

AFD Group & Europe in Southeast Asia





The power of European partnership


14 years
of partnership


60
countries supported

Guided by shared convictions, AFD and the European Commission (EC) have worked together since 2008 to boost the impact of their funding and the effectiveness of development aid. They form a key partnership for achieving Sustainable Development Goals (SDG).

AFD has been authorised to manage European funds since 2008. In those fourteen years, it has become a leading partner for the Commission. During the last European financial framework (2014–2020), the Commission entrusted €2.8 million to AFD. In so doing, it improved the impact of more than 220 projects supporting citizens in some sixty countries.

The strength of this partnership lies in the impressive similarities in the institutions' strategic visions and the productive dialogue between their teams. In Brussels and on the ground, AFD and the EC benefit from a network of local representatives that is unparalleled in the European family.

A Wide Range of Tools and a Leverage Effect

The partnership takes the form of a wide range of funding arrangements adapted to the situations and needs of the counterparties. This includes the delegation of grants, including through trust funds, backing AFD loans with European grants, and the roll-out of a portfolio of operations benefiting from European guarantees.

Whenever possible, the two institutions seek to structure their interventions through blending facilities, which help make the most of European grants due to the leverage effect for donors' loans. Between 2014 and 2020, €9 billion in AFD loans and grants were thus mobilised alongside nearly €1.6 billion from the European Commission to fund development efforts in nearly 60 countries in Africa, the Mediterranean region, Asia-Pacific, Latin America, and the Caribbean. AFD's level of involvement has positioned it as the leading bilateral partner of the Commission in the area of blending facilities, and the number two partners behind the European Investment Bank.

In 2017, AFD was also keen to participate in the launch of the European Fund for Sustainable Development (EFSD) aimed at using innovative guarantee mechanisms to support investment in Africa and in the EU's neighbouring countries to achieve sustainable development goals, particularly the goal of ending poverty. AFD was once again among the Commission's first partners in the design of these new tools and ranked second in terms of liquid guarantees to benefit developing countries.


In order to further support its positions, AFD Group has created alliances through inclusive platforms, including the strengthened partnership of bilateral financial development institutions (AFD, KfW, CDP and AECID), the network of European Development Finance Institutions (EDFI), the International Development Finance Club (IDFC) and the

Practitioners' Network, which was chaired by Expertise France from 2018 to 2019. Proparco also helps develop European tools that benefit several development finance institutions.

#TeamEurope: An Even Stronger Partnership

Building on this experience and network, AFD Group will expand this partnership strategy with the #TeamEurope approach, aimed at reinforcing synergies and involving all stakeholders in the implementation of the European development agenda, in keeping with the principles of coherence, coordination and aid effectiveness.

With the integration of Expertise France, accredited by the EC as of 2011, the range of AFD Group's tools has expanded in order to better support counterparties in their efforts to achieve the targets set by Agenda 2030 and the Paris Agreement.


€2.8
billion


220
projects

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Interviews

More coherence, more funding solutions, more flexibility: based on these shared convictions, AFD Group and the European Commission have been strengthening their partnership since 2008 to increase the effectiveness of their inclusive investment. Katarína Mathernova and Koen Doens share their perspectives on AFD.

Katarína Mathernová

The Directorate General for Neighbourhood Policy and Enlargement Negotiations (DG NEAR) is one of AFD Group's main partners on the European level. Katarína Mathernova, its Director-General, shares her feedback on the occasion of the French Presidency of the European Union.



Partnerships with financial institutions have always been a priority for you. What lessons have you learned from the one with AFD?

AFD Group is a key stakeholder in the Neighbourhood and Enlargement regions, especially south of the Mediterranean and in Turkey, but also in the East and the Balkans. DG NEAR helps Europe open up to the world. We provide support for candidates for EU membership and build strong ties with our immediate geographical neighbours. From Rabat to Yerevan, to Cairo, Kiev and Belgrade, we face a wide range of challenges! Since 2008, our partnership has produced a volume of activity amounting to roughly €800 million covering the areas of energy, transport, urban development and the social sectors. AFD Group has therefore been our second-largest partner in southern neighbourhood countries. In addition to blending facilities, AFD Group is leading a new guarantee instrument for the European Fund for Sustainable Development (ESFD), which includes, among others, an operation signed in December 2020 in the agricultural sector covering the NEAR region.

How do you see the future of this partnership?

The pandemic we are facing reminds us that we must work together to overcome challenges. Mobilisation around the Team Europe initiative now amounts to €36 billion, of which €11.7 billion earmarked for DG NEAR. And that was from only a few months!

To effectively roll out operations on the ground, we must act pragmatically by attracting all the necessary resources, both public and private. We are calling on AFD Group to join us in supporting the Economic Investment Plans we have established with our partner countries in the South, East and in the Balkans.

AFD Group's strong presence in the countries in this region is a considerable asset. Its expertise in financial innovation is also valuable in this context. We hope to enhance the leverage effect by confirming the potential of the 'guarantee' tool to support climate, environmental, digital and social transitions.

In creating the EFSD, the Commission entered the guarantee market, with over €1.5 billion signed in December 2020. With the FEDD+, we are seeking to become a key player in this field. The Multiannual Financial Framework for 2021–2027 and the new Neighbourhood, Development and International Cooperation Instrument (NDICI) provide us with the necessary resources, with a total volume of guarantee coverage amounting to €53 billion. Together, we will make an impact and achieve the desired political results.

... Koen Doens

The AFD Group and European Union partnership: a key structuring component of the new Team Europe.

The partnership between AFD Group and the European Union now finds itself at a pivotal moment as Team Europe takes shape, introducing a new European geopolitical ambition and a drive for increased cooperation. Koen Doens, Director-General for International Partnerships (DG INTPA) at the European Commission, offers his insight.



The European financial framework for 2014–2020 was marked by the introduction of numerous funding solutions. How do you view AFD Group's contribution to this movement?

I have a positive and attentive view. For us, AFD Group is a preferred partner for the support of public development policies and the stabilisation of the most vulnerable areas. AFD Group is one of the leading providers of budget support in the world and we are working together in close collaboration to better respond to the needs of our partner countries.

The response to the COVID-19 crisis offered an opportunity to intensify this cooperation. This response was part of the Team Europe approach, which has become the backbone of European Union programming for 2021–2027. By combining our collective actions throughout the European Union with the work of Member States in their bilateral actions, we create a broad system that is greater than the sum of its parts.

As you know, AFD Group is expanding to integrate Expertise France. What are your thoughts on this?

The European Commission is following this French integration approach with great interest. This strategy echoes the search for more concerted efforts, embodied in Team Europe. These developments are part of a

more strategic approach, and both reflect the conviction that 'working together' leads to greater effectiveness and results. AFD Group's expansion will therefore allow the European Commission to cooperate with a stakeholder with a holistic strategy, with access to a wide range of valuable assets: extensive experience in the development field, multisectoral expertise, a significant presence in the field and in-depth knowledge of our partner countries.

What are your expectations of AFD Group regarding the new European financial framework for 2021–2027?

The Team Europe format provides the EU and its Member States with the opportunity to boost our collective impact and visibility. Our partnership with AFD Group will help us translate this approach into concrete actions. This involves implementing the common vision for a recovery that is sustainable, inclusive, green and digital. AFD Group will be able to simultaneously

AFD Group's presence on the ground is a major asset.

help stimulate investments in our partner countries, while also providing technical assistance to support these dynamics.

Through Team Europe initiatives, for which AFD provides design and funding assistance, our goal is to gather the forces of European cooperation around truly transformational projects that support our partner countries. AFD's involvement in this cooperation offers access to a comprehensive range of instruments, methods and resources. In addition, AFD Group's presence on the ground is a major asset.

This strengthened partnership with AFD Group is also important because of the precedent it sets. We wish to move towards greater cooperation of this type for the purpose of gaining greater effectiveness and enhancing our impact.

Myanmar
Lao PRD
Thailand
Vietnam
Philippines
Cambodia
Indonesia

AFD & the European Union in the region

The relationship between the European Union and AFD Group is particularly strong in Southeast Asia, taking the form of an ongoing dialogue on strategic aspects and sectoral priorities, in line with our respective priorities in the region. In addition to a project approach, i.e. cooperation between our two entities on specific projects, a program approach is now encouraged in a constructive spirit enabled by dialogue in the field.



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At the same time, AFD Group mobilises European resources to support its partners' projects through the financing of technical assistance programs. In addition to the operational aspect, the partnership between AFD and the EU in Southeast Asia includes an analytical component through the research program on inequalities in developing and emerging countries, which includes a study on Indonesia and another on the Lower Mekong countries. Finally, AFD Group in Southeast Asia is fully involved in the 'Team Europe' approach, which aims to capitalise on the collective resources of the EU, Member States and European financial institutions to carry out coordinated action to improve aid effectiveness and propose European financial solutions, notably alongside KfW and the EIB.

€1.6 bn
of EU-AFD co-financing*

€244M
of delegated funds*

6
countries involved*

28
projects in delegation,
co-financing or Team
Europe format*

17%
of AFD's projects in
Southeast Asia are
co-financed with the EU*

*between 2017 and 2021



What are the challenges of cooperation between the EU and AFD in Southeast Asia?
The common vision of the challenges facing the region in relation to the Sustainable Development Goals allows the European Union and AFD to complement each other in their responses and thus increase the impact of their financing, such as EU funding of technical assistance to strengthen the capacities of our partners.

What sectors do you support?

As this brochure shows through a few examples, in response to the needs of the countries in the region, cooperation between AFD and the European Union, in addition to taking various forms (co-financing, fund delegations and Team Europe format), covers many sectors, from the promotion of a low-carbon trajectory to biodiversity protection, sustainable infrastructure and agriculture.

If you were to give an example of a flagship project in the region?

For example, we are supporting, alongside the European Union, the Asean Catalytic Green Finance Facility (ACGF), which promotes green infrastructure financing in Southeast Asia. This facility, supported by a large number of donors including several European Member States and the EIB, aims to remove barriers to private investment in infrastructure.

Yazid Bensaïd
Regional Director for Southeast Asia



Access to water in rural areas is a major issue for the development of Cambodia. © Greg Mo



COMBATING CLIMATE CHANGE

Current production and consumption models are depleting biodiversity and natural resources and the greenhouse gases we emit are accelerating climate change. Climate change is a priority for AFD and the European Union. Because climate and development are two related emergencies. Because energy and ecological transitions offer opportunities throughout the world.

The European Union and AFD's climate strategy focuses on two priorities: helping developing countries reduce their greenhouse gas emissions and adapt to the effects of climate change.



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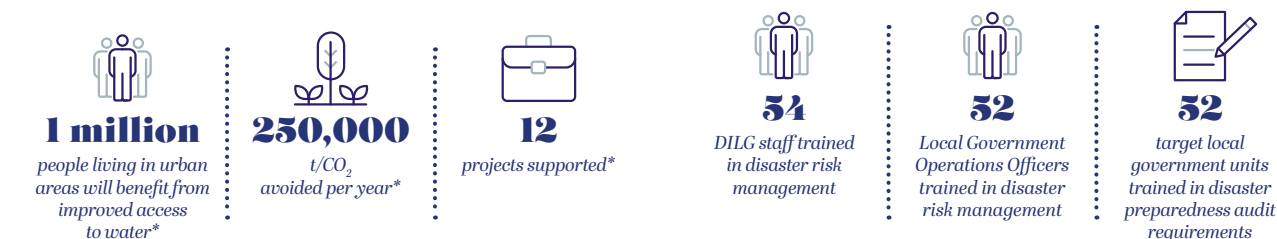


Supporting Investment in Renewable Energy and Climate

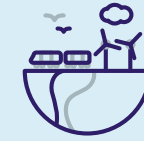
AFD, the European Union and KfW are supporting PT SMI, the Indonesian public infrastructure financing bank and member of IDFC, to finance infrastructure projects related to climate change and the Sustainable Development Goals (SDGs). Two successive lines of credit have been provided by AFD in 2014 and 2019, for USD 100 million and USD 150 million. The second is complemented by two grants (EUR 3.6M, including EUR 3M of EU funds), to support PT SMI in project preparation, as well as by investment grants (EU grant of EUR 2M), which will provide additional financial support for projects with strong social or climate impacts.

Improving Natural Risk Management in the Philippines

The Philippines is the fourth most affected country by natural disasters. To help the country meet this challenge, AFD supported the government's decentralisation support program in 2009 and mobilised 360 million euros in cofinancing with the Asian Development Bank. In addition, a technical assistance program to build the capacities of national and local authorities and local climate strategies was financed by the European Union with a €4.8M grant. In order to continue these efforts, AFD decided to focus its fourth €250M budget support on natural disaster risk reduction.



*First credit line



DEVELOPING SUSTAINABLE INFRASTRUCTURE

Investing in safe, efficient and sustainable infrastructure is essential to reduce poverty, stimulate the economy and productive investment, create jobs, and thus meet the needs of populations, businesses and territories. Meeting this major challenge requires mobilising sufficient resources, which means removing the obstacles to investment, while ensuring that these infrastructures are resilient and environmentally friendly for fair and sustainable development.

AFD and the European Union have therefore made this sector a priority in both urban and rural areas. Numerous projects in the energy, water, sanitation and transport sectors are supported.



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©MRB



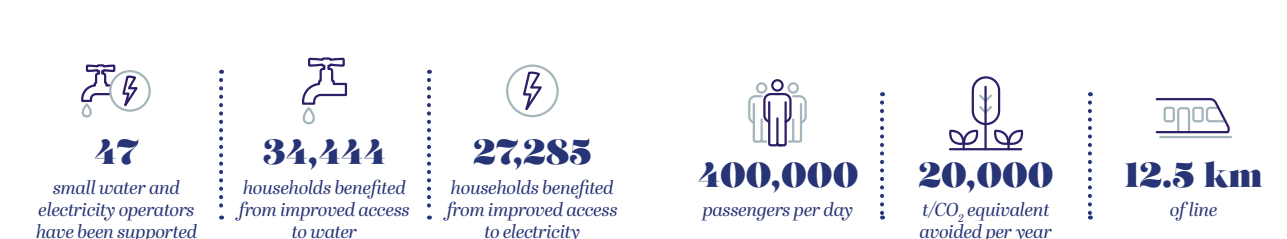
Improving Access to Water and Electricity in Rural Areas

In Cambodia, the extension of the water and electricity network is uneven in rural areas and small towns. To address this issue, AFD and the European Union financed a project that helped improve access to water and electricity for Cambodian households by supporting small operators in these two sectors and giving them access to adapted financing. Proparco, AFD's private sector subsidiary, plans to finance a second phase to continue the encouraging results of the first phase.



Promoting Green Mobility in Hanoi

Traffic in Hanoi has become extremely difficult. And traffic jams are synonymous with pollution... To facilitate the mobility of the inhabitants and make the air more breathable, the capital has decided to opt for a greener transport system: the metro. Financed in 'Team Europe' format by a €159M loan from AFD and €141M from the European Investment Bank, as well as by the French Treasury and ADB, this project will enable the construction of metro line 3, which will link the western part of Hanoi to the central station. The project to extend this line, as well as public transport projects, are being prepared with the European Union and KfW.





PROMOTING RURAL DEVELOPMENT AND AGRICULTURE

Agriculture is a social, economic, ecological and health issue. Its proper management and development help to combat food and nutritional insecurity, which has been increased by climate change and political instability. With 40% of the population working in the agricultural sector, it is also the world's largest employer.

AFD and the European Union are therefore joining forces to support this sector by combining the objectives of preserving natural resources and biodiversity, agricultural economic development and territorial development in rural areas.



Promoting agro-ecological transition in Southeast Asia

Agriculture in Southeast Asian countries is currently at a crossroads: on the one hand, there are agro-industrial models that are very intensive in terms of chemical inputs and capital and, on the other, innovative agro-ecological systems that are more respectful of the environment, populations and the climate, but which are still in the minority. AFD and the European Union are therefore financing the ASSET project with grants of 5 and 7 million euros respectively. The aim is to exploit the potential of agro-ecology to support the transition of food and agricultural systems towards more sustainable systems in Southeast Asia. The project also includes an advocacy component with ASEAN, led by the United Nations Economic Commission for Asia and the Pacific (UNESCAP).

KfW

Developing Rural Infrastructure in Cambodia

In Cambodia, where 70% of the population lives in rural areas, the development of rural infrastructure is a priority. The RID4CAM project, financed by AFD with a €50M loan and the European Union with a €8.73M grant, alongside KfW, aims to finance both the improvement of the road network in the country's central plain provinces and the construction of complementary infrastructure in the drinking water and sanitation, agriculture, health and education sectors. The project will also build the capacity of all actors involved in the sector.



27

partners



4

countries involved



12

million euros



550

kilometres of rural
roads rehabilitated



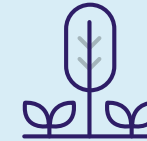
250,000

people benefiting from
the improved road
network



20%

increase in the
income of beneficiary
households



PRESERVE, SUSTAIN AND PROTECT ENVIRONMENTAL BIODIVERSITY

From species extinction to the destruction of natural environments and climate change, we are currently witnessing unprecedented pressure on biodiversity and impacts for communities. The protection of biodiversity is a top priority for AFD Group funding. The projects funded are designed to halt the loss of biodiversity, protect ecosystems, and support the restoration and management of natural areas for the benefit and with the help of local communities.

Each project funded is assessed in terms of its impacts on biodiversity. In 2019, nearly 70% of AFD funding contributed to preserving biodiversity. As a global issue, biodiversity is a central concern for the Commission, which is seeking to step up its efforts to support the conservation, management and sustainable use of natural resources, biodiversity and ecosystems.



Preserving Biodiversity in Laos

Laos is unique in the world in terms of its biodiversity, but despite an extensive network of protected areas, these natural resources are at risk. In response to the needs expressed by the country's authorities, AFD and the European Union are financing a project to improve the management of three areas that are particularly rich in biodiversity: Nam Et-Phou Louey National Park, Bolikhamxay Province and the Xe Champhone wetland. The project is being implemented by the NGO Wildlife Conservation Society (WCS) and financed with a 5.3 million Euro grant from the European Union and a 1.5 million Euro grant from AFD.

EXPERTISE
FRANCE

Federal Ministry
for Economic Cooperation
and Development

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Reducing Plastic and Marine Waste

In 2017, Asia accounted for 50% of global plastic production. Co-funded by the European Union and the German Ministry for Cooperation and Development (BMZ) and jointly implemented by GIZ and Expertise France, the project 'Rethinking plastics: Circular Economy Solutions to Marine Litter' aims to support the transition to a circular economy and the reduction of plastic and marine litter in seven East and Southeast Asian countries, through capacity building, exchange of best practices and funding of pilot projects.



176,000

hectares protected



3

zones concerned



85

communities
sensitised to
conservation



Over 800

species are affected
by marine litter



60% to 90%

of marine litter is
plastic



7

countries concerned



For a World in Common

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 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.



www.afd.fr

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