



# — South Asia

Regional Strategy  
2020-2024

#WorldInCommon



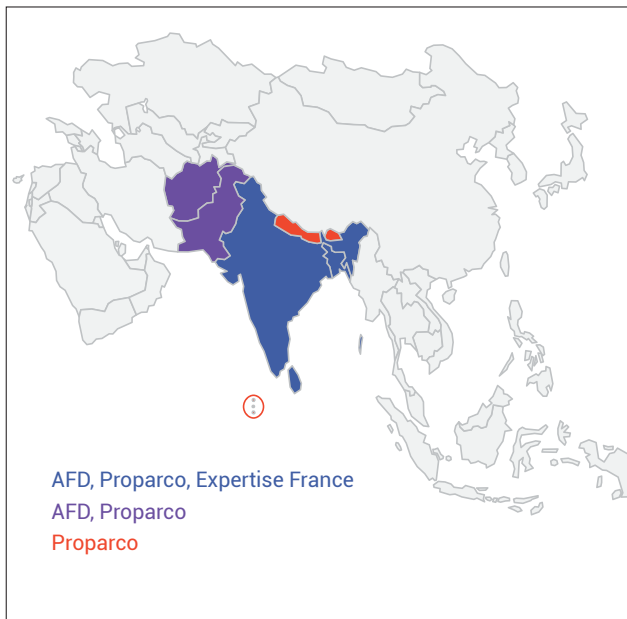


# INTRODUCTION

Since 2018, the AFD network has been reorganised around 17 Regional Offices (ROs), with the twofold purpose of generating efficiency gains (decentralisation, pooling) and enhancing the appropriation of regional subjects.

As AFD Group's regional development platform, the South Asia Regional Office has been based in New Delhi since September 2019 with a geographical scope covering four AFD agencies (Islamabad, New Delhi, Dacca, Colombo) for five countries: India, Bangladesh, Sri Lanka, Pakistan, Afghanistan. Proparco<sup>1</sup> and Expertise France, unlike AFD, can operate in Nepal, Bhutan and the Maldives.

## Intervention mandates



## Presence in the countries



***In the Maldives, AFD has a residual portfolio from its previous mandate and which is composed exclusively of financing in the amortisation phase.***

To respond more effectively to the regional issues and dynamics and coordinate AFD Group's approach in the region's countries, this document presents AFD Group's Strategy in South Asia for the period 2020–2024. The RO's mission is to implement the Group Strategy in the region by coordinating the teams of AFD, Proparco, the Group's private-sector arm, and Expertise France for technical cooperation.

This Strategy was prepared following broad-based consultations and exchanges with AFD's supervisory administrations and the French representations of the countries concerned. It incorporates the priorities of France's development policy as defined by the Interministerial Committee for International Cooperation and Development (CICID) and laid out in the AFD Group Strategy 2018–2022, in order to contribute to the achievement of the Sustainable Development Goals and the objectives of the Paris Agreement.

AFD Group's priorities in South Asia over the coming years are part of the French strategy for the Indo-Pacific and respond to the region's climate-related, environmental and social challenges. They are aligned with the sectors in which French expertise is recognised and where French enterprises can contribute their know-how.

The present Strategy, which covers the period 2020–2024, indicates the priority direction for action, which will then be implemented at country level. The unprecedented nature of the crisis linked to the Covid-19 epidemic, as well as the uncertainty hanging over its outcome, means that AFD Group needs to be adaptable and flexible so that it can respond more effectively to the needs expressed by the governments in the region. At the same time, the Group also supports the dynamic of aligning with the Sustainable Development Goals (SDGs), the Paris Agreement and the protection of global common goods.

<sup>1</sup> Proparco is authorised to intervene in all of the countries on the list of ODA-eligible beneficiaries drawn up by the CAD of OECD.

## How does AFD Group plan to respond to Covid-19 in South Asia?

South Asia has not been spared by the global crisis sparked by the Covid-19 pandemic. Its health consequences, the sometimes drastic governmental measures taken (the lockdown of 1.3 billion people in India) and the global economic situation are jeopardising many of the social advances made in recent years.

Although health had not previously been one of AFD's priority intervention sectors in the region,<sup>2</sup> the Agency has proved adaptable and responsive in supporting its partners in this unprecedented crisis. Within the framework of the health crisis response, AFD has so far appraised three policy-based loans (PBLs) with World Bank cofinancing to respond to the emergency and help these countries to contain the social conse-

quences of the crisis. Two of these were approved before the summer 2020 (€200 million in India and €150 million in Bangladesh), while the third (€200 million to Sri Lanka) was not granted due to the deterioration of the country's macro-economic context.

The purpose of these PBLs is to strengthen the social protection systems to provide support to the most vulnerable populations and limit the impacts of the health crisis on their living conditions. AFD Group's strategy in the region takes this new situation into account and will enable AFD to adapt its actions in each of the countries covered, depending on the structural transformations and the development of the beneficiaries' needs and requests arising from the crisis.

<sup>2</sup> AFD had already been operating in the health sector (project to renovate and modernise the Prince Aly Khan Hospital in Mumbai in India, the Aga Khan Hospital in Karachi in Pakistan, etc.) and had begun to prospect the social security sector (mission in February 2020 in view of establishing a public policy dialogue with the Government of Bangladesh in the area of adaptive social protection).

# TABLE OF CONTENTS

<b>1. SOUTH ASIA, A REGION EXPOSED TO CLIMATE CHANGE AND SOCIO-ECONOMIC CHALLENGES</b> .....	<b>6</b>
1.1 Context .....	7
1.2 Challenges .....	7
1.3 AFD Group's positioning in South Asia .....	9
<b>2. A REGIONAL STRATEGY REVOLVING AROUND THREE PRIORITIES</b> .....	<b>11</b>
2.1 Combat climate change by supporting low-carbon transitions .....	12
2.2 Promote the sustainable management of territories and preserve natural resources in view of climate change adaptation .....	13
2.3 Contribute to more inclusive economic growth and mitigate social imbalances .....	15
2.4 An approach that breaks down silos .....	16
<b>3. BOLSTER THE MOBILISATION OF PARTNERS AND STAKEHOLDERS AT THE REGIONAL SCALE</b> .....	<b>17</b>
3.1 Strengthen synergies with the French actors .....	18
3.2 Mobilise the donor network for a regional projection .....	19
3.3 Contribute to strengthening regional structures and initiatives .....	20
3.4 Contribute to better knowledge of regional dynamics .....	21
<b>4. FINANCIAL PERSPECTIVES AND INTERVENTION MODALITIES</b> .....	<b>22</b>
4.1 Intervention modalities .....	23
4.2 Financial perspectives .....	24
4.3 Performance indicators .....	24
<b>5. APPENDICES</b> .....	<b>26</b>
Appendix 1: Logical Framework .....	27
Appendix 2: Socio-economic indicators .....	28
Appendix 3: Climate indicators .....	30
Appendix 4: Overview of AFD Group's activity .....	33
<b>ACRONYMS AND ABBREVIATIONS</b> .....	<b>34</b>

The background features several overlapping, thin orange circular lines of varying radii, creating a dynamic, abstract pattern. The lines are centered around the text, with some passing behind and others in front of it.

**1.**

**SOUTH ASIA, A REGION  
EXPOSED TO CLIMATE CHANGE  
AND SOCIO-ECONOMIC  
CHALLENGES**

## 1.1. CONTEXT

Stretching from Afghanistan in the west to Bangladesh in the east, and bordered by the Himalayas in the north and by the Indian Ocean in the south, South Asia encompasses a broad diversity of geographical, political and economic situations. Its 1.9 billion inhabitants (about one quarter of the world's population) are unevenly spread over the region's 8 countries – from the Maldives archipelago (with less than half a million scattered across 1,200 islands) to the Indian sub-continent (1.37 billion), and including the world's most densely populated non-island state, Bangladesh (165 million). In 2030, the region's population is set to top 2 billion, reaching 2.3 billion by 2050.

Since the mid-1980s, structural economic reforms have enabled the region to mark up some of the highest growth rates in the world: the real GDP growth rate rose from an average 3% in the 1970s to more than 6% over the last ten years. Yet, the situation has deteriorated in recent years – even before the onset of the economic crisis linked to the Covid-19 pandemic – particularly in India, Sri Lanka and Pakistan. Moreover, Afghanistan remains deeply affected by a protracted conflict. Overall, sustained growth has raised per capita income in all of the countries, except for Afghanistan, and helped to lift 320 million people out of poverty between 1990 and 2015.<sup>3</sup> South Asia nonetheless continues to face major human development challenges: the region's Human Development Indicator (HDI) averages 0.642 (HDI 2019, compared to a world average of 0.731

and 0.741 for its East Asia and Pacific neighbours respectively<sup>4</sup>), with regional disparities ranging from 0.496 (170th/189) in Afghanistan to 0.780 in Sri Lanka (71st).<sup>5</sup> What's more, given the economic and Covid-19 health crisis, it is expected that the HDI will fall in the short term and inequalities deepen, bearing in mind that these were already significant before the crisis.<sup>6</sup>

Although the countries in the region now enjoy relatively stable political situations, with the notable exception of Afghanistan, the conflict-ridden geopolitical legacy left by the partitioning of India and Pakistan in 1947, then of Pakistan and Bangladesh in 1971, as well as the border tensions between India and China, severely restrict the circulation of people and goods<sup>7</sup> and hobble projects for regional integration or cooperation. Moreover, interregional relations are greatly influenced by China's positioning in the sub-continent and by India's response to the projection of Chinese influence in its immediate vicinity. Chinese financing linked to the new silk roads (Belt and Road Initiative, or BRI), which is particularly high in Pakistan and Sri Lanka, has made China a major player in South Asia. This is sometimes at odds with India's objectives and those of other international players, especially the United States or the European Union (EU). As a result, the region is structured around different and sometimes contradictory poles of influence, which can dampen efforts to develop common objectives between the countries in the region.

## 1.2. CHALLENGES

The countries in the region have some common socio-economic characteristics: fast-growing urbanisation creating needs for infrastructure, energy and jobs; economies increasingly dependent on the services sector; and, on top of a relatively low HDI, significant inequalities observed between urban and rural areas, and gender.<sup>8</sup> The median age in South Asia is 27 and the region's countries will have to find outlets

for the 150 million young people due to enter their labour markets by 2030<sup>9</sup> (in India, 8–9 million new entrants each year<sup>10</sup>). This is exerting pressure on the educational, training and economic systems. In addition, although national specificities do exist, the region has to tackle major challenges linked to climate change, and the management of territories and natural resources.

<sup>3</sup> World Bank, 2018.

<sup>4</sup> UNDP, 2019.

<sup>5</sup> The closer the HDI is to 1, the higher the level of human development. Countries with a very high level of human development average 0.894 and those with a medium level have an HDI score of 0.645.

<sup>6</sup> UNDP, 2019.

<sup>7</sup> Intra-regional trade accounts for just over 5% of South Asia's total trade, compared to 22% in sub-Saharan Africa and 50% in East Asia, and represents 1% of the region's GDP, compared to 2.6% in sub-Saharan Africa and 11% in East Asia; World Bank, 2018.

<sup>8</sup> In 2018, all of the countries in the region ranked relatively high on the Gender Inequality Index (the GII is a composite index calculated by the UNDP and measures gender disparity in three areas: reproductive health, empowerment and labour market participation). These countries all feature in the lower half of the world ranking, except for the Maldives (81st) and Sri Lanka (86th). The other South Asian countries ranked between 99th place (Bhutan) and 143rd (Afghanistan), with GII scores ranging from 0.436 to 0.575.

<sup>9</sup> IMF, 2019.

<sup>10</sup> World Bank and ILO, 2019.

## A region at the heart of climate change issues

In South Asia, rapid economic growth over recent decades has led to a sharp increase in the demand for energy met mainly by the use of fossil energies, most of which is imported. India is the world's 3rd largest greenhouse gas emitter, Pakistan the 28th and Bangladesh the 45th. Whereas all countries in the region have relatively low levels of per capita emissions compared to the rest of the world,<sup>11</sup> their economic growth still seems to be almost entirely coupled with an increase in carbon emissions,<sup>12</sup> and remains a priority for their governments. Energy intensity is particularly high in Nepal, India and Pakistan, and lower in Bangladesh and Sri Lanka – but all of these countries have significantly improved their energy efficiency over the last thirty years.

Given its geographic situation,<sup>13</sup> South Asia is exposed to many natural hazards and extreme weather events whose intensity, severity and effects will be heightened by climate change (cyclones, flooding, drought, heat waves, rising sea levels, soil salinisation, melting of the Himalayan glaciers, etc.). Being the world's most densely populated region and with populations concentrated in some very high-risk areas, South Asia may become the theatre of significant climate migrations.<sup>14</sup>

## Unsustainable management of resources and territories

Still predominantly rural, the region is experiencing rampant urbanisation (+250 million city dwellers between 2000 and 2019, +188 million by 2030<sup>15</sup>), but this varies depending on the country (see Appendix 2). Yet this urbanisation, which could help to improve productivity and drive job creation, has mostly developed informally (130 million South Asians live in slums) and with little management (lack of housing, infrastructure and urban services, causing various types of pollution).<sup>16</sup> Moreover, South Asian cities are

particularly vulnerable to natural disasters and their infrastructure is not prepared for these (80% of the major cities are prone to flooding<sup>17</sup>). The vast number of internal combustion vehicles in cities with little public transport, coal-fired power stations, heavy industry, waste incineration, household air pollution and the practice of burning crop residues are driving air pollution that crosses borders and kills millions of people every year (1.24 million in India alone in 2017<sup>18</sup>) and is equivalent to a 0.83% loss of regional GDP, in loss of earned income.<sup>19</sup> Twenty-seven of the world's thirty most polluted cities are located in South Asia.<sup>20</sup>

The different green revolutions, buoyed by the food self-sufficiency policies pursued in most South Asian countries since the 1960s, have helped to reduce the number of undernourished people. Yet, this has been at the price of environmental pollution related to the use of agricultural inputs and pesticides. South Asia now produces the bulk of the cereals it consumes, but 250 million people were still undernourished during the years 2017–2019.<sup>21</sup> Moreover, agricultural land (56.8% of the region's land area) is in danger of producing decreased yields due to the soil over-exploitation and salinisation, water shortages, as well as the rise in the atmospheric concentration of CO<sub>2</sub> and ozone.<sup>22</sup> The fisheries and aquaculture sectors, which are unevenly developed in the region's countries,<sup>23</sup> offer a promising economic opportunity but are compromised by unsustainable practices and climate change.

With only 4.6% of the world's annual renewable water resources for a quarter of the world's population, South Asia is the region that has the highest withdrawal of groundwater reserves. Some 90% of the volume of water extracted is used for irrigation, but industrial needs, demographic growth and lifestyle changes are heightening the pressures on water resources, whose quality is also under threat (from natural causes and human activity).<sup>24</sup>

Overall, unsustainable management of urban and rural areas is threatening the region's biodiversity: 46% of the endemic species are at risk of extinction.

<sup>11</sup> The region's largest emitter in terms of emissions per capita ranks 105th (Maldives); Global Carbon Atlas.

<sup>12</sup> Their energy mix still depends on a large share of fossil fuels, and coal remains a leading energy source to meet the rising energy demand (for example, coal-fired power stations under construction in Pakistan and Bangladesh, and the increasing share of coal in power generation in Sri Lanka since 2010).

<sup>13</sup> The Himalayas are the source of the main rivers in Pakistan, India and Bangladesh. Their waters carry significant sediment loads that often cause flooding, as do the monsoons. The warm waters of the Indian Ocean give rise to cyclones of high intensity that affect almost all of the region's coastal areas. World Bank, 2012.

<sup>14</sup> By 2050, intra-regional cross-border climate migrations could involve some 40 million people, i.e., 1.8% of the region's population. World Bank, 2018.

<sup>15</sup> United Nations, 2018.

<sup>16</sup> World Bank, 2016.

<sup>17</sup> World Bank, 2016.

<sup>18</sup> The Lancet, 2017.

<sup>19</sup> And a 7.4% decrease of GDP in "loss of wellbeing", equivalent to the total cost of premature deaths due to air pollution, all ages combined (estimates for 2013). World Bank, 2016.

<sup>20</sup> IQAir, 2020.

<sup>21</sup> FAO, 2020.

<sup>22</sup> Climate and Clean Air Coalition (CCAP) and the United Nations Environment Programme (UNEP), 2019.

<sup>23</sup> India and Bangladesh, for example are the 2nd and 5th largest aquaculture producers respectively (FAO, 2018), while the sector contributes 1.2% of Sri Lanka's GDP, but only 0.4% of Pakistan's GDP (World Bank and AFD, 2018).

<sup>24</sup> World Bank, 2017.



## Inequalities still widespread

South Asia is one of the regions whose HDI score has fallen most due to inequality (-25.9%), second only to sub-Saharan Africa (-30,5%).<sup>25</sup> Moreover, this trend is not likely to turn around: between 2010 and 2017: the Gini coefficient increased in all of the region's countries except for the Maldives. Thirty-one percent of the region's population is still considered to be multidimensionally poor, a figure that hides significant disparities (0.8% in the Maldives, 2.9% in Sri Lanka, compared to 27.9% in India, 38.3% in Pakistan or 55.9% in Afghanistan). Government spending on health is low (0.94% of GDP vs. a global average of 5.8%). As a result, household expenditure represents 62.4% of total health expenditure and health services are still underdeveloped.<sup>26</sup> The Covid-19 health crisis has foregrounded these persistent tensions, with health systems being over-run in the worst-hit regions, particularly in the major urban centres in India, Pakistan and Bangladesh. Moreover, social

protection systems are proving ineffective mainly because 73.6% of informal workers have particularly low coverage as they have no social security or social assistance: in India, only 19% of the population has at least one type of cover, 28.4% in Bangladesh and 30.4% in Sri Lanka.<sup>27</sup> Inequality of access to basic services is also pronounced, particularly between urban and rural areas: although in each of the countries in the region, over 90% of the urban population has access to electricity, this is so for only 79% of the rural population in Bangladesh and 69% in Pakistan. Lastly, high gender inequalities persist: South Asia ranks as the region with the third highest level of gender inequality,<sup>28</sup> and the second highest for inequality under the law.<sup>29</sup> It is also the world region with the highest gender gap in employment rates,<sup>30</sup> along with significant pay disparities (Pakistan tops the global ranking for hourly pay gaps between men and women<sup>31</sup>), despite the ongoing improvement in women's educational levels.

## 1.3. AFD GROUP'S POSITIONING IN SOUTH ASIA

AFD Group's presence in South Asia is relatively recent (the first operation in the region was in 2004 in Afghanistan), particularly compared to the multilateral donors such as the World Bank and the Asian Development Bank (ADB), who have been operating in some countries for over fifty years. In fact, the Group remains a moderately important player in the region's development assistance ecosystem.

Between 2015 and 2019, the Group's (AFD and Proparco) activity in the region grew steadily and substantially. Over this period, financing worth nearly €3.4 billion was approved, including €2.9 billion from AFD and €490 million from Proparco.<sup>32</sup> Almost 45% of these approvals were for India (21% for Pakistan, 18% for Sri Lanka and 15% for Bangladesh). Loans accounted for 94% of the financing, and AFD's non-sovereign operations, concentrated on India, represented nearly 20% of the approvals over this same period. The territorial and ecological transition accounted for 66%

of the investments, primarily urban transport (€1 Bn), urban development, and water and sanitation. The energy transition received the second highest financing amount of €500 million. Lastly, 70% of financing presented climate co-benefits (70% for the years 2018–2019), while 47% of commitments for 2018–2019 helped to promote gender equality.

AFD's regional activity is steered by the Regional Office created in 2019 and based in New Delhi. The office covers five countries – Afghanistan, Pakistan, India, Bangladesh and Sri Lanka – and a network of four local agencies, as the Kabul agency closed in 2017.<sup>33</sup>

Proparco opened its Regional Office in New Delhi in 2008. It covers a geographical perimeter that encompasses AFD's five intervention countries as well as Nepal, Bhutan and the Maldives – but so far it has not operated in the last two

<sup>25</sup> UNDP, 2019.

<sup>26</sup> Only Pakistan, the Maldives and Sri Lanka have at least one doctor per 1,000 people (World Bank).

<sup>27</sup> ILO, 2017.

<sup>28</sup> UNDP, 2019.

<sup>29</sup> According to an indicator developed by the World Bank, designed to measure legalised gender discrimination. The database compiled by the World Bank allows measurement of gender equality in terms of economic opportunity according to the legal framework of the different countries; World Bank, 2019.

<sup>30</sup> ILO, 2020.

<sup>31</sup> ILO, 2020.

<sup>32</sup> By way of comparison, ADB and the World Bank Group approved nearly USD 9 billion and over USD 8 billion respectively for the region in 2019 alone.

<sup>33</sup> AFD's activity in Afghanistan, currently supervised by the Regional Office in New Delhi, is limited. AFD holds a residual portfolio in the Maldives but has not operated in the country since the non-renewal of its mandate in 2009. It should be noted that AFD continues to monitor the three South Asian countries in which it does not operate (Maldives, Nepal, Bhutan) so that it will be ready to intervene should its mandate be broadened.

countries. Proparco has set its strategic priorities on the energy transition, social infrastructure and support to sustainable entrepreneurship. It also supports the private sector through loans and equity investments.

Geographically, South Asia is not a focus area for Expertise France (EF), which has no representation in the region and only a limited programme of activities. Yet, strong synergies can be developed within AFD's current or future sectors of intervention: renewable energies, biodiversity protection, development of social protection and health systems in the context of the fight against epidemics, and the implementation of France's Indo-Pacific Strategy mainly through regional projects on maritime security. AFD-EF collaboration can take several forms, particularly the provision of technical assistance to accompany AFD financing or the organisation of study trips to France to promote French know-how. The trips are organised within the framework of ongoing projects or projects under preparation, and provide training for targeted partner delegations on themes that are strategically relevant for them and AFD.<sup>34</sup>

Consistent with the CICID mandates, AFD Group in South Asia contributes to the fight against climate change and to achieving the Sustainable Development Goals (SDGs), deploying the priorities for action that specifically respond

to the region's climate, environmental and social challenges. The Group seeks to support its partners in moving towards an equitable, deep-seated and sustainable transition, based on a desiloed approach focussing on the key intersection between the ecological and social transitions.

Group AFD's action is part of the broader framework of French policy in the Indo-Pacific, which aims to strengthen France's presence and action in the region at the political, strategic, economic and environmental levels, particularly by consolidating strategic partnerships. The Group also contributes, in compliance with the principle of untied aid, to implementing economic diplomacy by heightening the visibility of the dynamism of French companies and promoting their expertise, particularly by organising events and encounters both in South Asia and in France, in collaboration with the Economic Services abroad, Business France, or the French business confederation, MEDEF International. By targeting sectors in which French businesses have recognised expertise, AFD is opening up opportunities for them to take a market positioning by participating in transparent and fair calls for tenders. Lastly, as the Group is stepping up its commitments in South Asia, it is contributing to the target of 0.55% of GNI for French official development assistance in 2022.

<sup>34</sup> Cities and digital technologies, green finance, gender equality, renewables – floating solar power, etc. are some of the themes proposed.

The background features several overlapping, thin orange circular lines of varying radii, creating a dynamic, swirling pattern. The lines are centered around the text, with some passing behind and others in front of it.

# 2.

**A REGIONAL STRATEGY  
REVOLVING AROUND  
THREE PRIORITIES**

AFD Group's priorities in South Asia for the coming years mainly involve the territorial and ecological, energy, and demographic and social transitions. They respond to the region's climate-related, environmental and social challenges, are consistent with European ambitions and in line with France's Indo-Pacific strategy<sup>35</sup> (2018), which aims to strengthen France's presence and activities in the region within the political, strategic, economic and environmental spheres, mainly by consolidating strategic partnerships. AFD will thus specifically target the following priority lines of action:

- combat climate change by supporting low-carbon transitions,
- promote the sustainable management of territories and preserve natural resources,
- contribute to more inclusive economic growth.

AFD will direct its activity towards sectors offering robust opportunities for French businesses that will be able to bring their expertise and know-how. AFD will help to strengthen the visibility of French offers by organising events and encounters in South Asia and France that can highlight these, in collaboration with the rest of Team France.

In addition to these priorities, AFD Group will adopt a "nexus" approach" by systematically exploring opportunities for social and environmental co-benefits to reinforce the

strategic commitments of "100% Paris Agreement" and "100% social link" as laid out in the Group Strategy 2018–2022. This will mean seeking to maximise the impact of each supported project by integrating the associated SDGs such as gender, health and social cohesion right from the project design stage, while also applying the "do no harm" principle.

#### **AFD Group's specificity in South Asia lies mainly in:**

- the importance given and responses brought to the challenges of climate change, which are real differentiators compared to other donors, as is the Group's capacity to promote a social-climate nexus with its partners,
- its capacity to mobilise the EU (AFD is the leading beneficiary of AIF blended funds in the region) and a broad-based Team France with different fields of expertise,
- its backing and engagement in France's Indo-Pacific strategy.

The Group's 5-year ambition in South Asia is to become a flagship platform for a de-siloed approach to environmental and social challenges, able to engage the other development banks and regional partners in this dynamic.

## **2.1. COMBAT CLIMATE CHANGE BY SUPPORTING LOW-CARBON TRANSITIONS**

In South Asia, the Group will work to maximise the positive impacts on climate change across all of its operations (the objective being 70% of annual commitments with climate co-benefits) and will focus a substantial fraction of its activities on supporting its partners towards low-carbon resilient pathways.

Straddling both the public and private sectors, AFD Group's offer will be particularly well-adapted to supporting its partners in their energy transition. Decarbonising the energy sector and improving energy efficiency are significant challenges for a region that still largely depends on fossil energy to drive its growth. The first step will be to increase the share of renewables in the energy mix, mainly by exploiting the region's huge hydroelectric potential (e.g., hydro-power plant projects in Pakistan) and by facilitating the

integration of different energy sources (solar, wind) thanks to increased storage capacities and the roll-out of smart grid technology (floating solar projects in India and Bangladesh, wind in Pakistan). In a politically fragmented region that would greatly benefit from the integration of its electricity markets, AFD will support projects for cross-border collaboration (e.g., transmission networks for the deployment of renewables), as soon as this is practicable and in line with France's diplomatic priorities. Energy efficiency, which is crucial to low-carbon pathways, will continue to be a subject for the Group's interventions, both in the energy sector itself (reducing losses on transmission and distribution networks) as in the project to improve the distribution network in Dhaka in Bangladesh), and in the productive sectors, in buildings (chiefly via the Programme for Energy Efficiency in Buildings in India, PEEB), or in the transport

<sup>35</sup> White Paper: "2030 French Strategy in Asia-Oceania– Towards an Inclusive Asian Indo-Pacific Region".

sector (mass urban transport, metro projects in India and Bus Rapid Transport in Bangladesh and Pakistan). To ensure the sustainability and inclusiveness of the funded projects, the Group will also pay special attention to the regulatory frameworks covering energy production and management, and the possibility of improving these through policy-based loans (notably Pakistan).

In addition to the energy sector, the Group will work to raise its partners' awareness on the importance of mitigating and adapting to climate change. This will involve developing knowledge on the regional consequences of climate change (climate migration, natural disasters), proposing tools to model low-carbon pathways, and supporting them in adopting and implementing these strategies (use of the 2050 Facility in India, Pakistan and Bangladesh).

### PROJECT FOCUS: Supporting reforms for a sustainable energy sector in Pakistan

In 2013, the Pakistani authorities introduced a power sector reform programme to increase national generation capacities and improve the sector's performance. The donors operating in the sector (ADB, JICA, World Bank) decided to assist and jointly support these reforms crucial to the viability and sustainability of energy investments. In 2017, AFD, who invests massively in Pakistan's hydro-power infrastructure, decided to join this group of donors and allocated a PBL to support the sectoral policy dialogue, to help (i) improve access to energy and the management of tariffs and subsidies, (ii) bolster the management of state-owned enterprises in the energy sector by opening up energy markets to the private sector, and (iii) encourage the sector's transparency and accountability. Alongside its budget support, AFD supported the government's efforts to develop a GHG emissions reduction plan in the power sector and financed technical assistance for the Private Power and Infrastructure Board (PPIB) to enhance the competitiveness of renewable energies and reduce the use of thermal power.

## 2.2. PROMOTE THE SUSTAINABLE MANAGEMENT OF TERRITORIES AND PRESERVE NATURAL RESOURCES IN VIEW OF CLIMATE CHANGE ADAPTATION

As the world's most densely populated region, South Asia includes the most highly polluted urban centres as well as rural areas where natural resources are being overexploited. The Group is committed to strengthening territorial resilience and encouraging the responsible management of natural resources.

In all countries in the region, AFD will draw on its experience on urban development themes and French expertise to continue promoting smart and resilient infrastructure (transport systems, sanitation systems, waste management, management of urban natural hazards, specifically flooding, urban heat, urban coastal areas) in order to limit congestion in cities and reduce related urban pollution, particularly air pollution. The Group's action will also target rural areas in view of promoting their integration into the national economy, by improving their connectivity and developing the basic services that are lacking. AFD will also

consider support to agricultural areas by promoting sustainable practices in natural resource management (limiting inputs and pesticides, optimising irrigation, etc.) and bolstering their resilience to climate change effects. The Group will assist governments in implementing strict environmental standards and incentive schemes to check pollution and encourage waste water treatment (the Saidabad project in Bangladesh). In parallel, the Group, via Proparco, will support the social and environmental transition of specific industrial sectors (the Bangladeshi textile industry). In association with the ministries, financing may be provided to governments to counter the consequences of climate hazards, as well as tools to shore up the resilience of urban and rural territories, particularly through the design and installation of early warning systems for natural disasters (Bangladesh and Pakistan). The development of nature-based solutions could also be envisaged, mainly in association with the FFEM.

As for preserving natural resources in particular, the Group will pay special attention to water and land management (sustainable farming practices), to the fight against deforestation and to biodiversity protection, all of which are subjects that will be addressed on a regional scale where possible. The Group will thus support the creation and management of protected areas, be they forest (the Assam project in India), coastal or marine areas, with a focus on projects that provide economic opportunities for local communities. In particular, in line with France's Indo-Pacific strategy, the growth of the blue economy will be encouraged so as to develop competitive, resilient and inclusive value chains (fisheries, tourism, marine energies, etc.) that will enhance the sustainability of the marine space (Sri Lanka, Bangladesh, India, Pakistan).

### **PROJECT FOCUS: Restoring forest ecosystems in the State of Assam**

In 2012, AFD supported the government of Assam – a State in northeast India – in launching the Assam Project on Forest and Biodiversity Conservation (APFBC) in response to the threats of deforestation, poaching and local communities' overdependence on forest resources.

Large-scale reforestation efforts have been undertaken: over 21,000 hectares have already been reforested (40% of this work was carried out by local communities, 60% by the Assam Forest Department). Six thousand people have been trained in 24 different trades, which has helped to revive the local economy while also protecting forest resources. Women make up 73% of the community members who have benefited from the training.

In 2019, following the success of the first phase, AFD allocated a second €50 M financing to continue the reforestation and deployment of biodiversity conservation efforts by strengthening the capacities of the forest administration and providing alternative livelihoods for the local communities. As a result, on top of the positive impact on biodiversity, the project presents significant climate co-benefits (carbon storage in the planted trees). Given the strong impacts on gender inequality achieved during the first phase, the Assam II project has incorporated more gender-related objectives and carries the OECD-DAC 2 policy marker.

### **PROJECT FOCUS: Rehabilitating and improving fishing port management and fisheries resources management in Sri Lanka**

The fisheries sector is not only vital for the Sri Lankan economy (2% of national GDP, direct or indirect jobs for around 7% of the workforce), but also for the country's food security (it provides 50% of the animal protein consumed by the population). Yet, the sector suffers from a huge loss of earnings with post-catch losses ranging from 40% to 60%. In 2019, AFD commissioned a feasibility study funded by a €650,000 FEXTE grant in order to launch an intervention during 2021. The main goal will be to improve the quality of export products, without increasing the fishing effort, and by ensuring more sustainable management of fisheries resources. The dynamic created in the export value chain will have a knock-on effect for the value chain producing for the domestic market.

## 2.3. CONTRIBUTE TO MORE INCLUSIVE ECONOMIC GROWTH AND MITIGATE SOCIAL IMBALANCES

The fast-paced growth over recent decades has not benefited all segments of the population equally: over three hundred million people, the vast majority of whom are in India, still live under the poverty line of \$1.9/day (PPP 2011) and have no access to basic services. In line with its 100% social link commitment, AFD Group will take into consideration territorial, generational and gender inequalities.

AFD Group will pursue its action to provide populations with greater access to drinking water and sanitation, electricity, health care services, telecommunications and financial products and services (Proparco's support to the microfinance sector in India and Pakistan), focusing on areas with little or poor service. AFD, in collaboration with Expertise France, will also work on regulatory frameworks and support States in the fields of adaptive social protection (mainly, Bangladesh). In parallel, the Group will continue to systematically include a gender approach in its project cycle, in line with France's International Strategy on Gender Equality (2018–2022), to ensure that projects comply with gender equality principles and include women and their specific needs as much as possible in project appraisals (metro and BRT projects in India and Pakistan). In South Asia, AFD Group will also aim to increase the share of financing that integrates gender inequality reduction as its principal objective (OECD-DAC 2 gender marker). This is consistent with the overarching objective of France's international gender equality strategy, which sets AFD the objectives of allocating €700 million annually to programmes marked DAC 2 and ensuring that 50% of its projects have a DAC 1 or 2 marker, in annual volume commitments by 2022. Finally the South Asia Regional Office will adopt an action plan dedicated to gender, to identify local issues more precisely and propose adapted operational responses.

The objectives of creating more opportunities, notably in high-potential or innovative sectors (blue economy, sustainable tourism, cultural and creative industries, digital, renewable energy, etc.) and supporting entrepreneurship capacities will be objectives on which AFD will be able to take advantage of synergies with Proparco. One avenue envisaged is to promote the employability of populations, particularly women and young people, by developing sector-

based skills. Particular attention will be paid to the quality and decency of jobs, with an upgrade of environmental, societal and safety standards in certain industries possibly through Proparco lines of credit made available to the private sector. The Group will also continue to promote the financial inclusion of households and improve access to credit for small and medium-sized enterprises.

In the context of the Covid-19 crisis, AFD will promote policies aimed at sustainable economic recovery taking into account both the ecological and social dimensions. This will mean contributing, within the limits of AFD's available resources, to ensuring that the different plans to support the South Asian economies are not detrimental to the environmental and social transitions.

### PROJECT FOCUS: Improving safety conditions and the environmental footprint of Bangladeshi textile factories

The textile and garment industry accounts for 80% of Bangladeshi exports and the sector employs 4.5 million workers, mainly women. The Rana Plaza tragedy in 2013 pointed up the need to upgrade safety standards in the Bangladeshi textile and garment industry and improve work conditions, and also raised the question of the factories' environmental impact. In 2018, AFD granted a €50 million line of credit to enable exporting factories to finance the retrofitting required to raise the safety standards for buildings (electrical and fire safety, structural soundness). Investments to improve work conditions, curb pollution and reduce the environmental footprint of textile factories, particularly through better management of effluents, water and energy, are also eligible for financing. In parallel, the European Union and KfW are financing an incentive scheme that pays out an investment bonus upon the completion of works, which helps to reduce the cost of a factory's loan. Finally, a GIZ technical assistance programme aims to support factories' investment plans and help commercial banks not only to develop a service offer tailored to financing these investments, but also to increase their own capacities to provide this service.

## 2.4. AN APPROACH THAT BREAKS DOWN SILOS

The priorities for action laid out above are not mutually exclusive and AFD will systematically endeavour to decompartmentalise its financings by adopting a “nexus” approach. Given the structural and multidimensional challenges faced by South Asian countries, it seems necessary to take action specifically at the point where environmental and

social challenges intersect. AFD will thus seek to combine these two objectives by addressing its action, whenever possible, through concrete nexuses – such as social inequality and the state of the environment, the “One Health” approaches or gender mainstreaming at all levels and across all projects.

### FOCUS: Mainstreaming gender in urban transport projects

With a regional mandate primarily focussed on the fight against climate change (70% of climate co-benefits expected across AFD’s overall portfolio), AFD is working to integrate social and inclusive themes as well as environmental challenges into its different projects at the earliest opportunity. For example, AFD has a strong presence in the urban transport sector in South Asia and has specifically targeted the gender theme in three of its urban transport projects in the region: the Kochi metro project in India, and its BRT projects in Karachi and Peshawar in Pakistan.

Following a first AFD loan granted in 2014, the state-owned enterprise Kochi Metro Rail Limited (KMRL) was able to build some 26 km of elevated metro line connecting different parts of the city. To ensure the inclusiveness of the service for women passengers, KMRL signed a framework agreement with a local organisation highly active in Kerala on the issues of women’s empowerment. As a result, 774 women, including 600 from

low-income families, were hired by KMRL to fill job positions traditionally reserved for men. Initiatives to guarantee the safety of women metro users were also put in place (lighting, surveillance cameras, campaigns to prevent harassment, separate areas for women on platforms and in buses). A second AFD loan was granted in 2016 to further extend the network, raising the amount to €360 million.

For the BRT projects in Karachi and Peshawar, gender action plans have been deployed. They provide for features to ensure accessibility and safety for women in the stations and their vicinity. A minimum 10% of BTR operations employees and 10% of staff in the regulatory authorities and executing agencies must be women.

This joint approach to social and environmental issues will continue to be prioritised.



The background features several overlapping, thin orange circular lines of varying radii, creating a dynamic, abstract pattern. The lines are centered around the text, with some passing behind and others in front of it.

**3.**

**BOLSTER THE MOBILISATION OF  
PARTNERS AND STAKEHOLDERS  
AT THE REGIONAL SCALE**

In line with SDG 17, AFD Group decided to make the “partnership reflex” one of the five commitments for its Strategy 2018–2022. In a region where AFD has a relatively modest presence (commitments of €879 M in 2019) and where

needs remain significant, the logic of an “AFD platform” is a prerequisite to effectively supporting the transitions in South Asia.

## 3.1. STRENGTHEN SYNERGIES WITH THE FRENCH ACTORS

In close collaboration with the French diplomatic posts and regional economic services, AFD Group will contribute to implementing the Indo-Pacific strategy<sup>36</sup> laid out in the White Paper, “2030 French Strategy in Asia-Oceania – Towards an Inclusive Asian Indo-Pacific Region” by stepping up experience-sharing and promoting solutions proposed by actors in the French ecosystem (civil society organisations, local authorities, businesses, foundations, research centres). Within Team France, AFD will work to network and inform public and private actors of the projects in which it is participating<sup>37</sup>, not only in South Asia, but also in the geographies of neighbouring Regional Offices (Indian Ocean, Southeast Asia). AFD Group will seek to further integrate its operations with other French public institutions and operators (particularly Business France), at head-quarter level and across the region, in line with the various partnership agreements that may exist. AFD will also continue to closely monitor decentralised cooperation initiatives,<sup>38</sup> which are still underdeveloped in the region. Efforts will be made to harness greater potential synergies with the FFEM, whose environmental protection mandate largely overlaps AFD Group's priorities in the region, and whose activities help to support innovations.

More generally, the Group will endeavour to contribute to implementing economic diplomacy alongside Business France by systematically inviting French companies to participate in calls for tenders on AFD-financed contracts and by continuing to meet with French companies (mainly through MEDEF International) in South Asia and France, to exchange on AFD's priority actions and project portfolio. More specifically, AFD Group will foster the diffusion of French expertise by mobilising tools such as the Fund for Technical Expertise and Experience Transfers (FEXTE) and the Project Start-up and Monitoring Facility (FAPS). These tools help to finance technical cooperation programmes and project preparation studies by proactively promoting French actors in accordance with procurement rules.

### FOCUS: Mobilising French actors around urban development in India

In 2015, the Indian government launched the Smart Cities Mission aimed at supporting 100 cities in their integrated and sustainable urban development, including the mobilisation of digital technologies. Under Franco-Indian cooperation, AFD provided support for three “Smart Cities” (Nagpur, Chandigarh and Pondicherry), mobilising French expertise to assist them in designing and implementing smart city projects through a FEXTE grant of €700,000.

Following the success of the technical assistance programme, AFD, the National Institute for Urban Affairs (NIUA) and the Ministry of Housing and Urban Affairs (MoHUA) co-designed the City Investments to Innovate, Integrate and Sustain (CITIIS) programme launched in 2018. This enables 12 cities, selected through a call for projects, to benefit from financial and technical assistance. AFD granted MoHUA a €100 million loan, while a €6 million European grant is financing a tailor-made technical assistance scheme. In addition, a €1 million FEXTE grant aims to specifically promote French expertise within the framework of this project. A second phase focused on urban projects with climate co-benefits is under appraisal for 2021.

In parallel, AFD is an active member of the Smart Cities Club, led by the French Embassy in Delhi: every three months, French companies active in the sector have an opportunity to exchange and keep up to date on AFD projects. Lastly, for the first half of 2021, AFD and Business France have put together a programme specifically tailored to French SMEs seeking to develop their operations in India to enable them to submit their proposals to the Smart Cities. These companies will be invited to position themselves on tenders for AFD-financed contracts in line with procurement rules.

<sup>36</sup> The Indo-Pacific axis, together with the European Union, India and Australia, aims to tackle the region's common challenges, climate change being among the first and foremost.

<sup>37</sup> Organisation of events, workshops and encounters on a regular basis; regular exchanges on AFD's portfolio.

<sup>38</sup> Much like the cooperation developed between the metropolitan area of Bordeaux and the State of Telangana (India), or between Le Val de Loire and the State of Tamil Nadu (India).

## 3.2. MOBILISE THE DONOR NETWORK FOR A REGIONAL PROJECTION

Nearly 60% of the financing allocated by AFD in the region between 2016 and 2019 was in the form of cofinancing with other development actors. By mobilising other donors on its priorities, the “AFD Platform” has been able to finance major projects that often require more funds than those that the Group is able to commit. At the same time, the Agency also ensures the visibility of France and its own capacity to project the priorities of French development policy through these partnerships, particularly via its direct involvement in public policy dialogues.

The partnership with the European Union is of strategic importance: between 2018 and 2019, the EU Asia Investment Facility (AIF) delegated grants of €44 M to AFD, which contributed to financing feasibility studies and technical assistance vital to proper project implementation. Over the period 2014–2019, AFD was the leading beneficiary of the AIF’s blended funding in South Asia (with nearly €113 M delegated to AFD by the EU), ahead of the Asian Development Bank (ADB), the European Investment Bank (EIB) and KfW (Germany). A continuing strong collaboration with the EU will thus be sought. The Group will also seek to consolidate its operational partnerships and cofinancing with the other European donors operating in the region, such as the EIB and KfW, with whom the Mutual Reliance Initiative (MRI) will be operationalised as soon as possible, or with the Danish development agency Danida.

AFD will foster its exchanges with the World Bank within the technical cooperation framework, targeting joint operations to maximise a leverage effect, while Proparco will discuss more specifically with the International Finance Corporation (IFC). Deeper relations will also be sought with the Asian Development Bank, which is a historical partner for project appraisals and cofinancing in the region.<sup>39</sup> AFD will work to consolidate its relations with the other key technical and financial partners in the region, such as JICA or AKDN. Within the International Development Finance Club (IDFC) and buoyed by the November 2020 Finance in Common Summit (FICS),<sup>40</sup> the Group will support a strategic dialogue with the region’s public development banks to promote peer meetings with the possible goal of cofinancing and advocacy for the banks’ alignment with the SDGs. With a view to encouraging regional cooperation, AFD will work on exploring new avenues by studying possible membership of the Association of Development Financing Institutions in Asia and in the Pacific (ADFIAP), by developing operational partnerships with the region’s PDBs (NHB, SIDBI and NABARD in India, RDB in Sri Lanka, cofinancing with the AIIB and CDB) and by identifying those actors that have potentially strategic interests in the region (Australian, US, Japanese cooperation).

Proparco will pursue its prospecting efforts and its work to promote financing tools for private-sector projects. It will also continue to study opportunities for joint actions with European development finance institutions such as the FMO, DEG or IFU.

<sup>39</sup> AFD has been a partner of ADB since 1997. A framework partnership agreement was renewed for six years in 2016 based on concrete collaboration goals on key themes: sustainable cities, urban transport and climate change.

<sup>40</sup> The Finance in Common Summit, co-organised by AFD during the Paris Peace Forum, 11–12 November 2020, reaffirmed the importance of the challenges relating to social justice and human development for sustainable development. Several commitments were laid out in the Summit’s Joint Declaration, signed by all of the world’s public development banks (PDBs).

### 3.3. CONTRIBUTE TO STRENGTHENING REGIONAL STRUCTURES AND INITIATIVES

In a region where some countries have conflictual political relations at times, there are very few initiatives able to bring together all of the countries in the region. The Group will thus work to better understand the dynamics within the regional bodies and initiatives, SAARC and SACEP, in order to promote regional dialogue and the emergence of regional solutions to cross-border challenges, such as inclusive growth or environmental protection. In the same vein, the Group will seek to become informed of and support as far as possible (i) programmes supported by the international institutions that address regional issues, such as the South Asia Water Initiative (World Bank) or the South Asia branch of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and (ii) government initiatives in the region such as the Indian-led Coalition for Disaster Resilient Infrastructure and the International Solar Alliance.

Alongside AFD's Indian Ocean Regional Office and Southeast Asia Regional Office, the South Asia Regional Office will study financing for the first activities to be conducted on behalf of the Indian Ocean Rim Association (IORA) in order to support France's future membership of this body,

which is pivotal in the "Indo-Pacific" space. AFD will also explore the possibilities of closer ties with the International Association of Cities and Ports, with which the Indian Ocean Regional Office is already in close contact, mainly to have the South Asian cities included in the "Indian Ocean" group. Overall, the Group will keep informed of major regional initiatives and remain open to opportunities for cooperation.

At the same time, AFD Group will work to forge closer ties with civil society and local non-governmental organisations, the rationale being to integrate them into projects and share knowledge and experiences. The Group will also consider supporting them within the limits of the grant funds available.

The operational focus of these efforts will be highlighted as this approach will support local agencies in identifying large-scale regional projects (e.g., related to the blue economy in the Bay of Bengal), and thus respond to the policy requirement to increase the Group's activity in the Indo-Pacific space and develop cooperation with third countries.

## 3.4. CONTRIBUTE TO BETTER KNOWLEDGE OF REGIONAL DYNAMICS

AFD will continue its knowledge production activity – in association with the French Cooperation and Cultural Services (SCACs) and in an operational perspective – particularly in the strategic intervention sectors (climate change adaptation, energy, urban planning) and sectors common to the different regional actors (biodiversity and the blue economy, including the fight against marine pollution and conservation of fisheries resources). These activities will contribute to a better understanding of the major development challenges, the territorial and economic dynamics, and the social ties that exist in this multi-linguistic and multi-community basin, with a view to informing decision-making. To this end, the Group will draw on the network of universities, local and international think tanks, research bodies such as CIRAD, IRD or the IFP, and international institutions such as the United Nations Development Programme (UNDP) or the United Nations Office for Disaster Risk Reduction (UNDRR).

### FOCUS: Partnership with the Institut Français de Pondichéry

AFD has established a partnership with the Institut Français de Pondichéry (IFP), a public research institution under the supervision of the French MEAE and the French National Centre for Scientific Research (CNRS). Coupled with the Centre de Sciences Humaines (CSH) in New Delhi, it forms the research services unit, "*Savoir et mondes indiens*". The IFP aims to carry out missions of research, expertise and training in partnership with French, Indian or third-country institutions, while also fostering access to the field for non-Indian researchers.

This collaboration is part of the common ambition to engage in a regular scientific dialogue on questions related to social and ecological resilience, urban governance and the sustainability of socio-ecological systems in the Pondicherry region.

This partnership aims to strengthen and deepen the work carried out by the IFP's research teams on these interconnected themes, and to combine them in an integrated approach likely to stimulate exchanges with local and regional institutional spheres. Specific focus will be set on two topics:

1. Challenge of urban production, heritage and cultural economy,
2. Social and ecological challenges for adaptive management or urban, peri-urban and rural wet-lands.

The background features several overlapping, thin orange circular lines of varying radii, creating a dynamic, abstract pattern. The lines are centered around the text, with some passing through the text itself.

# 4.

## **FINANCIAL PERSPECTIVES AND INTERVENTION MODALITIES**

## 4.1. INTERVENTION MODALITIES

For its action in South Asia, the Group will mobilise all available tools, in line with the local contexts and its intervention mandate. AFD's activities will continue to operate mainly through sovereign loans, as long as the partner's financial situation so permits, be they subsidised loans (Pakistan, Bangladesh, Sri Lanka), or non-subsidised (India). Grant resources will remain limited and focus on funding services that provide assistance to contracting authorities, capacity-building or technical assistance. The availability of grants for the region provided under the French government's Programme 209 is low, which partly explains the limited activity in Afghanistan, as the country is not among the countries where grant efforts are concentrated.

Among the instruments that will be used, policy-based loans are of particular importance as they make it possible to intervene on identified priority themes and to dovetail primary objectives with support for the convergence of standards through the long-term public policy dialogues that are vital to ensuring the sustainability of infrastructure investments. Policy-based loans also create an opportunity to promote French expertise in support of funded reforms. Lastly, AFD will prioritise policy-based loans in its cofinancing with other donors so as to have greater weight in public policy dialogues, given that the financing volumes are larger than those that AFD could mobilise on its own.

### FOCUS: leading the public policy dialogue on climate questions thanks to the 2050 Facility

In South Asia, several projects have mobilised the 2050 Facility, helping partners to model their GHG emissions pathways and the socio-economic impacts of climate change. The projects financed by the Facility help to identify the priority actions, define realistic objectives and inform decision-making.

In Pakistan, AFD proposed to assist the government in updating its NDC and preparing a plan to achieve its objectives. The 2050 Facility is thus funding the work of two French consultancies, Enerdata and Solagro, tasked with (i) completing the modelling of the countries emissions and (ii) developing a set of reduction scenarios coherent with the public policies currently envisaged or more ambitious ones, which will produce a precise analysis of potential mitigation efforts and their cost.

In India, the Center for the Study of Science, Technology and Policy (CSTEP), an Indian non-profit research body, benefits

from the 2050 Facility to model needs in terms of energy, materials, land and water and which are required to pursue the objective of "a decent quality of life" for all. This study will provide sector experts and policymakers with input for discussions about Indian ambitions for climate and improvement of the populations' standard of living.

Finally, two projects in India and Bangladesh have been approved and are due to begin shortly. The first aims to propose to the Indian Ministry of Finance an analytical framework that will help to identify and measure the economic and financial risks related to a low-carbon transition, and to draw up public policy recommendations. The second project aims to promote an adaptive social protection system that can provide emergency aid to disaster-hit populations, as well as to support the low-carbon transition and the protection of the environment.

AFD Group, and particularly Expertise France, will also work to propose expert solutions (technical assistance) to meet its partners' expectations. On this count, FEXTE (Fund for Technical Expertise and Experience Transfer) and FAPS (Project Start-up, Preparation and Monitoring Facility) will play a key role as they make it possible to finance technical cooperation programmes and project preparation studies by promoting French expertise whenever possible, in compliance with procurement rules.

The use of European grants is a central question for the South Asia Regional Office, as it heightens the competitiveness of AFD Group's offer, mainly by financing technical assistance or feasibility studies. As a result, AFD will endeavour to obtain and integrate European aid under delegated management into the reforms and projects that it supports in the region.

## 4.2. FINANCIAL PERSPECTIVES

AFD Group's activity in South Asia has been growing continuously over the past four years: €463 M allocated in 2017 (including €74 M from Proparco), €780 M in 2019 (including €175 M from Proparco). Consistent with this growth path for AFD Group, and with the consolidation of AFD's activity in the region, the Group's provisional financial programming for the next five years could settle at between €900 M and €1.2 Bn of annual commitments as from 2021.

AFD Group will also work to diversify its operations, given the risk of concentration and of reaching the Group's operational limits in some countries and sectors (mainly with respect to sovereign financing in India). It will pay greater attention to monitoring outstanding signatures and outstanding disbursements.

The competitiveness of AFD's offer in South Asia differs according to the country of intervention. Generally speaking, the higher a country's income category, the lower AFD's capacity to mobilise soft financing, which means that the Group's offer is all the less competitive compared to the other donors (particularly KfW, the World Bank and ADB). On this count, India is a significant case. AFD has a sizeable competitive disadvantage in the country: as India belongs to the group of major emerging countries defined by the French ministries,<sup>41</sup> (i) AFD is not authorised to intervene using soft loans and (ii) operations in the country are subject to an additional margin – also implemented in the other major emerging countries – used to top up the reserve account. In the region's LDCs and LMICs (particularly Bangladesh and Pakistan), AFD's offer is in competition with that of donors disposing of highly concessional windows (e.g., IDA or blended finance for the World Bank, BMZ resources for KfW).

## 4.3. PERFORMANCE INDICATORS

AFD Group is working to develop the monitoring–evaluation–accountability of its operations. To more effectively steer its operations and fulfil its duty of accountability, AFD has defined a number of monitoring indicators. Under the South Asia regional strategy, AFD commits to monitoring several indicators in particular. These are detailed below and grouped into three main themes: (i) financial steering; (ii) monitoring of mandate-related objectives (indicators

of the Group Strategy); (iii) monitoring of priority actions (aggregate indicators). These indicators will make it possible, both throughout and at the end of the period covered, to measure the efforts and progress achieved compared to the chosen objectives. As far as project evaluation is concerned, the South Asia Regional Office will prioritise multi-country cluster evaluations of key intervention sectors, in a regional-scale learning approach.

### (i) Financial steering (in €M)

- Commitments
- Signatures
- Disbursements

### (ii) Monitoring of mandate-related objectives

- Share of commitments with climate co-benefits (in % of total commitment volume)
- Share of signatures with climate co-benefits (in % of total signature volume)
- Share of commitments with gender co-benefits (in % of total commitment volume)
- Share of signatures with gender co-benefits (in % of total signature volume)
- Share of commitments with cofinancing (in % of total commitment volume)
- Share of delegated funds (in % of total commitment volume)

<sup>41</sup> The list of major emerging countries was defined by the ministerial letter of 28 July 2014 and currently includes seven countries: South Africa, Brazil, China, India, Indonesia, Mexico, Turkey. This letter specifies AFD's intervention modalities in the "major emerging countries".



## Monitoring priority actions

### Combat climate change by supporting low-carbon transitions

- Number of people benefiting from a renewable energy project
- Renewable energy capacities installed or rehabilitated (MW)
- Number of people benefiting from an energy-efficiency project
- Energy consumption savings (GWh/year)
- Surface area of renovated or constructed energy-efficient buildings

### Promote the sustainable management of territories and preserve natural resources in view of climate change adaptation

- Number of people benefiting from improvements to basic services (water, sanitation, energy, waste management)
- Number of people benefiting from improved access to sustainable urban transport
- Surface areas benefiting from a biodiversity conservation/restoration programme
- Surface areas benefiting from sustainable resources and/or land management programmes

### Contribute to more inclusive economic growth and mitigate social imbalances

- Number of people whose housing conditions and access to public spaces or socio-collective facilities have been improved
- Number of people benefiting from better social protection
- *Including the number of women benefiting from better social protection*

The background features several overlapping, thin orange circular lines of varying radii, creating a dynamic, abstract pattern. The lines are centered around the text, with some passing through the letters.

# 5.

## APPENDICES

# APPENDIX 1. LOGICAL FRAMEWORK

Global impact	Targeted transition	General objectives	Specific objectives	Activities
Contribute to a sustainable and inclusive development in the region	ENERGY TRANSITION	1. Combat climate change by supporting low-carbon transitions	1.1. Support the energy transition	<ul style="list-style-type: none"> <li>a. Support the diversification of energy mixes towards more renewable energies</li> <li>b. Improve power transmission and distribution systems</li> <li>c. Improve energy efficiency (buildings, industry)</li> <li>d. Improve the regulatory frameworks for energy production and management (production, transmission, distribution, energy efficiency) – and foster avenues for regional collaboration</li> </ul>
			1.2. Support partners in climate change adaptation and mitigation	<ul style="list-style-type: none"> <li>a. Raise the awareness of our partners (States) on the importance of mitigation and support them in adapting to climate change effects</li> <li>b. Assist our partners in modelling and adopting low-carbon pathways</li> </ul>
			2.1. Promote inclusive and environment-friendly management of territories	<ul style="list-style-type: none"> <li>a. Promote smart, sustainable and inclusive urban development and improve the connectivity of rural areas</li> <li>b. Fight pollution (industrial, agricultural, air quality, etc.)</li> <li>c. Strengthen territorial resilience (to natural disasters and climate change effects)</li> </ul>
	TERRITORIAL AND ECOLOGICAL TRANSITION	2. Promote the sustainable management of territories and preserve natural resources	2.2. Protect natural resources	<ul style="list-style-type: none"> <li>a. Encourage sustainable resources management (water, soil, etc.)</li> <li>b. Contribute to biodiversity protection (creation of protected areas, management of forests, coastal areas, etc.)</li> <li>c. Contribute to the growth of the blue economy (sustainable fisheries and aquaculture, protected coastal and marine areas, tourism, renewable marine energies, etc.)</li> </ul>
			3.1. Fight against inequalities	<ul style="list-style-type: none"> <li>a. Extend and reinforce access to public services (health, education, water and sanitation, electricity, etc.)</li> <li>b. Support reform of social protection systems</li> <li>c. Mainstream gender into all project studies</li> </ul>
	DEMOGRAPHIC AND SOCIAL TRANSITION	3. Contribute to more inclusive economic growth	3.2. Contribute to strengthening economies	<ul style="list-style-type: none"> <li>a. Promote the emergence of high-potential or innovative economic sectors (blue economy, sustainable tourism, CCIs, digital, etc.), mainly by prioritising vocational training to develop sector-based skills, and integrate value chains</li> <li>b. Contribute to improving the quality of jobs (security, decency)</li> <li>c. Promote financial inclusion and SMEs access to financing</li> </ul>

# APPENDIX 2. SOCIO-ECONOMIC INDICATORS

## Economic data

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
GDP current prices (USD billions, 2019)	18,7	317.5	2.8	2,935.6	5.8	29.8	284.2	86.6
GNI/cap. (USD, 2019)	540	1,940	–	2,130	9,650	1,090	1,530	4,020
GDP growth (% annual) – average 2015–2019	2.3%	7.5%	5.8%	6.7%	3.7%	5.7%	5.2%	4.5%
Public debt as % of GDP (2019)	7.5%	34.6%	108.6%	69.0%	70.1%	32.6%	76.7%	83.0%
% informal economy (2015, IMF)	N/A	27.6%	20.3%	17.9%	20.7%	30.2%	31.6%	35.5%
% share of informal employment	N/A	91.0%	N/A	80.0%	47.0%	78.0%	71.0%	61.0%
DAC classification	PMA	PMA	PMA	PRITI	PRITS	PMA	PRITI	PRITI
Migrant remittances (% of GDP)	3.7%	6.1%	1.8%	2.9%	0.1%	29.1%	7.1%	8.0%
Current account balance (% of GDP) – average 2015–2019	8.1%	-1.0%	-25.2%	-1.3%	-2.5%	-21.1%	-1.0%	-3.6%
Corruption Perceptions Index – Transparency International (ranking out of 180)	173	146	25	80	130	113	120	93

## Demographic data

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Total population (millions)	38.0	163.0	0.8	1,366.4	0.5	28.6	216.6	21.3
Elderly dependency rate	4.8	7.7	8.9	9.5	4.8	8.9	7.1	16.6
Youth dependency rate	77.3	40.3	37.0	39.7	26.0	45.7	57.8	36.7
Birth rate (2018)	4.5	2.0	2.0	2.2	1.9	1.9	3.5	2.2
Child mortality rate (%)	47.9	25.1	24.8	29.9	7.4	26.7	57.2	6.4
Life expectancy (years)	64.3	72.2	71.3	69.3	78.5	70.3	67.0	76.7
Urban population (%)	25.8%	37.4%	41.6%	34.5%	40.2%	20.2%	36.9%	18.6%

## Development and inequalities data

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
HDI	0.496	0.617	0.614	0.647	0.719	0.580	0.560	0.780
HDI ranking (out of 189)	170	135	134	129	104	147	152	71
Poverty rate based on the USD 1.9 /day threshold	–	14.8%	2.2%	21.2%	7.3%	15.0%	3.9%	0.8%
Multidimensional poverty rate (UNDP)	55.9%	24.6%	37.3%	27.9%	0.8%	34.0%	38.3%	2.9%
Gini Index	–	32.4	37.4	37.8	31.3	32.8	33.5	39.8
Gender Inequality Index	0.575	0.536	0.436	0.501	0.367	0.476	0.547	0.380
Gender Inequality Index (ranking out of 189)	170	129	99	122	81	115	152	86
Access to electricity (% rural population)	79%	69%	100%	78%	100%	85%	99%	95%
Access to electricity (% urban population)	98%	94%	100%	98%	100%	95%	100%	100%
Population with improved water supply sources (%)	55.3%	86.9%	–	94.1%	98.6%	91.6%	91.4%	95.6%
Mobile telephone subscribers (ratio per capita)	0.6	1.0	0.9	0.9	1.7	1.4	0.7	1.4
Literacy rate (15 years+, %)	43.0%	73.9%	66.6%	74.4%	97.7%	67.9%	59.1%	91.7%
School enrollment, primary and secondary, Gender Parity Index	0.6	1.1	1.1	1.1	–	1.0	0.8	1.0
Women's labour force participation (% ,ILO estimate, 2019)	22%	36%	59%	21%	42%	83%	22%	35%

# APPENDIX 3. CLIMATE INDICATORS

## Geographic data

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Surface area	652860	130170	38143.999	2973190	300	143350	770880	62710
Agricultural area (% territory)	58.07%	70.63%	13.61%	60.45%	43.69%	26.33%	28.75%	47.79%

## Forest area (% territory)

	1990	2000	2009	2016
Forest area	2.00%	2.10%	2.10%	2.10%
Bangladesh	11.40%	11.30%	11.10%	11.00%
Bhutan	53.60%	65.50%	70.70%	72.50%
India	21.50%	22.00%	23.30%	23.80%
Maldives	3.30%	3.30%	3.30%	3.30%
Nepal	33.70%	27.90%	25.40%	25.40%
Pakistan	3.30%	2.70%	2.20%	1.90%
Sri Lanka	36.40%	35.00%	33.60%	32.90%
South Asia	16.50%	16.55%	17.30%	17.50%

## Vulnerability to climate change

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Vulnerability ranking (ND-GAIN)	173	158	98	120	126	131	139	100
Climate Risk Index, 2018 (ranking)	N.D.	98	135	5	118	20	100	6
Climate Risk Index, 1999-2018 (ranking) <sup>42</sup>	24	7	103	17	175	9	5	22

<sup>42</sup> The Climate Risk Index (CRI) developed by Germanwatch is an analysis of the level of exposure and vulnerability to extreme climate events. The long-term Climate Risk Index is based on climate and socio-economic data between 1999 and 2018.

## Level of vulnerability to climate and natural hazards (ThinkHazard)

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
River flood	High	High	High	High	N/A	Medium	High	High
Urban flood	High	High	High	High	N/A	High	High	High
Coastal flood	N/A	High	N/A	High	Very low	N/A	High	Medium
Earthquake	High	Medium	Medium	High	N/A	Medium	High	Very low
Landslide	High	High	High	High	Very low	High	High	Low
Cyclone	Low	High	Low	High	N/A	Faible	High	High
Water scarcity	High	Medium	Medium	High	N/A	High	High	Low
Extreme heat	High	High	High	High	N/A	High	High	Medium
Wildfire	High	High	High	High	Very low	High	High	High
Tsunami	N/A	Medium	N/A	Medium	Medium	N/A	Medium	Medium
Volcano	Low	N/A	N/A	Low	N/A	N/A	Low	N/A

## Resilience risks (ND-GAIN)

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Water	Medium	Medium	Low	Medium	N/A	Low	Medium	Medium
Agriculture and food security	High	High	Medium	High	High	High	High	High
Health	High	High	High	High	Medium	High	Medium	Low
Ecosystem services	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium
Human habitat	Medium	Medium	Medium	Medium	Medium	Medium	Low	Medium
Infrastructure	N/A	Medium	N/A	Low	High	Medium	Low	Low

## Greenhouse gas emissions data

	Afghanistan	Bangladesh	Bhutan	Bhutan	Maldives	Nepal	Pakistan	Sri Lanka
CO <sub>2</sub> /capita (in tonnes)	0.288041	0.558327	1.892724	1.93635	1.136474	1.966301	0.348009	0.976928
World emitters (ranking)	108	45	163	3	160	107	28	84
Emissions/capita (ranking)	195	176	140	130	105	184	158	154
Energy intensity of GDP (TES/GDP) (toe/thousand 2015 USD), IEA	N.D.	0.2	N.D.	0.4	N.D.	0.6	0.4	0.1

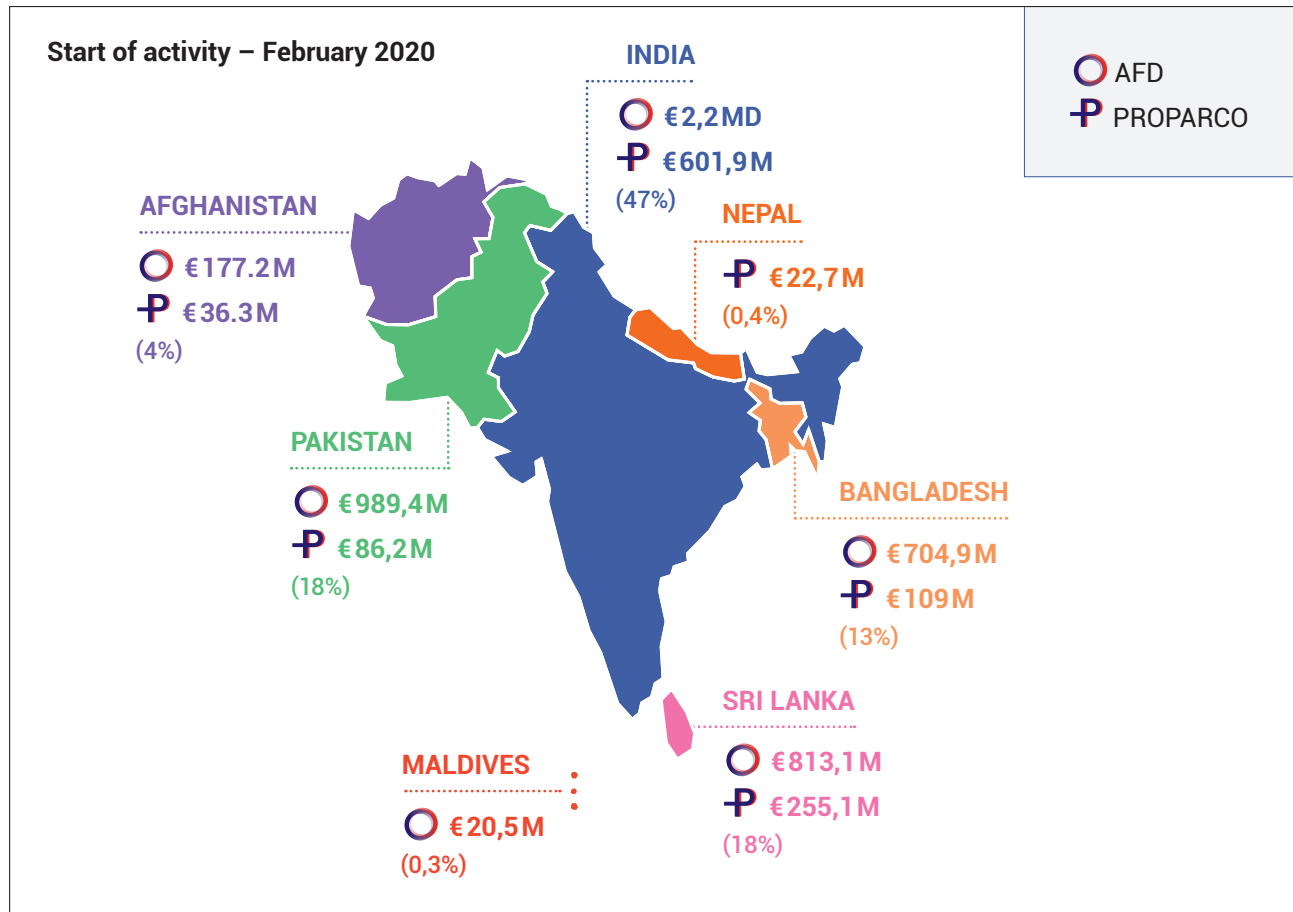
## Energy data (2017, IEA)

		Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Total primary energy supply, % by source	Energy self-sufficiency	N/A	83%	N/A	63%	N/A	76%	63%	42%
	Coal	N/A	5%	N/A	44%	N/A	6%	10%	13%
	Oil	N/A	14%	N/A	25%	N/A	17%	27%	46%
	Biofuels and waste	N/A	24%	N/A	21%	N/A	74%	33%	38%
	Natural gas	N/A	57%	N/A	6%	N/A	0%	25%	0%
	Wind, solar, etc.	N/A	0%	N/A	1%	N/A	0%	0%	0%
	Hydroelectric	N/A	0%	N/A	1%	N/A	3%	2%	3%
	Nuclear	N/A	0%	N/A	1%	N/A	0%	2%	0%
Total final consumption, % by source	Petroleum products	N/A	15%	N/A	33%	N/A	18%	23%	43%
	Biofuels and waste	N/A	30%	N/A	27%	N/A	73%	37%	45%
	Coal	N/A	6%	N/A	17%	N/A	6%	8%	0%
	Electricity	N/A	17%	N/A	17%	N/A	4%	10%	11%
	Natural gas	N/A	32%	N/A	6%	N/A	0%	21%	0%
	Wind, solar, etc.	N/A	0%	N/A	0%	N/A	0%	0%	0%
Final energy consumption, % by sector	Industry	N/A	29%	N/A	42%	N/A	8%	29%	25%
	Residential	N/A	49%	N/A	29%	N/A	76%	46%	33%
	Transport	N/A	12%	N/A	17%	N/A	12%	20%	36%
	Other	N/A	10%	N/A	12%	N/A	4%	5%	6%
Electricity generation, % by source	Oil	N/A	18%	N/A	2%	N/A	0%	22%	39%
	Hydro	N/A	1%	N/A	9%	N/A	100%	21%	25%
	Coal	N/A	1%	N/A	74%	N/A	0%	8%	32%
	Wind	N/A	0%	N/A	3%	N/A	0%	2%	2%
	Solar PV	N/A	0%	N/A	2%	N/A	0%	1%	1%
	Biofuels and waste	N/A	0%	N/A	3%	N/A	0%	1%	0%
	Natural gas	N/A	79%	N/A	5%	N/A	0%	37%	0%
	Nuclear	N/A	0%	N/A	3%	N/A	0%	8%	0%
	Electricity consumption (MWh/capita)	N/A	0,4	N/A	1	N/A	0,2	0,6	0,7

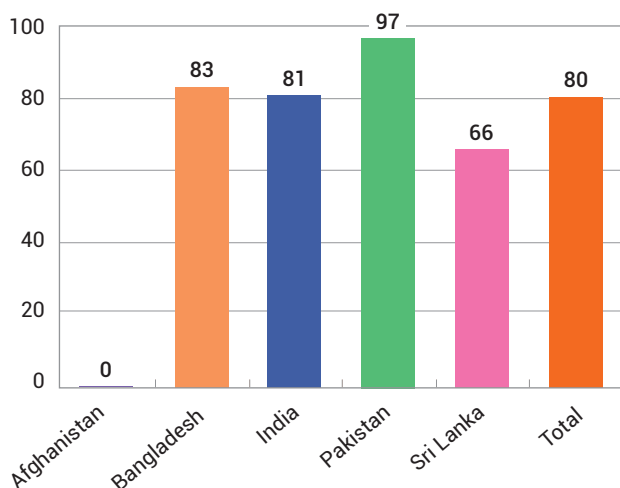


# APPENDIX 4. OVERVIEW OF AFD GROUP'S ACTIVITY

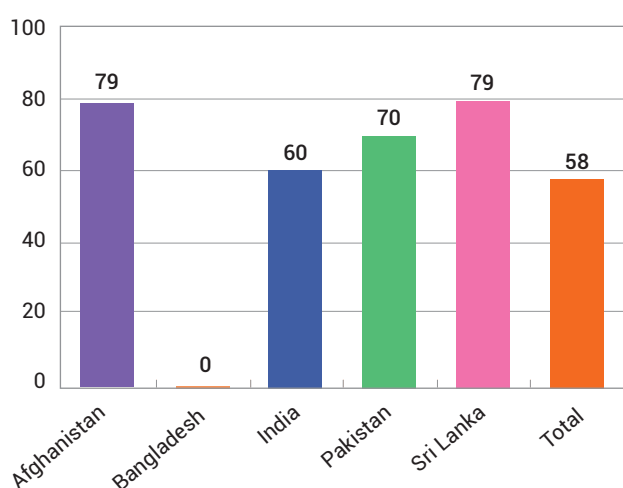
## 4.1. Group commitments (2004–February 2020)



## 4.2. Share of commitments with climate co-benefits (2017–2019)



## 4.3. Share of commitments with a DAC 1 or 2 gender marker (2017–2019)



# ACRONYMS AND ABBREVIATIONS

**ADB** Asian Development Bank

**ADFIAP** Association of Development Financing Institutions in Asia and the Pacific

**AFD** Agence Française de Développement (French development agency)

**AKDN** Aga Khan Development Network

**AIIB** Asian Infrastructure Investment Bank

**AIF** Asia Investment Facility

**BMZ** Federal Ministry of Economic Cooperation and Development (Germany)

**BRI** Belt and Road Initiative

**CCIs** Cultural and creative industries

**CDB** China Development Bank

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

**CITIIS** City Investments to Innovate, Integrate and Sustain

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

**CSH** Centre des Sciences Humaines of New Delhi (Human Sciences Centre, Delhi)

**CSTEP** Center for Study of Science, Technology and Policy, New Delhi

**DAC** Development Aid Committee of the OECD

**DEG** Deutsche Investitions- und Entwicklungsgesellschaft (German Investment Corporation)

**EF** Expertise France

**EIB** European Investment Bank

**EU** European Union

**FAO** Food and Agriculture Organization

**FAPS** *Fonds d'Appui à la Préparation et au Suivi des Projets* (Project Start-up, Preparation and Monitoring Facility, AFD)

**FEXTE** *Fonds d'expertise et de transferts d'expérience* (Fund for Technical Expertise and Experience Transfers, AFD)

**FFEM** French Facility for Global Environment

**FICS** Finance in Common Summit

**FMO** Entrepreneurial Development Bank (Netherlands)

**FTE** Full-time equivalent

**GDP** Gross domestic product

**GNI** Gross national income

**HDI** Human Development Index

**IDA** International Development Association (World Bank)

**IDFC** International Development Finance Club

**IEA** International Energy Agency

**IDC** International Finance Corporation

**IFP** Institut Français de Pondichéry (French Institute of Pondicherry)

**IFU** Investment Fund for Developing Countries (Denmark)

**ILO** International Labour Organization

**IMF** International Monetary Fund

**IORA** Indian Ocean Rim Association

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

**ISA** International Solar Association

**JICA** Japan International Cooperation Agency

**KfW** Kreditanstalt für Wiederaufbau (German public development bank)

**LDC** Least developed country

**LMIC** Lower-middle-income country

**MEAE** Ministry for Europe and Foreign Affairs (France)

**MRI** Mutual Reliance Initiative

**NABARD** National Bank for Agriculture and Rural Development, India

**NHB** National Housing Bank, India

**OECD** Organisation for Economic Cooperation and Development

**PBL** Policy-based loan

**PDB** Public development bank

**RDB** Regional Development Bank, Sri Lanka

**RO** Regional Office, AFD

**SAARC** South Asia Association for Regional Cooperation

**SACEP** South Asia Cooperative Environment Programme

**SARO** South Asia Regional Office

**SCAC** *Service de coopération et d'action Culturelle* (Cooperation and cultural action service, France)

**SDG** Sustainable Development Goal

**SIDBI** Small Industries Development Bank of India

**UMIC** Upper-middle-income country

**UNDP** United Nations Development Programme

**UNESCAP** United Nations Economic and Social Commission for Asia and the Pacific

**UNDRR** United Nations Office for Disaster Risk Reduction

**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>

# AGENCE FRANÇAISE DE DÉVELOPPEMENT

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

[www.afd.fr](http://www.afd.fr)

