

# — Andean Region

Regional Strategy  
2020-2024



Bolivia



Colombia



Ecuador



Peru

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# INTRODUCTION

This document presents the strategy of the Regional Office (RO) of the Andean Region (Bolivia, Colombia, Ecuador and Peru), created in 2018 and based in Bogota. This strategy covers a five-year period, from 2020 to 2024. Its preparation was based on an extensive consultation, both within AFD Group and the various French representations (embassies, regional economic service) as well as on in-depth exchanges with external entities and individuals identified by the agencies in the four countries of the region (think tanks, academics, journalists, NGOs), as part of an external consultation. It includes the analysis of the heavy impacts of the Covid-19 crisis, which deeply affects the Andean countries, as well as the necessary actions to be implemented by AFD Group in order to respond to this crisis.

This strategy is in line with the sustainable development goals (SDGs), which are mentioned in the text whenever necessary, and the priorities of France's cooperation and development policy. It translates the AFD Group Strategy 2018-2022, the Latin America Regional Intervention Framework, as well as the strategic documents of Proparco and Expertise France (EF) for the Andean Region.

It should be noted that, in the Andean Region, the AFD Group entities have different scopes of intervention:

→ AFD holds a mandate in the countries that are eligible for official development assistance (according to the list drawn up by the Development Assistance Committee), and for which it has received an authorisation to intervene from the Interministerial Committee for International Cooperation and Development (CICID): Bolivia, Colombia, Ecuador and Peru. See <https://www.afd.fr/en>.

→ Proparco, which finances the private sector, operates through its regional branch based in AFD's Bogota RO in three of the four Andean countries: Colombia, Ecuador and Peru. It is supported through Proparco's regional office in Sao Paulo, which also directly follows Bolivia. See <https://www.proparco.fr/en>.

→ Expertise France (EF), which implements the international technical cooperation, aims to intervene throughout Latin America from its centre in Bogota, located in the offices of the RO. See <https://www.expertisefrance.fr>.



# 1.

**PRESENTATION OF  
THE ANDEAN REGION:  
A RELATIVELY HOMOGENOUS  
REGION, SEVERELY AFFECTED  
BY THE COVID-19 CRISIS**

The countries in which the Regional Office intervenes, while presenting real differences, are less heterogeneous than other Latin American regions. Brought together by history through their successive belonging to the Inca Empire, the Spanish Vice-royalty of New Granada and then to Greater Colombia following independence, they share part of the Amazonian rainforest, which is closely connected to the Andes. The Andean Cordillera divides the continent into two watersheds and, in these countries, creates a contrast between high mountain territories, forest plains and coastal areas. These three shared human and geographic systems are characterised by considerable differences in terms of populations, development and mentalities.

The conditions shared by the Andean countries should a priori favour a certain regionalisation. However, efforts in this direction have seen few results and, to date, regional integration is virtually non-existent – be it in the realm of politics, economy, energy, transport, water or ecological corridors. Despite their situational diversity, these countries are affected by shared realities and challenges that vary in intensity but which underpin the validity of the Group's regional approach.

**Table 1 – Key indicators (2019 figures)**

	Bolivia	Colombia	Ecuador	Peru	Weighted average	Total Andes	Latin America
Population (million)*	11.4	49.6	17.1	32.0	–	110.1	641.4
HDI*	0.703	0.761	0.758	0.759	0.754	–	0.759
Gini Index*	42.2	50.4	45.4	42.8	46.6	–	41.0
Poverty (% population)*	34.6%	27.0%	25.0%	20.5%	25.6%	–	29.7%
Urbanisation rate*	69.0%	81.0%	64.0%	78.0%	76.2%	–	81.0%
Indigenous population*	41.0%	3.3%	7.0%	26.0%	14.4%	–	7.8%
GDP/capita (USD, PPP)*	7 873	15 013	11 734	14 418	13 592	–	12 405
Growth rate (USD, 2015-2018)*	4.4%	2.2%	0.7%	3.4%	2.5%	–	-0.2%
Informal employment (non-agricultural)*	78%	57%	65%	59%	61%	–	53%
French trade balance (M€)*	-18	177	-234	-218	–	-118.0	–
AFD approvals (M€ 2016-2019)	418	641	685	287	–	2 031	3 470
Proparco Sign. (M€ 2016-2019)	11	49	188	151	–	399	1 353
EF Contracts (M€ 2016-2019)	1	0	0	1	–	2	37

\* Sources: World Bank, <https://data.worldbank.org/indicator>, AFD, Proparco, EF.

## Extractive and low-tax economies

The Andean countries have adopted an economic model that is largely based on extractive activities and dependent on the countries of the global North and Asia. Commodity exports (minerals, hydrocarbons, agricultural products) play a central role and are not sustainably exploited.

Economic growth in the Andean region, the international currency reserves and fiscal resources are consequently all very exposed to shocks. The extractivist model that dominates the Andean countries is such that natural resources are extracted without contributing to the countries' net capital formation.<sup>1</sup> Export-oriented agriculture is destroying the forests with serious consequences in terms of carbon sequestration and soil depletion. Even leftist governments have continued these extractive activities based on partnerships with multinationals and foreign investors. They have certainly increased the role of the State through taxes and by redistributing this wealth to the poorest segments of the population, but without reforming the socio-environmental management of these sectors. Andean state institutions are weak in that they lack autonomy from social and economic elites. These states often struggle to make decisions or contain the influence of private interests.

Their economies are also characterised by low taxation – representing, for example, 14% of GDP in Colombia, compared to an average 22% in Latin America. This situation creates a vicious circle: low budgets make it impossible to finance quality services, maintain control over the territories, or invest sufficiently. The Andean countries are thus characterised by a “middle-income trap”: once some of the population have emerged from poverty, how can taxes, investment and service quality be increased without plunging them back into poverty?

## A weak growth rate and highly informal labour market

For 14 years, the Andean countries, like all of Latin America, benefited from a commodity “supercycle” which generated significant public revenues. While this economic upturn made it possible to improve social indicators and significantly reduce extreme poverty, it came to an abrupt end in 2014 with the fall in commodity prices. As a result, growth has been slow across the region, even before the Covid-19

crisis, particularly in terms of the still dynamic demographic pressure. The Andean countries have also been affected by the collapse of Venezuela, which has led to a drop of more than 60% of its income per capita and the massive exodus of its citizens (17% of its population)<sup>2</sup> to countries in the region.

The four countries are characterised by an informal labour market, in which most of their populations have to earn their livelihood: ranging from 57% in Colombia to 78% in Bolivia. This informality primarily affects the most vulnerable population groups: women, young people, the least skilled. These workers do not have access to the protections offered by labour law, or to long-term contracts.

Informality weakens public services, given that these populations use public goods and services without contributing to their financing. As a result, the state is unable to play an effective role in providing a safety net in times of social, economic, environmental or health crises. Finally, informality also increases corruption and constitutes unfair competition for formal businesses.

## Ethnic plurality, strong inequalities and discriminations

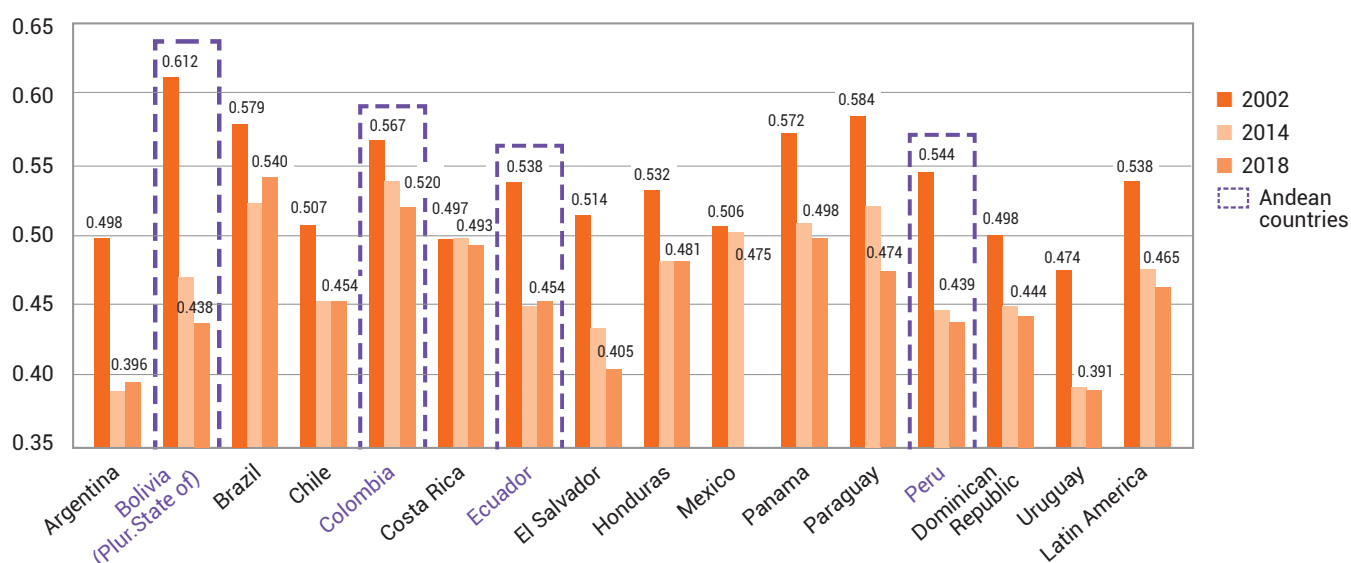
While the Andean countries are characterised by a high degree of ethnic and cultural diversity, there are also some nuances. Colombia and Ecuador have a substantial proportion of Métis populations, while indigenous populations are significantly larger in Bolivia (41%) and Peru (26%). This human diversity is an asset but also generates challenges for social cohesion. The Amerindian populations are organised in communities and territories: at times, they are able to act as a real counterbalancing force, but overall they have low political representation, except in Bolivia.

Questions of social ties are further foregrounded by considerable economic and social disparities (see Table 1 above). In fact, these countries have particularly high levels of inequality, which is the legacy of societies whose elites live spatially separated and have long shown little consideration for other social classes. Between 2002 and 2014, the Andean countries massively reduced their inequalities (see Figure 1), even though deep divisions remain within society (gender inequality, disparate social strata, poorly integrated Venezuelan immigration).

<sup>1</sup> Bolivia is very dependent on oil, gas and minerals (74.5% of exports in value in 2018); Ecuador on oil and its derivatives (40.7% of exports in 2018); Colombia on petroleum, coal and its derivatives (55.6% of exports in 2018). Finally, Peru also relies heavily on its commodities (56.4% of exports in 2018), which have excellent technical characteristics (copper, iron).

<sup>2</sup> The UNHCR speaks of 4.7 million Venezuelans who have emigrated (<https://www.acnur.org/situacion-en-venezuela.html>), while the population who have remained in Venezuela totalled 28.4 million people in 2020.

**Figure 1 – Inequalities in the Andean countries compared to Latin America, 2002-2018**



Source: ECLAC (2019, p.21), Social Panorama of Latin America.

## Large cities under pressure

The region is experiencing rapid urban growth (Table 1). The urbanisation rate ranges from 64% in Ecuador to 81% in Colombia. It is fuelled by the rural exodus and, more recently, by significant migratory flows from Venezuela. Large cities are characterised by strong socio-economic disparities, which are accentuated by high deficits in public services, housing and mobility. They are also subject to increasing air and water pollution, as well as serious waste management challenges.

A new social pressure is affecting these societies. Cities, the middle classes and young people are all new stakeholders who need to be taken into account. Expectations have changed and become higher with respect to education, health and access to consumption. The Andean countries have thus recently been hit by large-scale social protests, mainly from the urban world.<sup>3</sup>

## Security is still a major issue

Security issues are to varying degrees present in all the Andean countries. This is, of course, a crucial question in Colombia, where the implementation of the 2016 peace agreement remains a challenge and where the homicide rate is particularly high. All these countries are affected by the presence of criminal organisations whose ideological

motivation has been replaced by trade in drugs and precious metals. "Social leaders" are assassinated while defending the rights of their communities in matters relating to health, education or land tenure.

In Colombia, the civil war caused more than 200,000 deaths and displaced 4 million people; in Peru, the Maoist guerrilla movement and the repression left 48,000 dead during the 1980s and 1990s. Critical issues of justice and reconciliation persist, especially in Colombia. Neither Ecuador nor Bolivia has experienced these levels of homicides, but border security remains a major concern for them. The governments of the Andean countries, although committed to fighting coca production, do so without always addressing the economic alternatives to be offered to the populations.

## Migration issues linked to Venezuela

Apart from Bolivia, the Andean countries are at the forefront of the Venezuelan crisis and the resulting migration: 1.8 million refugees in Colombia, 0.8 million in Peru, 0.7 million in Ecuador.<sup>4</sup> The health and education systems of these countries are under pressure, as well as their economies, due to rising unemployment – with the official rate having already reached double digits in Colombia in early 2020, even before the pandemic. This migratory crisis also has repercussions on rural areas, which are subject to greater land pressure.

<sup>3</sup> Ecuador (October 2019, following the increase in diesel and petrol prices – with a strong element of protest from the rural and indigenous world); Bolivia (October-November 2019 crisis in the context of the presidential election); Peru (October-November 2019, after Congress was dissolved by President Vizcarra); Colombia (November 2019 - January 2020, multifaceted movement of the "paro nacional" (national strike)).

<sup>4</sup> See <https://r4v.info/es/situations/platform>.



## Major environmental and climatic challenges

The Andean countries top the list of the most biodiverse countries in the world.<sup>5</sup> The Pacific coast, the Amazonian plain and the Andean mountains (especially the “*páramos*”,<sup>6</sup> which provide major ecosystem services to the 50 million people living in or near the Cordillera) are thus not only home to rich biological diversity, but also of climatic importance, both of these aspects representing vital challenges for our “world in common”.

The Amazonian area in the Andean countries is facing huge challenges, at the forefront of which is deforestation linked to extensive livestock farming, export-orientated agricultural production (soybeans), as well as extractive industries and open-pit mining. All of this erodes the countries' capacities to mitigate and adapt to climate change, given the fundamental role of forests as climate regulators and carbon sinks.

Unfortunately, the effects of global warming are already clearly visible. Over the 2000-2018 period, the glaciers of the Andean Cordillera lost an average of 23 billion tonnes of ice per year.<sup>7</sup> This massive ice melt will result in flood waves on glacial rivers in the short term and a drying up of these rivers in the medium and long term, which will directly affect communities, cities and biodiversity. On the other hand, rising sea levels and extreme climatic events (including a more frequent and intense El Niño phenomenon) will further impact coastal areas.

Rising temperatures will affect agricultural production and decrease the carbon storage capacity of forests (physiology and wildfires).

In this context of sensitivity to climate change, the Andean countries have all ratified the Paris Climate Agreement (Peru in July 2016, Bolivia in October 2016, Colombia in June 2017 and Ecuador in September 2017). They submitted a first version of their nationally determined contributions (NDCs). Colombia has finalised its NDC, which will be presented at the COP26 in Glasgow.

It should be noted, however, that even though the Andean countries contribute relatively low levels of GHG emissions,<sup>8</sup> they are very far from having a low carbon intensity and a development trajectory compatible with the objective of achieving carbon neutrality between 2050 and 2100 (Article 4 of the Paris Agreement). They also share two particularities:

- A very high level of emissions in the LULUCF sector (land use, land use change, and forestry), which represents more than 50% of greenhouse gas emissions: 80% in Bolivia, 60% in Peru, 55% in Colombia and 50% in Ecuador.
- A strong dependence on fossil fuel exports, with important implications in terms of what these activities (incompatible with the Paris Agreement) contribute to the countries' fiscal resources and trade balance. And, as a result, a high level of exposure to climate transition risks: social and fiscal tensions in the event of an unanticipated downturn, loss in the value of “stranded assets”, impacts on the financial system or on the currency, etc.

In terms of adaptation, as measured by the ND-GAIN index<sup>9</sup> (the reference index on country climate resilience), the countries in the region are still considered as not very resilient to climate risks. They are in the lower half of the world rankings: out of 181 countries, Peru ranks 83rd, followed by Colombia 89th, Ecuador 108th and Bolivia 130th. The impacts of climate change are still underestimated in many sectors of the economy, with considerable systemic impacts (especially on the agricultural sector, which represents 5 to 10% of the different GDPs but up to 25% of Andean exports).

## The Covid-19 crisis: two lost decades for development

In the Andean region, the Covid-19 crisis stands out due to its magnitude and fatality rate: as at 27 October 2020, Peru (890,000 cases, 34,000 deaths), Bolivia (141,000 cases, 9,000 deaths), Ecuador (162,000 cases, 13,000 deaths), and Colombia (1,025,000 cases, 30,000 deaths) rank 1st, 4th, 8th and 15th respectively among the most affected countries on the planet in terms of fatalities per million inhabitants.<sup>10</sup>

This crisis constitutes a major social and economic shock for all of Latin America, whose economy may have contracted by more than 8% in 2020 according to IMF forecasts, with very uncertain prospects in terms of recovery. It is causing a slowdown in world trade and a fall in the prices of the commodities on which the Andean countries are highly dependent. In addition, the region is suffering from the sudden drop in tourist flows and foreign direct investment. It is expected to be the worst recession of the past hundred years.

<sup>5</sup> Ranking in the National Biodiversity Index (out of 161 countries): Colombia 2nd, Ecuador 5th, Peru 8th and Bolivia 20th.

<sup>6</sup> Neotropical high mountain biome with a vegetation composed mainly of giant rosette plants, shrubs and grasses (James L. Luteyn, 1999).

<sup>7</sup> Source : <https://www.nature.com/articles/s41561-019-0432-5>.

<sup>8</sup> According to the most recent data from the Climate Watch Observatory, in 2016 the level of GHG emissions (all sectors and all GHGs) by the countries of the region was as follows: Ecuador 99 MtCO<sub>2</sub>e, Bolivia 150 MtCO<sub>2</sub>e, Peru 169 MtCO<sub>2</sub>e and Colombia 232 MtCO<sub>2</sub>e. These figures should be compared with the level of emissions in France in 2016 of 420 MtCO<sub>2</sub>e, taking into account each country's population size and GDP.

<sup>9</sup> Notre Dame Global Adaptation Initiative, see <https://gain.nd.edu/>.

<sup>10</sup> Source: Johns Hopkins University, data compiled by *Le Monde*, 28 October 2020.

Traditionally, in the event of an economic crisis, the informal sector absorbs some of the formal sector workers and acts as a buffer. However, Covid-19 produces the opposite effect, because the lockdown and social distancing measures mainly affect informal activities. Poor people and the informal sector bear the brunt of the shock, while the formal sector and the upper social classes are more resilient.

The crisis exposes micro-, small and medium-sized enterprises (MSMEs) – which account for 99% of economic operators and provide 60% of employment – to a high risk of bankruptcy. The job losses will hit the less stable segment of the middle classes.

The crisis further increases the vulnerability of specific groups, such as women, indigenous peoples, the elderly, migrants and young people.

**Table 2 – Estimates of the impact of the health crisis on growth rates in Latin America**

	(Year-over-year percent change)			Projections		
	2017	2018	2019	2020	2021	Avg. 2022-2025
LAC	1.3	1.1	0.1	-9.4	3.7	2.8
LAC excl. Venezuela	2.0	1.8	0.8	-9.2	3.9	2.8
South America	0.7	0.4	-0.1	-9.5	3.9	2.8
Argentina	2.7	-2.5	-2.2	-9.9	3.9	2.5
Brazil	1.3	1.3	1.1	-9.1	3.6	2.6
Chile	1.2	3.9	1.1	-7.5	5.0	2.9
Colombia	1.4	2.5	3.3	-7.8	4.0	3.8
Peru	2.5	4.0	2.2	-13.9	6.5	4.5
Mexico	2.1	2.2	-0.3	-10.5	3.3	2.2
Central America, Panama and Dominican Republic	4.2	3.9	3.2	-5.9	3.2	4.1
Caribbean						
Tourism-dependent countries, average	0.9	1.9	1.2	-10.3	4.8	2.9
Commodity exporters, average	-1.2	0.7	0.9	3.5	3.2	5.0

Sources: IMF, World Economic Outlook Database, and IMF calculations, June 2020. "Covid-19, the Impact on LAC".

Notes: GDP calculated in purchasing power parity. "South America" excludes Guyana and Suriname.

Data in green / orange shows an increase or decrease compared to the April 2020 data.

**Wiping out two decades of social progress, this shock will push an additional 28 million Latin Americans out of 650 million into poverty, and 16 million more into extreme poverty, according to the OECD.<sup>11</sup>**

## **Time for a new social pact, for an inclusive and sustainable recovery**

Admittedly, according to the OECD,<sup>12</sup> the Andean countries have mobilised recovery plans, some of which are very substantial, as in Peru (12% of GDP), others being within the average of Latin American countries (Bolivia and Colombia, at 2% of GDP). But these short-term actions are mainly focused on supporting health systems, social protection for the most disadvantaged populations and support for businesses. Now the time has come to seek a new social pact, reforming public spending and tax systems, seeking greater efficiency, equity and transparency.

More broadly, according to the OECD, it is important "to provide effective, transparent and sustainable responses [to the crisis], while respecting the environment and biodiversity, so as not to add a natural catastrophe to a health disaster".

In line with the principles of sustainable recovery and inclusive transition, "the crisis calls for a preventive and structural response involving radical reform. It requires a new step in the implementation of the 2030 Agenda and the Sustainable Development Goals (SDGs)".

This need for coherence is linked to the fact that human development and the preservation of the planet constitute the two ultimate goals of the SDGs in support of which the economy, governance and global partnerships must be mobilised.

The current Andean context is a good illustration of the six transitions identified by the AFD Group Strategy 2018-2022 and which support the UN's 2030 Agenda and the SDGs:

- 1. The territorial and ecological** transition, to tackle the challenges of protecting the environment and the fight against climate change, which risk being sidelined by short-term emergencies;
- 2. the demographic and social** transition, to reduce inequalities and improve access to quality social services, which have been hard hit by the crisis;
- 3. the economic and financial** transition, to promote inclusive finance in the form of less emissive and more sustainable development models;
- 4. the political and civic** transition, towards more horizontal, inclusive and participatory policies;
- 5. the energy** transition, which must be in line with the Paris Agreement and the unavoidable change in energy mixes;
- 6. the digital and technological** transition, which must contribute to transparent governance, in a context where the pandemic has revealed the resilient virtue of the digital transformation, in particular for distance learning.

<sup>11</sup> Source: the OECD-LAC Social Inclusion Ministerial Summit on "Informality and Social Inclusion in the times of COVID-19", 13-17 July 2020.

<sup>12</sup> Source: "Covid-19 in LAC – An Overview of Government Responses to the Crisis", OECD, July 2020.

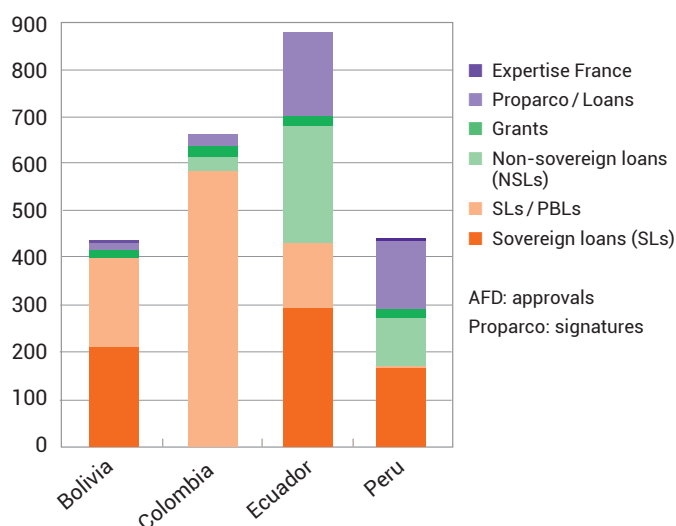


# 2.

## **DEFINITION OF AFD GROUP'S PRIORITY ACTIONS IN THE ANDEAN REGION**

The Andean countries, excluding Venezuela, are aligned with key French policies on democracy, human rights and the implementation of international commitments on the environment and climate change. This is why AFD has been working in the region since 2009 to implement interventions mainly focused on the fight against climate change, as part of its "green and inclusive growth" mandate.

**Figure 2 – The Group's interventions by financial instrument (M€)**



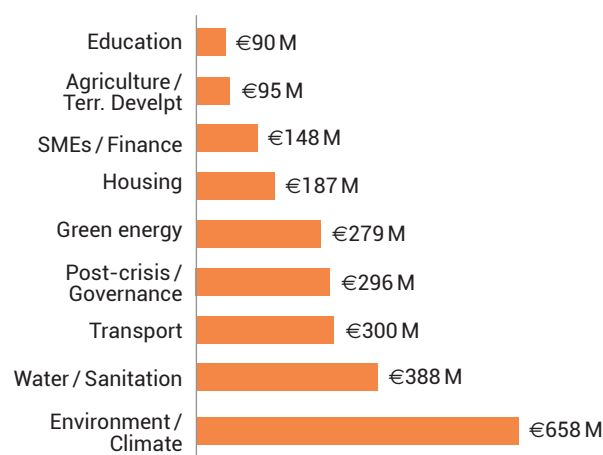
The sector breakdown shows that the percentage of social projects financed by AFD Group has remained low since 2016 (16% of the total<sup>13</sup>). In fact, a majority of the interventions focused on sectors with a high percentage of climate co-benefits<sup>14</sup> – which allowed for a signification contribution to the Group's objectives. The priority action to combat climate change is now AFD's "hallmark" in the region and well known to its counterparts, whilst also giving the Group good visibility.

The evolution of the situation in the Andean region due to the Covid-19 crisis is forcing the Regional Office to reconsider its intervention priorities.

As indicated in the logical framework (cf. Appendix 2), the goal of the Regional Office, in line with the **just transition**, will be to **promote environmental and social progress** via the two pillars of **support for environmental and climate justice** (territorial and ecological transition), and for **social justice** (demographic and social transition as well as the political and civic transition).

The analysis of the Group's activities over the pre-crisis period 2016-2019 (detailed in Appendix 1) shows that the Group's financing totals €2,448 million, with the following breakdowns by country, by financial tool, and by sector.

**Figure 3 – The Group's interventions by sector**



In line with the Sustainable Development Goals of the 2030 Agenda and with the Group Strategy 2018-2022, this strategy also complies with the 100% Paris Agreement and 100% social link commitments.

It sets out **3 strategic objectives**:

- Achieve a successful **territorial and ecological transition** by aligning with the major global challenges on the environment and climate;
- Achieve a successful **territorial and ecological transition** by sustainably improving citizens' quality of life;
- Achieve a successful a **just social transition** by strengthening cohesion and by better integrating disadvantaged populations.

These three main axes will include the implementation of **cross-cutting actions** relating to:

- Mobilisation of the private and banking sectors in favour of the SDGs, by strengthening financial innovation and inclusion, for example, through guarantee instruments, local currency loans, microfinance, support to MSMEs and equity investments by Proparco,

<sup>13</sup> The analysis of this 2016-2019 data series does not include the "social protection" PBL in Colombia (CCO1027), granted in 2013 for USD 400 million and fully disbursed in 2014. These 16% are therefore broken down into loans on education in Ecuador, post-crisis financing in Colombia and Ecuador, and Proparco's equity investments in health.

<sup>14</sup> It should be noted that, while Figure 3 shows total funding of €658 million between 2016 and 2019 specifically dedicated to environment and climate issues (especially via PBLs), the total of the Group's grants over the same period shows that €1.73 billion (out of a total €2.4 billion) presents climate co-benefits, i.e. 72% of the amounts.

- Search for innovative digital and social solutions (inclusive governance systems, decentralisation, participation, open data access, etc.) adapted to the needs of local populations,
- Promotion of French expertise and know-how, following a rationale of economic and political influence, by further integrating Expertise France into the provision of assistance to contracting authorities, at the heart of public policies in the Andean countries;
- Development of the Group's regional interventions, making full use of the structure of the Regional Office. This will help to develop multi-country approaches on key subjects such

as good management of biodiversity, tropical forests and shared water resources, support to indigenous peoples, or migration. These interventions will also facilitate the exchange of experiences and good practices at regional level (cf., Appendix 3).

In general, the Group approach will be systematically promoted in interventions through concerted actions and efforts to maximise synergies between AFD, Proparco and Expertise France. In addition, Group-funded projects will seek multiple dividends by contributing as far as possible to several SDGs even though a project may be targeting one main sector.

## 2.1. ACHIEVE A SUCCESSFUL TERRITORIAL AND ECOLOGICAL TRANSITION: PROMOTE DEVELOPMENT TRAJECTORIES ALIGNED WITH GLOBAL CLIMATE AND ENVIRONMENTAL ISSUES

### Support public climate and environmental policies



This strategic objective is part of the support to implement the Paris Climate Agreement, which has been ratified by the four countries of the region and aims to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels" (Article 2) through the achievement of carbon neutrality "in the second half of this century" (article 4). The Andean countries are still very far from development trajectories compatible with this target.

The Group, along with the multilateral players and IDFC-member institutions, is thus committed to supporting these trajectories by acting on at least three challenges: (i) increase the financing of investments in favour of the environment and climate through direct infrastructure financing, support for formulation and implementation of policies through policy-based loans (PBLs), and financial

intermediation via green lines of credit; (ii) contribute to the production of knowledge on reducing the financing of assets at odds with climate action and avoid the creation of stranded assets; and (iii) promote the "mainstreaming" of the climate challenge across all sectors.

The PBLs already approved for the Andean region (Bolivia, Colombia, Ecuador) have demonstrated their high added value in terms of supporting our partners and, at their request, integrating French sustainable development priorities (climate, environment, energy, spatial planning, cities and mobility) into their policies and regulations. French expertise in climate matters is promoted through exchanges of ideas, the missions of French experts around the region, academic mobility, and training for Andean policymakers in France via scholarship programmes implemented by the diplomatic posts.

The Group is assisting the governments of Colombia and Ecuador in defining long-term strategies for resilient and carbon-neutral development (by 2050), which are key instruments for operationalising the Paris Agreement (paragraph 19, Article 4 of the Agreement). Along with other research studies,<sup>15</sup> they are already fuelling academic and

<sup>15</sup> Particular mention can be made of the GEMMES project (General Monetary and Multisectoral Macrodynamics for the Ecological Shift) in Colombia with AFD's research team, the regional project DDP/LAC (Deep Decarbonization Pathways in Latin America) with IDDRI, co-financed by AFD and IDB, and the research project on transition risks in Colombia with the think tank CPI (Climate Policy Initiative).

institutional reflection on the necessary transformation of development models in each country, and greatly heighten AFD's visibility on issues of low-carbon transition and resilience.

The Group is also able to assist some stakeholders – ministries, local authorities, banks, the private sector – towards a fuller consideration of the challenges to protect and improve the management of the rich Andean biodiversity. This biodiversity is an economic asset that is still undervalued in terms of markets and ecotourism.<sup>16</sup>

The Group will therefore need to support the implementation of bioeconomy policies that will help to diversify the productive fabric, ensure the well-being of local populations and conserve biodiversity.

Within the framework of the EUROCLIMA+ programme financed by the European Union, Expertise France is implementing various projects aimed at strengthening the value chains for Amazonian products (Bolivia and Peru); promoting alternatives to products with high-carbon content, with a focus on indigenous peoples, the role of women and young people (Bolivia); and defining public policies to set up payments for ecosystem services and the sustainable management of rainwater (Peru and Costa Rica).

Furthermore, EF is also developing a focus on combatting environmental crimes within the framework of the European regional project El PACcTO. Finally, EF supports the development of the post-2020 global biodiversity framework to mainstream biodiversity and align climate and biodiversity issues, by providing support to 23 countries around the globe, including Colombia and Peru for the Andean region.

Broadly speaking, the Group's interventions will systematically seek the convergence of the climate and biodiversity agendas, for example by setting objectives for climate co-benefits grounded on nature-based solutions.

## Sustainably manage ecosystems



Given the impact of climate change (for example, in the Andean Cordillera) and the local ecological footprint of human activities (deforestation), the Andean countries are experiencing a collapse of their biodiversity. As a development bank, the Group is also able to assist and encourage some stakeholders – ministries, local authorities, banks, the private sector – to take better account of these issues.

In the coming years, the Group is facing a triple challenge. On the one hand, the challenge of carrying out more operations dedicated to fighting deforestation and preserving biodiversity, for example, in the Amazon. This can be done either directly with the Alliance for the Preservation of Tropical Forests initiated by President Emmanuel Macron at the 2019 G7 in Biarritz, or by supporting the implementation of anti-deforestation activities within the framework of EUROCLIMA+. Then comes the challenge of mainstreaming these themes more systematically in operations in countries whose ministries of environment often have scant resources or little influence in arbitrations with other ministries. The final challenge is to take LULUCF issues into account both in the policy developments driven by PBLs and in the Group's financing, as these in fact represent the main lever for mitigating climate change in the Andean region.<sup>17</sup>

Beyond this, the Group must use its thinking and financial and technical support to actively contribute to the emergence of alternatives, consistent with the concept of bioeconomy and nature-based solutions. In these four "mega-diverse" countries, it should be possible to make sustainable use of biodiversity by giving it more added value and finding it new markets.<sup>18</sup> This line of action has been greatly developed by Expertise France under the EUROCLIMA+ programme.

Finally, working to sustainably transform the rural sector and restructure agricultural value chains – in order to increase their productivity and resilience, and reduce their environmental impact – means contributing to social progress by firming up opportunities that are economically sustainable and adapted to climate change. It should be remembered that agriculture is already severely affected by this climate risk, while accounting for 5-10% of GDP in the countries in question, 15-20% of the labour force and up to 25% of exports.

<sup>16</sup> Bolivia (Andean highlands, preservation of Inca cultural diversity); Ecuador (Galapagos); Colombia (second largest biodiversity in the world after Brazil, foregrounded for the development of tourism since the peace agreements) and Peru (a long-standing top tourist destination).

<sup>17</sup> Note the challenges of maintaining natural wooded or forest environments that have limited ecological qualities, but which may have key functions as "carbon sinks".

<sup>18</sup> Agroecology, organic products with social and environmental certification, short circuits, biotechnologies, better use of forests (fauna, honey, fruits), green, adventure, and cultural tourism. It also means making traditional activities involving for example bananas, shrimps, coffee, cocoa, tuna, etc. more sustainable and more ecological.



## Successfully achieve the energy transition



For the Group, energy is both a development challenge and a key lever in the fight against climate change. The five countries of the Andean region (Peru, Colombia, Ecuador, Bolivia, Venezuela) are fossil fuel exporters with an energy mix that is still very carbon-intensive, despite a substantive development of hydropower in the region.

Domestic primary energy consumption reflects the "privileged" access to these cheap fossil resources (coal, oil or gas) and derives mainly (> 70%) from fossil fuels.

In the Andean region, the electricity mix depends to a large extent on hydropower,<sup>19</sup> but this may prove risky in a context of climate change. In fact, given the ongoing ice melt, river flows could increase substantially and rapidly, putting the structural resistance of dams at risk.

The region is affected by more frequent and more severe climatic disturbances which lead to increased production costs as fossil fuels have to be used during dry periods. The Andean countries have therefore set themselves the

goal of developing electricity production capacities based on renewable energies – such as the wind or solar power plants developed by AFD in Bolivia and by Proparco in Peru. The share of unconventional renewable energies could thus increase from today's few percentage points to 15-20% of installed capacity by 2030. Proparco is closely monitoring private-initiative projects and auction mechanisms or tenders launched by the governments of the region to stimulate the development of these alternative energies. It is also studying the possibility of financing transmission lines through a public-private partnership (PPP).

The development of a low-carbon energy supply alongside the promotion of energy efficiency and demand management will continue to be high priorities for the Group. As such, the Group will prioritise interventions in the Andean region that contribute to (i) supporting the definition and implementation of energy transition policies; (ii) assisting the deployment of electricity based on renewable energies (on a large scale or through distributed generation); (iii) strengthening, modernising and promoting regional integration of electricity networks; (iv) supporting the diversification of energy sources and energy efficiency in all sectors (particularly the electrification of mobility); and (v) assisting the countries in the region in phasing out fossil fuels.

<sup>19</sup> Hydropower accounts for more than 70% of electricity production in Colombia, 60% in Ecuador, around 50% in Peru, and 20% in Bolivia, the remainder is derived mainly from fossil-based generation.



## 2.2. ACHIEVE A SUCCESSFUL TERRITORIAL AND ECOLOGICAL TRANSITION: IMPROVE CITIZENS' QUALITY OF LIFE THROUGH MODERN, ADAPTED, RESILIENT AND SUSTAINABLE SERVICES

### Strengthen water and sanitation services



Access rates to water and sanitation in the region show the extent of improvement required. For example, according to WHO, in Peru, 10% of the population have no access to safe drinking water and 27% have no access to sanitation; in Bolivia, 10% have no access to safe drinking water and 50% have no access to sanitation. These figures conceal significant disparities between urban and rural areas: in Bolivia for instance these no-access rates rise to 24% and 72% respectively.

However, this sector is at the heart of both environmental management and social progress: the production, distribution, treatment and more rational use of water have innumerable consequences for all sectors of the economy, including agriculture.

As a result, Expertise France is supporting a rainwater harvesting project in Peru (and in Costa Rica) based on ancestral Quechua techniques, allowing the water resource to be rationally managed and shared between upstream and downstream communities (also allowing them to cope with periods of drought) and, in the long term, enabling the restoration of mountain ecosystems.

This sector also has an impact on the health and well-being of populations, particularly in poorer peri-urban areas that

have long been neglected by these services.<sup>20</sup> It significantly improves the living conditions of women and children. Reinforcing water and sanitation services also increases their resilience to climate change and provides opportunities to reduce sector-related emissions.

As a result and in line with the objectives of France's International Strategy for Water and Sanitation (2020-2030), the Group's interventions mainly aim to support public and private companies in strengthening their infrastructures and management methods in order to provide citizens with quality, sustainable and affordable water and sanitation services.

It is also important to work on the protection of water sources (*páramos*) and watershed management on a regional scale (e.g., the Lake Titicaca watershed shared between Peru and Bolivia).

Sanitation has a major impact on the depollution of water-courses and the protection of natural environments. The treatment of solid waste is also a priority for Andean cities, and the Group is considering developing its operation in this sector, for instance in Peru and Ecuador, with ongoing studies and technical support.

It should be noted that water and sanitation remain largely a prerogative of the public sector (sometimes even exclusively, as the Constitutions of Ecuador and Bolivia stipulate). However, some projects operating under a concession contract in Peru and in Colombia are monitored by Proparco.<sup>21</sup>

<sup>20</sup> Example of the pilot system to supply drinking water by tanker truck to peripheral areas that generate insufficient profit for a formal supply service, led by Véolia in Guayaquil in Ecuador (see <https://www.planet.veolia.com/en/providing-drinking-water-access-areas-water-networks-do-not-reach-ecuador>).

<sup>21</sup> For example: project for a second wastewater treatment plant in Bogota, part of which could be financed by the private sector.

## Develop territories, encourage decentralisation



Support for local authorities is a key focus for intervention in the region, via institutional and financial backing to implement urban development plans centred on the sustainable city (in Colombia in particular).

AFD Group also aims to support a rebalancing in favour of territories that are disadvantaged (Amazonian and land-locked regions, neglected urban neighbourhoods) or impacted by conflicts in the Andean region (e.g., Colombia). The goal is to create the necessary conditions for the financing of basic infrastructure in different sectors (urban development, water, health, education, social, energy and transport).

The objective is not only to reduce territorial inequalities, but also improve the living conditions of local populations, especially women. These territorial development projects will integrate climate issues (fight against deforestation, land use, agroforestry).

## Promote urban mobility and the sustainable city



The transport sector is the largest consumer of final energy in the Andean countries and a major contributor to GHG emissions.

Any efficient public transport system has a huge impact on local pollution and on the quality of life of the poorest populations as it provides them with an essential service: mobility, especially urban mobility. Access to employment, healthcare and education depends on it and considerably improves the quality of life for women.

The objective of the Group (AFD and Proparco) is to encourage public and private actors to accelerate the transition to cleaner public transport modes (EURO V / gas / electric buses, metro, cable cars, rail, soft mobility) while maintaining an objective of social inclusion. Support for electric mobility will be a particularly structuring axis for the Group's intervention, provided that the carbon content (current and projected) of the electricity grids in places where the projects will be deployed contributes to a real reduction in greenhouse gas emissions compared to ICE mobility.

In addition, Proparco is involved in the development of strategic regional maritime infrastructures that will decongest and open up certain areas and further the integration of the region's countries into the world economy. These investments will be made factoring in the vulnerability of maritime areas to rising sea levels.

As part of sustainable city approaches, AFD encourages the development of climate-resilient cities (green spaces, risk management, flood control) that enable reductions in emissions (public transport, soft modes of transport, solid waste management, energy efficiency in buildings). At the same time, efforts are made to ensure that social ties are maintained in metropolises prone to urban violence, informal housing, socio-spatial disparities, and affected by the inflows of migratory populations (e.g. Barranquilla in Colombia).

## Facilitate access to decent housing and employment



The countries in the region are experiencing a serious shortage of decent housing. For example, Ecuador still has a large quantitative and qualitative deficit of housing supply and a high rate of informality in the sector. According to IDB, 50% of Ecuadorian households live in inadequate housing. Despite considerable progress, the demand for housing is still high and continues to grow. Likewise, Peru is facing a national housing deficit estimated at 1.1 million housing units for nearly 8 million households, while the formal sector focusses on the wealthy segments of the population.

What is needed, therefore, is to develop housing supply for the poor and the middle classes. AFD is committed to this in Ecuador and Peru through financing that enables property developers to offer these moderate-income households affordable housing that nonetheless meets the highest standards in terms of energy efficiency and climate resilience.

The Group will also endeavour to promote the creation of decent jobs, mainly through Proparco's support to the private sector, to reduce inequalities and improve working conditions.

## 2.3. ACHIEVE A SUCCESSFUL JUST SOCIAL TRANSITION – STRENGTHEN SOCIAL COHESION AND WORK TOWARDS A BETTER INTEGRATION OF DISADVANTAGED POPULATIONS

### Post-crisis, governance and social peace



For more than 50 years, Colombia has been destabilised by an armed conflict that has caused the death of more than 220,000 people, resulted in large numbers of displaced refugees (around 6 million according to estimates), and split the country between government-controlled regions and those controlled by the guerrillas.

AFD is already supporting the Colombian government's efforts to consolidate the Peace Accords signed in 2016 by implementing a specific policy to promote social inclusion and economic development in the most affected areas, and which recognises the critical role of women in building a stable and lasting peace.

AFD will continue to invest in these key areas, helping to reduce inequalities between territories and populations.

In Bolivia, AFD already approved social protection financing linked to the Covid-19 crisis in mid-2020, helping the government to distribute cash transfers to the most disadvantaged populations. More broadly, AFD is seeking to improve the resilience of these populations within an adaptive social protection system, which could be extended beyond Bolivia.

As part of the third phase of the European EUROsociAL+ programme (2016-2021) aimed at strengthening social cohesion in Latin America, Expertise France is developing and promoting "gender equality and gender" policies. It is also contributing, within the framework of the European SOCIEUX+ programme, to improving the capacities of partner countries to craft and pursue effective and sustainable employment and social protection policies, through a global-scale Expert Facility.

AFD group (including EF within EUROCLIMA+) plans to support indigenous populations to better protect biodiversity in the Amazon, much like the multi-country Terr'Indigena project, covering Colombia, Ecuador and Brazil. The objective is to help indigenous communities to (i) manage and exercise their rights, (ii) preserve biodiversity and plan the development of their territories, and (iii) develop income-generating activities that respect their living environment, their culture and the forest. This type of support is again aimed at reducing inequalities and strengthening local communities.

Finally, with regard to migration in the Andean region, the deterioration of the political, economic, social and human context in Venezuela has forced more than 4.6 million people to leave the country since 2015. AFD Group plans to intervene, in conjunction with local operators, to strengthen the channels for care, protection and socio-economic integration of women and girls impacted by the Venezuelan migration crisis, while also seeking to reduce xenophobia in the target area (in the first instance in Colombia and Ecuador).

### Health and education



Health is influenced by the cultural, economic, political and social environment and, in turn, influences all economic and social realities, including peace and security.

In the Andean countries, improving public health contributes directly to reducing inequalities, especially gender inequalities which AFD intends to address through its intervention on the issue of migration. In the context of the Covid-19 crisis, it is crucial to prospect this sector, along the lines of what was proposed in Ecuador in 2020 where AFD reallocated the remaining balance of its funding to reinforcing the facilities used to fight the pandemic. At a broader level, it involves building more inclusive and efficient

public and private health systems, using direct financing or PBLs.<sup>22</sup> These efforts will also draw on funding already granted by the diplomatic posts to support NGOs operating in the health sector (e.g., support for Kimirina in Ecuador<sup>23</sup>).

In parallel to AFD's efforts on prevention, access to primary care and the overall reform of health coverage, Proparco wishes to contribute to deconcentrating private healthcare provision. This will mean financing access to quality generic drugs and to healthcare networks in intermediate cities or disadvantaged neighbourhoods by encouraging private establishments to develop affordable healthcare programmes for less well-off populations.

The links between education and social progress touch on at least four dimensions: economic, civic, humanist and egalitarian. Education develops the productive skills that

individuals need to progress in the labour market and maintain their overall prosperity and competitiveness in a globalised economy. It develops civic skills, participation in civil society and in political life. It nurtures talents and interests that enable personal development and the expansion of knowledge, and promotes equity and social inclusion, especially for women. As education has so far not been addressed at the level of the Regional Office except for two AFD projects in Ecuador and Peru, it will now become priority for the Andean countries. For its part, Proparco has begun to map universities and private and certified higher training institutes in Colombia and Peru in order to reach students from more modest backgrounds and respond to the increase in enrolments. Finally, MEAE scholarship programmes are encouraging international mobility for the poorest students.

## 2.4. DRAW ON STRATEGIC AND CROSS-CUTTING LEVERS

### Systemically mainstream the gender approach in interventions



France's foreign policy henceforth aims to embody "feminist diplomacy", a concept recently validated by the High Gender Equality Council:<sup>24</sup> "In order to be able to act on unequal power structures, feminist diplomacy requires that these issues be placed at the heart of foreign policy in all of its dimensions... and at each of its stages".

AFD Group's action is in line with this policy. The issue of gender-based inequality and violence is very widespread in the Andean region. This is why each of the Group's in-

terventions, in accordance with its "100% social link" strategic priority, takes account of this issue, which is crucial particularly for social projects and basic services projects (water and sanitation, energy, public transport, urban development). For example, interventions on Venezuelan migration focus on considering the problems of migrant women and their children, who are particularly affected by gender violence and insecurity. AFD's support to the city of Barranquilla also includes components of assistance for social inclusion, for combatting violence against women and support for the peace process.

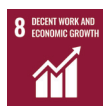
This strategy is also reflected in Proparco's interventions, through their support for decent employment for women (SDGs 5 and 8) and for women-led SMEs, as well as in Expertise France's interventions via the EUROSocial+ programme to improve social cohesion in Latin America.

<sup>22</sup> Note that in 2013, AFD financed a substantive health PBL in Colombia, which is still bearing fruit today, particularly by improving healthcare provision in remote areas of the Amazon.

<sup>23</sup> France is thus financing, via the Solidarity Fund for Innovative Projects (SFIP), the NGO Kimirina, which assists people living with HIV. This support is for the implementation of the project of "Community centre for combined prevention: fight against HIV/AIDS for populations in human mobility due to the crisis". This support enables the establishment of a prevention and community care model for traditionally excluded populations: people in human mobility, MSM, transgender and transsexual people, sex workers.

<sup>24</sup> 18 November 2020, see <https://www.haut-conseil-egalite.gouv.fr/enjeux-europeens-et-internationaux/actualites/article/la-diplomatie-feministe-d-un-slogan-mobilisateur-a-une-veritable-dynamique-de-1621>

## Mobilise the private and banking sectors in support of the SDGs



Proparco's financing has always been focused on the SDGs and the fight against climate change in line with the Group's overall strategy for the LAM region. They also meet the highest international performance standards (those of the IFC) in terms of social and environmental responsibility. But beyond these constants, the private sector – companies, investors and private banks – has an essential role to play in the Andean region, in connection with the current major economic crisis, to overcome the drop in activity and the associated economic losses.

Proparco's interventions in the health sector and micro-finance directly contribute to strengthening healthcare systems and to the financial inclusion of populations affected by the crisis.

Regarding the public sector, public financial institutions – whether operating nationally, regionally or internationally – can also play an important role in tackling the challenge posed by the crisis. Collectively, they can set up financing arrangements that are adapted to economic recovery.

What's more, by leveraging their dual function of public financier and mobilising force for the private sector, they can firmly reorient their operations in the direction of sustainable development. For example, the credit lines to public development banks envisaged by AFD in connection with the crisis can, in the short term, support countercyclical measures deployed by governments in response to the economic crisis induced by the Covid-19 pandemic in the most fragile entrepreneurial segments of the financial system. In the medium term, it supports public banks in developing a portfolio that is more compatible with a low-carbon trajectory, an adapted climate strategy (including LULUCF questions for banks operating in the agricultural sector) and consideration for the gender issue.

These AFD Group interventions with the private and banking sectors will include financial innovations to meet needs more effectively: guarantee tools (ARIZ and guarantees backed by European grants), loans in foreign or local currency, equity investments by Proparco, and capacity building – particularly to encourage financial institutions to give more consideration to investments that support climate and gender challenges.

## Integrate adapted digital tools



Internet penetration rates in the Andean region are relatively good: 58% in Colombia, 54% in Ecuador, 45% in Peru, 40% in Bolivia.<sup>25</sup> These rates are steadily increasing but this trend relies on private investments that rarely require recourse to donor financing. Before the crisis, the orange economy was identified as one of the major objectives of Colombia's development policy in the areas of creativity, culture and heritage.<sup>26</sup>

Although the AFD Group has not so far received requests for support in reducing the digital divide, it nonetheless has to ensure the integration of digital solutions in the projects it finances: high-performing infrastructure management systems (e.g. SCADA systems for network operation), digital solutions to facilitate the interface with users (e.g., public transport), simple and secure digital payment solutions, digital tools for public financial management, better governance and greater effectiveness of public policies.

## Promote French know-how

Latin America is the only regional entity in the world that shares our most fundamental values, starting with the consolidation of democracy across almost all of the region. Even though the continent's countries, including the Andean countries, are objective allies of France in major international debates – particularly regarding the fight against climate change –, their weight in the French trade balance nonetheless remains very low ( see Table 1 p.2).

In 2019, French companies had a low average rate of participation in AFD-financed tenders. The fact is that these companies anticipate strong local competition and take a cautious stance. In 2019 and 2020, they mainly responded to calls for tenders for intellectual services.

However, this highly selective strategy adopted by French companies in Latin America has paid off, with a high success rate. They hold the largest market share in the water and sanitation sector.

It appears crucial to further promote French know-how within the Andean countries. To do so, several channels should be pursued and developed:

<sup>25</sup> ITU data, see <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>.

<sup>26</sup> See <https://economianaranja.gov.co/abc-economia-naranja/>

- Direct contacts between AFD Group and French companies, with support from the Regional Economic Service (RES) and Business France for SMEs, are generally frequent and productive, even if they have been slowed by the pandemic. Dialogue continues, however, with both AFD and Proparco.

- Likewise, relations are developing with MEDEF International – Sustainable City Task Force, among others, within the framework of the *Initiative française pour les services essentiels à l'international* (French initiative for essential services at international level – IFSEI).<sup>27</sup> This initiative was launched in the context of the Covid-19 pandemic to contribute to recovery plans at international level and offer a swift coordinated response, enabling French companies to position themselves not only in the short term, but also for long-term resilience, on four key business lines: water and sanitation, waste, energy, and transport.

- Technical assistance grants, often entrusted to French experts, are critical in promoting French know-how within the Group's operations – thus responding to the wishes of the Andean authorities, who appreciate and request this expertise.

## Strengthen multi-country interventions and exchanges

Beyond the “classic” projects financed in each country and in line with this regional strategy, the time has come for the Group to concretise its approach on a regional scale. This can be achieved through innovative and multisectoral actions and by drawing on the experience it has developed over more than ten years, and maximising synergies between AFD, Proparco and Expertise France. The programmes based on current actions and short-term perspectives are detailed in Appendix 3. They relate to:

- the development of electric mobility in a geographic framework that extends beyond the Andean region and involves a multi-donor partnership,
- the integrated management of water resources, especially when these are transboundary,
- innovative financing for local authorities, as Andean cities are effective testing grounds for sustainable development and participatory democracy,
- protection of the Amazon and support to indigenous peoples, in line with the Alliance for the Preservation of Tropical Forests initiated by the French President,
- the strengthening of regional energy integration, to promote renewable energies and develop green energy exports,
- support for a carbon-free Andean economy by 2050, based on macroeconomic modelling, research projects and technical support,
- adaptive social protection and migration, in response to the major social crisis caused by Covid-19 and in addition to humanitarian actions,
- green and inclusive finance, mainly driven by Proparco.

<sup>27</sup> See <https://www.medefinternational.fr/actions/webinaire-initiative-francaise-pour-les-services-essentiels-a-linternational-ifsei/>

# 3.

**DEVELOP LOCAL  
AND REGIONAL  
PARTNERSHIPS**





## 3.1. DEVELOP CO-FINANCING WITH MULTILATERAL, BILATERAL AND IDFC MEMBERS

In the Andean region, AFD Group benefits from an excellent institutional and financial relationship with the major multilaterals and bilaterals, in particular the European Union, IDB, CAF, the World Bank and KfW (e.g., AFD/KfW co-financing for the Fondo MiVivienda in Peru).

Cooperation with the European Union will remain core to the Group's operations as it is integrated into "Team Europe Initiative", which is a very structuring element in the region. Continuous interaction with the EU allows AFD to mobilise the grants that are necessary to provide the expertise and technical assistance that makes up AFD's "added value".

Exchanges with IDB and CAF are constant and fruitful, and are subject to annual deep dives, making it possible to explore all the possibilities for cooperation. Many projects are co-financed by AFD, CAF, IDB or KfW, while Proparco

intervenes in the region through co-financing with IDB-Invest, DEG, FMO or with the Colombian institution, FDN.

What should also be noted is the climate credit line totalling €250 million, which AFD granted to CAF in 2020, as well as the LAIF Sustainable Cities and Climate Change project implemented by CAF to finance feasibility studies that may lead to future co-financing of sustainable, green and low-carbon urban infrastructure.

Relations with IDFC members in the Andean region are close, either directly (e.g., with COFIDE in Peru, and Bancolombia in Colombia), or through the Latin American Association of Development Finance Institutions (ALIDE),<sup>28</sup> based in Lima and counting to date 61 active members in Latin America – AFD, KfW, IDB and CAF being associate members.

## 3.2. PROMOTE INTERACTIONS WITH CIVIL SOCIETY, RESEARCH AND THINK TANKS

AFD already has a well-rounded portfolio of activities in the Andean region with civil society and local authorities. There is much to do in this area and even a role which so far few donors have taken up: that of systematically creating social dialogue between governments and civil society. This type of action is particularly important for several reasons: the growing importance of local development initiatives; the weakening link between the political class and society, and a certain "disconnect" by the elites; finally, the fragility of Andean civil societies and indigenous populations, often little respected or even sidelined by the States.

Working closely with the French embassies' Cooperation and Cultural Action Departments (SCACs) in the Andean region, already very committed to the links with civil society and research, AFD Group would benefit from positioning

itself on creating more structural contacts between governments and societies, conducive to generating more innovative solutions in all domains. One such example is the contacts established with elected officials in Colombia thanks to AFD's participation in events organised by Senate committees on the themes of water and international cooperation.

The Andean countries have quality research centres and think tanks and the Regional Office intends to engage a dialogue with these to bolster the relevance of its viewpoints and the timeliness of its analyses, and update its strategy. They will be able to help the Group identify new partners and develop more innovative approaches with high social, environmental and institutional dividends.

<sup>28</sup> See <https://www.alide.org.pe/en/alide/>.



For example, the significant interactions in connection to the SCACs: with CIRAD and the Andean ONF on the protection of biodiversity in the Amazon, as part of the Terr'Amaz project; exchanges with the French Institute of Andean Studies (IFEA) in Bolivia and Colombia; and the partnership with IRD to work on the great water cycle in the Andean region (including the study of how glaciers are evolving under climate change) and Amazon region.

Finally, it will be useful to develop cooperation with French local authorities, such as the ongoing involvement of Bordeaux in transport in Peru and Brest in water projects in Bolivia.



# 4.

**FINANCIAL PERSPECTIVES,  
THE GROUP APPROACH,  
AND INTERVENTION AND  
MONITORING MODALITIES**

## 4.1. ACTION PLAN: THE GROUP'S FINANCING OUTLOOK

The Andes Regional Office has the particularity of operating in a region that is less heterogeneous than others in terms of its absorption capacity and the macroeconomic prospects of its four countries.

However, each country in the Regional Office has specific features that influence the Group's activities:

- In **Bolivia**, sovereign loans constitute the major intervention tool, although Proparco still has few projects there and AFD is only now exploring a first non-sovereign loan. Subject to confirmation of the new government's policy, it is possible to envisage a resumption of funding in 2021, and to restart prospecting by Proparco. In addition, as several cooperation institutions (Germany, Italy, Switzerland) plan to withdraw from the country, this could be an opportunity for the Group.
- In **Colombia**, in 2020 and the following years, financing through high-value-added PBLs will continue, as will the development of sub-sovereign interventions with local authorities that are creditworthy and sensitive to our priorities (e.g., the project planned with the company EPM in Medellin on sanitation and renewable energy). In addition, although their rates had so far been considered too high, Proparco has seen a sharp increase in requests for funding in local currency (including health and public electric transport) due to the Covid-19 crisis.
- In **Ecuador**, a country which until 2019 represented a significant turnover for both AFD and Proparco, the Covid-19 crisis and the collapse of commodity prices have had a heavy impact on the economy. Disbursements, suspended during this crisis, have gradually resumed due to the implementation of the new IMF agreement. The effective improvement of the macroeconomic framework, as well as the policy of the new government which will take office mid-2021 following the elections, will provide some indication to assess whether the Group's interventions will be able to resume via sovereign as well as public and private non-sovereign financing.
- In **Peru**, government policy and the State's raising of funds at reduced rates on the financial markets make AFD's sovereign loan financing difficult, and this situation is unlikely to change significantly after the 2021 elections. AFD is currently focussing its activity more on non-sovereign financing, while continuing to appraise sovereign loans for major transport or water infrastructure. An in-depth dialogue will take place with national authorities when the new government takes office mid-2021. Proparco already has a mature and growing portfolio in the country.
- Finally, **regional cross-border projects** are currently only funded through grants (Amazonia, migration), given the weakness of regional integration and the complexity of mobilising loans for two or more Andean countries.

## 4.2. SYSTEMATISING THE AFD GROUP APPROACH

The on-the-ground presence of the Proparco and Expertise France teams on the premises of the Andes Regional Office in Bogota is already a powerful factor of integration, as the teams already hold frequent strategic or technical meetings. But beyond these ongoing exchanges and the alignment of parallel actions by the Group's entities on the same strategic topics (climate, environment, water and sanitation, sustainable urban development, governance and social programmes), it is time to reinforce a more integrated Group approach for the benefit of clients and counterparts.

This development has already started, through:

- the development of AFD/Proparco co-financing on projects involving both public and private counterparts, similar to the PPP perspectives in the transport sector, jointly monitored by the regional AFD and Proparco teams: AFD for the financing of associated public infrastructure, and Proparco for the part allocated to the private sector (renewal of the rolling stock fleet, operation and maintenance),

- the joint AFD/Proparco mobilisation of EU or Green Fund grants, for example, to set up an offer intended for private-sector actors or through private financial institutions in concessionary schemes, and accelerate the transition to cleaner transport, similar to what is planned for electric mobility or energy-efficient cooling systems (see below, Appendix 3),
- the participation of Expertise France as a provider of French added value paired with local capacities for AFD-funded projects (e.g. the 2050 Facility, see Appendix 3, and the PEEB Cool Peru<sup>29</sup>), or by the EU in the Andean region (EUROCLIMA+, Post 2020, El PACcTO and SOCIEUX+ programmes; see Chapter 2 above on climate, biodiversity, security and governance),
- systematic consideration of the intervention by Expertise France for the implementation of technical assistance components in projects financed by AFD or by Proparco (e.g. the gender FAPS associated with the migration project in Colombia and in Ecuador, see Appendix 3),
- calling on Expertise France for custom-made services, such as the organisation of study tours to France for the Group's counterparts.

## 4.3. MONITORING AND PROMOTING INTERVENTIONS

A mid-term review of the implementation of this regional strategy will be carried out in 2023. A global review of the strategy will also be conducted at the end of 2024, and will help to lay the foundations for a new regional strategy. These reviews will be based on post-project evaluations and on the quantitative and qualitative analysis of the contributions of the Group's interventions to the SDGs in the Andean region.

All of the Group's interventions will be enhanced by the implementation of the Regional Office's communication plan, with the regional communication officer based in Bogota and in support of the agencies.

<sup>29</sup> Discussions are underway between Expertise France and AFD for the implementation of the Programme for Energy Efficiency in Buildings (PEEB), in particular in Peru. For this initiative launched by the French and German governments, Expertise France is currently analysing the needs for the institutional component of the programme (support for public policies for the building sector, capacity building, knowledge sharing, etc.).



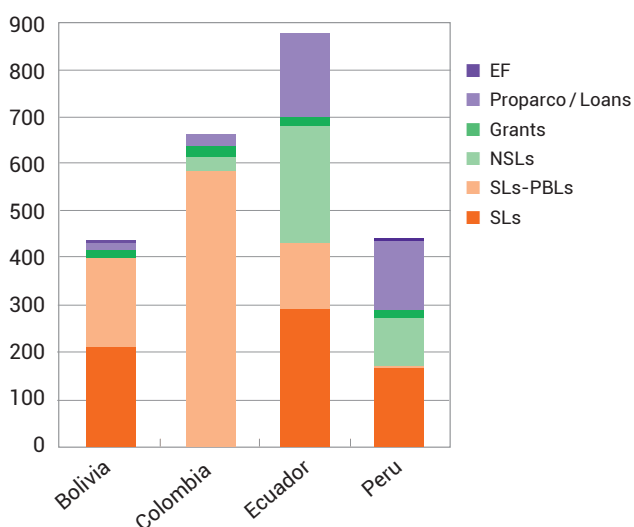
**5.**

**APPENDICES**

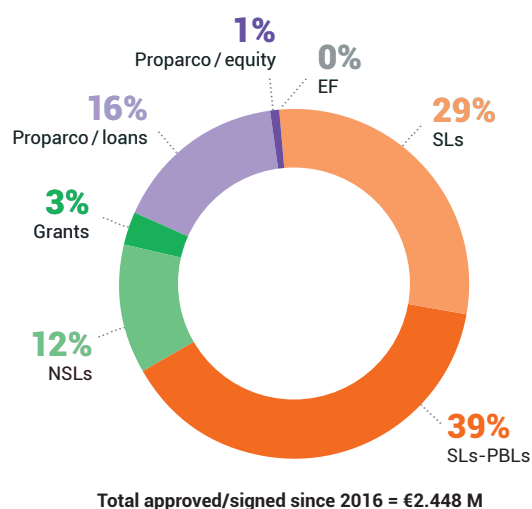
# APPENDIX 1. OVERVIEW OF THE GROUP'S ACTIVITIES IN THE ANDEAN REGION, 2016-2019

## Portfolio Review 2016-2019 (1)

Approvals 2016-2019 AFD + PRO + EF

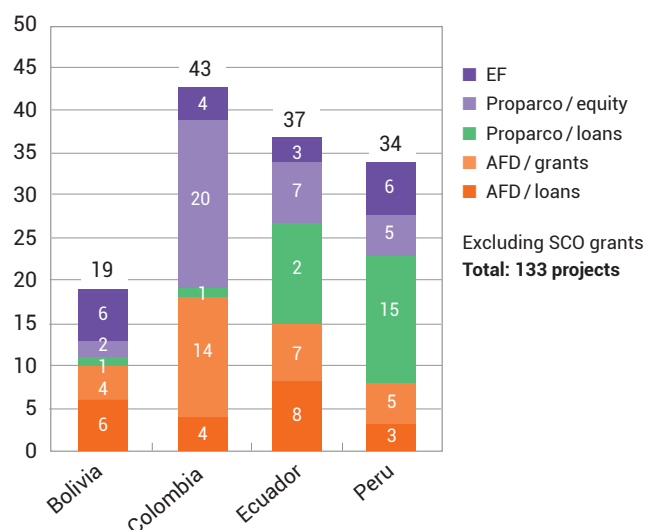


Financial tools – projects approved 2016-2019 AFD + PRO + EF



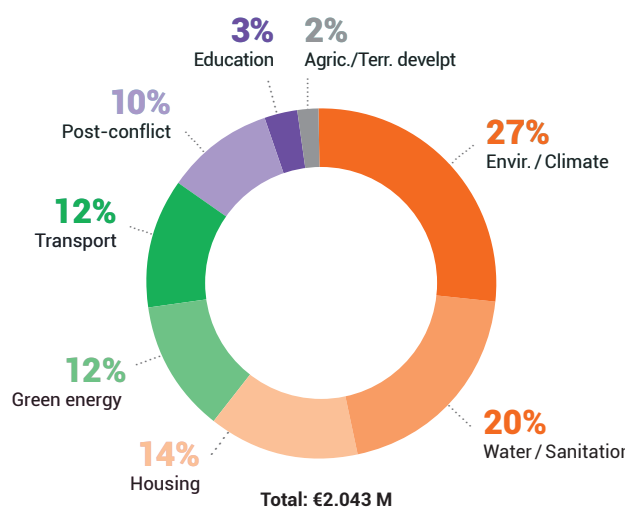
## Portfolio Review 2016-2019 (2)

Number of active AFD projects approved + PRO projects signed

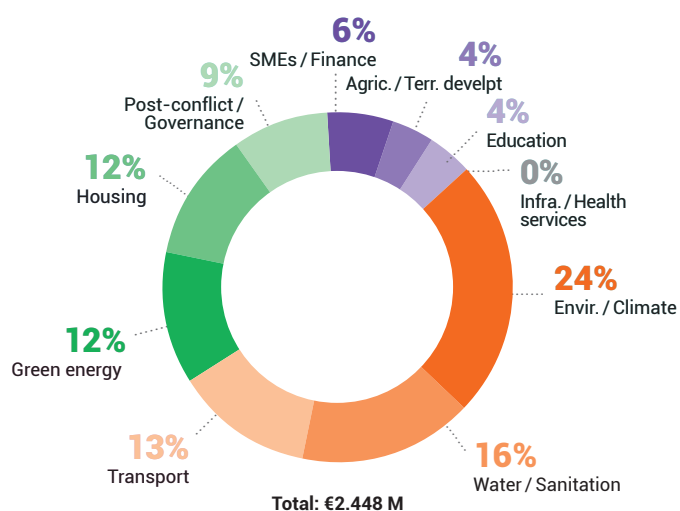


## Portfolio AFD approved + Proparco signed + EF

AFD sectoral projects approved since 2016

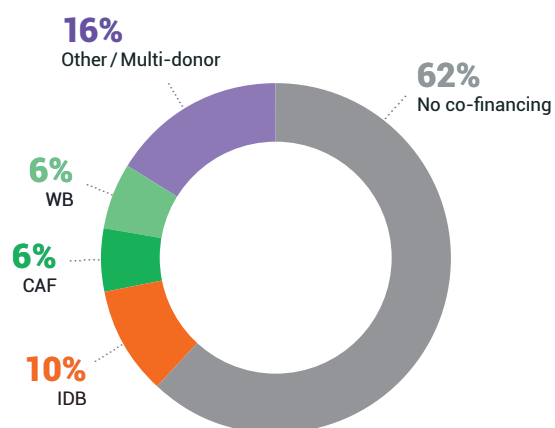
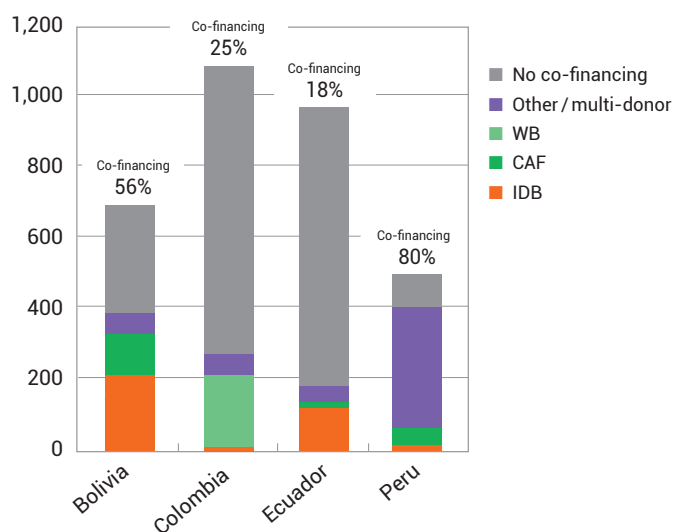


Sectoral projects approved AFD + Prop. + EF



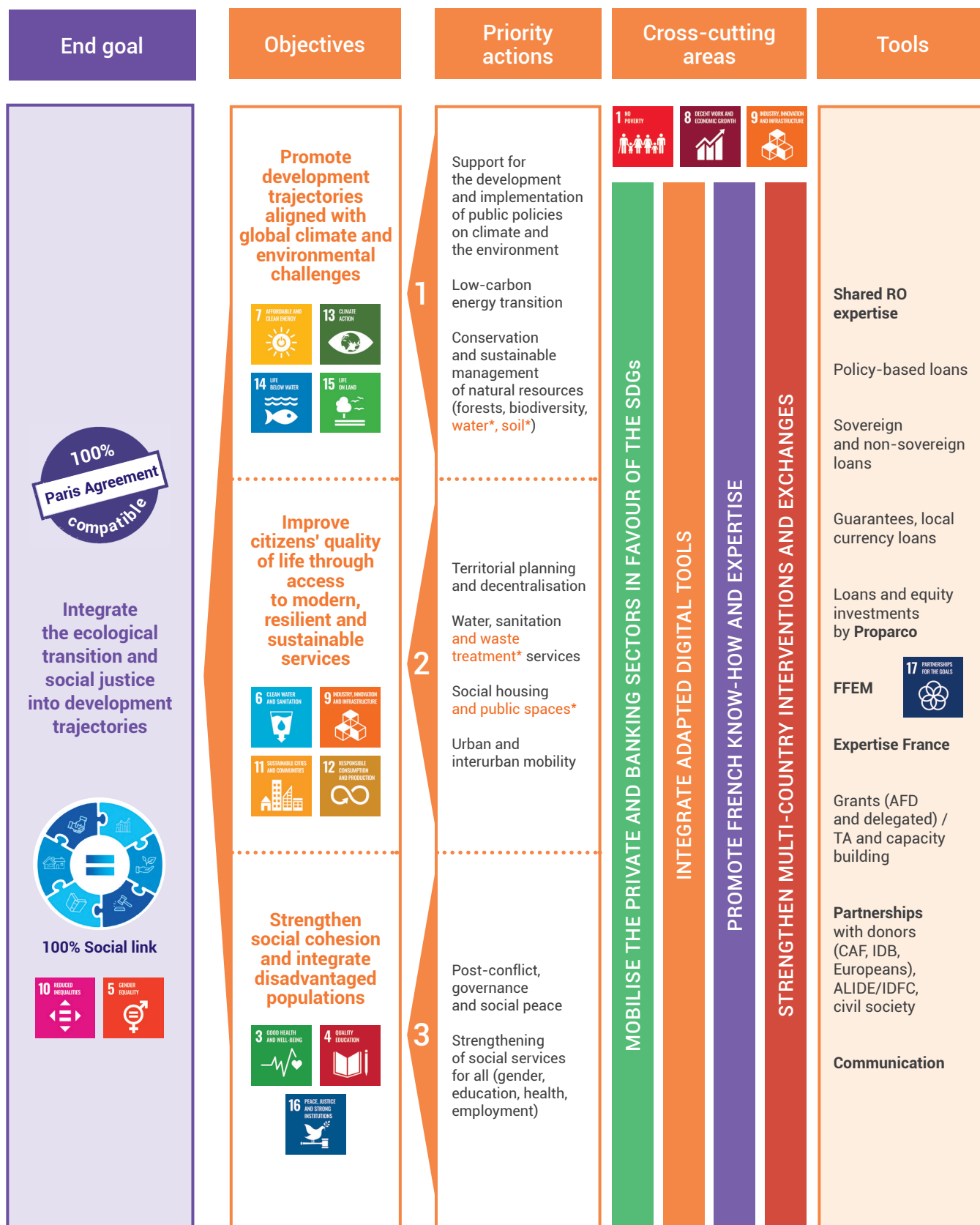
## Partnerships

AFD + PRO co-financing 2016-2019, approved / signed + AFD pipeline



# APPENDIX 2. LOGICAL FRAMEWORK

\* = sectors not yet funded





# APPENDIX 3. INTERVENTIONS WITH A REGIONAL RELEVANCE

## 1. Development of electric mobility



A particularly ambitious electric mobility development programme in Latin America is being structured by AFD (lead partner), in close collaboration with Proparco but also with KfW, GIZ, CAF and IDFC institutions in the region as possible end borrowers (NAFIN, Bancoldex, BNDES, COFIDE, etc.). A concept note has already been presented to the Green Climate Fund (GCF), to co-finance an operation involving several interested countries.<sup>30</sup> This programme would have several components:

- Concessional lines of credit and partial investment grants for the acquisition of high-use electric vehicles (bus, BRT, taxi, and urban freight) to private actors and financial institutions
- Concessional lines of credit for battery-charging networks
- Guarantee and risk-sharing mechanisms
- and a technical assistance component to implement the programme and support national authorities in putting appropriate policies in place to develop electric mobility.

This programme clearly illustrates the partnerships that AFD Group has developed with international financial institutions on a subject crucial to the fight against climate change in Latin America. Its total investment could amount to around USD 850 M, including USD 160 M of highly concessional loans from GCF, USD 40 M of grants from GCF for the technical assistance component, and USD 60 M of investment grants. Final GCF approval is expected in 2021 with the implementation phase to start in 2022.

## 2. Integrated water resources management



An obviously regional subject in the water sector is Integrated Transboundary Water Resource Management (ITWRM). For example, under the bilateral Bolivia and Peru agreements relating to the management of Lake Titicaca, AFD studied a project to clean up the waters of "Lago Minor" on the Bolivian side. Despite some delays, the project remains emblematic. The efforts to preserve the Lake will deserve AFD Group's special attention, both in Bolivia and in Peru, with a view to improving the quality of its water and guaranteeing a sustainable way of life on its shores.

Another cross-cutting theme in the Andean countries is the management of the *páramos*. These ecosystems are fundamental to Andean lifestyles. A regional project for the preservation and interlinking of practices constitutes an interesting avenue that would combine preservation of biodiversity, adaptation to climate change and access to sustainable water services. AFD Group is already working on activities related to the preservation of these ecosystems in Ecuador and Colombia. The effort on this theme will need to be extended and strengthened.

Another topic of major importance for the Andean countries is the development and sustainable management of wastewater treatment plants, in a context where existing plants experience low efficiency and operational difficulties.

A multi-country financing arrangement accompanied by grants (LAIF or Green Climate Fund) would make it possible to create a regional synergy among these projects, as an extension of the many national projects that AFD is already financing in the sector.

Finally, AFD is working to interconnect the authorities of the Andean countries in order to bolster experience-sharing and the creation of networks. These activities could be strengthened in particular on matters pertaining to regulatory frameworks, including tariff and environmental regulation. Pricing systems could integrate social justice issues by adjusting progressive tariffs to allow the most vulnerable populations to have access to water and sanitation at an affordable cost.

<sup>30</sup> Indicative list of countries at this stage: Mexico, Costa Rica, Colombia, Ecuador, Peru, Brazil, Argentina, plus Panama, Uruguay and Paraguay for CAF.

### 3. Innovative financing for local communities



In a Latin American context where the urban population is rapidly growing, Andean cities can serve as a testing ground for the implementation of the latest advances in liveability, efficient and low-carbon services to citizens, environmental integration and participatory democracy. For example, Medellín in Colombia, which received innovative support from AFD as early as 2011 for the integration of disadvantaged neighbourhoods via an urban cable-car project, won the Lee Kuan Yew World City Prize in 2016 and the "Le Monde – Urbanism award for the development of the *Parques del Rio* green space" in 2019.<sup>31</sup>

Moreover, as non-sovereign financing to local authorities enables the Group to diversify its borrowers and continue its commitments in countries constrained by the sovereign risk ceiling, as in Colombia, AFD's support to local authorities (solidly rated by financial agencies) represents a key priority in the region. This financing materialises not only in direct investment projects aimed at strengthening services to citizens (water, sanitation, low-carbon public transport), but also in a "municipal PBL" type of financing, which is innovative for AFD. For example, AFD plans to finance the cities of Bogotá and Barranquilla in Colombia through budget support loans intended to back the implementation of municipal development plans. These loans will be accompanied by matrices detailing public policy and investment objectives that have been selected from the most virtuous social and climate change actions of the urban investment plans of the elected city councils. For example, a public policy dialogue is planned with the city of Barranquilla on the following subjects: sustainable city, climate change adaptation, biodiversity and environmental protection, disaster risk management, and social inclusion including for women.

This direct funding to local authorities is facilitated by highly decentralised contexts, in Colombia and in Ecuador, where large local authorities have good technical capacities and a high degree of financial autonomy. It could be developed in Peru and Bolivia through mechanisms involving the national government (national sanitation or urban mobility programme in Peru, intermediate city funds in Bolivia) or through risk-sharing mechanisms with local banks, less inclined to lend to local authorities.

For this reason, a partnership has been proposed to the European Union to develop guarantees that can facilitate access to financing for local authorities through the Ciudad-ConFianza programme. This would either guarantee bank portfolios in centralised countries such as Peru and Bolivia, or serve as a counter-guarantee for AFD's direct loans in Colombia or Ecuador to improve the financial conditions offered or to mitigate the exchange rate risk.

Finally, it should be noted that active prospecting is underway in the Andean region in the sector of solid waste treatment, which is considered a priority due to its positive externalities. Pre-identification missions in the region will rely on study funding to target future Group interventions in this sector, for example in Peru.

### 4. Protection of the Amazon and support for indigenous peoples



The Amazon rainforest extends over 5.5 million km<sup>2</sup> (10 times the size of metropolitan France) and 9 countries: Bolivia, Brazil, Colombia, Ecuador, French Guiana, Guyana, Peru, Suriname and Venezuela. It is home to more than half of the planet's animal, plant and insect species, between 15% and 20% of the planet's drinking water reserves and represents 10% of the carbon stock of terrestrial biomass. It plays an essential role in the provision of ecosystem and regulatory services, both local and global. Almost 35 million people live there, including more than 400 indigenous communities with their own languages, customs and territories, and living directly from the resources of the forest.

The Alliance for the Preservation of Tropical Forests launched in 2019 by President Macron is therefore a political and strategic priority for AFD Group in Latin America, for the preservation of the Amazon. This is why two cross-border projects funded by grants under the French government's Programme 209 are being launched and jointly appraised by the Andes and Brazil Southern Cone Regional Offices:

- The Terr'Amaz project, involving Brazil, Colombia, Ecuador and Peru, is being implemented together with CIRAD, ONFA and AVSF. Its objective is to support the territories of the Amazon biome in implementing their policy to fight deforestation and transition to a development model that combines low-carbon economic development and ecosystem conservation. The approaches used include territorial engineering, concerted planning and the strengthening of local value chains.

<sup>31</sup> See [https://www.lemonde.fr/smart-cities/article/2019/06/27/a-medellin-adiou-le-beton-vive-la-verdure\\_5482023\\_4811534.html](https://www.lemonde.fr/smart-cities/article/2019/06/27/a-medellin-adiou-le-beton-vive-la-verdure_5482023_4811534.html)

- The Terr'Indigena project, involving Brazil, Colombia and Ecuador with a focus on the northern part of the Amazon, aims to assist indigenous communities in increasing the protection of more than 21 million hectares of indigenous Amazonian territories. The objective is to strengthen and implement planning and governance tools so that the populations and their territories become less vulnerable to external pressures and so that sustainable and equitable income generating activities can be developed. It will help strengthen the indigenous communities' capacities and means of action in order to improve the management of their territories and preserve their biological (primary forest) and cultural wealth.

Since the areas and intervention modes of the two projects are not the same, they mobilise two complementary approaches focussed on improving the protection and sustainable management of the extremely rich Amazonian biodiversity.

They will make it possible to experiment with different approaches and to validate methods that could later enable AFD Group to scale up its interventions.

## 5. Support for a carbon-free Andean economy by 2050



IDB and ILO have just published an interesting report on the reconciliation of the objectives of carbon neutrality and job creation in Latin America.<sup>32</sup> The report highlights that structural changes in economies can potentially generate 15 million net jobs in LAM by 2030. The transition of economies to carbon neutrality will naturally imply economic and job losses (7.5 million jobs) in the sectors that are the highest emitters, but the structural transformations of production and consumption patterns could create 22.5 million jobs, mainly in the agri-food and energy sectors.

Thus, three of the four Andean countries have recently adopted either a law on climate change (Colombia and Peru in 2018) or a new environmental code integrating the climate issue (Ecuador in 2017), all consistent with the objective of compliance with the Paris Agreement. These changes to the legal framework make it possible to strengthen the governance of the countries' climate policy and integrate the climate issue into all political decisions taken at national or regional level. This is precisely what AFD Group is already supporting in Colombia, through its three-pronged public policy dialogue:

- macroeconomic modelling of deep decarbonisation trajectories in the Colombian economy as part of the DDPLAC (Deep Decarbonization Pathways in Latin America and the Caribbean) research project, funded by IDB and AFD,
- an AFD research project (2019-2022) with the National University UNAL and the Ministry of Finance aimed at the configuration and use of a GEMMES model (General Monetary and Multisectoral Macrodynamics for the Ecological Shift) in Colombia,
- two non-repayable financial agreements from AFD's 2050 Facility to (i) support the definition of Colombia's 2050 low-carbon and resilient development strategy and (ii) analyse the risks arising for Colombia from the domestic and global climate transition at the level of the country's financial and tax systems, and of certain sectors and territories.

One of the supports financed by AFD's 2050 Facility is implemented by Expertise France, which concretely demonstrates the Group's added value on climate matters. This is in a context where the Group is already recognised by the highest levels of the Colombian state as a key partner in supporting the fight against climate change and achieving the national objective of carbon neutrality by 2050.

These contributions of high-level expertise will allow the Group to position itself as a privileged interlocutor of the Colombian government for future financing related to climate policy (climate PBL, cooperation implemented by Expertise France).

This type of public policy dialogue on climate, initiated in Colombia five years ago, could be developed in other countries of the Andean region.

In 2019, AFD thus signed a first climate PBL in Ecuador and is now assisting Ecuador's government in defining its national greenhouse gas mitigation plan for 2050.

<sup>32</sup> See <https://publications.iadb.org/en/jobs-in-a-net-zero-emissions-future-in-latin-america-and-the-caribbean>

## 6. Adaptive social protection and migration



Bolivia is among the countries that are particularly vulnerable to the Covid-19 pandemic. It is trying to cope with the Covid-19 health crisis in a deteriorating macroeconomic context. The pandemic threatens to undermine the progress Bolivia has made in recent decades in reducing poverty and inequality.

This is why AFD set up a social protection programme in Bolivia in mid-2020. The programme is financed by a loan to the State and aims to give temporary economic support to poor and vulnerable households severely affected by the economic crisis linked to the Covid-19 pandemic, and to strengthen the social protection system and its capacity to respond to shocks of epidemiological, natural or economic origin.

The technical assistance provided in addition to the AFD loan focuses on strengthening the social protection system in the medium to long term, and particularly on the so-called “adaptive” social protection approach, which combines the protection of individuals facing social risks with disaster risk management and adaptation to climate change.

Furthermore, in response to the serious social implications of Venezuelan migration in the Andean region, AFD has launched an intervention in Colombia and Ecuador via its call for crisis and post-crisis projects. The migration crisis affects women and men in different ways. Women – especially undocumented women – see their exposure to multiple risk factors (physical and psychological health, exploitation, extortion, access to employment) exacerbated during their migratory journey. The objective of this intervention, financed by a grant under the French government's 209 programme, is therefore to strengthen the cycle of care, protection and socio-economic integration of women and girls impacted by the Venezuelan migration crisis, while striving to reduce xenophobia in the target area. It should be noted that Expertise France will be in charge of implementing the technical assistance component related specifically to integrating gender considerations into the major economic centres, in view of upcoming operations (Cali and Quito).

These two ongoing financings represent AFD Group's first real interventions in response to the major social crisis in the Andean region during this Covid-19 period. They help to ensure that humanitarian actions are complementary to operations designed to tackle medium- and long-term development and gender-approach issues. They respond directly to the “just social transition” issues of the second pillar of the regional strategy, and are intended to pave the way for further funding in the Andean region on this major theme.

## 7. Green and inclusive finance



In accordance with its mandate in Latin America, AFD Group supports the development of both green and climate finance, in particular via lines of credit to development banks in various countries of the region.

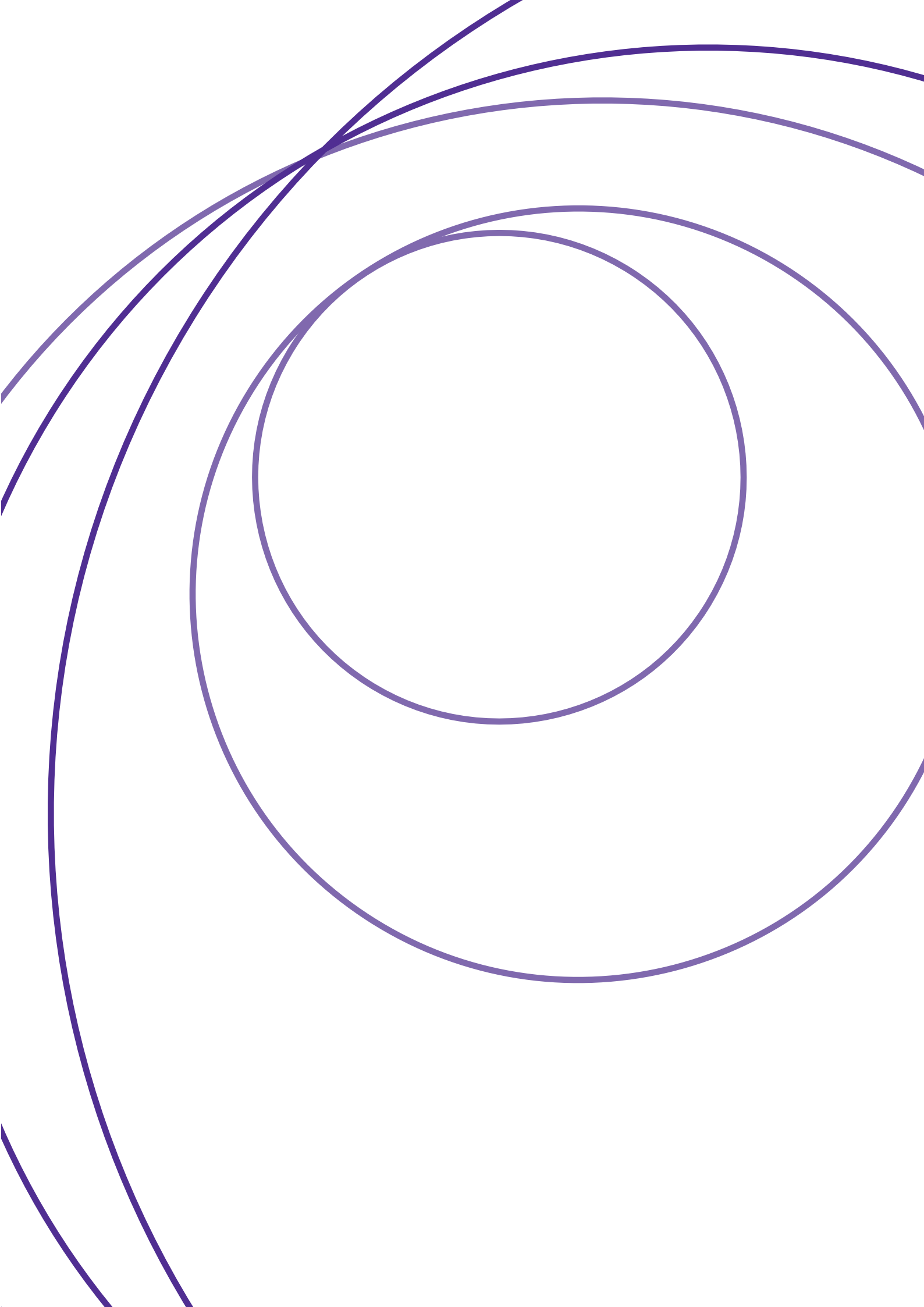
One notable example is the strategic partnership forged in Colombia with FINDETER, a bank for local authorities in the country, which has made it possible to promote the development of Colombia's intermediate cities, with a focus on climate-compatible projects in the transport, water, sanitation and energy sectors. This partnership resulted in two financings in 2012 and 2020, both accompanied by LAIF grants.

Other green credit lines are being formalised, such as the **Transforming Financial Systems for Climate** programme in Ecuador, in partnership with the Green Climate Fund, which aims to assist three public banks and a private bank in developing their climate finance offer.

Under appraisal in 2020, a first non-sovereign operation in Bolivia with Banco de Desarrollo Productivo (BDP) will finance two green products newly created by the bank (renewable energy/energy-efficiency projects and financing for SMEs promoting more environment-friendly production methods).

In Peru, the successful collaboration between AFD and Fondo Mi Vivienda (FMV) is worth highlighting. As a result, AFD has supported this key actor on Peru's mortgage loan market in developing green energy-efficient housing. This partnership resulted in two non-sovereign financings, signed in 2015 and 2019, the latter accompanied by a LAIF grant obtained as part of co-financing with KfW.

In the region, Proparco is also very active on green finance and financial inclusion, providing green or SME lines of credit to Ecuador's four main private banks, including Banco Pichincha. Proparco participated alongside IDB and IFC in the structuring and subscription of the country's first green bond, issued by Banco Pichincha in December 2019. In Peru, Proparco has historically been active in the cluster of microfinance institutions and financing for SMEs, and more recently for cooperatives.



# ACRONYMS AND ABBREVIATIONS

**ALIDE:** Latin American Association of Development Financing Institutions

**AVSF:** Agronomists and Veterinarians without Borders

**BRT:** Bus Rapid Transit

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

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

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

**COP:** Conference of the Parties

**DDP/LAC:** Deep Decarbonization Pathways in Latin America and the Caribbean

**DEG:** Deutsche Investitions und Entwicklungsgesellschaft (German Development Bank, a subsidiary of KfW)

**ECLAC:** Economic Commission for Latin America and the Caribbean

**EF:** Expertise France

**EU:** European Union

**FAPS:** Project Start-up, Preparation and Monitoring Facility

**FDI:** Foreign direct investment

**FDN:** Financiera de Desarrollo Nacional (National development financing corporation, Colombia)

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

**FFEM:** French Facility for Global Environment

**FMO:** Financierings-Maatschappij voor Ontwikkelingslanden (Dutch Development Bank)

**FWP:** French Water Partnership

**GCF:** Green Climate Fund

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

**GHG:** Greenhouse gas

**GIZ:** Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)

**ICE:** Internal combustion engine

**IDB:** Inter-American Development Bank

**IDFC:** International Development Finance Club

**IFEA:** French Institute of Andean Studies

**IFSEI:** Initiative française pour les services essentiels à l'international (French Initiative for Essential Services at international level)

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

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

**LAC:** Latin America and the Caribbean

**LAIF:** Latin America Investment Facility

**LAM:** Latin America

**LULUCF:** Land Use, Land Use Change, and Forestry

**M:** Million

**Bn:** Billion

**MSM:** Men who have sex with men

**MSMEs:** Micro, Small and Medium-sized Enterprises

**NDC:** Nationally Determined Contribution

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

**ONF:** French National Forest Office

**ONFA:** ONF Andina (Branch of ONF International for Andean countries and Central America)

**PBL:** Policy-based loan

**PPP:** Public-private partnership

**RES:** Regional Economic Service

**RIF:** Regional Intervention Framework

**RO:** Regional Office

**SCAC:** Cooperation and Cultural Action Service

**SDG:** Sustainable Development Goal

**TA:** Technical assistance

**UNAL:** Universidad Nacional de Colombia

**UNDP:** United Nations Development Programme

**WB:** World Bank





## AFD Group

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

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

<http://www.afd.fr>

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