

— Southern Africa

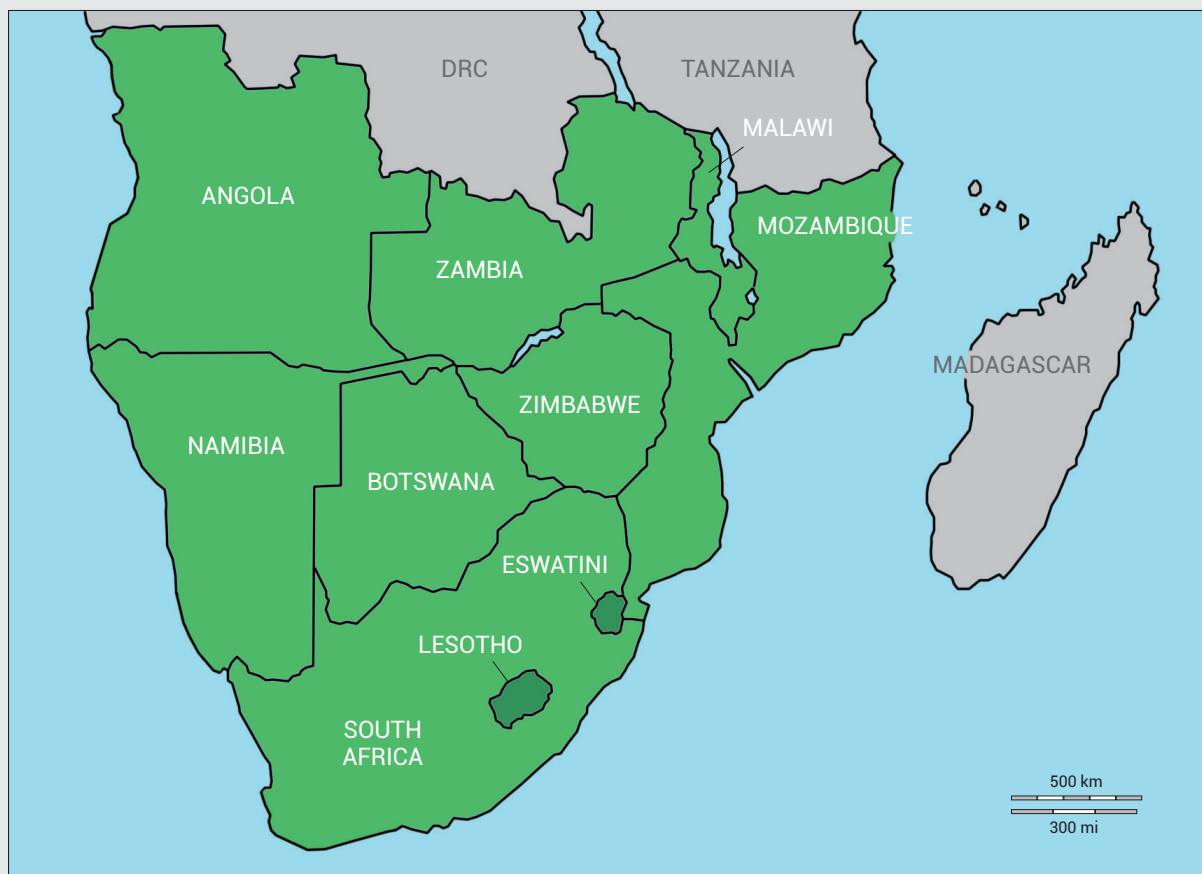
Regional Strategy 2021-2025



Development as Freedom of every individual to realize its capabilities
Amartya Sen

Between 2017 and 2019, the AFD Group reorganized its network to include seventeen regional offices (ROs) with a dual objective: the devolution of decision-making and pooling of skills. Based in Johannesburg, AFD's Southern African regional office covers South Africa, Angola, Botswana, Eswatini,

Lesotho, Malawi, Mozambique, Namibia, Zambia and Zimbabwe. Its mission is to implement the Group's strategy in Southern Africa, together with the teams of AFD, Proparco, the subsidiary dedicated to the private sector, and Expertise France for technical cooperation.



This strategy was the subject of discussion with AFD's supervisory administrations and the French representatives in the countries concerned. It sets out the priorities of the French development policy defined by the Comité interministériel de la Coopération Internationale et du Développement (Inter-ministerial Committee for International Cooperation and Development – CICID) and which are included in the AFD Group Strategy 2018-2022 to contribute to achieving the sustainable development goals and the Paris Agreement objectives. The strategy also responds to the guidelines set by the President of the French Republic, expressed in his Ouagadougou speech in 2017, for more effective public development assistance, with a strong accent on partnership, a stronger presence in the field, and finally a stronger culture of evaluation.

This strategy indicates the main objectives of these actions, which can then be implemented in priority countries, such as South Africa. It sets out AFD Group's priorities to support just and sustainable development, as well as strengthening ties between Southern Africa and France. AFD Group will focus on i) addressing climate change challenges and preserving biodiversity, ii) fighting inequality and promoting social cohesion and iii) supporting regional integration and responding to cross-border challenges.

The regional strategy covers the period 2021 to 2025 and maybe revised before its end, depending on how contexts evolve.

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1.

THE REGION AND ITS CHALLENGES

1.1. KEY SUSTAINABLE DEVELOPMENT CHALLENGES

On the border of the Indian and Atlantic Oceans and stretching from west to east, from Angola to Mozambique, AFD's geographic mandate in Southern Africa covers ten countries, two of which are landlocked in South Africa (Lesotho and Eswatini). Despite its cultural, historical and economic disparities, Southern Africa has the highest GDP per capita on the continent and relatively stable political regimes. The region constitutes a unique reservoir of biodiversity, which covers three of the world's hotspots (Maputaland-Pondoland-Albany, Cape Floristic Region, and Succulent Karoo). Its natural resources attract external human and financial capital. South Africa is an important cross-road for intra-African economic migration, with the cities of Johannesburg and Cape Town as the main hubs between Africa and the rest of the world. Southern Africa is a region open to international trade.

However, disparities in access to housing, land ownership, employment, wealth distribution and gender issues are pervasive. Southern Africa is Africa's most disparate region in terms of income and is home to two of the three most unequal countries in the world: South Africa and Namibia. Despite their advances in economic terms, these two countries have not been able to close the chapter on colonialism and apartheid policies. The growing disparities have reaffirmed a very strong need for social justice. The acceleration of social transformation in these countries is a necessity for the region.

South Africa is one of France's important partners in international diplomacy. As a G20 and BRICS country member, South Africa expresses its voice beyond the African continent and weighs in on international negotiations. South Africa is also an important partner on the African continent and hosts the headquarters of the African Union Development Agency (AUDA-NEPAD).

Southern Africa has a largely preserved natural capital, which contributes to wealth creation. Its natural resources form the basis of the livelihoods of a significant part of the population and acts as a development engine in the region. These resources are, however, under pressure due to several factors: population growth, development of infrastructure and agriculture, and climate change. The services provided by these ecosystems (food security and nutrition, carbon storage, protection of water resources, tourism, etc.) are now under threat.

Employment is a major challenge. In most countries in the region, the unemployment rate is on the rise, while regional economic growth is the lowest on the continent (1.2% per year on average over the period 2015–2017). Southern Africa has a regional unemployment rate of 17%, the highest on the continent (33% in South Africa and 60% for young people.). Each year, more than a million people enter the employment market. These new job-seeker cohorts are often poorly qualified. Although SMEs represent 90% of businesses in the region, the deficit of skills, as well as the obstacles to the creation and development of SMEs, hamper job creation. In the agricultural sector and low value-added services, the workforce is mainly under-qualified and made up of poorer workers.

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1.2. POSITIONING OF AFD GROUP

France wishes to scale up its relations with Southern Africa, particularly on a political and economic level. The French policy of international solidarity and development cooperation contributes to this objective.

AFD Group has been present in Southern Africa for almost 40 years. Its first operations started in Mozambique and Angola in the 1980s and in South Africa, Namibia, Zambia and Zimbabwe in the mid-1990s. The Johannesburg regional agency opened after the first democratic elections in 1994.¹ Although AFD Group is not considered as a priority cooperation partner in this region of the world, its operations have developed gradually and have been the source of innovations for the Group, including the development of non-sovereign instruments and the financing of local authorities.

South Africa's majority stake in AFD's portfolio in Southern Africa is commensurate with the weight of its economy and the importance of the diplomatic ties between France and South Africa, as well as the dynamism of its public policies and the quality of its actors, particularly non-sovereign ones. South Africa's will to bridge its economic gaps and to provide access to essential services for historically disadvantaged populations has thus enabled a strong dynamic for South African activity. The challenge for AFD Group in Southern Africa is to rebalance its activities to benefit other countries in the region.

Four of the ten countries covered by AFD Group are currently at a moderate, high or very high risk of debt distress and are not eligible for AFD sovereign loans. These are Malawi, Mozambique, Zambia and Zimbabwe.² As these countries are not priority countries for French aid, the possibilities to work there are reduced and limited to non-sovereign instruments and delegated funds. The other countries, South Africa, Angola, Botswana and Namibia, have chosen to reform their public sectors internally and have little recourse to sovereign financing from donors.

AFD Group's sovereign lending activity is currently concentrated in Angola, while public policy dialogue in other countries (South Africa and Namibia) is still to be developed. AFD is not yet operational in Lesotho, Malawi and Eswatini. Eswatini is managed by the agency in Mozambique. The strong competition between donors, overall mature financial systems in the region and the fact that our presence is not anticipated in this part of the African continent compels the Group to innovate so as to remain subsidiary to the local financial sector. This is particularly true in South Africa. AFD's added value lies in the complementarity and leverage effect of its financial instruments to attract private funders. In addition, it also plays a role in reducing the financial risk of investors in lesser-developed sectors. These include the energy transition or infrastructure in secondary municipalities, for example. Our value also lies in the quality of analysis and technical bilateral dialogue on complex topics, including low-carbon transition, spatial transformation of cities or biodiversity and nature-based solutions, by promoting the knowledge of our partners in the region. This positioning rests on our capacity for innovation and financial engineering and for mobilizing cutting-edge expertise on certain topics, often in connection with research.

Expertise France (EF) has limited presence in the region, with the exception of Angola, where two projects in the higher education and vocational training sector are being implemented with EU funding. EF works mainly within the framework of technical assistance projects covering several countries (e.g., a program to strengthen official development statistics, a program to fight pandemics or build capacity in public finance). EF does not plan to expand in the region in the short term.

¹ The Maputo and Luanda agencies opened in 1985 and 1986.

² This situation will probably evolve due to the economic and financial repercussions of the Covid-19 pandemic.

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2.

**STRATEGIC
PRIORITIES**

AFD Group will continue its operations in Southern Africa to encourage just and sustainable transitions, while reinforcing the ties between Southern Africa and France.

AFD Group has adopted the following three priorities: (a) address the climate change challenges and preserve biodiversity; (b) fight inequalities and promote social cohesion;

(c) support regional integration and address cross-border challenges. It will also prioritize partnerships, the private sector and innovation.

Finally, by positioning itself in sectors where French expertise is recognized (water and sanitation, agriculture, tourism, transport, energy, sustainable cities); it will play a role in promoting French economic interests.

2.1. ADDRESS CLIMATE CHANGE CHALLENGES AND PRESERVE BIODIVERSITY

Southern Africa is both an actor and a victim of climate change. Angola has focused its economy on the oil industry and is now the second largest producer in Africa. South Africa is one of the largest emitters of greenhouse gases in Africa due to its heavy reliance on coal³ and the energy intensity of its economy. The region is particularly vulnerable to climate change, which results in reduced water resources, intense droughts, and extreme and irregular rainfall. These events have an impact on the agriculture, health and biodiversity sectors by increasing human-wildlife conflicts.

Southern Africa is a region where the link between preservation of biodiversity and economic and social development is essential and must be promoted, particularly through tourism. In South Africa, for example, according to government estimates, biodiversity generates more than 400,000 jobs, which is as much as the mining sector. The resilience of populations cannot be improved without special consideration of the preservation of biodiversity.

As part of its 100% Paris Agreement commitment to low-carbon and resilient development, AFD Group wishes to support Southern Africa's energy transition by prioritizing the development of renewable energies and promoting the reduction of fossil fuel consumption. In order to improve the resilience of the populations, AFD Group will also strive to develop its action in favor of sustainable and inclusive management of natural resources, in particular water and biodiversity, by capitalizing on its past actions and on gender equality.

2.1.1 Transform the energy mix to include more renewable energy and encourage energy efficiency

AFD Group will support the energy transition in several countries in the region by:

- Financing renewable energy production as well as its transport and distribution infrastructure (solar, wind, hydro-electricity, biomass) particularly in Zambia (Africa GreenCo),
- Supporting public policies consistent with the Paris Agreement (energy efficiency, regulatory framework to encourage renewable energies, etc.),
- Promoting interconnections between countries (Southern African Powerpool – SAPP) including East Africa,
- Supporting the banking sector to finance SMEs in their investments in renewable energies and energy efficiency (lines of credit and technical assistance) in Namibia and South Africa,
- Encouraging the development of sustainable, inclusive, compact and low-energy cities in South Africa,
- Promoting investment and support programs to increase the skills of local workers in the renewable energy sector.

In addition, AFD Group will continue to intervene on issues such as access to electricity, particularly in the poorest areas (for example, rural electrification in Angola) as well as at a regional level.

³ In South Africa, coal meets 75% of primary energy needs, 91% of electricity production and 30% of transport fuel consumption.

2.1.2 Support the reconversion of territories

Facilitating the energy transition also means supporting the reconversion of territories whose economy and environment are dominated by the coal industry. With a territorial approach and drawing, if possible, on the experience of French local authorities, AFD Group will be able to develop innovative operations such as technical and financial cooperation or pilot studies to support the economic reconversion or the rehabilitation of territories to end the use of coal in South Africa. AFD Group will pay special attention to gender equality for a fair reconversion of territories, particularly in the mining sector, taking into account the specific needs of women and men such as access to employment, housing and health care. AFD Group will seek to improve the capacity of the supported territories to collect data disaggregated by sex.

AFD Group will support the country's efforts to achieve a just and equitable transition for all. It will adopt a comprehensive approach to reconcile the fight against climate and environmental disruption. This will be achieved by supporting changes in the energy mix and the resilience of the territories, and reducing inequalities through support for the reconversion of mining territories in conjunction with the relevant municipalities.

On a different scale, in South Africa and Zambia, AFD will support the regeneration of city centers and promote the creation of social housing, bringing together living areas and work places while fighting against inequalities.

2.1.3 Encourage sustainable management of natural resources

The Southern Africa region has developed cross-border strategies and policies in order to preserve its natural resources. It is a reference for certain issues such as protected areas, community management of natural resources, and private sector involvement. Its natural resources are threatened by population growth, urbanization, land use conversion and climate change. AFD Group can finance activities in favor of biodiversity, such as strengthening governance (community-based and management of protected areas) by taking into account gender equality and the effective participation of women in governance and management bodies. In addition, it can finance the fight against poaching and illegal wildlife trade, the development of pro-nature businesses and One Health and Eco Health approaches as well as ecosystem restoration and reduction of the risk of natural disasters.

Preservation of biodiversity

In the past, AFD Group has supported, with financial support from the French Facility for Global Environment (FFEM) (FFEM), the preservation of natural areas in Mozambique (Quirimbas National Park, Limpopo National Park, Gilé National Reserve and technical assistance for the National Agency for Conservation Areas). In South Africa, AFD Group has financially supported the Table Mountain and Addo Elephant parks, both managed by South African National Parks (SANParks). In Namibia, FFEM provided support to the community conservancies program. At a regional level, two projects were implemented, using FFEM funding, for sustainable use and conservation of Africa's plant biodiversity with commercial and socio-economic benefits (Phytotrade) and the creation of a regional exchange platform on community management of natural resources (Biohub). An anti-poaching project is underway in Mozambique and AFD and Conservation International are funding a corridor project in Botswana (Kalahari).

AFD Group is actively prospecting throughout the region to consolidate the existing portfolio (Mozambique), to respond to French priorities in terms of biodiversity and finally identify innovative approaches.

AFD Group now has a network of key actors with the presence of local NGOs (Peace Parks Foundation, African Parks), international NGOs (World Wildlife Fund for Nature, Conservation International, The Nature Conservancy, Wildlife Conservation Society) and research centers (Universities of Cape Town, Pretoria, Windhoek and Harare).

The ambition of AFD Group is twofold: (i) pursue biodiversity activity in Mozambique, and (ii) develop a portfolio in the rest of the region. Biodiversity forms part of French cooperation policy, at the same strategic priority level as the fight against climate change. Southern Africa has the assets to become one of AFD's main biodiversity portfolios around the world, through the wealth of its natural resources and the quality and maturity of its actors and approaches (SANParks, the South African National Biodiversity Institute – SANBI).

Sustainable water management

Southern Africa is an arid region with recurrent episodes of drought, aggravated by global warming, which significantly affects the regional population. An example of this was the water shortage in Cape Town in 2018, with four million people impacted by drastic water restrictions. Sustainable water management is an unprecedented operational issue in Southern Africa and will be placed at the top of AFD Group's priorities. Integrated watershed management, including cross-border, could constitute a line of work for the preservation of water resources.

Given that the Southern African region is strongly affected by climate change and has a largely preserved natural capital, there exists a huge potential to dovetail our climate and biodiversity objectives.

In line with France's International Strategy for Water and Sanitation 2020-2030, AFD Group will seek to strengthen the resilience of the countries to climate change and the occurrence of natural disasters, by developing the concept of nature-based solutions. The latter will be taken into account to develop regional avenues of cooperation. For example, sustainable water management in the Nyika transboundary national park and the Vwaza Marsh Wildlife reserve (Zambia and Malawi), natural reservoirs for the region, is a challenge. The protection of watersheds in south-eastern Angola and the sources of the Okavango Delta (Botswana) will also be a strong theme for AFD Group, which will ensure that interactions between gender, community management of natural resources and the enhancement of biodiversity are taken into account. Finally, AFD Group

will initiate discussions on the issue of reducing water stress with SANBI, Water Resources Commission and TNC for South Africa.

2.1.4 Encourage innovative financial mechanisms for biodiversity and climate

AFD Group will support development initiatives for new financial tools in favor of the biodiversity sector. It will require the mobilization of partners such as the Bertha Center, a research center at the University of Cape Town, specializing in innovative finance and the development of impact investment schemes in South Africa and the region. AFD Group will contribute to projects aimed, on the one hand, at strengthening women's needs for financial instruments such as loan and savings facilities and, on the other hand, at financing pro-nature, social innovation and entrepreneurship projects in Southern Africa.

2.2. FIGHT INEQUALITIES AND PROMOTE SOCIAL COHESION

Southern Africa is Africa's most unequal region and is home to several of the most unequal countries in the world, including South Africa and Namibia, where the consequences of apartheid policies are still visible. Social ties can be severely degraded and marked by violence, especially against women and children. The feminization of poverty in the deepening inequalities, the "Black gender poverty gap", will be taken into account in each related project. AFD Group's 100% social link commitment takes on a special dimension with a strong ambition to support underprivileged populations for fairer development.

AFD Group will also look further to including Malawi in its program of activities. Malawi is the poorest country in the region and has been attached to the French Embassy in Pretoria since October 2020.

2.2.1 Fight inequalities

AFD Group will continue to support local level actors to achieve a better-balanced territorial development in order to improve the integration of disadvantaged populations and reduce inequalities by promoting access to housing, infrastructure and employment. This could lead to support for the regeneration of city centers or the development of key indicators in order to measure the progress of municipalities in integrating gender equality in development projects.

AFD Group will pursue its action in South Africa to promote access to affordable housing and support "Black Economic Empowerment" policies. More specifically, AFD Group will continue to provide support for innovative initiatives in social rental housing in downtown Johannesburg.

2.2.2 Encourage family farming and approaches in favor of emerging farmers

The agriculture sector employs half of the workforce in Southern Africa and up to two-thirds in some countries. Several countries in the region require regular assistance from FAO, as they are particularly vulnerable to droughts. AFD Group will work closely with the three following countries in the region: Angola, South Africa and Zimbabwe, to support the structuring of sustainable agri-food chains. These promote the creation of decent jobs in the rural communities, for women and youth in particular, to fight inequalities and malnutrition, strengthen resilience to climate change, and develop sustainable agricultural and food systems. This will be done by drawing on recognized French expertise and by supporting projects on agroecology as a priority, taking into account the interactions between gender, biodiversity and local agricultural expertise at the service of food security and nutrition. For this, training and agricultural advice are essential elements, equally supported by AFD.

In Angola, the aim will be to support the diversification of the economy and assist small producers, cooperatives and SMEs in the agro-industrial sector, with a view to developing their commercial activity and facilitating their access to the market place (access to finance, public infrastructure services and support and technical assistance services). In South Africa, AFD Group will be able to support policies that assist emerging farmers from disadvantaged populations, collaborating with the Land and Development Bank of South Africa (Land Bank) and private banks. In Zimbabwe, the aim will be to reduce social divides and support family farms towards a semi-commercial, sustainable and climate-resilient agricultural activity. AFD Group will also be able to encourage local banking systems to better finance the agricultural sector, especially young people and women, by putting in place specific technical assistance. AFD Group will try to develop actions to strengthen the climate change resilience of family farming in countries other than the three mentioned.

2.2.3 Strengthen social links

AFD Group positions itself as a pioneer among bilateral donors on sport and culture for development. Beyond the economic benefits, these two sectors are driven by values of solidarity, cohesion and equal opportunities, which help to strengthen social ties. Within the limits of the grant resources available, AFD Group wishes to develop interventions in these two areas to mobilize youth and promote inclusion, gender equality, and openness to the world.

Regarding sport, AFD Group will continue to fund initiatives in South Africa as it has done with NGOs such as Waves for Change and Sport for Social Change Network. It will continue its partnership with the NBA to raise awareness among youth on development issues through basketball. Urban development projects will endeavor to integrate this issue into the framework of public policy dialogue and investments. The possibilities of intervening in Angola will also be explored.

Regarding culture, a project to digitize and enhance the archives of the Robben Island museum in Cape Town is currently being implemented.

2.3. SUPPORT REGIONAL INTEGRATION AND ADDRESS CROSS-BORDER CHALLENGES

AFD Group will seek to facilitate regional integration to promote shared economic development as well as a better management of natural resources and knowledge-sharing between countries in the region. The creation of the Southern Africa Regional Office will give the Group a better understanding of regional and cross-border issues and strengthen its partnerships with regional institutions pursuing these objectives.

2.3.1 Support regional integration by reinforcing targeted partnerships

The ten countries of the region are members of the Southern African Development Community (SADC), a regional economic community whose objective is to strengthen socio-economic, political and security cooperation among

member states. AFD Group will favor the development of a partnership with SADC, as it possess regional expertise in line with the Group's priorities. AFD Group will explore possibilities for cooperation in the field of energy, with two underlying SADC entities: Southern Africa Power Pool (SAPP) and SADC Center for Renewable Energy and Energy Efficiency (SACREEE).⁴

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AFD Group will favor the development of a partnership with SADC, as it possess regional expertise in line with the Group's priorities.

⁴ The SAPP aims to optimize the energy production system and electricity trade through the interconnection of nine SADC member states. SACREEE's mandate is to increase access to modern energy services and improve energy security in the region through the promotion of a market based on the adoption of renewable energy technologies and energy efficiency.

In addition, AFD Group will support the international deployment of regional public institutions such as the Development Bank of Southern Africa (DBSA), with which it shares many priorities, as well as the Industrial Development Corporation of South Africa (IDC). The IDFC club is well represented in South Africa: DBSA, Japan International Cooperation Agency (JICA), Kreditanstalt für Wiederaufbau (KfW Development Bank), AFD. The facilitation of debates and fundraising activities around DBSA will be sought.

AFD Group will also be attentive to the evolution of AUDA-NEPAD following its change of mandate, to determine the most relevant areas of cooperation at a continental level. The same will apply to the African Renaissance and International Cooperation Fund (ARF), for which AFD Group will seek to develop co-financing avenues in Africa for the realization of projects in line with their common strategic objectives.

Finally, the Group will monitor other existing regional organizations, including COMESA and SACU.

2.3.2 Develop corridors especially for biodiversity, transport, sustainable water management and tourism

Regional integration is facilitated by the establishment of corridors, which primarily concern the sectors of biodiversity, energy, tourism, transport, information and communication technologies as well as cross-border water management. AFD Group will ensure that the interests of entrepreneurs, both women and men, are taken into account in the development of corridors and sectors of activity, as well as the specific needs of women and men who participate in informal cross-border trade.

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3.

**AMBITION: STRIVE FOR
WELL-BALANCED PARTNERSHIPS
BETWEEN FRENCH AND
SOUTHERN AFRICAN ACTORS**

AFD Group's sectors of intervention in Southern Africa coincide with the strong expertise of French actors, whether they are companies, consultancies or local authorities.

AFD Group will be careful to mobilize French expertise whenever relevant and to promote partnerships between French and Southern African actors. With a view to contributing to the attenuation of the contrasting perception of France's presence in Africa, in particular by the South African authorities, AFD Group will seek to develop exchanges of expertise between Southern Africa and the French territories located in the Indian Ocean: an initiative underway in tourism and biodiversity with Réunion National Park and SANParks in South Africa.

AFD Group will seek to better promote the benefits of the French offer in the sustainable development sectors and will conduct a dialogue with its partners on their strategies.

It will be proactive within Team France and participate in meetings of the French Chamber of Commerce and Industry in South Africa and the network of French Foreign Trade Advisors (CCEF). It will also participate in economic meetings organized by the embassies in the region and will work in close cooperation with the Embassy's Regional Economic Service (SER), the Embassy's Cooperation and Cultural Action Service (SCAC) and Business France. It will endeavor to inform French actors as much as possible of intervention opportunities in Southern Africa, while respecting competition rules.

South Africa is France's largest trading partner in Africa. Almost 400 French companies are located there, representing 60,000 jobs.⁵ AFD Group will seek to support the most emblematic initiatives of French companies, particularly in the environmental, social and vocational training fields. Regional approaches will be favored.

⁵ Thirty CAC 40 companies are present.



4.

CROSS-CUTTING THEMES

4.1. PRIVATE SECTOR

The private sector generates 70% of the regional GDP and is the main provider of jobs and tax revenue for States, for which SMEs constitute the bulk of the economic fabric. In order to maintain a prosperous business climate, AFD Group wishes to focus on the following priorities: maintain a sustained level of investment in infrastructure and sustainable energy, promote an incentivizing institutional framework and promote the development of a qualified and educated population, in good health and with decent wages.

As part of the "Choose Africa" and "Choose Africa Resilience" initiatives through its subsidiary Proparco, AFD Group will provide more financing solutions in favor of African SMEs and French companies established abroad. It will intervene in support of financial institutions with products dedicated to the climate, similar to SUNREF or with direct balance sheet financing for counterparts. AFD Group, an actor in inclusive, solidarity-based and responsible invest-

ment, will support the regional private sector in achieving its sustainable development objectives by adopting a proactive approach in the most relevant sectors. In agriculture, the Group's approach will be attentive to compliance with international principles for responsible investment developed by the CFS (Committee for World Food Security).

AFD Group will continue to work to strengthen financial markets, in particular the development of climate finance through its partnership with DBSA. This cooperation will aim to strengthen the capacities of local banks in terms of financing "green" projects or projects with social impact, particularly in favor of equality and empowerment of women, and to create a leverage effect to green the private sector and support employment. AFD Group will also support financial institutions in the implementation of their climate strategy and in the management of transition risks.

4.2. INNOVATION

Southern Africa is a land of innovation. Innovation will have its place in the various initiatives of AFD Group, especially since it constitutes a powerful factor for accelerating the achievement of the SDGs. In South Africa, AFD Group will continue to support digital technology for cities (smart cities) and the climate (greentechs). It will seek to support

French companies wishing to innovate both technologically and in terms of governance and professional practices, particularly in terms of gender equality. AFD Group will remain attentive to the actions of the "Digital Africa" platform, which supports start-ups and local incubators in order to strengthen the innovation ecosystem of Southern Africa.

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5.

PERSPECTIVES AND INTERVENTION MODALITIES

5.1. FINANCIAL PERSPECTIVES

AFD Group's activity from 2016 to 2019 averaged around €320 million per year. The activity outlook for the next few years is around €400 million per year. This estimate will obviously depend on the quality of the projects identified and the counterparts that support them.

The Regional Office will seek to diversify its activity geographically, which is currently primarily centered in South Africa. A rebalancing towards Angola, Mozambique and Namibia is envisaged, without forgetting the other countries of the region.

5.2. PUBLIC POLICY DIALOGUE

The Group will work to strengthen the public policy dialogue coordinated by the French embassies by developing its research activities, with local actors in line with its strategic objectives in the fight against inequalities and climate change.

The African Centre of Excellence for Inequality Research (ACEIR), based in Cape Town, provides tools to the South African government to inform public policies for reducing inequalities. It aims to collaborate with other countries in the region. AFD Group has supported the Centre since its creation and will continue to do so in order to promote the initiatives implemented to fight inequalities.

AFD Group will continue to support initiatives for a just and inclusive transition in the region. For example, the study carried out by the Climate Policy Initiative, with funding from AFD and the World Bank, will have made it possible to raise awareness among the authorities and the various actors on the question of the financial risks that the exit of coal poses for the South African economy. It will have made it possible to foster dialogue between actors on these questions, and to relaunch the debate on the need for a just transition in South Africa. This study offers our partners (in particular DBSA, IDC, Eskom) the opportunity to continue the analysis on more specific scales and issues.

5.3. INTERVENTION MODALITIES

The outlook for the coming years is based on the development of sovereign lending activity in Angola, South Africa and Namibia. It will be based on an institutional and public policy dialogue, particularly in key sectors where the French offer is recognized. Even if the project approach remains dominant, the setting-up of policy-based loans will be sought.

In heavily indebted countries (Mozambique, Zambia, Zimbabwe), AFD can continue to work on a case-by-case basis with the most sound companies and public banks through non-sovereign tools.

AFD Group will mobilize the State's financial effort sparingly by following the following principles:

- Low volume of subsidies via tools intended for project preparation and technical assistance, especially when they allow the mobilization and promotion of French expertise (Preparation and Monitoring Facility (FAPS), technical ex-

pertise and experience sharing fund (FEXTE), climate facilities, etc.). Delegations and co-financing from other donors and in particular from the European Union will be sought whenever possible.

- Funding of regional or multi-country projects in sectors with a strong environmental or social impact (biodiversity conservation, reduction of inequalities, etc.). Delegations and co-financing from other donors will also be sought in this area.
- Use of interest rate subsidies to support social and environmental efforts.

Dialogue with other donors present in the region will be continued with the objective of coordinating our actions and co-financing the most emblematic projects.

"It always seems impossible until it is done"
Nelson Mandela

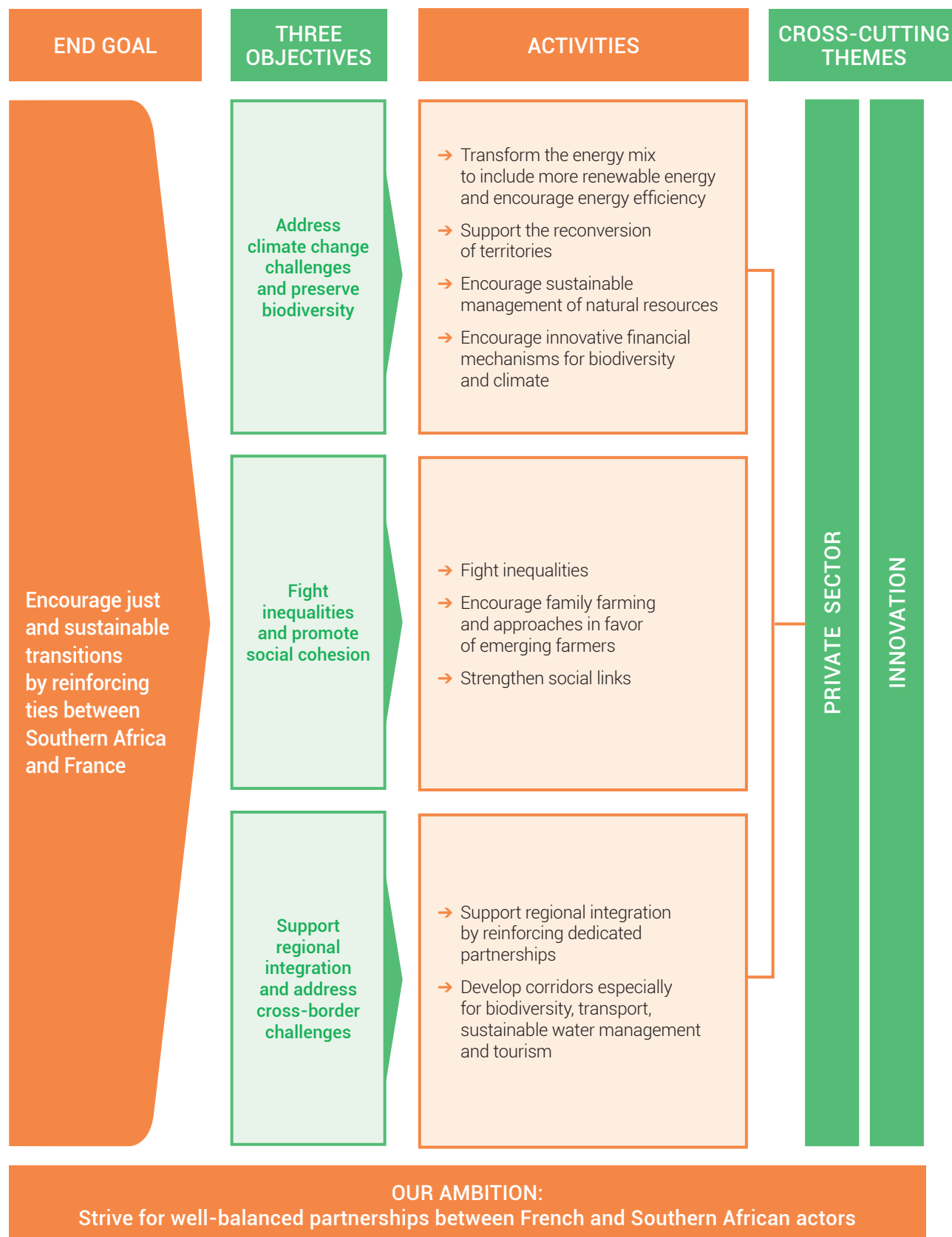
Johannesburg, November 2020

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6.

APPENDICES

APPENDIX 1. FRAMEWORK FOR AFD GROUP OPERATIONS IN SOUTHERN AFRICA

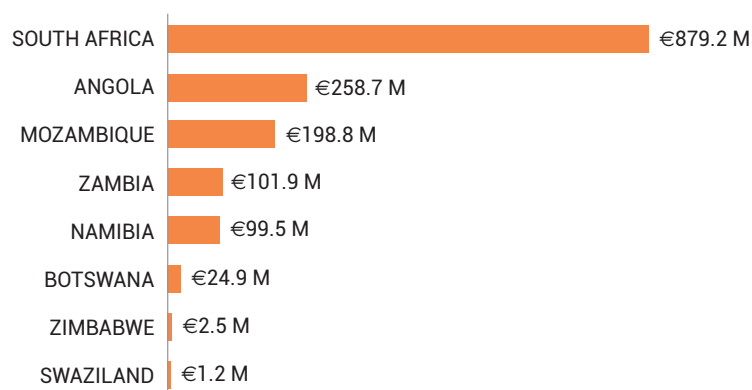


APPENDIX 2. OVERVIEW OF AFD GROUP'S ACTIVITIES, 2015–2019

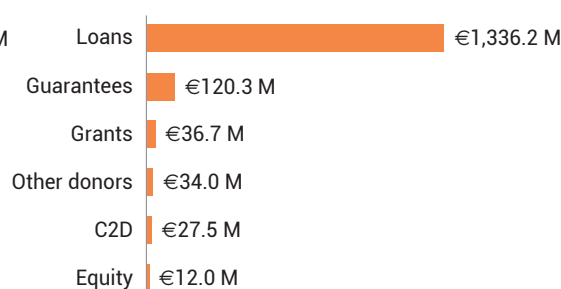
Bilan de l'activité du groupe AFD en Afrique australe 2015-2019

Total approvals	€1,567 M
Of which Proparco	€311 M
Total climate co-benefit approvals	€621 M
Total gender co-benefit approvals (2018-2019)	€214 M
Total state cost mobilized	€42 M
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Total disbursements	€892 M
Of which Proparco	€253 M

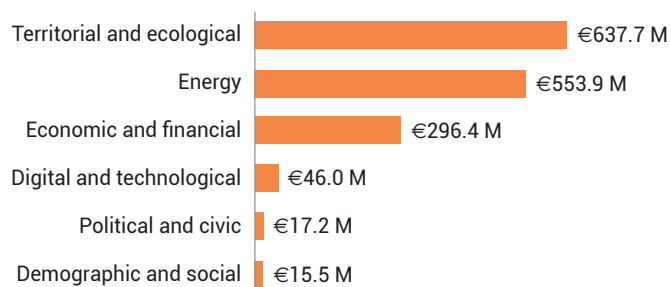
Group approvals by country, 2015–2019



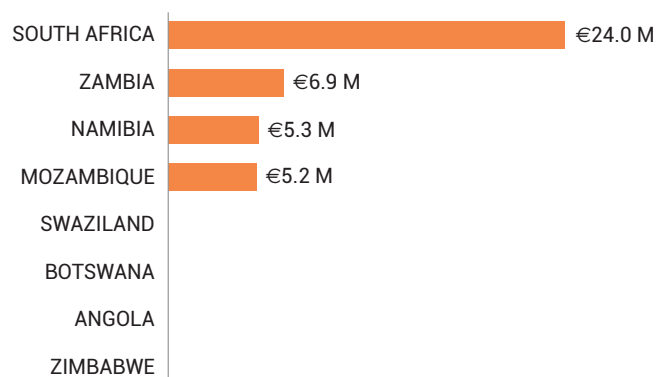
Group approvals by instrument, 2015–2019



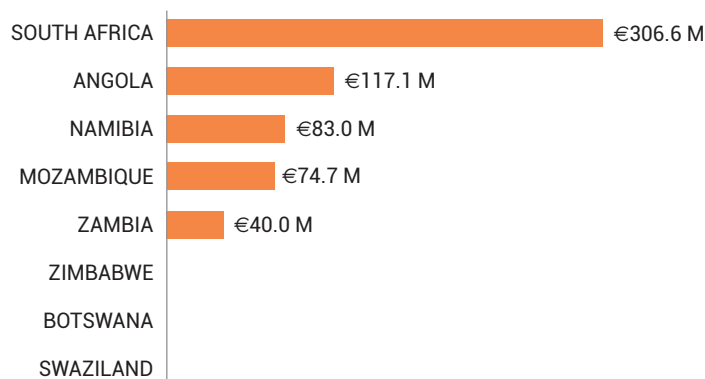
Group approvals by "Transition", 2015–2019



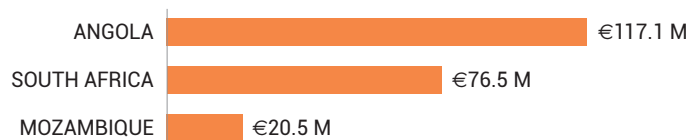
State cost mobilized, 2015–2019



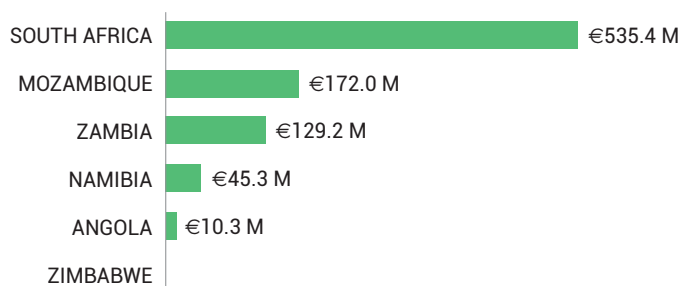
Approvals with climate co-benefits, 2015–2019



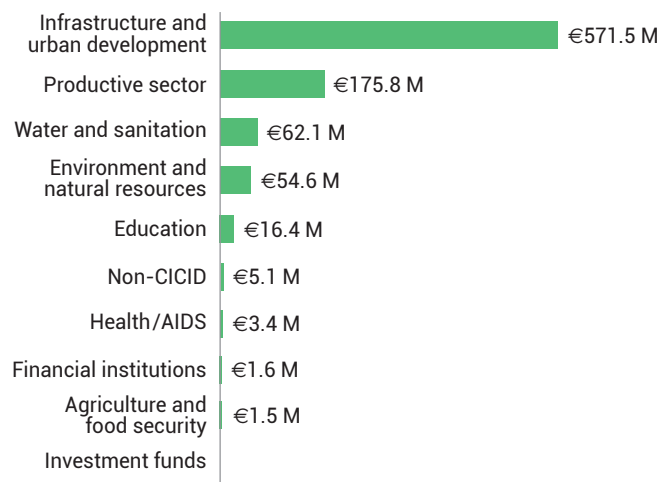
Approvals with gender co-benefits, 2015–2019



Group disbursements by country, 2015–2019



Group disbursements by sector, 2015–2019



Multi-country projects are not taken into account in this Appendix.

Between 2015 and 2019, the Group granted nearly €1.6 billion in financing, including €310 million in support of the private sector via Proparco. Nearly 40% of this funding represented climate co-benefits. AFD's approvals were mainly focused on South Africa (58% of commitments), Angola (21%), Mozambique (8%) and Zambia (7%), with Proparco centered on South Africa (48%), Mozambique

(31%) and Namibia (12%). In sectoral terms, AFD Group's interventions have largely focused on infrastructure and urban development (55%), on the development of productive sectors (22%) and water and sanitation (11%). Finally, activity relied heavily on non-sovereign loans (47% of commitments), sovereign loans (40%) and guarantees (8.5%).

APPENDIX 3. FOCUS – SOUTH AFRICA






South Africa's economic weight in Southern Africa (60% of the region's GDP), its place within BRICS, and its G20 membership makes this country a key player at the regional level and beyond. It is in this country that AFD Group has developed most of its activity since 1994. South Africa is also a pivotal player in regional issues such as the energy transition and trans-frontier approach to enhancing biodiversity and migration. Finally, it is a central player in international talks on climate change.






In a country where sovereign dialogue is under construction, AFD Group will continue to provide support to municipalities (large and secondary) and large public enterprises by including a mandate to strengthen their governance (ESKOM in particular) and to large public banks (DBSA, IDC and Land Bank) in order to contribute to economic growth and job creation. The policy-based loan (PBL) instrument can be used with counterparts that have appropriate governance in place, and in support of proactive public policies in terms of social and/or environmental impact. Non-sovereign financing may be

supplemented by grants in order to make our financing offers attractive and may include a technical assistance and capacity-building component, by mobilizing and promoting French expertise where possible. AFD Group will seek to make its financing visible while being innovative in a context with a particularly developed and sophisticated local financial market. Its actions will also focus on the energy transition, the reconversion of employment areas and the closure of coal-mines (territorial approach). AFD Group should be able to participate in South Africa's efforts at this level (State, municipalities) by being able to propose an adapted financial offer.

The painful and still relatively recent history of apartheid in South Africa justifies AFD Group's efforts to tackle specific issues such as social housing, inequalities and "emerging black farmers". The symbolism of our interventions in these areas will be strong and emblematic of France's wish to see things evolve positively at these levels and the most painful scars of apartheid gradually erased.

APPENDIX 4. REGIONAL INSTITUTIONS

Governmental Institutions		Creation	Head office	Mandates
	SADC	1992	Gaborone, Botswana	<ul style="list-style-type: none"> International trade in the SADC region Economic development in Southern Africa
	AUDA NEPAD	2001	Midrand, South Africa	<ul style="list-style-type: none"> Eradication of poverty Sustainable growth and development Integration of Africa in world economy Women empowerment
	COMESA	1994	Lusaka, Zambia	<ul style="list-style-type: none"> Integration of sovereign state economies Trade liberalization and facilitation
	SACU	1910	Windhoek, Namibia	<ul style="list-style-type: none"> Encouraging transborder movements among the territories of member states
	IORA	1997	Ebene, Mauritius	<ul style="list-style-type: none"> Facilitation of trade and investment Preferential trade agreement (PTA) Sea security and safety Fishing industry management Disaster risk management Academic, scientific and technologic cooperation Tourism and cultural exchanges Women empowerment

Financial institutions		Creation	Head office	Mandates
	DBSA	1983	Johannesburg, South Africa	<ul style="list-style-type: none"> Development of social infrastructures Economic growth via investment in infrastructures Regional integration Sustainable use of resources
	IDC	1940	Johannesburg, South Africa	<ul style="list-style-type: none"> Balanced and sustainable economic growth Economic prosperity Promoting entrepreneurship
	LANDBANK	1912	Johannesburg, South Africa	<ul style="list-style-type: none"> Farming innovation Supporting emerging farmers
	AfDB	1964	Johannesburg, South Africa	<ul style="list-style-type: none"> Regional integration Governance Infrastructures Capacity building (human and institutional) Private sector development
	NDB	2014	Johannesburg, South Africa	<ul style="list-style-type: none"> Valuation of emerging economies Innovation Job creation

ACRONYMS AND ABBREVIATIONS

ACEIR: African Centre of Excellence for Inequality Research

AfDB: African Development Bank

AFD: Agence française de développement

ARF: African Renaissance and International Cooperation Fund

AUDA-NEPAD: New Partnership for African Development of the African Union Development Agency

BRICS: Brazil, Russia, India, China, South Africa

CCEF: French Foreign Trade Advisors Network

CFS: Committee on World Food Security

CICID: Interministerial Committee for international Cooperation and Development

COMESA: Common Market for Eastern and Southern Africa

DBSA: Development Bank of South Africa

EU: European Union

FAO: Food and Agriculture Organization

FAPS: *Facilité d'amorçage, de préparation et de suivi* (Fund for Project Preparation and Monitoring)

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

FFEM: French Facility for Global Environment

IDC: Industrial Development Corporation of South Africa

IDFC: International Development Finance Club

IORA: Indian Ocean Rim Association

JICA: Japan international Cooperation Agency

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

NBA: National Basketball Association

NGO: Non-governmental organization

SMEs: Small and medium-sized enterprises

PROPARCO: *Société de promotion et participation pour la coopération économique* (AFD's public-private finance subsidiary)

PBL: Policy-based loan

RO: Regional Office (AFD)

SACREEE: SADC Centre for Renewable Energy and Energy Efficiency

SACU: Southern African Customs Union

SADC: Southern African Development Community

SANBI: South African National Biodiversity Institute

SAPP: Southern Africa Power Pool

SCAC: *Service de Coopération et d'Action Culturelle de l'Ambassade de France* (Cooperation and Cultural Action Service of the French Embassy)

SDG: Sustainable development goal

SER: *Service économique de l'Ambassade de France* (regional economic service of the French Embassy)

SUNREF: Sustainable Use of Natural Resources and Energy Finance

TNC: The Nature Conservancy

VSE: Very small enterprise

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.

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