and high female unemployment.	Very high maternal mortality rates (353 per 100,000 births). Low use of contraception.	High adolescent fertility rate (147 births per 1,000 girls aged 15-19, higher than in Sub- Saharan Africa).	60% of women report having experienced some form of violence.  Early marriage and sexual tourism are practiced.	Low involvement in politics Only 20% of members of parliament (MPs) and ministers are women.	Men are still legally recognized as "heads of families." Abortion is criminalized.
MAURITIUS	Boys are overrepresented (78%) in vocational training programs.  Higher rates of female unemployment.  Wage gap.  Women are underrepresented on the formal labor market.  Most employees in the services sector are women (73%).  Microfinance is an important mechanism allowing women to access credit and engage in entrepreneurship.	Rising maternal mortality rates (39 deaths of mothers per 100,000 live births in 2005, rose to 53 in 2015) but low compared to the regional average.  Illegal abortions are the number one cause of maternal mortality.	Adolescent fertility rates continue to rise (the number of 15-19-year-olds who are pregnant or have had their first child rose from 10.9% in 2002 to 12.1% in 2014).	25% of women experience domestic violence.	In the private sector, women are excluded from decision-making bodies (women account for just 7% of Board directors in the largest companies of Mauritius). In politics, there has been an overall improvement over time in women's representation.  12% of MPs and ministers are women.	There are no legislative restrictions on access to inheritance, property, or movement.  Positive discrimination during elections.  Abortions allowed only if the mother's life is at risk.
МАУОТТЕ	Younger generations of women have higher educational attainments.  Employment rates for women are rising faster than for men.  Unemployment and part-time employment are higher for women than for men.  Female entrepreneurs are mostly active in microentrepreneurship.	High female mortality rates (three times higher than in mainland France). High obesity and diabetes rates among women. High maternal (5 deaths per 10,000 births) and infant (10 out of 1,000 children die before reaching the age of one) mortality rates. Low use of contraception.	High fertility rates.  34 of women who give birth on Mayotte are of foreign origin.  15 of women of foreign origin are heads of single-parent households.	42% of women report having experienced at least one type of violence. Increase in the number of instances of polygamy.	Low representation of women among mayors (11.7%) and elected representatives (25%).	A ban on polygamy and a unilateral divorce procedure for those of marrying age have been in place since 2003. According to INSEE, 10% of men are living in polygamy.
REUNION ISLAND	Women are more highly educated than men but remain less active, have higher rates of part-time work, and have lower wages than men.  Professional integration: lower gender inequality than in mainland France (percentage of highly qualified and white-collar workers, net median wages, percentage of temp workers, etc.)	Number of births among teenage mothers is ten times higher than in mainland France. In 70% of cases, dropping out of school is due to the birth of the mother's first child.	Percentage of single parents twice as high as in mainland France. Life expectancy is 83.6 years.	Overall violence rate slightly higher than in mainland France: 25% of women have been victims of workplace violence, and 5% of sexual harassment; psychological violence rates are 1.5 higher than in mainland France.	One woman has been elected mayor of one of the 24 Reunion municipalities.	
SEYCHELLES <sup>25</sup>	Parity in primary education.  Women are underrepresented in technical fields.  Entrepreneurship rates among women are low.	There has been a decrease in fertility rates as well as maternal and infant mortality.  Sexual health services do not accept minors.		According to a government study, 28% of women have experienced at least one form of physical violence, and 11% have experienced sexual violence.	20% of ministers and 25% of MPs are women. There are now female judges in the Seychelles.	Abortions allowed only if the mother's life is at risk.
UNION OF THE COMOROS	Lower levels of literacy among women.  Large discrepancies in higher education and vocational training.  Low participation of woman in the labor market (30%).  Difficult to access bank credit (microfinance is the main alternative).	Very high maternal mortality rates (353 per 100,000 births). High fertility rates (4.5). Low use of contraception (20% of women).	40% of households are headed by single mothers.	According to a government study, 30% of women experience domestic violence.		The criminalization of abortion. Customary rules, Islamic law, and modern law are applied simultaneously. Matriarchal social structure (girls inherit land), but men are responsible for managing property.

Source: gender profiles completed for Reunion Island, Mayotte, Madagascar, Comoros, and Mauritius (2016-2018) by AFD. Data for Seychelles was provided by UN Women.

 $<sup>^{25}</sup> Source for the Seychelles: https://www.un.org/womenwatch/daw/Review/responses/SEYCHELLES-English.pdf and the seychelles: https://www.un.org/wowenwatch/daw/Review/responses/SEYCHELLES-English.pdf and the seychelles: https://www.un.org/wowenwatch/daw/Rev$ 



# APPENDIX 4: Main observations concerning climate change, trends, and future effects

COUNTRY/TERRITORY	MAIN OBSERVATIONS REGARDING CLIMATE CHANGE	TRENDS AND FUTURE EFFECTS
MADAGASCAR	Hurricanes (intensity, strong winds). Changes in rainfall patterns. Significant increase in the number of dry days. Average rise in sea levels of 7-8 mm/year.	Increase in hurricane intensity. The northern part of the island is more affected by hurricanes. Hurricanes cause loss of life and the destruction of infrastructure (social, agricultural, administrative infrastructure, etc.).  Changes in seasonal rainfall patterns. Lower annual precipitation by the end of the century, but a likely increase in the frequency of heavy rainfall.  Likely increase in the number of droughts and heat waves.  Decreasing agricultural yields.  Disease outbreaks are being displaced towards the Central Highlands.  Surge in locust invasions.
MAURICE	Higher ocean surface temperatures.  Lower annual precipitation with more severe rain episodes.  Increase in hurricane intensity.  Rise in sea levels of 2.1 mm/year over the past decade.	Tropical depressions turn into hurricanes (wind speeds of 165 km/hr).  Longer dry season, less rainfall (average rainfall decreased about 12% from 1930 to 2000), more extreme weather events (flash floods and droughts). Shorter, more intense episodes of heavy rain.  Significant increase in sea levels (sea levels are expected to rise 5 cm by 2020, 16 cm by 2050, and 48 cm by 2100). Coastal erosion and badly damaged coral ecosystems (320 km coastline).  Higher risk of disease.
MAYOTTE	Temperatures have increased by 1°C since 1960.  Annual rainfall has decreased by about 8% every decade since 1960.  Sea level rise of 0.40 mm/year over the past several decades.	Increase in average annual daytime and nighttime temperatures.  Changing storm and hurricane paths. Greater loss of life (25,000 potential deaths in the event of a category 5 hurricane). The destruction of infrastructure.  Lower rainfall during the dry season, increased rainfall during the wet season.  Decreasing agricultural yields.  Impact on reefs and the lagoon.
REUNION ISLAND	Significant rise in temperatures.  Great regional diversity in rainfall patterns.	Average temperature rise of 0.15°C to 0.2°C per decade.  Increased trade winds in the winter.  Rainfall: Changes in the seasonal patterns of extreme rainfall events. Only the southwest region is undergoing a statistically significant downward trend (-6% to -8% per decade), trends elsewhere are less notable given the intrinsic variability of the weather system.  Overall drop in rainfall.  Sea levels are estimated to rise between 30 cm and 1 m by 2100 depending on the scenario (Source: Météo France).  The intensity peaks of strong hurricanes in the southwestern portion of the Indian Ocean have moved further south over the past three decades.  A rise in the number of invasive alien species in habitats that are already fragmented and subject to pressure from human activity.
SEYCHELLES	Flooding caused by events other than hurricanes. Rising average sea temperatures and sea levels.	Changing hurricane paths and cyclones are likely to impact the Seychelles, which had been relatively unaffected until recently.  Rising sea temperatures affect the abundance of fishing resources (tuna).  Parasite problems (land and sea).
UNION OF THE COMOROS	Temperatures have increased by 1°C since 1960.  Annual rainfall has decreased by about 8% every decade since 1960.  Sea level rise of 0.40 mm/year over the past several decades.	Increase in average daytime and nighttime annual temperatures. Changing storm and hurricane paths. Lower rainfall during the dry season, increased rainfall during the wet season. Greater loss of life. The destruction of infrastructure. Decreasing agricultural yields.

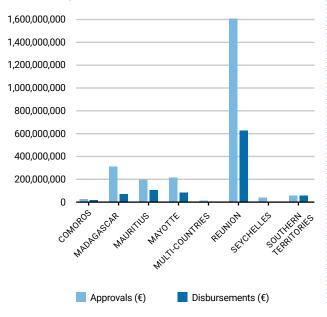
Source: explanatory note, Indian Ocean Initiative, AFD, AETS February 2018.

## **APPENDIX 5: Overview of Group activities in the Indian Ocean (2015-2018)**

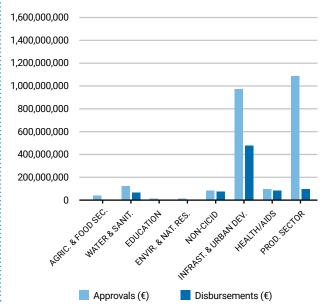
#### Overview of the Group's activities over the period 2015-2018

Total approved 2015-2018	€2.445 M
Total approved with climate co-benefits	€239 M
Total approved with gender co-benefits	€13 M
Total state cost <sup>26</sup> mobilized	€37 M

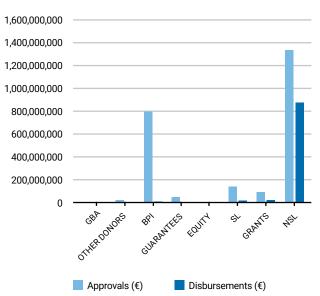
### Group approvals and disbursements by country and territory, 2015-2018



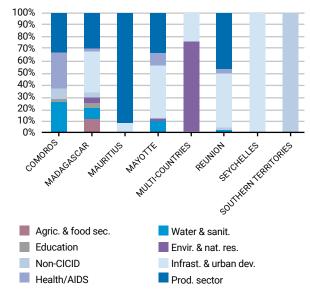
### Group approvals and disbursements by sector, 2015-2018



### Group approvals and disbursements by instrument, 2015-2018



### Sector breakdown of approvals in each country and territory



<sup>&</sup>lt;sup>26</sup> The "state cost" for an AFD loan represents the cost for the State of making available the budgetary resources that allow a given loan to be subsidized, after discounting future cash flow.

### **LIST OF ABBREVIATIONS**

ACP: Africa, Caribbean, Pacific

**AFD:** Agence Française de Développement

AfDB: African Development Bank

**BRGM:** French Geological Survey

**CCO:** Cross-cutting objective

**CDC:** Caisse des Dépôts et Consignations (French statecontrolled financial institution)

**CESER:** Regional Economic, Social, and Environmental Council

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

**CIEP:** French Education International

**CIRAD:** French agricultural research and international cooperation organization

**COMESA:** Common Market for Eastern and Southern Africa

CSO: Civil society organization

DROI: Indian Ocean Regional Office

EDF: European Development Fund

**EEZ:** Exclusive economic zone

**ERDF:** European Regional Development Fund

**FAO:** Food and Agriculture Organization

**FEXTE:** Fund for Technical Expertise and Experience Transfers

**FICOL:** French Local Authorities Financing Facility

**GDP:** Gross domestic product

**GO:** General objective

HDI: Human Development Index

IOC: Indian Ocean Commission

**IOF:** International Organization of La Francophonie

**IORA:** Indian Ocean Rim Association

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

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

**MEAE:** Ministry for Europe and Foreign Affairs

MOM: Ministry of Overseas France

**OCT:** Overseas Countries and Territories

**ODA:** Official Development Assistance

**PCFOI:** French Cooperation Platform for the Indian Ocean

**PFD:** Partnership framework document

**PIROI:** Regional Action Platform for the Indian Ocean

**PRCC:** Trade Capacity Building Program

**SDG:** Sustainable Development Goal

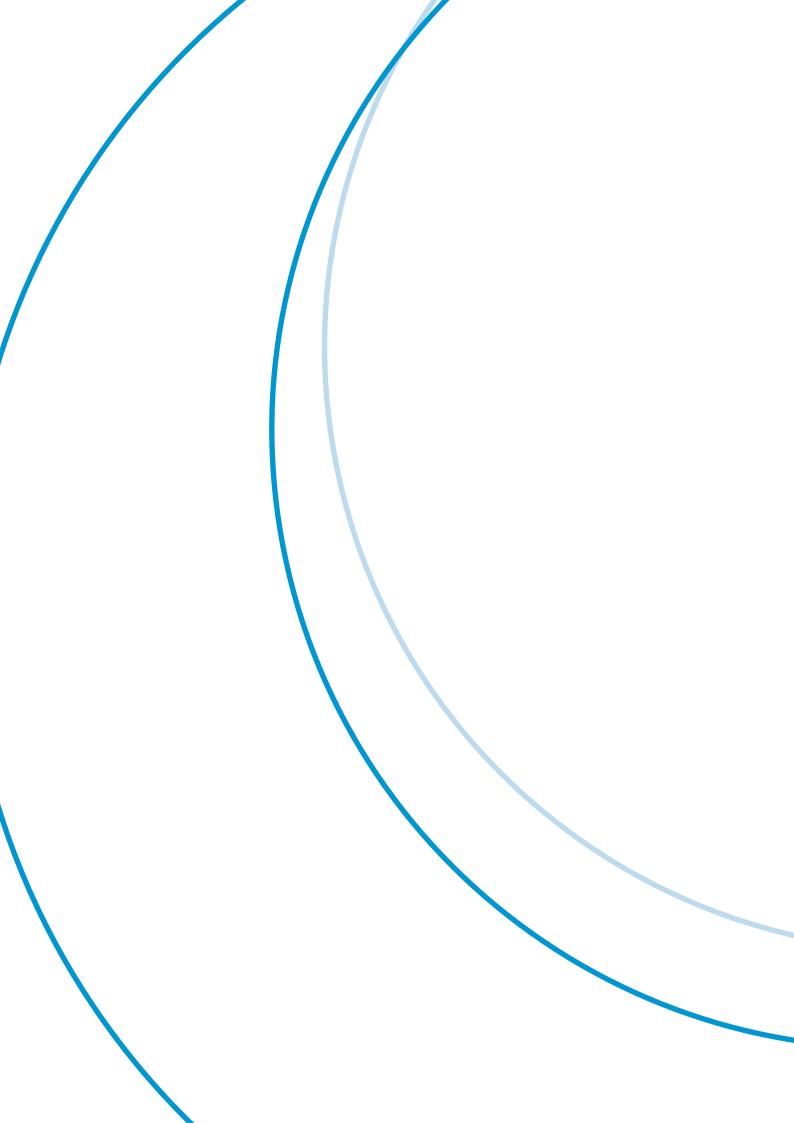
**SIDS:** Small Island Developing States

**SO:** Specific objective

**TAAF:** French Southern and Antarctic Territories

**UCCIOI:** Union of Chambers of Commerce and Industry of the Indian Ocean

**UNDP:** United Nations
Development Programme



### What is AFD?

AFD is France's inclusive public development bank. It commits financing and technical assistance to projects that genuinely improve everyday life, both in developing and emerging countries and in the French overseas territories. In keeping with the United Nations Sustainable Development Goals, AFD works in many sectors - energy, healthcare, biodiversity, water, digital technology, professional training, among others — to assist with transitions towards a safer, more equitable, and more sustainable world: a world in common. Through its network of 85 field offices, AFD currently finances, monitors, and assists more than 4,000 development projects in 115 countries. In 2018, AFD earmarked EUR 11.4bn to finance projects in developing countries and for overseas France.

http://www.afd.fr

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