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FRANÇAISE**

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AFD GROUP STRATEGY

2025-2030



#WorldInCommon



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Editorial



Since 2017, France has revitalized and reset its development policy. The Sahel– and now Ukraine and the Middle East – have once again made Development a key pillar of our foreign policy, in “3D,” together with Diplomacy and Defense. Meanwhile, the climate crisis and COVID have shown us that effective responses always require a dose of international cooperation in addition to the exercise of national responsibilities. Along with Team Europe, we are trying to transcend the old forms of both neighbor relationships (especially with Africa) and official development assistance. Instead, we are pursuing a solidarity-driven and sustainable partnership and investment policy, with the aim of achieving the Sustainable Development Goals (SDGs). It is a policy in which innovations are exchanged and in which interests combine for greater impact.

In this early part of 2025, we are facing huge issues. Geopolitical and environmental crises have grown and coalesced, thereby aggravating economic fragmentation and the temptation for withdrawal. War, the feeling of urgency to implement competitiveness policies, and harsher migration policies have all made a comeback throughout the world. This inevitably requires new contributions from development policy. Meanwhile, budget constraints in many countries are an argument for more financial engineering and stricter requirements for effectiveness. And the fact that multilateral institutions are being called into question implies that it is crucial to quickly develop a new framework of reference, incentives, and accountability, as we have started to do within the Finance in Common (FiCS) movement, which brings together all public development banks and their partners.

All these reasons have made resetting AFD Group’s strategy a necessity. With this Strategy 2025-2030, AFD Group – bolstered by its three components AFD, Proparco and Expertise France – intends to contribute actively to the debate as well as to action. We do not want our country to show less solidarity or to lose its ability to link its interests with those of others. That is why AFD is French but also “by our partners’ side,” with the French overseas territories and their specific economic, social and environmental challenges acting as opportunities for links and innovation with other countries. So as not to fall into denial of the climate crisis, not to forget the most vulnerable people, and to decarbonize value chains and financial systems, AFD is asserting itself as the bank of solidarity-driven and sustainable investment and is maintaining its quality requirement of “100% SDG aligned.” Finally, AFD Group wants to complete its transformation into a “mobilization platform” so it can fully play its role of welcoming and supporting all stakeholders – including civil society, businesses, local authorities, philanthropists, researchers, volunteers, and others – who want to contribute to renewing the role of France and Europe in the world and put into motion our peace, security, and sustainable development agenda.

AFD Group’s scope of work and its value proposal, as envisioned up to 2030 and set out in this document, will be specified and guided by successive three-year Agreements on Targets and Resources concluded with the French government. AFD Group is continuing its evermore effective and impactful transformation, with the aim of serving the French people and all those who wish to cooperate with France.

Rémy RIOUX
AFD Group CEO



Foreword

This document presents AFD Group's new strategy (in French: *plan d'orientation stratégique, or POS*) for the 2025-2030 period. It sets out the commitment of AFD Group, bolstered by the combined strength of its three entities: **Agence Française de Développement**, the public international development bank of France and its overseas territories; **Proparco**, its subsidiary dedicated to the private sector; and **Expertise France**, the French agency for technical cooperation.

Agence Française de Développement Group (AFD Group) is the key actor for implementing France's development policy. With over 1,000 new projects signed each year and more than €12 billion in annual financing authorizations, AFD Group is present in 167 countries and 11 overseas territories, where we rely on our network of local field offices and representative offices. AFD Group has 127 major French public and private partners and 90 international co-financers. In addition, 7,000 civil society organizations (CSOs) are involved in its projects.

AFD Group's new strategy proposal promotes the development policy set by the French authorities. It seeks to meet the orientations set by the French Programming Act on Inclusive Development and Combating Global Inequalities of August 4, 2021, and by the Presidential Council for Development (CPD), the Interministerial Committee for International Cooperation and Development (CICID) and the Interministerial Committee for Overseas France (CIOM) in 2023. These orientations aim both to fight poverty and inequality in the world and to promote, beyond our borders, solidarity-based investments for our common goods. They were summarized and shared with all France's partners in June 2023 in the Paris Pact for People and the Planet (4P).

AFD Group operates within the framework of French, European and international law. More broadly, this strategy proposal falls within the multilateral framework set by the United Nations, including the 2030 Agenda and its Sustainable Development Goals (SDGs); the 2015 Paris Agreement on climate; the new Kunming-Montreal Global Biodiversity Framework (GBF) of 2022; and the Addis Ababa Action Agenda on financing for development approved in 2015, on which there will be further discussions in 2025.

This new strategy sets out a renewed ambition, approach and proposed method for all these commitments, taking into account the achievements of the previous strategy and the promise of the new AFD Group. This strategy will undergo an external mid-term evaluation and a final evaluation, which will be shared with our peers.



Background

The Programming Act on Inclusive Development and Combating Global Inequalities was unanimously approved by the French Parliament in 2021. The new priorities of French development policy – “a pillar of foreign policy in its own right” – were then determined and specified by the Presidential Council for Development, the Interministerial Committee for International Cooperation and Development, and the Interministerial Committee for Overseas France. AFD Group’s mandate has been redefined and refocused on a dual agenda: combating poverty and inequality and preserving common goods. In this way, we promote inclusive and sustainable investments beyond our borders, in the least developed and vulnerable countries, in middle-income countries, and in our overseas territories.

A DUAL GEOPOLITICAL

AND SOLIDARITY EMERGENCY

AFD Group must carry out this mandate in a context marked by two opposing and concurrent trends: a world of growing geopolitical tensions and rivalries and a world that is sharing and learning to collectively manage common and existential challenges.

The world is undergoing strategic, economic, energy, and ideological rivalries, which are exacerbated by the wars in Ukraine, the Democratic Republic of the Congo, and the Middle East. This is leading to a fragmented world, in which old lines of conflict have been revived and new ones created. Faced with this uncertainty, all countries are expressing a stronger desire for sovereignty, in Europe as everywhere else in the world.

Meanwhile, development policy is being challenged more than ever by these tensions. It is being considered, once again, as a tool of power and an instrument of strategic competition between nations. At the same time, rapid implementation of policy is being called for, given the unprecedented scale of humanitarian emergencies and the return of extreme poverty in many countries.

A great debate on development policy has also started up in Africa, which is expressing an aspiration for more open political societies and a redefinition of its ties to France and Europe. In this respect, it must pay greater attention to the situation of the most vulnerable people.

At the same time, and not without paradox, development policy and the institutions that implement it have become the main actors of the Paris Agreement on climate and the 2030 Agenda and its SDGs. The 2030 Agenda fundamentally renews the global framework for international development, as it brings together “agendas” covering several facets of development: **development**, through the Millennium Development Goals (MDGs) of the year 2000; **sustainable development**, through the Rio 1992, Rio +10 and Rio +20 conferences; the fight against climate change and for biodiversity, through the Conferences of Parties (COPs) on the climate, desertification, and biodiversity; Financing for development, through the Monterrey, Doha, and Addis Ababa conferences.

The United Nations General Assembly of September 2023 clearly and emphatically reaffirmed the 2030 Agenda Synthesis Report of 2015, despite the lengthy publication delay. This made it possible to increase global official development assistance to a historic level, exceeding \$225 billion for the first time in 2023. The mobilization of further public and private financing is now being requested to top that amount. The Paris Agreement on climate, with its target of \$100 billion in climate finance, and the 2030 Agenda, an international agreement on the desired future of humanity and its living environment, have defined a future that assumes new development models that are prosperous, ecological, egalitarian, and participatory. Development policy is also being radically changed and enlarged toward an inclusive and sustainable investment policy, wherever sustainable development dynamics can be accelerated.

This dual geopolitical and solidarity trend poses a challenge to development action. It must undergo in-depth renewal – in terms of narratives, concepts, and

instruments – to fully carry out its specific function, which will work toward reconciliation at an international level and continuously demonstrate its ability to improve real living conditions. To reach this end, and to go beyond development projects alone, development policy must also contribute to (i) strengthening actors, (ii) more precisely developing credible and effective public policies, and (iii) transforming the financial system as a whole. It must succeed in convincing our own citizens of the usefulness of increased international cooperation in a world that is redefining the links of solidarity and partnership. This latter challenge requires communication which is much more active and partnership-based, powerful, honest, convincing, and capable of showing the progress made.



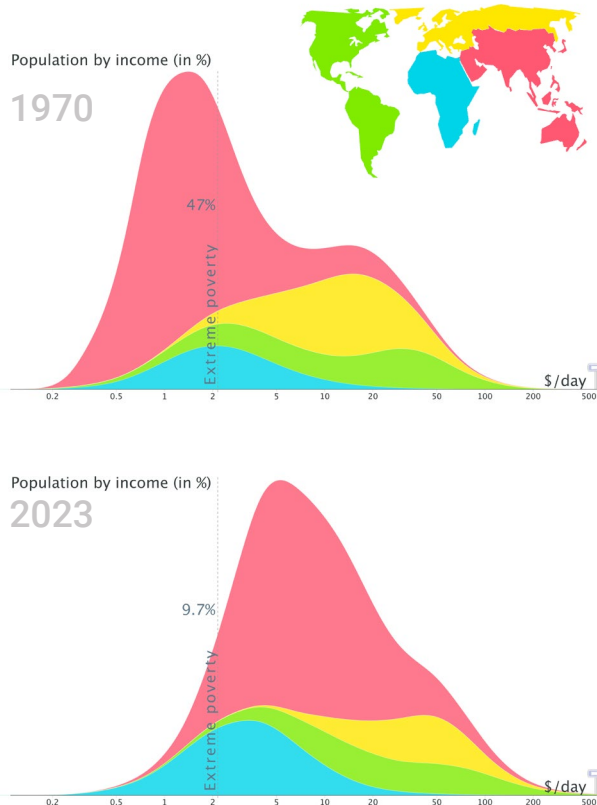
INEQUALITIES AND VULNERABILITIES:

THE END OF A WORLD IN TWO UNEQUAL BLOCS

Meeting this challenge obviously seems out of reach. But it is less so if we consider the huge transformation that the world has undergone over the past 60 years. Development assistance policy used to be based on the inequalities of a world divided into two blocs (the North and the South, whether global or not), but this world split in two no longer exists. The rise of emerging countries since the beginning of the century has massively reduced poverty and, consequently, the relative weight of the North in the world economy. It has led to a pattern of a more regular continuum of global income distribution. Inequality between the poorest and richest countries remains very high, with a ratio of almost 1 to 200 between the gross domestic product (GDP) of the 10 richest countries and that of the 10 poorest, meaning we must uphold the virtue of solidarity relentlessly. Nonetheless, there is now a very broad “world equator” encroaching on both North and South, to which policies and instruments need to be more clearly adapted, and for which the responsibilities of governments are being redefined.

Thus, in many emerging countries, achieving the SDGs no longer requires just making up for possible investment gaps, but now a more in-depth change in national trajectory. It is no longer just a question of “catching up,” since high-income countries must also make their own transitions. In 2020, nearly 70% of global inequalities were located within national borders. In other words, North–South financial transfers, which were predominant in the second half of the 20th century, now contribute only secondarily to the reduction of global inequalities. In many countries, critical change now occurs at the level of trajectories, public policies and national systems, with their associated complex political and financial issues. The same is true for the environmental SDGs. Today, the challenge is not simply that of providing new resources, but also just as much (if not more so in most countries) about redirecting existing investments, mobilizing more domestic resources, and contributing to better public policies.

Distribution of the world population by income



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This transformation, along with the threat of its associated egoism, makes unjust situations even clearer and highlights the urgent need to prioritize the most vulnerable countries. The vulnerabilities of these countries are not limited to poverty, which remains massive, or to exposure to ecological disturbances. Vulnerabilities are multifaceted, as they combine low levels of development, exposure to climate change and violent conflicts. They more proportionally impact the least developed countries (LDCs) and other vulnerable territories, in particular foreign island territories and French overseas communities. Consequently, they require adaptation of the operating methods and tools of development policy.

We have entered the “age of consequences”¹: the impacts of climate change and the collapse of biodiversity are now visible and are further exacerbating inequalities and the decline in human rights and democracy. Powerful and

¹ Melonio T., Naudet J.-D. and Rioux R. (2022), *Official Development Assistance at the Age of Consequences*, AFD Policy Paper No. 11, <https://www.afd.fr/en/ressources/official-development-assistance-age-consequences>

concerted efforts are now required to help reorient public policies, their operational variations, and financial systems. These efforts must be adapted to each context and combine technical excellence, multidisciplinary knowledge, as well as transformative approaches of a sensitive and emotional nature.

Financially, and as these graphs show, the 2030 Agenda is not a dream: eliminating extreme poverty, which seemed a utopian goal when international aid started up in the 1960s, is achievable. Indeed, there are now fewer low-income countries in the world and more emerging countries. Global investment – around \$26 trillion per year, half of it in developing countries – far exceeds all estimates of the “cost” of the SDGs, even though there is still a large financing gap in low-income countries that urgently needs to be filled.

However, the nature of the problem has changed: it is the persistent poor quality of these massive investments and their unequal distribution that (i) destroy the planet (damage to the climate, oceans, and biodiversity; greater pollution, increase in environmental vulnerabilities) and (ii) weaken the social link (increase in inequalities, pandemics, decline in life expectancy, domestic and international tensions). The world established the SDGs in 2015, but it is in no way moving toward that future, despite having the means to do so.

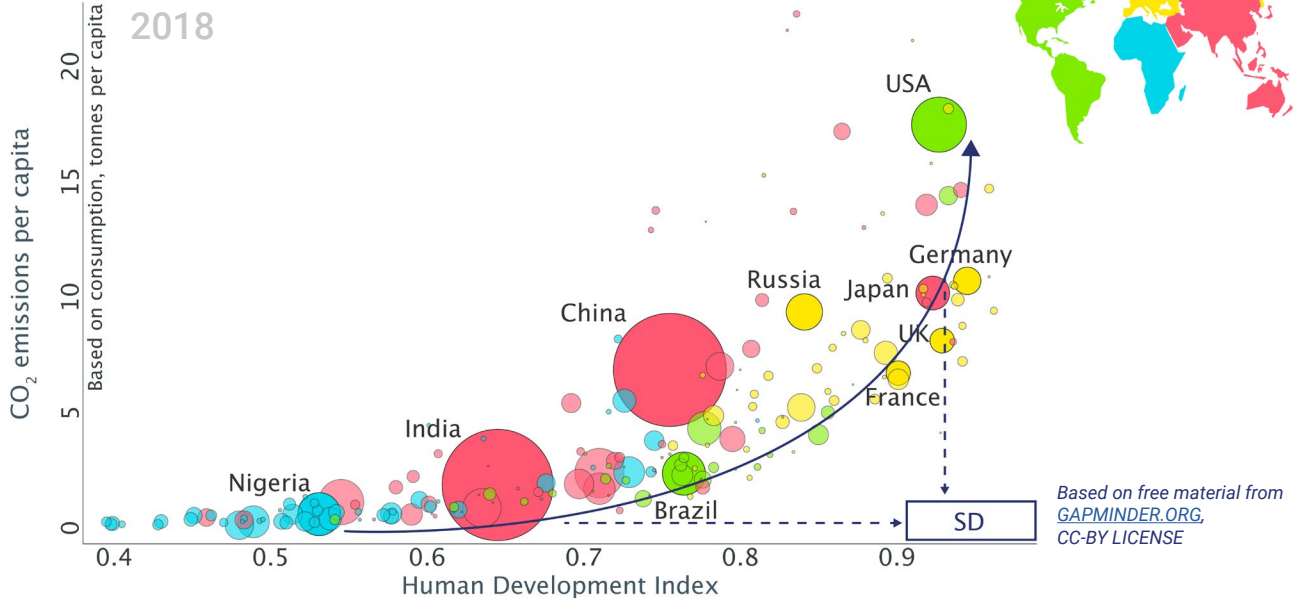
Composition of Global Investments Flow

Internal calculation by AFD based on World Bank data



**THE SDGS: SO THAT HUMAN DEVELOPMENT AND PRESERVATION OF THE PLANET
ARE NO LONGER IN OPPOSITION**

Human Development Index and CO₂ Emissions by Country



To achieve the SDGs, the development agenda will have to be reconciled with that of environmental preservation. All countries face this challenge of converging toward a high level of human development, but with a reduced environmental footprint. However, as the above graph shows, no country is currently able to achieve this. To reach this goal, sharing the success stories that are emerging all over the world will be even more crucial.

To achieve the SDGs, it is essential to avoid addressing each of the 17 objectives separately. Even though they cover all sectoral issues and set out the precise ambitions of the international community in each area, the SDGs are indivisible and must be considered as interdependent. The SDGs call for a comprehensive, intersectoral, and multistakeholder vision of each “development situation” that factors in geographical contexts and dynamics. It should also be mentioned that this interdependence between the SDGs can lead to progress on one SDG causing setbacks to another. The 2030 Agenda calls on us to invest in a more global approach, requiring us to think over our strategies even more, within the framework of sustainable trajectories that provide the best levers for decision-making and linkage between priorities.

Achieving the SDGs is thus – and perhaps above all – a method or a process. The intelligence of societies, including emotional intelligence, like that of biotopes, must be mobilized to identify specific institutional blockages, material difficulties, ignored externalities, perverse incentives, representations that act as obstacles, and any other factor that hinders positive collective dynamics. Sustainable development trajectories that are optimized and adapted to local areas can then be determined, so as to gradually remove the identified obstacles and establish a long-term vision.

Achieving the SDGs also means stepping up efforts to align the financial system with the sustainable development agenda, i.e. making all global finance sustainable, financing our common goods, and allocating a more secure and automatic share of our inclusive investments to the most vulnerable countries and people. It is the responsibility of each country to (i) achieve the SDGs domestically, by respecting investment quality standards; (ii) contribute to the global dissemination of best practices; and (iii) provide its share of common goods, according to the principle of common but differentiated responsibility. Additionally, it is in our interest to accelerate these

changes everywhere via considerate, respectful, and innovative international cooperation. This is the mission and the new conceptual framework of international development agencies and banks. And this will probably be the case up until 2050, with the aligning of the SDG agenda with that of the Paris Agreement and carbon neutrality.

A SIMPLIFIED STRATEGY INVOLVING

FOUR COMMITMENTS

AFD Group's new strategy, which focuses on this dual geopolitical and solidarity emergency, aims to consolidate the achievements of the previous strategy and to amplify our action between now and 2030. It will also work to meet the objectives of the Agreements on Targets and Resources made with the French Government and guide the CAP27 corporate transformation plan, as presented in the postface of this document.

This new strategy sets out the scope of our work, expressed by the following four commitments:

- ▶ Our first commitment is to place ourselves resolutely “by the others’ side,” i.e., a commitment of consideration, respect and geographical intelligence. This commitment enables us to (i) better understand the changing contexts in which we are called to act, (ii) differentiate our action according to the specific challenges and needs of countries and territories, and (iii) work for partnerships of trust with our clients. This involves investing more in the political economy of the areas where we are called upon to take action and forging links with as many players in these societies as possible, if they so wish, and not just with governments alone. The Ouagadougou Agenda has been guiding our action in Africa since November 2017. In this way, we work *by our partners’ side*, but with an awareness of our own history, successes and failures, keeping in mind the trajectory of our own country and the challenges to meet our goals, including through more active international cooperation. Working *by our partners’ side* means always putting our clients first.
- ▶ Our second commitment is one to quality and impact, to become “the first 100% SDG public development bank” whose financing, operations and management will be aligned with the 2030 Agenda. For this, we will assist our clients in their sustainable development

trajectories by maximizing the positive impacts of our support in the three areas of climate and nature protection, reduction of inequalities and multidimensional vulnerabilities, and institutional and democratic development, and by avoiding any significant harm to any of them. With this principle as a guide, AFD Group will mobilize all its expertise and that of its partners to co-construct sustainable development solutions adapted to each context.

- ▶ Because we must always ensure that our means are commensurate with our ambitions, our third commitment is one of gathering, amplifying, and expanding to become “a mobilization platform” for a maximum number of partners wishing to contribute along with France to international development action and the achievement of the SDGs. This will be done in France first, in Europe too, and everywhere around the world, according to three complementary dimensions: financial mobilization, civic mobilization, and mobilization of expertise and knowledge. The aim is to help build a broad international financing architecture for inclusive and sustainable investment. The Finance in Common Summit (FICS) movement is its prefiguration.
- ▶ Our fourth commitment is, in essence, to “keep AFD Group’s promise.” This commitment has been bolstered by the integration of Expertise France into AFD Group (on January 1, 2022), and by Proparco’s new strategy. By combining all the tools of our new Group to serve our clients, we are committing to prioritizing them and our partners by adapting to their needs. AFD Group is unique in the international development finance ecosystem, as we now have the combined capacities of a financial institution dedicated to both the public and private sectors, along with a technical cooperation and expertise agency, enabling us to cover the full spectrum of public policies and actors. On top of this, we have our training center and our abilities in research, innovation and facilitation of public debate. Consolidation of AFD Group and the search for synergies are the priority for the coming years.

A commitment as an institution:

building an innovative and inclusive AFD Group

1.1 Proposing a Group response to our clients and partners

The Programming Act of 2021 on Inclusive Development and Combating Global Inequalities has made AFD Group a unique player in the international development finance ecosystem. This is because of our composition, with our three entities and their complementary missions: **AFD**, the public financial institution in charge of implementing France's development policy; **Proparco**, its subsidiary dedicated to the private sector; and, since January 1, 2022, **Expertise France**, the French agency for international technical cooperation.

In short, this means that AFD Group combines the activities of a public national development bank with an international vocation, a financial institution dedicated to the private sector, and a technical cooperation and expertise agency. It is as if the World Bank, IFC,



and UNDP/UNOPS – or KfW, DEG, and GiZ in Germany – were to come together as a single entity. The full deployment of this combined capacity is our top priority and conditions the success of our new strategy. We are also bolstered by the capacities of Campus AFD Group; Société Immobilière de Nouvelle-Calédonie (SIC); SO-CREDO Bank; the SOGEFOM guarantee fund; and the STOA impact fund, created with our ally and friend Caisse des Dépôts et Consignations (CDC).

DEVELOPING A FULL AND SEAMLESS

GROUP OFFER

These united and combined capacities enable AFD Group to carry out various tasks. For example, we analyze development *situations* (this is the role of our Countries Division – GEO) and determine development *solutions* (through our Sustainable and Development Solutions Divisions – SDD) that are mainly aimed at the private sector and its financing (with Proparco). We also have the capacity for *action*, carried out directly and as closely as possible with our clients (in conjunction with Expertise France), as well as for *mobilization* (via our Mobilization, Partnerships and Communication Division – MPC) and for *strategy and anticipation* (via our Innovation, Research and Knowledge Division – ISR).

All country-level strategies will from now on be considered at AFD Group level. Within this framework, the teams of each entity will work in a coordinated way to ensure that there is linkage in their actions between the public and private sectors, and that institutional needs and contexts are taken into account. AFD Group will propose a unique, attractive, complementary, and high-impact financing and technical support offer. Through Expertise France, French expertise (public, private, and from civil society) and international expertise will be integrated into this offer to back up budget financing.

In order to bring decision-making centers closer to our clients, this integration of offers will be led by the regional offices (ROs), which will all gradually become AFD Group ROs. Similar to the Group dynamics already at work (for example, in the energy and African entrepreneurship sectors), a common offer will be developed in AFD Group's main sectors of action, through the use of sector-based platforms open to all. In short, we will no longer be limited by our current instruments, as we will have at our disposal

all those that are useful for development action, that can be aligned as close as possible to local contexts, and that respond to the requests of our clients and partners.

MAKING EUROPEAN PARTNERSHIP

A PRIORITY

AFD Group will resolutely continue its coordinated action through Team Europe, to contribute to joint actions with its European partners. We will actively see that the voice of our clients and partners is heard within Team Europe and with the European Union (EU) institutions. Wherever possible, AFD Group will try to take action along with a European partner. This may be in co-financing, in particular through the framework agreements provided for this purpose (the Mutual Reliance Initiative – MRI and the Joint European Financiers for International Cooperation – JEFIC), or through EU delegated funds or between partners of Team Europe. With its three entities that enable a presence in all the European networks, AFD Group will strengthen its partnerships in the three pillars that form the European development architecture.

With respect to these three pillars, AFD will develop its partnerships with internationally oriented public development banks grouped within the Joint European Financiers for International Cooperation (JEFIC) network; Proparco with the Association of European Development Finance Institutions (EDFI), a network specializing in private-sector financing; and Expertise France with the technical cooperation actors of the Practitioners' Network. We will also foster partnerships with the multilateral organizations related to Europe and that work toward the priorities of the European Commission, such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the Council of Europe Development Bank (CEB). The links between these networks and actors will also be strengthened to further mobilize and leverage the capacities of European cooperation, with an eye to the "European Neighborhood" and the Global South.

ACTING WITH OUR FELLOW INSTITUTIONS

INTERNATIONALLY

At the international level and with its peers, AFD is also very active in the International Development Finance

Club (IDFC), which brings together 26 of the top national, regional, and international development banks. AFD also hosts the IDFC secretariat. Additionally, AFD helped form the coalition of the world's 530 public development banks, which have met at four Finance in Common Summits (FICS) since 2020. AFD Group, through its various components, will continue its investment in and contribution to the IDFC as well as the consolidation of the FICS movement to promote international advocacy for the financial system to align with the SDGs, without leaving anyone behind. Preparation for the 4th International Conference on Financing for Development, which will be held in Spain in 2025, will be a significant event in this regard, with the UN having officially requested the FICS movement to be involved.

1.2 Pooling AFD Group management and consolidating its steering, for greater impact and performance

AFD Group's corporate project, called CAP27, will cover all the internal transformations needed to implement this strategy. It is structured around four programs that are common to the various entities of AFD Group and that correspond to the commitments of this strategic plan. The programs are: (i) "Group Performance and Dynamics"; (ii) "Client and Partner Confidence"; (iii) "Accountability, Expertise, and SDG Consistency"; and (iv) "Working Better Together," in view of our move to the new headquarters in the Austerlitz area of Paris and to enhance the performance and security of our information systems. For each of these objectives, levers for action have been prioritized and success indicators have been identified. These internal transformations will be implemented gradually over the period covered by the Strategy 2025-2030 and according to a schedule agreed upon with AFD Group's employee representatives. The continued modernization of AFD Group's information system and our human resources management will be top priorities. It will be done in a crosscutting way, so as to achieve these four major internal transformation challenges.

Box 1

Making artificial intelligence (AI) an internal lever for transformation

AFD Group has decided to take full advantage of the potential of AI, having adopted a dedicated roadmap in 2023 that details the implications and opportunities for our operations and internal organization. The three main areas of internal organization and how AI will be applied to them are as follows:

- Training and experimentation: All of the Group's employees will benefit from training on AI, and experiments will be conducted to assess the advantages of using AI tools designed for the general public.
- Implementation process optimization: AI will be used to develop applications that facilitate the work of employees and improve knowledge management within AFD Group.
- Modernization of information systems: The gradual integration of AI into projects to modernize information systems will help optimize the offer of software publishers.

AFD Group's objective is to make AI a lever for supporting the transformation of tasks and professions, in line with our CAP27 corporate plan. By placing people at the heart of this transformation, AFD Group aims to increase its effectiveness and better meet the challenges of sustainable development.

Keeping AFD Group's promise will also involve deploying and strengthening its steering. AFD Group consolidation requires a common steering framework: the country intervention frameworks, the crosscutting roadmaps (systematically developed at a Group-wide level), and the triennial letters of objectives from the Divisions and subsidiaries. This common steering framework will be developed using a simplified corpus based on the Strategy, the AFD Group 2025-2027 Agreements on Targets and Resources, and the Expertise France 2024-2026 Agreements on Targets and Resources:

The AFD Group Executive Committee (COMEX) – which brings together the Divisions of AFD, Proparco and Expertise France – will be the overall steering body of the Group’s strategy and will monitor the execution and operationalization of the Strategy 2025-2030 as well as the fulfillment of the Agreements on Targets and Resources. It will also monitor the deployment and operationalization of AFD Group’s Divisions to increase synergies and pooling in support of a bolstered Group offer. Operational synergies between AFD and Expertise France will also continue to be strengthened to back up AFD Group consolidation and a coherent and complementary offer at the service of its clients and partners.

Finally, from 2028, the consolidation of AFD Group and its governance will involve the development and signing of an Agreement on Targets and Resources with the French Government. It will cover AFD Group’s three entities and deepen our accountability on the main priorities of French development policy. This future Group Agreement on Targets and Resources 2028-2030 may be supplemented by a similar agreement focused on Expertise France, covering the specific missions it may exercise on behalf of the French Government.

1.3 A social trajectory for AFD Group, to boost performance and our work together

A COMMON SET OF VALUES

FOR AN AFD GROUP SOCIAL POLICY

AFD Group will adopt a trajectory for our social policy, with the aim of implementing a common set of values within AFD, Proparco and Expertise France so that we can build a Group that works in common, while still developing and respecting the organizational culture of each entity.

The common set of values of AFD, Proparco, and Expertise France represent the founding values of AFD Group’s social policy for all AFD Group employees regardless of their geographical location. Through these values, we seek to promote or provide diversity; professional equality; parenthood; work–life balance; access to health care,

a retirement plan, life insurance; good occupational health; respect for freedom of association; functional and geographical mobility; prevention of discrimination and harassment; and professional and ethical conduct.

Each entity will respect and implement these common values. To develop this policy in a way that respects the autonomy of each entity, an AFD Group social trajectory will be developed. This will require an alignment of the social projects in the three entities by 2027.

MANAGEMENT OF SKILLS IN TRANSFORMATION

Since 2016, the growth in our activity, our new sectoral and thematic mandates, and the new geographical areas in which AFD Group is now working have led to in-depth transformations in both organizational processes and in skills. The integration of Expertise France into AFD Group, the establishment of the regional offices and the development of the partnership ecosystem are manifestations of these transformations. Talent and skills management must evolve based on a Jobs and Career Management agreement for AFD and Proparco and future work on this subject at Expertise France. A forward-looking plan covering the skills needs of our three entities and their employees’ potential for development is currently under construction. The work on quantitative and qualitative outlook already started will make it possible to offer career support aimed at securing the needs for skills and at providing employees with career development prospects. Our employees in partner countries, who are highly knowledgeable about local contexts and partners, will be provided more robust support through dedicated programs; this will help them move up to positions of responsibility and technical specialization. To this end, mobility within the network, within each entity and between Group entities – as well as toward national and international partners – will be strengthened for employees identified for their development potential.

FOCUS ON QUALITY OF LIFE AT WORK

AND EMPLOYEE COMMITMENT

In this new strategy, AFD Group reaffirms the crucial role of all its employees – in France and abroad – in achieving its strategic, operational, functional, and financial objectives. A new personnel status for AFD and Proparco came into

force in January 2023, and Expertise France is changing its employment model. AFD Group will carefully ensure the cohesion of its workforce when implementing this strategy, by focusing on quality social dialogue, facilitating intra-Group professional mobility, and setting up its common social values.

Box 2

Improving quality of life at work and enhancing employee commitment

AFD Group will continue to improve the quality of life at work. Several levels of action are planned as part of its internal transformation process: improvement of collaborative dynamics within the Group, change in managerial practices to provide more accountability and cohesion, and intensification of AFD Group's action on diversity and inclusion and of its inclusive corporate culture. Our internal communication will be deeper and more open, thereby helping to strengthen ties between employees and the meaning of their work. Our employees will also contribute to AFD Group's external communication through the development of the VOX program to support their commitment to the SDGs.

AFD Group will accelerate the implementation of strategic and forward-looking management of talent and skills. It will continue to promote professional equality between women and men, particularly in access to employment, professional development, and equal pay. We will continue to encourage the recruitment of women for management positions and in AFD Group's network of field offices. AFD Group will continue its action to provide more diversity and inclusion, in accordance with the commitments made in obtaining its AFNOR label in 2021.

1.4 A responsible, accountable, and visible Group

In accordance with the Corporate Sustainability Reporting Directive (CSRD), AFD Group will produce sustainability reporting from 2026.² This regulatory development is consistent with our goal of positioning both extra-financial and financial reporting at the same demanding level, even if a change in these regulatory standards is desirable for better taking into account the international action of the financial players of the EU. To this end, AFD Group will strengthen its corporate social responsibility (CSR) policy in line with the framework set by the 2030 Agenda, both through the quality of its operations and by supporting systematic consistency between its internal functioning and its external commitments.³ It will draw on the reflections begun as part of "ethical dialogues" open since 2022 to all employees.

Box 3

Reducing AFD Group's internal carbon footprint by 2030

AFD Group has undertaken to reduce its internal carbon footprint by 2030 in an exemplary way and to better offset its residual emissions. Our reduction goal will be established during social dialogue in 2025 and translated into a low-carbon trajectory for AFD Group via several levers. AFD Group's entities will implement specialized action plans without delay, particularly in energy efficiency and digital uses (via "Green IT").

AFD Group will also renew its transparency policy and update its open data site to expand and improve access to its public data. We will draw up and implement our first Group-wide accountability policy and at the same time develop monitoring and accountability frameworks for our actions by our partners' side, to promote the transformation of actors, public policies, and systems over the long term.

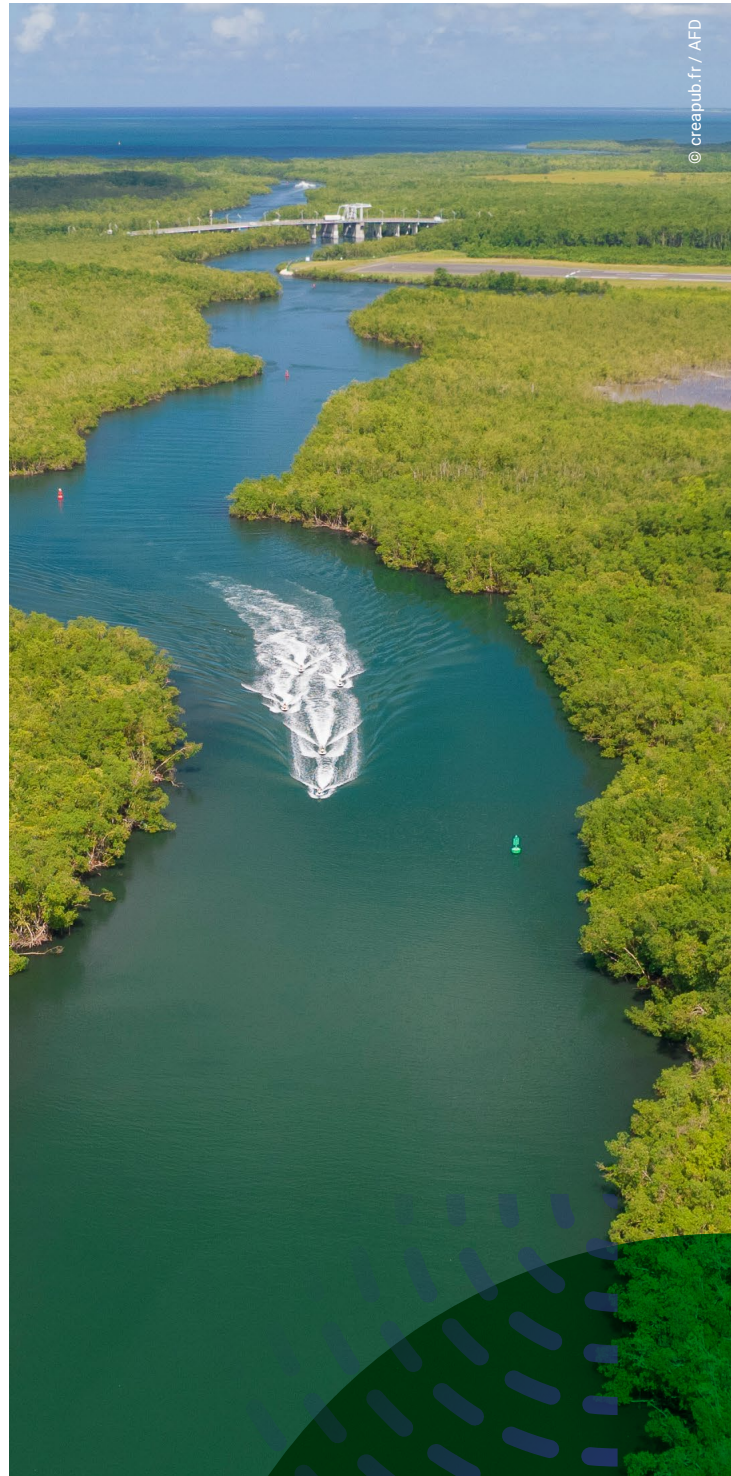
² See Annex 3, "Sustainability reporting as a way to leverage transformation."

³ AFD Group is already no. 1 in its sector ("Specific Purpose Banks & Agencies – Europe") and no. 8 in Moody's extra-financial ratings, which includes nearly 5,000 organizations and companies throughout the world.

We will implement a new monitoring and evaluation policy, in line with the changes in the institutional system provided for by the 2021 Programming Act on Inclusive Development and Combating Global Inequalities and the creation of an independent commission for the evaluation of official development assistance.

AFD Group actions will be carried out in accordance with its risk-appetite framework, as established by its governance bodies. In order to preserve its economic and financial model and the level of debt of its counterparts, AFD will respect the doctrine of responsible sovereign debt, by operating only in countries open to sovereign loans. However, it may request, if necessary and in a limited and duly justified manner, a waiver from the Minister in charge of the economy for projects of major significance or which would clearly contribute to the objective of French economic influence.

In addition, AFD Group will bolster its communication to make its action and results even easier to understand, by taking on unpretentious and concrete positions that are by our partners' side and by using an approach providing impact for our various audiences. In this way, our communication will change scale, reaching out to citizens to encourage them to adhere to public development policy. We will also contribute, outside France and especially in Africa, to the visibility of France and its efforts in terms of inclusive investments. AFD Group will strive to amplify its communication not only to its public and private counterparties, but also to the end beneficiaries of its operations, primarily in Africa, for example by organizing communication operations in the field. Throughout the world, AFD Group's communication will continue to back up our operations, offers and partners, and to continue to support our employees, who are the foremost ambassadors of our public service mission. AFD Group's mandate for awareness-raising and education in sustainable development and solidarity for young people in France will also be strengthened, in close collaboration with civil society.



1.5 An innovative, forward-looking, and proactive Group

Backed by its network and its many partners in France and abroad, AFD Group intends to strengthen its role as a space for sharing experiences, learning, and innovations for sustainable development. In particular, the integration of Expertise France is enabling AFD Group to position itself more clearly as the public platform for mobilizing French expertise for sustainable development.

This positioning will result in growth in Expertise France's activity using French and EU financing. It will also lead to the deployment of 500 additional international technical experts sent to partner institutions by 2027 and whose activity will fuel that of AFD Group as a whole, as well as to a specific offer of support for overseas project owners. Expertise France's approach is based on supporting stakeholders using a catalytic course of action. This makes it possible to strengthen local structures and public policies sustainably, without replacing them. Expertise France can quickly deploy its capacity for action to carry out innovative projects co-constructed with local partners. Furthermore, our mobilization of the know-how and skills of French ministries, public institutions, local authorities, civil society, and private players – which we can provide nationally, locally, and internationally – provides our clients and partners a complementary asset to our financing. In return, this mobilization can contribute to France's own transformation.

Box 4

AFD Group's new headquarters in Paris, a platform for sustainable development solutions

By 2027, the mobilization of expertise to foster the SDGs and the climate could be embodied in a “*Cité du développement*” in Paris. In this new complex by the Austerlitz train station, AFD Group's headquarters would help make this happen. All our employees would be grouped there, creating greater synergy between the teams and helping to structure and deepen the dialogue between the international organizations located in Paris and the other actors in the ecosystem. The *Cité du développement* will help strengthen Paris' positioning and attractiveness as a crossroads by mobilizing science and sustainable finance together.

INNOVATING WITH THE COUNTRIES

WHERE WE OPERATE

AND WITH DEVELOPMENT ACTORS

Development implies technological leaps and the rapid adoption of the most advanced technologies, especially in the digital field, but also innovations of a democratic, societal, and institutional nature. AFD Group plans to broaden the scope of its skills, by providing guidance to ecosystems that are working to further develop them. To this end, we will enhance the tools already existing within AFD Group. These include the Fund for Innovation in Development (FID), chaired by Esther Duflo; the French Facility for Global Environment (FFEM); the Campus AFD Group in Marseille; Digital Africa⁴; and the Innovation Cell (INN) with the Intrapreneurs program and Expertise France's Team Europe projects such as the Digital for Development (D4D) hub and the African European Digital Innovation Bridge. This networking also supports AFD Group's ambition to position itself as a conduit of innovations by understanding, supporting, enhancing, and circulating more innovations from our partners that can be useful to our own country.

⁴ Digital Africa is Proparco's subsidiary dedicated to the African digital ecosystem.

Box 5

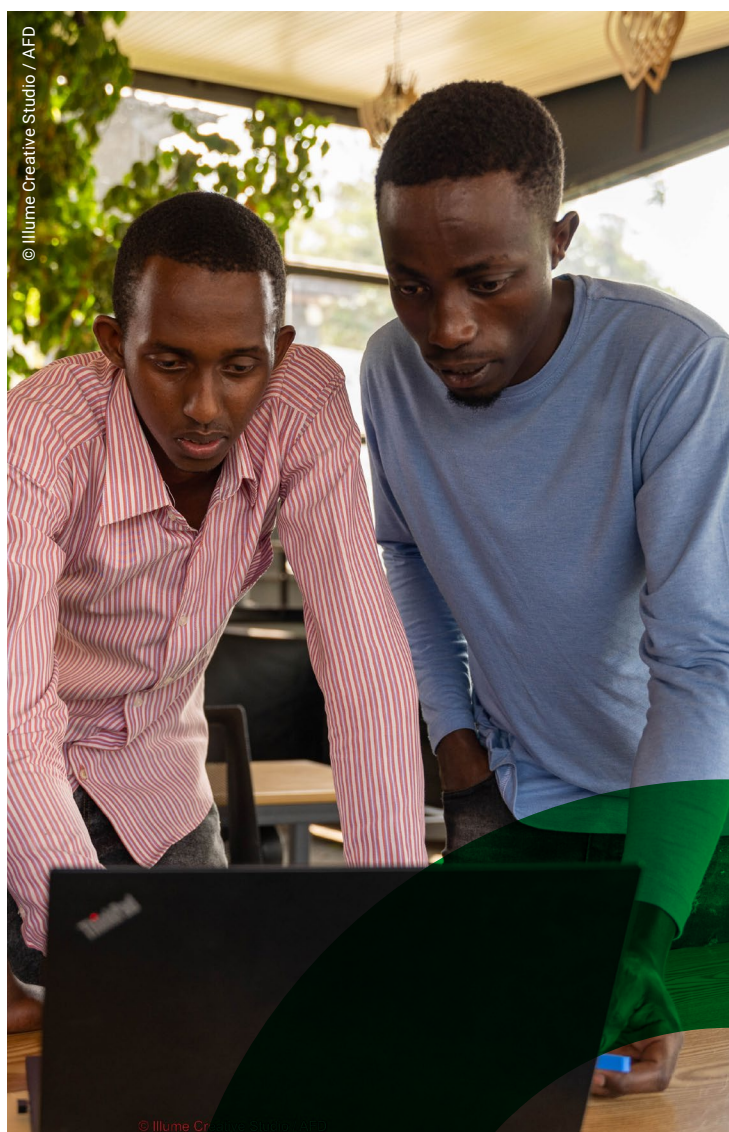
Putting technological innovation to work to support the SDGs

By accelerating technological innovation, the digital revolution creates both new opportunities to achieve the SDGs and new challenges related to inequalities in access to and control over these technologies. AFD Group is aware of these challenges and is committed to integrating innovation into all its operations.

- **Geospatial challenges:** In partnership with the French national space agency (Centre national d'études spatiales – CNES), AFD Group will boost the impact of its projects through the analysis of satellite images. Primary data can be difficult to collect for all projects, and monitoring during implementation increasingly requires the use of a variety of tools, which round out the usual means of supervision in the field. Spatial imaging, coupled with the intelligent use of available geographic data, is a solution that is now an integral part of the toolkit of a growing number of donors and public development banks. This technology will enable better understanding of territories, optimized allocation of resources, and more precise monitoring of results.
- **AI challenges:** AFD Group will explore the potential of artificial intelligence in key sectors such as education, health, and agriculture. By developing use cases adapted to local needs, AFD will contribute to an inclusive and responsible digital transformation.
- AFD Group is committed to promoting the development of strong and inclusive digital public goods (DPGs) in order to promote access to essential services for all and to stimulate digital innovation in developing countries.

AFD Group advocates responsible governance of artificial intelligence by favoring low-carbon AI systems that are accessible to as many people as possible. With this approach, we seek to limit the risks associated with AI and its impact on sustainable development.

AFD Group will strengthen its capacity to capitalize, disseminate, and scale up technological, cultural, organizational, and institutional innovations. To do so, we will network with the communities created through various programs funded by AFD Group, such as the Social & Inclusive Business Camp – SIBC (our platform with CSOs), and through our ties with think tanks and research centers. Expertise France's intra-European activity in partnership with the EU's DG Reform will also foster exchanges of experience and innovative practices between Europe and our international partners.



Box 6

Campus AFD Group, an open and innovative business university

To create forums for learning and exchange for AFD Group clients and partners and with our employees and other French actors of development policy, we created the Campus AFD Group, an open and innovative corporate university. This university will double the capacity of the current AFD Campus center in Marseilles. An interdisciplinary approach will be applied, relying on academic as well as non-academic actors, such as beneficiaries, associations, artists, and others. In partnership with universities (including France's grandes écoles), these hybrid paths to learning will be designed to generate knowledge, innovation, and improved impact. Campus AFD Group also seeks to participate in the review of our professional practices and those of other actors of French and European cooperation policy, in line with the wishes of the President of the French Republic expressed in his public statement of November 2017, in Ouagadougou.

BUILDING CAPACITY TO THINK BEYOND 2030

Our societies will undergo major changes in the coming decades. Geopolitical, environmental, economic, social, democratic, and cognitive upheavals are accelerating, and new ways of dealing with them are rapidly emerging. In addition, the year 2030 (the milestone of this strategy) will mark the end of both the SDG cycle and the decade of climate action, which until that time will have provided both the framework and the horizon of development policies. It is thus important to step up our action and start working to build new hypotheses and proposals as a contribution to the reflections on the post-2030 period.

To this end, AFD Group will conduct multidisciplinary and open reflection work on future strategic horizons. The focus of this reflection work will include geopolitical reconfigurations and their impacts and interactions with international cooperation. It will also explore the difficulties of transforming development models and alternative approaches to contemporary challenges and their conditions of feasibility and implementation, through a renewed approach of mobilization. We will also continue

to reflect on the role and social responsibility of finance. These considerations will be extended to the work AFD Group has already undertaken internally, in particular on the "commons" and on "strong sustainability." We will also examine potential opportunities for technological solutions and new approaches (e.g., green hydrogen, structuring of carbon markets, etc.). The reflection work will also naturally include various initiatives undertaken by AFD Group's workforce, which will be encouraged as sources of innovation and forward-looking thinking.

AFD Group will also work to take into account the growing importance of social imaginaries and lived experiences. Indeed, to achieve broad mobilization and a change in reality, it is crucial to alter people's worldviews and their perceptions of the future. This work will be based, among other things, on the links forged within the framework of the previous strategy with the world of the cultural and creative industries, and in particular with the experimental phase of the METIS Arts and Development Fund, as well as with the work of Campus AFD Group on new knowledge and skills useful in the 21st century. The implementation of concrete and innovative activities in Group format on these subjects will be encouraged and promoted by communicating on the tangible sustainable development solutions that AFD Group will develop with its clients and partners.

The viewpoints and efforts of AFD Group's actors and partners from various geographical regions will help fuel this foresight work, so that opinions and perceptions can be shared. In France, this work will be carried out in conjunction with the Ministry of the Economy and Finance, the Ministry for Europe and Foreign Affairs, and the Ministry of Overseas Territories. Its aim will be to increase the impact of AFD Group actions and our ability to adapt, as well as the preparation of our future strategic developments. Finally, this foresight analysis will be based on and will continue the joint work already underway with defense actors, who have made the concept of strategic anticipation a key pillar of their actions and reflections.



A commitment to listening and respect:

an AFD Group by the others' side

Being a Group that works by the others' side means being respectful of and open to the needs, constraints, cultures, knowledge, and talents of countries and our clients. Its aim is to foster a true partnership between equals that embraces our differences, provides for reciprocal contributions that benefit each party, and ensures that mutual interests and needs are made clear. With this commitment, we further enhance the relevance of our offer and its added value for our clients as well as for France, in an increasingly demanding environment. To back up this commitment, AFD Group plans to strengthen its geographical intelligence not only of development situations, contexts, and trajectories, but also of the public policies of the countries that wish to cooperate with France. This will enhance the relevance of our positioning

in support of the developments that have been initiated or planned, by differentiating and adapting our instruments and our approach to the challenges posed by the development trajectories of countries. We will also continue to strengthen and transform our activities in the French overseas territories in their respective ocean basins, where views and challenges intersect. More concretely, at the Group level we are tending to go beyond the project mode alone and to pay even more attention to actors and systems, as well as their dynamics, and to the needs of our partner institutions more than to their means.

AFD Group will implement this approach while remaining mindful of our own country's history, successes, and expertise. We will do so resolutely "by the others' side" – i.e., working alongside countries, peoples, clients, and geostrategic developments – in France's name and with accountability. Because we work closely with other French institutions, especially Caisse des Dépôts et Consignations Group (CDC), France's public national development bank, our employees know and share our own trajectory of development and ecological planning and the challenges we face to achieve it.

By adapting AFD Group's value to each individual context, our country strategies will prevent our actions from being too scattered. In order to implement our strategies in the field, as closely as possible with our clients and local needs, we will include the integrated offer of AFD, Proparco and Expertise France in our country strategies.

Implementation of the AFD Group mandate in these country strategies will be differentiated, according to national and regional contexts. Our challenge in this regard will be to build the best responses to the requests of our clients and to local needs by maximizing our value offer and combined capacities. The strategies will be based on an in-depth contextual analysis, greater attention to local dynamics (actors, systems, trajectories), as well as the positioning of other public and private funders, and the available French offer. They will set out the needs – for both financing and technical support – and will detail the operational priorities and prospects for AFD Group at the level of each country. They will draw inspiration from the results of our past actions and incorporate lessons learned from the evaluations of projects and programs we have financed. After having been drawn up in consultation with the French State (AFD Group's sole owner),

the strategies will be presented to the AFD Board of Directors. They will help stake out the clear priorities that AFD Group sets itself in a given country or territory (by Team France) and by mobilizing other donors and partners (especially by Team Europe). At the local level, these priorities will be the manifestation of the differentiated approach used in our new strategy.

2.1 Respect, geographic intelligence, and dialogue as a method

The quality of AFD Group's relationship with its clients and partners requires ever more attention and understanding, so that we can establish a relationship that adapts to their realities and capacities. AFD Group will build its "by the others' side" positioning by enhancing its capacities in knowledge of contexts. To do so, it will consolidate its network of regional offices and field offices, which is active in 167 countries and 11 French overseas territories. This approach will be followed by all our current employees, both national and expatriate managers, including international technical experts deployed by Expertise France. They are the guarantors of the "quality of a relationship that is above all human, built on respect and consideration."⁵

Our most recent survey of clients and partners⁶ confirms the excellence of our "partnership" and "strategic" relationship with our clients. This relationship represents a foundation of trust, underpinned in particular by the scope of our network and the involvement of our employees, at the Group level. At AFD Group, we will continue our efforts to simplify our procedures, deepen coordination between our entities, and strengthen the marketing of our offer. To meet the expectations of our clients and partners, who favorably view and appreciate our "mobilization platform" as a strong vector of differentiation, we will enhance and strengthen our networking capacities through the involvement of peers, experts, civil societies, and financial partners.

⁵ Results of the AFD client survey conducted with IPSOS in 2021.

⁶ Results of the AFD client survey conducted with IPSOS in 2024.

Box 7

In-depth work on the history of AFD

Since 2016, and beyond its French resistance origins, AFD has been exploring the way in which it has contributed to France's colonial and postcolonial past. This process was inaugurated by an international symposium on the history of AFD in December 2016. It was followed by historical research discussed internally and externally, particularly on Côte d'Ivoire, Haiti, and Guinea, as well as on Expertise France and the subsidiary companies dedicated to the economic and social development of the overseas territories, created by law in 1946. Several dozen employees were involved in this work. AFD plans to continue this research on the investment relationship and the instruments of cooperation policy with other stakeholders in France and Europe.

Box 8

An enhanced language and diversity policy

Our human resources policy will support the strengthening of skills and pathways leading to better knowledge among AFD Group employees of the various national contexts. It will also seek to expand our employees' command of local languages, both within the network and at headquarters. In doing so, we will build the capacity of AFD Group and its employees to engage in enhanced communication in local languages on the ground. In addition, a priority skill objective will be for all employees to be able to conduct a meeting in English.

BETTER ADAPTING OUR OFFER

TO SPECIFIC CONTEXTS

Improving AFD Group's geographical intelligence will strengthen our capacities to understand geostrategic dynamics and local political economies.

Understanding the intersecting dynamics between the agenda of global public goods and sustainable development on the one hand and the geopolitical agenda on the other will require enhanced dialogue with ministerial bodies and with think tanks specializing in international relations in the Global North and the Global South.

At the country level, AFD Group will intensify its multi-stakeholder dialogue and its contacts with local civil society, as well as its capacity to mobilize geographical expertise. This will enable us to better understand stakeholder dynamics, cultures, and their views of the future and of sustainability.

In contexts of political crisis, AFD Group, with its field offices, can play a constructive role by actively listening to partners wishing to continue their relationship with a French actor, in particular private actors and civil society.

AFD Group has been involved for 10 years in conflict and postconflict situations, in particular through the Minka Peace and Resilience Fund and through the activities of Expertise France, with funding from the Crisis and Support Center (CDCS) of the French Ministry for Europe and Foreign Affairs and the EU. AFD Group will maintain a specific offer in crisis situations (e.g., violent conflicts, extreme weather events, and natural disasters), so that we can respond to multiple types of vulnerabilities and strengthen the resilience of public institutions and societies. Specific principles will guide AFD Group's activity in these situations, so that we can offer appropriate responses, within the French system, via a redesigned Minka tool. This will involve starting from the local context, adapting the methods of development donors, and supporting the actors best able to provide comprehensive responses to vulnerability at the local level, based on a crisis-prevention and management approach. AFD Group will develop an approach and tools suited to crisis situations to support public institutions via a conflict-prevention approach, and to meet the needs of the most vulnerable communities.

To better support its partners, AFD Group will take into account multidimensional inequalities (including gender inequalities) in its analysis of vulnerabilities. We will develop a new, more strategic approach at Group level, to best respond to our partners' needs on these multiple vulnerabilities. Specifically, this will include tools for climate

finance and for disaster risk management and reduction (DRM and DRR) to cope with extreme events related to climate change (e.g., dialogue with partners on disaster risk preparedness; public policy loans that include a crisis-prevention and management dimension; and inclusion of debt-suspension clauses or contingency clauses in loan agreements, allowing part of the financing to be reallocated in the event of a shock). Each AFD Group entity will mobilize its tools to fulfill this mandate, in 3D (defense, diplomacy, development) along with the other French actors concerned, especially the CDCS of the Ministry for Europe and Foreign Affairs and actors in the world of defense.

DEEPENING OUR GROUP OFFER ON PUBLIC

POLICY DIALOGUE

Public policy dialogue (PPD) is an offer that often distinguishes AFD Group from other public development banks. It allows us to offer countries research and modeling activities and budget financing, with appropriate expertise and technical cooperation. Recent results confirm the ability of PPD to contribute simultaneously and structurally to several dimensions of sustainable development. PPD goes beyond projects and paves the way for future projects and the French offer, helping take the bilateral relationship between partner countries and France to a higher level. AFD Group will continue PPD and enhance it whenever possible and desired. In particular, we will continue to deploy our offer to support strong sustainability trajectories – including in the French overseas territories, for example as part of Just Energy Transition Partnerships (JET-Ps) or efforts to fight inequalities.

Box 9

Finding a balance between risk management and client satisfaction

AFD Group will propose pricing that supports its action priorities while covering its risks. We will focus on developing our capacity for anticipation, analysis, and responsiveness in the face of deteriorating and unstable macroeconomic circumstances. We will enhance sovereign risk management by including a dedicated indicator in our risk-appetite framework. We will actively manage our portfolio and, through peer exchange, look for innovative ways to free up financial capacity in countries with the highest exposure, using debt buybacks, guarantees, insurance, and other means. Finally, we will develop our innovation capacities in order to offer tools for strengthening countries' macroeconomic stability and resilience, especially to cope with shocks and climate risks.

2.2 A differentiated approach based on three geographic mandates

France's 2021 Programming Act on Inclusive Development and Combating Global Inequalities set out three geographic mandates for AFD Group. Within this framework, and in line with our commitment to fight poverty and inequality and to protect global public goods, AFD Group plans to adapt its instruments even more precisely to local contexts, demands, and needs.

SUPPORTING SUSTAINABLE AND INCLUSIVE

ECONOMIC AND SOCIAL DEVELOPMENT

IN THE MOST VULNERABLE COUNTRIES

LDCs and vulnerable countries (e.g., Small Island Developing States (SIDS), the countries most vulnerable to climate change (V20), etc.) often face extreme poverty along with other political, economic, and environmental fragilities. These situations justify the new objective of channeling to

the most vulnerable countries at least 50% of the resources that the French government allocates to AFD. This is our guarantee for reducing poverty and inequality, supporting countries in their adaptation to the consequences of climate change, and promoting inclusive economic and social development in priority countries. These objectives require significant recourse to grants. Moreover, these countries lack access to financial markets or have debt levels and/or vulnerabilities requiring high levels of support and concessionality.

In these countries, AFD Group will continue to invest, as a priority – but not only – in primary healthcare systems and the training of health workers as well as in the education–training–employment continuum, with a focus on teacher training. We will also work with national authorities to strengthen food sovereignty. We will support budgetary and fiscal policies to increase domestic resource mobilization and better redistribution to the most vulnerable people. Finally, AFD Group will continue to finance strategic, high-quality, and sustainable infrastructure. We will promote a conflict-sensitive approach and the deployment of a portfolio of specific projects with a prevention and peace-building mandate. This will be done in a crosscutting way. As we do in all other countries, we will systematically seek to protect the most vital carbon and biodiversity reserves formed by forests and oceans.



SUPPORTING A JUST TRANSITION IN MIDDLE-INCOME AND EMERGING COUNTRIES

With their demographic, economic, and social weight, emerging countries, and in particular the most populous ones, now have a decisive responsibility for our common future. In 2022, Asia generated 47% of global CO₂ emissions, with China alone accounting for a third of global emissions. The development trajectories of these countries, along with those of the so-called developed countries, will affect the entire planet. However, the weight of international financing is now limited in these countries.

The role of international financing must thus be reconsidered, in order to seek greater quality and stimulate and encourage the mobilization and more massive redirection of international and domestic investment flows – both public and private – toward just and sustainable development trajectories. AFD Group's financing will focus on supporting these processes, by integrating tools such as consulting, public policy dialogue, and the deployment of technical expertise. We will have to mobilize private capital more than in the past. AFD Group's added value will be clearly defined in our country strategies, distinguishing the different categories of emerging countries more precisely and taking into account our capacities for action.

SUPPORTING THE SUSTAINABLE DEVELOPMENT OF THE FRENCH OVERSEAS TERRITORIES AND THEIR REGIONAL INTEGRATION

For AFD Group, the French overseas territories are priority areas because of the challenges they face and because they form a unique link between France and the world. These overseas territories have significant economic, social, and environmental vulnerabilities due to many factors, including their insularity, remoteness from markets, small economies, high production costs, high exposure to natural disasters, and heightened vulnerability to the effects of climate change. But these territories are also a major source of experience and innovation for the sustainable development of our neighbors as well as for our understanding of them.

By relying on our three entities, as well as on our Pacific subsidiaries (SIC, SOCREDO and SOGEFOM), we can fully assert ourselves as the public development bank of the French overseas territories and their neighbors, which strives for their sustainable development and their integration into their respective regions and ocean basins. With the support of the Ministry of Overseas Territories, AFD Group will resolutely pursue its “Three Oceans” approach, which links AFD Group’s action in the overseas territories with that in their regional area, and between the three ocean basins (Pacific, Indian and Atlantic). Our activity in the overseas territories is specific and adapted to domestic contexts and needs. It consists mainly in financing the public sector and to a lesser extent the private sector, rounding out the activity of commercial banks, Bpifrance, La Banque Postale and La Banque des Territoires. Our ambition is to support the regional integration of the overseas territories into their ocean basin – an integration that is beneficial not only economically, but also for the ecological transition and for maintaining social cohesion.

To achieve this, AFD Group will systematically seek to obtain environmental and social co-benefits from its actions, using its engineering, research, and analysis capabilities. In its actions both in the French overseas territories and their neighboring countries, AFD Group will offer its partners innovative and useful financial and technical solutions. These can include establishing specific multidonor financial tools, setting up ad hoc bilateral solutions, and discussing with French ministries and European bodies to optimize aid effectiveness. We have developed specific methodological tools for this purpose, e.g., a grid for tracking the climate co-benefits of operations in the French overseas territories, which have been adapted to the budgetary financing of overseas communities. These tools make it possible to fully integrate the overseas territories, helping to achieve AFD Group’s climate finance objectives.

We also work to promote and strengthen innovative approaches by putting in place infrastructure projects that are innovative in energy efficiency, in the way they include isolated municipalities, and in the sharing of expertise between peers. This enables us to develop projects adapted to the specific needs of territories.

AFD Group’s action in the overseas territories has become more coherent in terms of strategy and partnerships thanks to the involvement of its subsidiary, Expertise

France, since 2023, which works to strengthen local project management. The conditions and expected effects of extending Proparco’s activities to the private sector of the overseas territories (currently handled directly by AFD), are under study. Using a similar approach in France’s overseas territories of the Atlantic, Indian, and Pacific oceans and in the foreign countries of those three ocean basins will help us better contribute to the mandate of the Interministerial Committee for Overseas France to “boost regional economic integration” for those territories.

AFD Group will enhance the partnerships it forges in the overseas territories, thereby strengthening France’s relations with the countries of the same ocean basin. This will lead to decentralized cooperation between local authorities in French overseas territories and those of neighboring countries, closer ties with regional organizations active in the area, and support for civil society. These partnerships contribute to the influence of France in the oceanic and regional basins and facilitate the sharing and circulation of local and regional experiences for the overseas territories. AFD Group will participate in this sharing of experiences with the countries neighboring the French overseas territories and beyond.

2.3 Actions adapted to large geopolitical areas

To round out its abovementioned positioning mandates, AFD Group will organize its analysis and action capabilities to focus on major geographical areas, in line with French and European diplomatic priorities.

WORKING FOR THE NEW PARTNERSHIP BETWEEN AFRICA, EUROPE, AND FRANCE

AFD Group intends to contribute very actively to the renewal of the partner relationship between the countries of Africa and France. Currently, several Francophone African countries are challenging France’s actions in Africa, and African countries are asserting their sovereignty and diversifying their partners. Against this backdrop, AFD Group’s action is a vector and an asset for fostering, bolstering, and renewing our relations.



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AFD Group will mobilize all its instruments and offers in Africa for the benefit of sustainable infrastructure, economic and social development, resilient agriculture, the financing of the SDGs, and human development. We will strengthen our support for projects linking sport and development, for cultural and creative industries, and for crosscutting projects targeting youth, diasporas, and local civil society. To do so, we will focus on the potential of the informal sector and on the social and solidarity economy, in which a significant proportion of African youth work and innovate. We will invest – with the agreement of the authorities of the countries, in African innovation and entrepreneurship. Prime examples are our Choose Africa 2 initiative and the Expertise France projects of the European initiative Investing in Young Businesses in Africa (IYBA). We will also invest in the creation of decent jobs and economic opportunities for young people.

AFD Group will need to equip itself with new tools to better identify initiatives and find a way to include the risk portion that the local system cannot assume. For its part, Expertise France will develop new approaches more oriented toward human security and public security, in line with the classifications of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), which include governance of security systems, relationship of trust between security forces and local people, and others. We will also focus more on the question of democracy and the ability of African governments to analyze and support the mobility of their people.



Box 10

The contribution of development policy to migration governance

AFD has historically been involved in migration issues, both in terms of research and operations, because they are inseparable from development issues. We know that migration is a response to imbalances (demographic, economic, climatic, welfare, etc.) or to shocks (conflicts, violence, disasters, etc.). Migration contributes to development and to poverty reduction at the individual, community, and country levels, but it also involves risks and can be a source of vulnerability.⁷ It always has a high cost for migrants, which is why low-income countries generate fewer migrants do than intermediate and rich countries.⁸

AFD Group will continue to attach great importance to integrating migration-related issues, which will be the subject of a specific portfolio of operations with dedicated resources. As part of the 2015 European Joint Valletta Action Plan and the French Strategy on Migration and Development 2024-2030, AFD Group's priorities for migration cooperation are as follows:

- Mobilize the economic, social, and cultural contributions of migration, foremost among which are the inclusive and productive investments of diasporas in the countries of origin.
- Ensure that the fundamental rights of migrants are respected, by supporting the design and implementation of public policies that (i) enable partner States to guarantee safe, orderly and regular migration; (ii) help them fight irregular immigration and illegal channels; (iii) establish reliable systems providing for civil status; and (iv) support the reinsertion and integration of returning migrants by promoting their access to common law services.
- Fight the specific vulnerabilities linked to forced migration, both for internally displaced persons and refugees and for host communities, by supporting inclusive and resilient local governance models.

To work on these priorities, AFD Group can count on several partners: the French ministries for Europe and Foreign Affairs, Justice, and the Interior; local authorities; regional organizations; civil society (including migrant/diaspora associations, media, research centers, etc.); as well as on the private sector and financial institutions.

SUPPORTING THE COUNTRIES

OF THE EUROPEAN POLITICAL COMMUNITY

IN THEIR CONVERGENCE PROCESSES

AFD Group operates in 12 countries of the European Political Community (EPC). Our presence there is recent – except for in Turkey – and is growing rapidly, with more than €3 billion in financing since 2019. It comes against a backdrop of geopolitical recomposition marked by the aspiration of many of these countries to forge closer ties with the EU, in a continuum of strengthened partnership to the accession process.

In this region, AFD Group's action consists of a search for convergence with EU economic, environmental, and social policies, because the establishment of a sustainable development trajectory and support for Community *acquis* follow the same approach. Our action supports the following in particular: public policies to promote the energy transition, more sustainable cities, the preservation of natural resources, and better governance. It takes the concrete form of support for private actors and public authorities, thanks to the combined contribution of financing and French and European expertise.

This leads us to design our activity with a stronger partnership spirit and very close work with EU institutions, in which we arrange to work with all their instruments and seek stronger interactions with other European development actors (EBRD, EIB and JEFIC members) and technical cooperation agencies in particular (through the Practitioners' Network) within the framework of EU initiatives.

7 World Bank, World Development Report 2023: Migrants, Refugees, and Societies, Washington, DC, 2023. <https://www.worldbank.org/en/publication/wdr2023>

8 Docquier, F., "Émigration, capital humain et développement : enseignements des recherches récentes menées à l'IRES," *Reflets et perspectives de la vie économique*, 2016/1 (Volume LV), pp. 73–87. <https://www.cairn.info/revue-reflets-et-perspectives-de-la-vie-economique-2016-1-page-73.htm>

TAKING ACTION ACROSS THE INDO-PACIFIC

ON COMMON CHALLENGES

The trajectories of the main countries of the vast Indo-Pacific region will affect those of humanity as a whole. AFD Group's actions are in line with France's strategy in the Indo-Pacific region, based on respect for international law and multilateralism. It places particular emphasis on preserving global common goods and on maritime and climate safety. Our objective will thus be to support the just and sustainable transitions of the Indo-Pacific countries (especially the largest emitters) through actions such as investment in the blue economy.

In this region, which already receives a quarter of our commitments, our investment will mainly take the form of loans, with few or none being concessional. We will reserve the use of grants for providing expertise or for financing innovative and high-impact approaches (public policy dialogue, stakeholder alignment, just transition, etc.). AFD Group will also mobilize grants in the small island territories of the Indian and Pacific Oceans, in particular to meet their needs for climate change adaptation and biodiversity protection. The crucial "Three Oceans" approach will be enhanced to help involve the French overseas territories of the Indian Ocean and the Pacific Ocean much more strongly in this action.

CONTRIBUTING TO AN INCLUSIVE

INVESTMENT PACT BETWEEN LATIN AMERICA AND EUROPE

France, through AFD Group, can contribute to the expected strengthening of ties between Latin America and Europe by building a pact of trust and investment. AFD Group has been present in Latin America since 2007, with a mandate focused on the protection of common goods and the reduction of inequalities. We operate mainly in Colombia, Brazil, Mexico, and Bolivia.

Our volume of financing in the region over the 2017-2022 period topped €10 billion, making AFD Group one of the main bilateral donors to the region. Against this backdrop, AFD Group aims to become Team Europe's driving force in supporting the ecological transition, social justice, and people's access to rights in the development trajectories of Latin American countries as a whole. The "Three Oceans" approach will also be valuable here. By coordinating partnerships between regional cooperation actors in and near the Guiana Shield from our locations in French Guiana and Suriname, we will support regional and international actions and financing for the preservation of the Amazon rainforest, the fight against illegal trafficking, and the improvement of the living conditions of Indigenous populations.



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A commitment to quality and impact:



an AFD Group 100% SDG aligned

For AFD Group, alignment with the SDGs aims to achieve strong sustainability of development models. These are models that combine the issues of integrity of terrestrial and aquatic ecosystems, reduction of inequalities, and prosperity for all. Concretely, achieving AFD Group's 100% SDG commitment will mean the following:

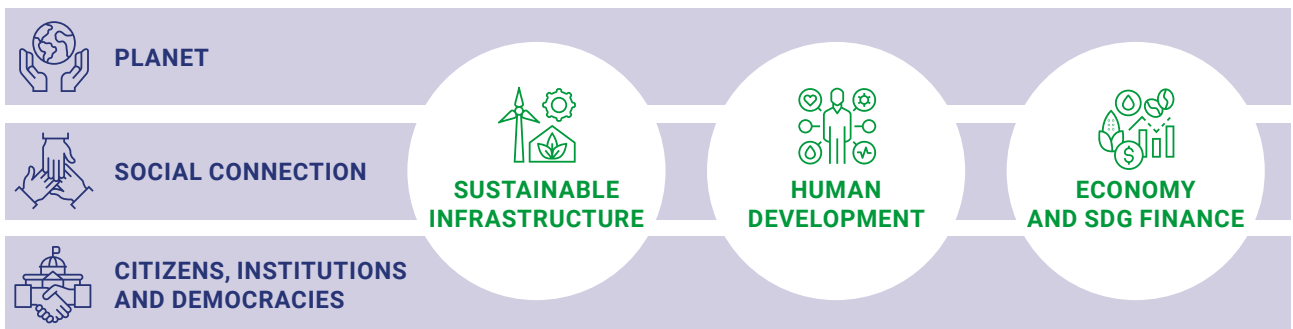
- ▶ Increased attention to the impacts of its sectoral contributions and the quality of its offer
- ▶ Systematic consideration of three crosscutting issues: (i) protection of the planet, (ii) reduction of multidimensional and gender inequalities, and (iii) civic and democratic participation, such as the promotion and protection of human rights



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STRATEGIC PRIORITIES

RESPONSIBLE AND SUSTAINABLE INVESTMENT PRIORITIES



Thus, for each of its three crosscutting issues and in a manner adapted to contexts and needs, AFD Group undertakes to (i) increase the share of its financing aimed at transformational and systemic impacts; (ii) maximize the positive co-benefits and synergies between the three crosscutting issues; and, in all circumstances, (iii) do no harm to any of them.

AFD Group has been using, since 2014, a sustainable development analysis grid adapted to each entity. It will continue to be updated and will help guide the qualitative management of our portfolio by qualifying the negative and positive impacts of our financing. AFD Group will also strengthen the monitoring chain of sustainable development outcomes, from appraisal to completion, to monitor and report on the actual impacts of its financing.

Box 11

A sustainable refinancing strategy for AFD Group

In 2014, AFD Group was the first issuer of a green bond, focused on the climate, in the French public financial sector. We reached a new milestone in 2020 with the publication – for the first time in France – of a bond framework aligned with the SDGs. Our goal for the next few years is to regularly increase the share of SDG bond loans in our financing, with the aim of total sustainable financing, in accordance with our alignment with the 2030 Agenda. The ultimate goal is to present financial markets not with individual projects but with AFD Group itself, and to help train other financial institutions, especially public development banks.

3.1 AFD Group's three inclusive and sustainable investment priorities

The value proposal made by AFD Group will be based on three integrated, inclusive, and sustainable investment priorities.

SUSTAINABLE AND RESILIENT

INFRASTRUCTURE

A large proportion of people in vulnerable and emerging countries still lack access to basic development services (e.g., water and sanitation, rural infrastructure, sustainable energy, transport, housing, education, health care, etc.) due to lack of investment in (i) accessible, affordable and resilient services and (ii) well-designed infrastructure that is adequately operated and maintained. Greenhouse gas (GHG) emissions linked to existing infrastructure (79% of total emissions) and the need for investment to achieve the SDGs (more than \$6 billion per year until 2030) require a strong response to support sustainable infrastructure.

In line with the conclusions of the 2023 Summit for a New Global Financing Pact, and in accordance with the political objective of the Presidential Council for Development, AFD Group will enhance the mobilization of expertise and private and public financing for strategic, high-quality, and sustainable infrastructure in developing countries, via AFD, Proparco, Expertise France, and the STOA impact fund. This will enable us to support the sustainable development or transformation of (i) local infrastructure (small off-grid solar units, hill dams, school and health facilities and equipment, sports centers, etc.), (ii) large-scale national infrastructure (power plants, water and sanitation treatment plants, integrated urban mass transit, housing, etc.), and (iii) regional infrastructure (electricity interconnections, port infrastructure, telecommunications, etc.).

This ambition will notably take the form of contributions to the Global Gateway initiative in Africa and to the challenges of European convergence in the Balkans and strengthening resilience in the Indo-Pacific. It will be achieved by financing good-quality infrastructure that is suitable, sustainable, and resilient. This infrastructure will

be designed, built, and managed by local, public, or private actors, to meet people's needs and to bolster the institutions responsible for them.

ECONOMY AND SDG FINANCING

Building an economy and financing that are sustainable means ensuring that growth creates decent jobs, reduces inequality, generates shared and inclusive prosperity, and is able to ensure continuation of the essential functions provided by nature. AFD Group is committed to facilitating the emergence of local and international financing aligned with the SDGs. The Paris Agreement on climate affirmed the need to align financial flows to a sustainable agenda, and the Kunming-Montreal Agreement extended this commitment to the protection of biodiversity. This new paradigm invites us to rethink our action in support of the sustainable transformation of the practices of economic actors, by strengthening our technical assistance support.

This is why AFD Group will continue to back innovative project leaders as well as micro-, small and medium-sized enterprises and will boost its contribution to establishing more sustainable and inclusive value chains and financial systems, particularly in Africa. To this end, we will mobilize an improved range of products and work on new solutions (namely guarantees and insurance). AFD Group will work toward achieving the targets of SDG 2 ("zero hunger") and SDG 12 ("responsible consumption and production"), as well as promoting better food security in the countries where we operate. For this, we will support farms (especially family farms) in their ecological transitions and also sectoral actors (especially in the private sector) in setting up investments to benefit sustainable food systems. Proparco in particular will work actively on the issue of financing agricultural value chains in Africa through its entire range of products, an aspect that has been strengthened as part of the Food and Agriculture Resilience Mission (FARM), an initiative launched in 2023.

Box 12

AFD Group's offer for sustainable management of transition-critical minerals

Demand for minerals critical to the energy transition is increasing. For this reason, AFD Group will renew its positioning on the financing of their value chains. The needs of our clients and partners will have to be taken into account, which is why we will have to support the production of critical minerals with two simultaneous objectives: accelerating the energy transition and contributing to a more responsible mining system.

To this end, we will establish a differentiated approach based on ore type and our positioning in the value chain. Methods for analyzing alignment with the Paris Agreement and for calculating climate co-benefits have been adapted to take account of this sector, with efforts focused on the most critical minerals. We will also set our priority areas of action at the various levels of the value chains, starting with linked infrastructure (energy, water, transport, and waste), governance, training, and recycling. All the AFD Group entities will be concerned by the operational implementation of these action areas, in a complementary and coherent way.

The mining sector can generate positive spillovers, but it still carries significant risks for the economies, societies, and ecosystems of the countries where we operate. AFD will establish a selectivity framework to identify projects with SDG impacts, in terms of (i) decarbonization of sectors, (ii) improvement of governance and environmental and social standards, and (iii) the creation and equitable distribution of value. Because of the high level of selectivity resulting from our proposed positioning, the number of actions in this area will be limited. This will enable AFD Group to address this subject step by step, by responding to the requests of partners with the most pressing issues related to transition-critical minerals.



HUMAN DEVELOPMENT AND SOCIAL PROGRESS

The human development index of many countries has been heavily affected by recent crises. This is why AFD Group will step up its action to: (i) identify investments that multiply social impacts and promote just transitions, by enhancing research on how to measure them; (ii) work to better target pockets of social, territorial, economic, and climate vulnerabilities, by implementing behavioral science and the lessons of the Fund for Innovation in Development and by promoting the concerted management of the commons; and (iii) meet the challenge of scaling up social innovations by working on the long-term financing of social policies.

More specifically, in the healthcare sector, AFD Group will seek to improve the quality of the training offered in the operations we finance, with the aim of addressing the health worker shortage – a major issue in the countries where we operate. We will focus our actions on the issues of training and capacity building for professions in the sector, in particular by supporting the development of local training, the diversification of our offer, and the capacity of countries to offer training to boost health human resources.

AFD Group's action in the field of human development will also prioritize investment in youth, through support for the education and training of teachers in developing countries. In this area, we will finance operations that make direct and significant contributions to bolstering human resources in education, vocational training, and job insertion for decent employment.

By strengthening social protection systems and by acting on this education–training–employment continuum, AFD Group will remain strongly committed to the fight against poverty and the promotion of equal opportunities, through universal access to social services, such as education, health, and social action.

Box 13

AFD Group by La Francophonie's side, on education, employment, and the cultural and creative industries

In 2050, 85% of French speakers will live in Africa, where Francophone issues go beyond the linguistic dimension alone and also cover educational, cultural, economic, and geopolitical issues. AFD focuses on educational issues related to the French language, working alongside the major players of "La Francophonie", which include the International Organisation of La Francophonie (OIF), Assemblée parlementaire de la Francophonie (APF), Agence universitaire de la Francophonie (AUF), Association internationale des Maires francophones (AIMF), and the Institut français. In many countries where AFD Group operates, French is both the language of instruction – often alongside other local languages – and an indispensable condition for access to training, studies, and later employment in the formal economy, particularly in the tertiary sector.

At the same time, we will continue to work with the many countries where French is not the language of instruction or where it is in decline. In these countries, we support governments that wish to maintain the role of French in multilingual education contexts.



For these projects to succeed, we need to boost the attractiveness of the French language and demonstrate its role in young people's employability. This will involve the mobilization of French and international actors working on multilingualism issues, including French. Our increasing actions in the cultural and creative industries sector, including through projects related to the promotion of the French language in OIF member countries, will strengthen this powerful vector for the promotion of the French language and the diversity of cultural expressions.

AFD Group will support the implementation of trilateral cooperation between French-speaking countries, in particular between Asian and African countries that are OIF members, by supporting the development and expansion of collaboration and the sharing of expertise to foster areas of cooperation between countries sharing the French language. The Francophonie Summit in Villers-Cotterêts in 2024 provided an occasion to further strengthen this strategic priority.

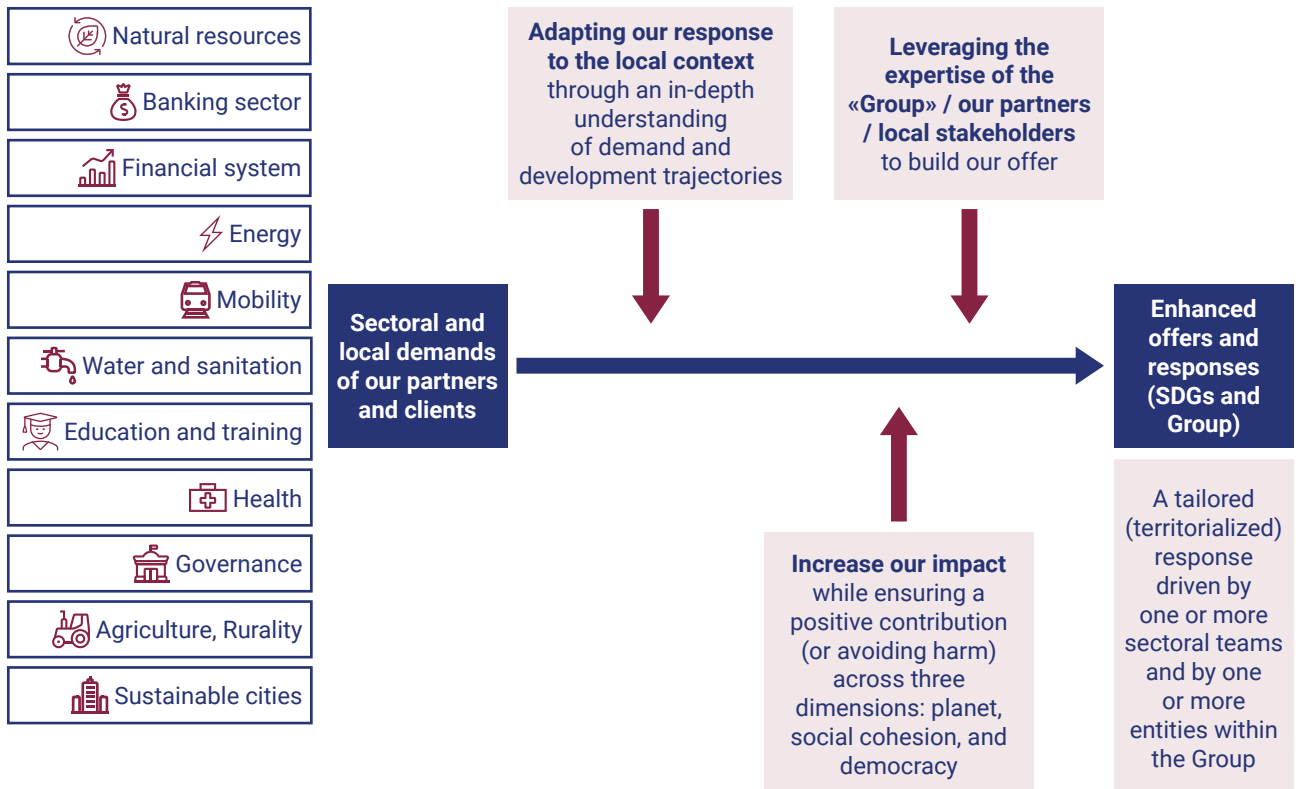


3.2 Planet, social link, institutions, citizens, and democracy: reconciling human development and protection of the planet

Crosscutting SDGs such as climate, marine and terrestrial biodiversity, poverty, gender equality, the reduction of inequalities, the effectiveness of institutions, civic participation, and peace are simultaneously a challenge at the global level and a condition for achieving the sectoral SDGs and meeting the 2030 Agenda. This is why AFD Group now systematically includes these three dimensions (planet; social link; and institutions, citizens, and democracy) into all its sector-based actions.



A process that reconciles sectoral issues, local trajectories, and global challenges



PLANET: RECONCILING CLIMATE, NATURE, AND DEVELOPMENT

As the first public development bank to have aligned itself with the Paris Agreement⁹ (in 2017), AFD Group intends to have the same high level of standards between climate and nature and to raise its goals for the planet continuously. This will involve three markers: (i) increasing the share of financing dedicated to projects with transformational value, (ii) aiming for alignment with the Kunming-Montreal GBF¹⁰ adopted at COP15, and (iii) better integrating the just transition and vulnerabilities as priorities.

To meet the commitments of the Paris Agreement and Kunming-Montreal GBF to make all national and international financial flows compatible with the objectives of these agreements, AFD Group will help determine and finance the sustainable development trajectories of its partners and clients, not only in terms of climate-change mitigation, as we do with the Just Energy Transition Partnerships (JET-Ps), but also in terms of adaptation and the protection and restoration of biodiversity. These national and local visions must be co-constructed with the not-for-profit stakeholders of civil society and with actors of the private sector, research centers, national institutions, and the local financial ecosystem. We will also support our partners in implementing these trajectories in their budgets and financing needs. To support the transformation of actors themselves, a targeted offer and analysis will be proposed to public and private partners.

Box 14

Creating carbon markets

Carbon finance has been growing strongly since 2019, driven by voluntary decarbonization efforts and CSR commitments of many companies. It has also been spurred on by the start of the implementation of Article 6 of the Paris Agreement, which involves a cooperative or market-based approach to trade mitigation outcomes in order to achieve nationally determined contributions (NDCs). Carbon finance holds significant potential for new financing in the form of grants from the private sector and governments as well as potential over the long term for mitigation projects and more generally for sustainable development.

To mobilize these new resources for the benefit of its partners, in 2023 AFD adopted the following principles of action: (i) a real contribution to decarbonization trajectories; (ii) the search for co-benefits (biodiversity-related and social); (iii) and robust monitoring and evaluation and the strengthening of local expertise. AFD Group is committed to a pilot approach and intends to deploy, by 2027, an offer adapted to the needs of its partners and countries. We will do so by preparing or facilitating projects using carbon finance, investing in dedicated funds, supporting the establishment of national strategies and regulatory frameworks resulting from Article 6, and contributing to better transparency and market governance.

Beyond 2027, depending on the countries' policies for using the Article 6 mechanisms, carbon finance could become a significant focus for AFD. The aim will be to help build the best carbon markets and make them scalable tools, to help achieve the SDGs. This subject will be a topic of discussions within the Finance in Common Summit (FICS) movement to obtain greater participation by public development banks in these hitherto private markets. The aim is to help structure and coordinate them and to guarantee their integrity.

⁹ The Paris Agreement seeks to limit the increase in average temperature to 1.5°C/2°C by the end of the century.

¹⁰ The GBF seeks to neutralize the ecological footprint by 2030 and aspires to a humanity that is positive for nature by 2050.

AFD Group is aware of the vulnerabilities exacerbated by climate change and will strive to better target the most vulnerable people and countries, with the goal of strengthening action on adaptation, loss and damage, and disaster risk management and reduction. Nature-based solutions will be used as much as possible. The idea will be to better understand the typology of risks and to develop quality, transformational adaptation that is adapted to the local level via support offers and innovative tools. We will ensure that our actions have benefits on gender equality and social inclusion in particular.

In terms of climate change mitigation, the objective of keeping the temperature rise at 1.5°C requires action on the levers pertaining to public policies, projects with massive effects, and the deployment of techniques and actors able to promote paradigm changes. While we do have a solid foundation in this area, changes are needed in two areas. First, we must address the issues of jobs and solidarity, as well as those of carbon stocks, and halt the construction of fossil-fuel assets. Second, we must work on decarbonizing the “hard-to-abate” sectors, by reducing energy use and improving efficiency, limiting methane emissions, and securing the minerals critical for the transition.

Aligning with the requirements of the Global Biodiversity Framework is an ongoing process that entails ensuring that our actions are consistent with national strategies and biodiversity action plans set by the countries themselves. It also involves beginning to gradually integrate biodiversity into all of our internal processes and action sectors, starting with those that exert the greatest pressure on biodiversity. In addition, we will strive to achieve a transformational effect through our actions. We will analyze each of our actions, at the project and portfolio levels, with regard to their effect on biodiversity. We will also ensure that no action generates a residual negative impact on nature.

AFD Group is aware of the major impacts of international value chains on climate and nature. For this reason, we will draw on the normative powers of the private sector (major buyers, coalitions, etc.) and the public sector (trade and tax policies, public procurement, etc.). We will promote the dissemination and quality of standards (through regulatory action or private certification) as well as the potential impact of voluntary commitments by the private sector.

As green regulations are being established, AFD Group will enhance its expertise on credit risks related to climate and nature degradation by including a dedicated indicator in its risk-appetite framework. It will also be important to deploy methodologies for assessing climate, physical, and transition-related financial risks, as well as risks of biodiversity degradation linked to client activities. Consideration of these risks will be a crucial aspect in preparing the sustainability reporting expected in 2026 under the new European Corporate Sustainability Reporting Directive (CSRD).¹¹

SOCIAL LINK: FOR EQUALITY AND INCLUSION

At AFD Group, we will focus our financing and technical expertise to support the development of fairer and more inclusive societies. This goal will be implemented across all operations and will be embodied through two key crosscutting objectives: (i) reduction of multidimensional inequalities and the promotion of inclusion and (ii) the promotion of gender equality with a transformative feminist approach.

We will contribute more actively to reducing multidimensional inequalities by gradually increasing our efforts in this area via the financing of (i) public policies aimed at reducing inequalities and promoting inclusion in social sectors, (ii) redistributive fiscal and budgetary policies, and (iii) infrastructure projects that enable access to quality services in disadvantaged territories and that benefit disadvantaged and/or poorly served populations. To this end, AFD Group will provide tools and resources to strengthen the quality of operations, with the establishment of an “equality and inclusion” indicator and an enhanced results and accountability framework.

This focus will also take the form of investment in the just dimension of energy transition efforts. Situations of social inequality often act as obstacles to transition efforts.

In addition, in line with its commitment to a feminist policy, AFD Group will promote gender equality with a dual ambition. The first is gender mainstreaming (the DAC 1 marker) in all sectors of action, in continuation of the efforts we have undertaken over the past 10 years. The second is an enhanced commitment to empowering women through the support of projects whose main objective is to close gender gaps (DAC 2). We will adopt a concrete

¹¹ See Annex 3, “Sustainability reporting as a way to leverage transformation.”

feminist approach that targets in-depth and lasting transformations by questioning the existing power relations between men and women, gender dynamics, and social norms that promote inequalities.

AFD Group will act in a joint and enhanced way to promote the three types of empowerment for women and girls:

- ▶ Physical empowerment and the right of women and girls to control their bodies. This covers all actions to promote sexual and reproductive health and rights and to combat all forms of gender-based violence
- ▶ Economic empowerment by financing projects encouraging (i) better access to education, training, and social protection; (ii) promotion of professional equality; (iii) the development of decent work; (iv) the development of women's entrepreneurship; and (v) access to financial services
- ▶ Political empowerment and access to justice through improved legislative frameworks, the funding of legal aid centers, the training of justice personnel and police officers, and protection programs for female victims of violence, etc.

AFD Group will also work for the support, strengthening, and networking of feminist movements and organizations through the Support Fund for Feminist Organizations (FSOF). We will also increase our support for the sports and cultural and creative industries sectors, as a specific lever for achieving this goal, given the major potential of those sectors for social cohesion and civic empowerment.



Box 15

Sport for all, for the benefit of the SDGs and youth

Sport unites us. It is a vehicle of social cohesion and is mentioned in the 2030 Agenda as contributing to the achievement of the SDGs, particularly those that touch on health, education, gender equality, and inclusion. In line with this very strong conviction, and in a demographic context that poses many challenges for young people, AFD Group has made sport an accelerator for solidarity-based and sustainable investments.

Since the adoption of its “sport and development” strategy in 2019, AFD Group has created the following: (i) an unprecedented level of investment and impact, with total financing of nearly €200 million for 200 projects in more than 50 countries, impacting nearly 10 million young people; (ii) a forum for dialogue that encourages States to incorporate sport into their public policies; (iii) occasions for mobilization and partnerships that create collaborations with internationally renowned sports organizations (International Olympic Committee, Paris 2024, Dakar 2026, International Federation of Association Football – FIFA, National Basketball Association – NBA, Basketball Africa League – BAL, sports federations, and associations and athletes committed to development).

Building on this initial success, AFD Group aims to scale up its sports action with a “sports for all” approach by financing and supporting public policies, sports entrepreneurs, civil society, and actors of the sports movement in key areas, such as local sports infrastructure and capacity building for sports players. The “Sport for Sustainable Development” (S4SD) Summit, co-organized with the IOC in Paris on July 25, 2024, brought together 500 participants and nearly 60 heads of state and government, leaders of international organizations, public banks, and members of the Olympic Movement and Paralympic Movement. The S4SD Summit set a new course to support the SDGs, broken down into 10 commitments divided into five main priorities to renew the shared commitment of the sports world and the financial sector to education and employment,

health and nutrition, equality and inclusion, financing and impact measurement, as well as sustainability and cultural heritage.

CITIZENS, INSTITUTIONS, AND DEMOCRACIES

Surveys that measure the state of democracy point to its decline on a global scale. In both the Global North and Global South, we can see a narrowing of civic space, a decline in confidence in the frameworks and principles of democracy, and a revival in popularity of strong forms of political authority that are supposedly better able to design public policies and deliver basic public services. Rising inequality and a sense of alienation from institutions and governing elites are also aggravating this disenchantment with democracy in many countries, both in the Global North and Global South.

The recent decline in democracy must nevertheless be put into perspective within a historical standpoint, not only in terms of democratic ebb and flow but also of permanent transformation of democratic forms to meet contemporary issues. From this long-term perspective, it is important to distinguish contemporary democratic practices – particularly in their procedural dimensions, which are becoming less attractive or even rejected in certain circumstances – from the growing aspiration to an ideal of “substantive democracy,” i.e., the form of organization that enables the building of a collective project through debate between equals and the determination of effective and inclusive public policies. All the surveys that attempt to measure democratic aspirations show that they remain universal.

Against this backdrop, AFD Group now intends to more strongly include support for “democratic dynamics” in its action strategies, taking into account the political and institutional situations of each country and without seeking to apply one model or another. This will be done in all the countries where we operate, with all our instruments and with all our clients and partners – not only ministries, but also local authorities, businesses, the financial system, local and international civil societies, and the research world.

AFD Group will obviously not take the position of making democracy a condition for support. Indeed, this new ambition implies taking into account the wide range of approaches and requires dialogue, caution, and adaptation to political, geographical, and economic contexts. In concrete terms, this means we shall: (i) draw inspiration from renewed democratic practices around the world; (ii) consider democratic processes at all scales, including sectoral/infrastructure projects; and (iii) capitalize on and increase the number of types of support already implemented.

It is thus not a question of transforming political regimes or of working only with countries committed to a democratic approach.

This new ambition, which has been enhanced compared to AFD's previous strategy, will guide AFD Group's activities in its relations with foreign governments, but also in its support to NGOs, the technical cooperation led by Expertise France, and its financing for decentralization and support for local authorities.

In this regard, AFD Group will act at three levels:

- ▶ We will support the dynamics of participation and citizen organization, taking into account the political contexts specific to each country. Against a backdrop of declining "formal" democracy, civic participation can help public institutions better meet the needs of users/beneficiaries and promote ownership and shared responsibility. This concerns the level of civic engagement and non-profit association activities, where development projects are conceived as democratic spaces. In this respect, the local approach and the support of actors at the local level will be decisive.
- ▶ We will also support public institutions (ministries, delegated bodies, public service agencies, local authorities, financial institutions, regulators, etc.) to improve the efficiency and transparency of public action in the delivery of services to users and citizens. This will be done by identifying all the organizational and institutional levers that enable them to achieve their strategic and operational objectives, thereby helping to build trust among citizens.

- ▶ We will also help strengthen rule of law and democratic foundations. In less propitious contexts, our action should develop in the sometimes limited places where rights, freedoms, and spaces for debate are created, particularly within civil society.

AFD Group will strive to promote and protect human rights in line with the commitments and priorities of the French Programming Act on Inclusive Development and Combating Global Inequalities, the Presidential Council for Development, and the Interministerial Committee for International Cooperation and Development. In line with our 100% SDG commitment, we will pay special attention to the continuum between conventional human rights (economic, social, cultural, civil, and political) and the right to a healthy environment. In this regard, we will be careful about the specific issue of preserving the rights of Indigenous peoples most affected by the challenges of just transitions. As part of our foresight work, we will also explore emerging fields such as the rights of nature.

Box 16

Innovating to support substantive democracy

An innovation in democracy is defined by the transformation of the relationship with the traditional functioning of organizations and vertical power by experimenting with new forms of openness, co-production and co-construction of public action and decision-making, thereby helping to build trust. Digital services, open innovation, user-centered public services, and cross-border innovation between CSOs and institutions will be main themes of these innovations. In addition, as civil democracy is nurtured by social democracy, which is a factor in developing and strengthening rights, AFD Group will explore the possibility of supporting efforts to consolidate corporate social dialogue frameworks and the employers' and employees' organizations that work toward it.

AFD Group's ambition in this area is in line with the new Innovation Foundation for Democracy in Africa. This foundation, led by the university professor Achille Mbembé, supports an innovative approach to democracy (e.g., substantive democracy and bottom-up democracy) to create an inspiring focal point for supporting democratic actors in Africa. This notion of substantive democracy is an innovative approach and extends democracy to deliberation, recognition, and redistribution.

AFD Group will also support democratic innovations on other continents, using dedicated tools and by circulating democratic innovations and drawing inspiration from them.

3.3 Four complementary scales of action for greater impact

To increase the impact of our financing, we will mobilize our technical skills and our experience in sustainable development so that we can do more than just align our projects with the SDGs: we will also act at the trajectory, actor, and system levels.

SUPPORTING THE SDG TRAJECTORIES

OF COUNTRIES AND TERRITORIES

The notion of "trajectory" is primarily used at the country or territory level. For AFD Group, our goal will be to (i) help determine and monitor these trajectories, so that there is public policy dialogue about them, and (ii) contextualize our strategy according to the realities of countries and their specific challenges. In close collaboration with governments, central banks, and development banks, we will develop research programs aimed at conducting in-depth analyses on climate financial risks and developing recommendations on risk management for non-sovereign actors. To this end, we will continue to implement two complementary modeling tools – ESTEEM and GEMMES – to support countries in facing climate, physical, and transition risks, and to analyze the macroeconomic dimensions of ecological transitions. We will also mobilize tools for analyzing political economy, multidimensional inequalities, and the budgetary and fiscal impact on inequalities and poverty.

ALIGNING PROJECTS WITH SDG

TRAJECTORIES

AFD Group will ensure that the projects it finances are properly aligned with the SDGs, using cross-functional support for operational teams and the sustainable development analysis and advice system, as mentioned above (see introduction to Part 3). The system will be extended to all Group entities as appropriate and will increase the involvement of clients and partners in this analysis. We will promote the structural and systemic impacts of

our financing for achieving the SDGs. Additionally, we will continue to work with the financial sector with the goal of converging on shared methodologies in this area.

INVESTING IN THE TRANSFORMATION OF ACTORS AND THEIR SYSTEMS

Beyond projects, support for national and regional sustainable development trajectories will be based on support for and transformation of major national actors (i.e., systems in which they are integrated and processes that link them) identified as impactful agents of change. These may include ministries, municipalities, regions, public service companies, central and development banks, private companies, large-scale NGOs, the media, and others. We will need to improve our capacities to identify, prioritize, and monitor these foundational clients, including through our information systems. We will also have to be accountable for their transformation, justifying where necessary the risks initially taken to support them.

At the level of non-state actors, AFD Group will engage in dialogue with national-level regulators to support them in their efforts to align with the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. This action will involve corporate financing, technical cooperation, and exchanges of experience between peers. It will build on AFD's efforts with its peers in the IDFC and the FiCS movement to set common principles for alignment with the SDGs. Our attention to the transformations of actors also involves being open to approaches that make use of vectors for emotional transformation that are based on the arts and creativity, among other things.



CONTRIBUTING TO EUROPEAN AND INTERNATIONAL ADVOCACY FOR SDG ALIGNMENT

Finally, to encourage the extension of climate, biodiversity, and SDG alignment to all global investment, it is crucial that a universally accepted qualification of this alignment and serious accountability mechanisms come into being as quickly as possible. But which financial flows and asset categories will contribute to this? And which, on the contrary, will take us further away from this goal?

To achieve this common definition, AFD Group will work more within coalitions of public development banks (JEF-IC, IDFC, FiCS) and private trade associations and organizations (ICMA in particular). Public development banks represent about 15% of global investment and act as a strong and credible coalition to work for the creation of new standards and practices. IDFC and FiCS also enable banks to make progress in their internal and external governance (e.g., mandates, financial models, regulation, etc.). We will conduct advocacy targeting the EU institutions, urging for regulation that better takes into account the international action of financial actors and enables convergence with the SDG alignment system of international development donors. We will conduct this advocacy to back up France's political ambition to promote a new metric of international solidarity action for the SDGs at the international level, which we call "inclusive and sustainable investment."

Along with its partners, AFD Group will work toward convergence of norms, practices and standards of investments with those of climate and biodiversity finance (TCFD¹²/TNFD¹³) and with the SDGs. For this absolutely necessary finance standard compatible with the SDGs to come into being, it will be crucial to engage in dialogue with the EU on the application of the European taxonomy, as well as with the United Nations system and other key actors (EFRAG¹⁴, IPSAS¹⁵, ISSB¹⁶).

Box 17

A new metric of international action for sustainable development

Monitoring France's new policy of inclusive and sustainable investment requires a different metric than the one used for official development assistance (ODA). That metric was established and is tracked by the OECD DAC to make international comparisons to monitor the commitment made in 1970 by developed countries to devote 0.7% of their income to aid for developing countries.

AFD Group will contribute to the work to develop and promote this new international solidarity metric, which will enhance all international public flows contributing to the achievement of the SDGs. This metric will aim to better recognize the leverage effect of public action on private and public financing, particularly in the areas of climate and biodiversity and of the just transition. This approach will enhance all AFD Group activities that work to achieve the SDGs and international partnership and that are not strictly counted as ODA. This new metric will help in building future global standards for SDG-aligned financing.

12 Task Force on Climate-related Financial Disclosures

13 Taskforce on Nature-related Financial Disclosures

14 European Financial Reporting Advisory Group

15 International Public Sector Accounting Standards

16 International Sustainability Standards Board



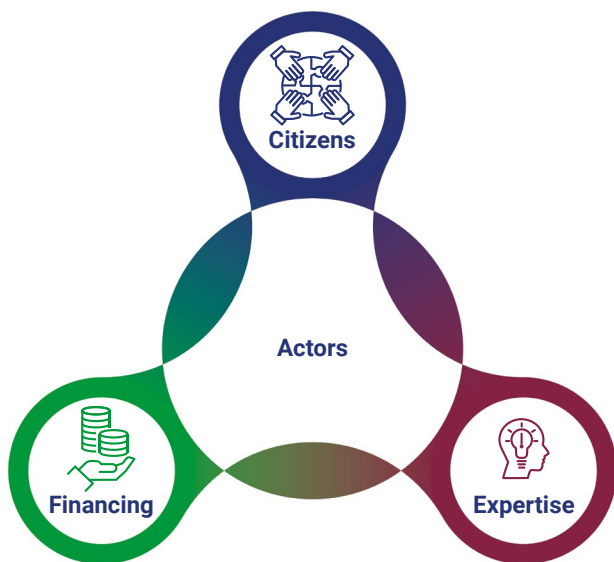
A commitment to amplify and spread our mission:

AFD Group as a mobilization platform

AFD Group plans to amplify its action and participate in mobilizing the forces of change to achieve the SDGs. We will work for mobilization through three priority and complementary channels:

- 1. Financial mobilization.** The aim is to increase and qualitatively redirect additional resources. Investment in developing countries already reaches more than \$10 trillion per year, as much as in high-income countries. Of this amount, 80% is private and 90% domestic. Despite the growing interest in impact finance, private finance needs public intervention and regulation to move faster toward the SDGs.
- 2. Civic and partnership mobilization.** The commitment of the nation's driving forces – civil society, youth, opinion leaders, and citizens themselves – is a lever for action that is still underexploited by development institutions.
- 3. Mobilization of knowledge, technology and expertise.** For AFD Group, this means working to support, capitalize on, and develop the knowledge and know-how, innovations, and skills needed to carry out our mission.

A mobilization in three dimensions



Building coalitions and communities of stakeholders to amplify our impact

4.1 Mobilizing financing

Achieving the SDGs means stepping up efforts to align the financial system with the sustainable development agenda, i.e., seeking to make all global finance sustainable, financing common goods, and allocating a more secure and automatic share of investments to the most vulnerable countries and people. In response to the objectives set by the Presidential Council for Development and the Interministerial Committee for International Cooperation and Development in 2023, AFD Group's mandate now includes redirecting a greater proportion of available financing – both public and private as well as national and international – to the SDGs.

CO-FINANCING AND INCREASING DELEGATED FUNDS FROM PARTNERS

One of the main ways AFD Group will work to consolidate and expand co-financing is by mobilizing regional development banks and multilateral actors. With our European and international partners, we will strengthen agreements for task delegation and their monitoring, as well as the strategic management of co-financing agreements.

We will continue our efforts to obtain delegated funds from our partners, especially European partners. Indeed, the EU contributes nearly half of global ODA, through the action of its Member States and EU development policy. We will act in partnership with our peers and EU institutions, via #TeamEurope. In addition, we will help develop a joint European financial offer, within the three major European development financing networks (JEFIC, Practitioners' Network and EDFI).

AFD Group will also mobilize other public and private actors, such as major philanthropic foundations and sovereign wealth funds from emerging countries and non-OECD countries, based on themes of common interest. In this way, we will be experimenting as an arranger, to help increase the impacts of our projects through a shift, from an approach limited by our available funding to a mobilization approach that meets the needs of territories. In the case of public banks, the business model for this activity will have to be stabilized.

Reflection work will be carried out to assess the ability of AFD Group's various instruments (AFD, Proparco, CSO Initiative, FFEM, FID, Campus Group, Expertise France, expertise in carbon credits and offsets, etc.) to make themselves available to new partners. An economic model of mobilization will be established to respond to the expectations of these new partners, without jeopardizing AFD Group's equilibrium.

MOBILIZING THE PRIVATE SECTOR

IN SUSTAINABLE DEVELOPMENT

The July 2023 meeting of the Interministerial Committee for International Cooperation and Development expanded the aspect of economic influence in AFD Group's mandate, without going back on the principle of untying aid. Mobilizing the private sector should make it possible to increase its share in financing the SDGs, not only in emerging countries but also in mature markets and sectors in developing countries. As a development finance institution, AFD Group's subsidiary Proparco will be called on to play the role of catalyst with private actors – especially private institutional players – to mobilize greater financial flows toward the priority areas and themes covered by its mandate.

As part of its “active mobilization” strategy, Proparco has identified three specific ways to increase the mobilization of private flows to support the SDGs: (i) the transfer of risks to increase the institution's capacity for action; (ii) Proparco's positioning as a reference investor, to encourage private businesses to engage in the sectors and countries where AFD Group operates; and (iii) financial structuring and innovation to offer private investors new financial products compatible with their investment frameworks. This renewed approach requires new management indicators and access to concessional resources.

More broadly, AFD Group as a whole intends to mobilize the know-how of French companies that can be useful for achieving the SDGs in developing countries. This will especially apply to the priority sectors identified by the Interministerial Committee for International Cooperation and Development: sustainable cities, health, agriculture, transport, digital technology, energy transition, and cultural and creative industries. AFD Group will actively participate in the strategic sector committees formed by the French Directorate-General of the Treasury, which bring together

all of Team France and representatives of the sectors. These committees work with the sectors falling under the priority areas (i.e., thematic, sectoral, and geographical) to determine which of those areas should be the main targets of the various public international support tools. They are facilitating the identification of a new working method between sector representatives and public actors to support the development of French companies abroad.

By specifying the framework of untied aid, AFD Group will inform these actors about market opportunities linked to its financing and help them work more closely with their foreign partners. The qualitative dialogue with the French private ecosystem will be continued, along the lines of the recently renewed partnership with the SUEZ utilities company. AFD Group will encourage actors to exchange best practices, identify projects through discussions with the private sector, organize technical workshops, and develop joint CSR initiatives. This type of partnership has several advantages: building mutual skills, improving our understanding of the sector, and boosting our ability to mobilize French technical expertise abroad. AFD Group supports French mobilization for the financing of sustainable infrastructure, in particular through the STOA impact fund with Caisse des Dépôts et Consignations (CDC).

AFD Group will work with the bodies of Team France (DG Treasury, Bpifrance, Business France) to improve the readability and complementarity of instruments to best respond to the demand for French know-how from our partners. We will participate in EU initiatives to support European companies within the framework of Global Gateway financing. We plan to raise the quality requirements of tender documents in order to promote offers of the highest standards. As such, the work carried out in consultation with the French private sector on enhancing the social, environmental, and governance clauses of tender documents for contracts financed by AFD Group will be continued and expanded to foster increasingly virtuous practices. We will closely consider exclusion lists established at the French and European levels. These lists shall apply to non-European companies eligible for grants, in order to avoid the distortion of competition effects from which those companies may benefit.

Support for the development of the social and solidarity economy, which promotes a business model that bridges strong civic engagement and a non-profit economy dedicated to the general interest, will be strengthened in conjunction with French SSE actors.

Meanwhile, AFD Group will work to create a business environment conducive to the mobilization of the private sector (both for-profit and non-profit) in the countries where we operate, by working upstream on the regulatory, normative, and institutional framework, including by deploying international technical expertise as part of an AFD Group offer, with Expertise France.

Box 18

A new strategy for Proparco

In December 2022, Proparco, AFD Group's subsidiary dedicated to the private sector, renewed its strategic intervention framework for the next five years. Proparco's action will be aligned with AFD Group's sustainable development ambitions and will focus on the following three issues: (i) working for a sustainable and resilient economy by promoting access to economic opportunities and the resilience of local ecosystems; (ii) working for the planet by investing in climate and biodiversity; and (iii) working for more gender, socioeconomic and territorial equality.

Proparco will differentiate its operational approaches to adapt its action to the needs of its clients. To this end, it will carry out a three-prong policy to (i) "explore" to finance innovation and operate in fragile environments; (ii) "strengthen" to maximize the impacts of the projects financed, including through better monitoring and increased extra-financial support; and (iii) "amplify" to support Proparco's key partners over the long term. Lastly, Proparco will contribute to AFD Group's mobilization commitment by implementing an "active mobilization" strategy to catalyze private savings.

DIRECTING FINANCIAL FLOWS

AND INVESTMENTS TOWARD THE SDGS

To guide financial flows toward sustainable development more effectively and qualitatively, AFD Group will use several complementary levers, all of which aim to change the roles and responsibilities of financial actors.

First, we will more systematically question the leverage effect of the financial tools we use, by directing resources to the obstacles or bottlenecks that block initiatives. Further, we will support the transformation of financial systems by taking into account climate financial risks and the development of transition plans among non-sovereign actors.

AFD Group will also work to mobilize domestic resources by strengthening savings and credit networks, fiscal capacities (tax collection), and public development banks. We will encourage national financial systems to upgrade to the standards of the Financial Action Task Force (FATF) on money laundering and the OECD standards on international taxation. For this, we will assess the impacts of tax incentives (e.g., treaties to avoid double taxation) and improve the negotiating capacities of countries' bilateral investment treaties.

Finally, AFD Group will continue its financing for companies and public banks and will open up more proactively to new actors (foundations, investment funds, sovereign wealth funds, diasporas, etc.) in order to encourage, promote, and support the redirection of financial flows from a growing number of economic actors to decarbonized, sustainable, and resilient sectors. We will also support these players in their transformations: we will provide an offer to support all types of partners and clients in their transition, bring an analysis system into widespread use by our bank clients, and support the latter in implementing their transition.

Box 19

Mobilizing public development banks through IDFC and FICS

AFD Group will work to transform financial systems. It was with this goal in mind that the IDFC, chaired and led by AFD from 2018 to 2023, helped initiate the Finance in Common Summit (FICS) movement. FICS brings together 530 public development banks and highlights their role in financing economies and their potential to redirect finance toward sustainable development issues. We will rely on the IDFC and FICS networks, as well as the network of international organizations based in Paris, to pursue multilateral advocacy (targeting the G20, COPs and the UN) consistent with the French and EU positions to promote the alignment of the financial system with sustainable development.



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4.2 Mobilizing citizens

This second mobilization priority arose following consultation launched prior to the drafting of this strategy.¹⁷ It responds to requests for a scaling up, expressed by AFD Group's partners from French and international civil society. Through these civic mobilization actions, we aim to reach at least one in two young French people. To this end, and in conjunction with French civil society, we will expand our mandate of education for citizenship and international solidarity (ECSI), bringing it up to a larger scale. We will capitalize on the experience we have acquired working with the French Ministry of National Education, which will help us produce educational tools and train managers and teachers about the SDGs. Additionally, we undertake to strengthen the "awareness-engagement" continuum. This is the purpose of our "Tilt!" platform and our enhanced partnership with France Volontaires.

Box 20

AFD Group will support young people as actors in sustainable development

Young people are fully fledged actors in political, social, environmental, and economic life. Their participation is essential if we are to shift toward inclusive and sustainable development. AFD Group will therefore promote the role of young people as actors in the operations it supports. We will bolster our ties with the volunteer ecosystem, as part of the partnership agreement signed in 2021 between AFD Group and France Volontaires (FV).

As part of its commitment to young people, we will continue our support for the development of international volunteering. For this, we will mobilize increased funding and partnerships with CSOs and public organizations to promote greater integration of young volunteers with project owners supported by AFD Group. This work will also include support for international volunteers from developing countries to come to France, in accordance with the principle of reciprocity.

17 <https://consultation-numerique.afd.fr/en/>

WORKING IN PARTNERSHIP WITH CSOS

AFD Group will engage in increased dialogue and strategic partnership with civil society organizations (CSOs) on the major issues of the sustainable development agenda and its financing. With this in mind, the CSOs and AFD Group will develop joint mobilization actions, in conjunction with their respective international networks (FORUS, Climate Action Network International, FICS, etc.) during international events. New partnerships will also be launched and expanded on priority themes such as gender, climate, biodiversity, innovation, education, human rights, and youth.

At the operational level, we will continue the growth momentum of our financing channeled through French, international, and local CSOs to support their initiatives. In 15 years of partnership, AFD Group will have committed €2.5 billion, increasing its support for organized civil society fivefold. This accelerated support since 2017 has made it possible to back more than 2,000 projects, representing 480 French CSOs directly supported and more than 8,000 local actors and beneficiaries.

In this way, we have contributed to the growth of the French non-profit association fabric of international solidarity (both local and national) and to a boost in its capacity for creating jobs and financial and civic mobilization, such as volunteerism.

In 2022, AFD also set out to consolidate its relationship with local CSOs, giving them direct access to financing for the first time through an annual call for expressions of intent. In 2023, AFD allocated €444 million to CSOs, including €163 million through the CSO Initiatives program for 161 projects initiated by 119 French CSOs and their local partners and 20 local CSOs. The present strategy calls for the study of possibly forming a division within AFD Group which would act as the main platform for relationships with CSOs. This platform would also be open to other financial partners that wish to mobilize funds (e.g., via delegated funds or joint financing). We will also work toward structuring and strengthening civil society both in France and in partner countries, as well as toward its individual and collective capacities in civic mobilization, development and innovation actions, and education in citizenship and international solidarity. Work is underway to consider possible ways to increase funding for French social and solidarity economy actors that wish to develop their action internationally.

Furthermore, at the French overseas territories level, a regional cooperation program targeting overseas CSOs was created in early 2024 with a two-year pilot phase in the five territories of Réunion, Mayotte, Guadeloupe, Martinique, and French Guiana. The aim of this program is to identify and give organizational support to partners in the territories that can support networking and capacity-building actions for overseas CSOs that are not currently able to make requests through AFD's CSO Initiative. In the long term, this program aims to support actions on the ground at a regional level on themes with major local challenges (adaptation to climate change, inequalities, social entrepreneurship, biodiversity, migration, and disaster prevention).

MOBILIZING AND RAISING AWARENESS

AMONG LOCAL AUTHORITIES

AND PUBLIC INSTITUTIONS

To be an actor in civic mobilization for the SDGs, we must increase the number and frequency of interactions and discussions with public decision-makers and the institutional ecosystem, in France and abroad. AFD Group will therefore support dialogue with government administrations on their priorities in international cooperation, especially via our subsidiary Expertise France. We will also strengthen the support we provide to French local authorities in their external actions and their decentralized cooperation. Furthermore, while enhancing our dialogue with all the territorial stakeholders who are enacting the international solidarity agenda at the local level, we will ensure that citizens are involved and made aware of the importance of inclusive and sustainable cooperation and of investment action for development. Finally, AFD Group will also maintain close institutional dialogue with French public institutions operating abroad.

Box 21

A renewed strategic alliance between AFD and Caisse des Dépôts et Consignations

The Strategic Alliance Charter between Caisse des Dépôts et Consignations (CDC) and AFD was signed in 2016, renewed in 2021, and then renewed and revised in June 2024. This charter strengthens cooperation between AFD and the CDC, with the goal of ensuring (i) the complementarity of French financing mechanisms to promote the SDGs, ecological transformation, and social cohesion that are supported by the two institutions, and (ii) the coordinated implementation of those mechanisms on French territory and internationally.

The flagship themes of this alliance overlap with the missions and activities of the two institutions. They include (i) impact finance, whose goal is to achieve economic profitability and create positive and measurable social and environmental impact simultaneously, in particular through financing to promote SDGs, and (ii) climate financing, which aims to ensure compatibility with the roadmap of the Paris Agreement, especially by financing the adaptation of territories to climate change.

The geographical focus of this alliance is on Africa and the French overseas territories: both institutions operate in these areas, which are characterized by a particular vulnerability to climate change. A concerted approach may also be used for other countries and territories.

This alliance takes on four forms: (i) common financing instruments (continued use of existing instruments such as the STOA impact fund and possible creation of a new instrument to meet the challenges of climate change adaptation in the overseas territories); (ii) the search for synergies and co-financing on common subjects (e.g., in the overseas territories and in Africa to promote local CDC-type deposit funds); (iii) the sharing of expertise and tools on SDG alignment and on climate and biodiversity finance, as well as on financial and sectoral expertise (e.g., on regional planning, water, and energy); and (iv) further developing a common organizational culture.

The new alliance will help consolidate the AFD Group approach. Expertise France, for example – now integrated into the Group – is already working on structured cooperation in Africa as a signatory of the new charter. The alliance will also develop and accelerate partnership reflexes between the AFD subsidiaries and CDC.

4.3 Mobilizing expertise and knowledge

AFD Group's third conviction is the importance of mobilizing knowledge and expertise in addition to financial instruments to support investments for sustainable development. This mobilization is based on the capitalization, pooling, and sharing of knowledge, be it expert knowledge to explain or guide, or know-how to implement and measure the impact of our work.



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Box 22

Enhanced ambition for Expertise France

Since its integration into AFD Group on January 1, 2022, Expertise France has been providing the entire Group its skills in carrying out technical cooperation projects in the field and in mobilizing know-how to strengthen the public policies of our partner countries.

In their meetings in 2023, the Presidential Council for Development, the Interministerial Committee for International Cooperation and Development and the Interministerial Committee for Overseas France embarked on a movement to strengthen technical cooperation. Expertise France's participation in this movement will be threefold and include: (i) mobilizing more financing for sustainable development, in particular through the Team Europe initiatives; (ii) improved structuring of France's multilateral effort and its bilateral action, based on the model of what L'Initiative is doing in the field of global health; and (iii) strengthening peer-to-peer dialogue and the sharing of experiences, in particular through the deployment of 500 international technical experts by 2027. This ambition will result in growth in its activity of approximately 60% over the next three years, particularly focused on the new priority targets of emerging countries, the EU's "Eastern Neighbourhood," and the Indo-Pacific.

Expertise France will also provide AFD Group with its ability to carry out multidonor projects that can act as support for increased mobilization of public and private resources. Agility will continue to characterize Expertise France, as it will continue to provide rapid responses to crisis situations as it has done in Libya, Lebanon, and Ukraine. Its interministerial role will also enable AFD Group to mobilize French expertise, particularly from the public sector. To improve the quality of its projects and their impact, Expertise France will strengthen its presence in the field by decentralizing its operational activity.

Special attention will be paid to the know-how of local stakeholders and to promoting and strengthening local knowledge. This is one of the conditions that will ensure the relevance of the projects we finance, paving the way for greater impact. To this end, AFD Group will maintain dialogue with research centers and think tanks specializing in sustainable development in the Global North and Global South. This close dialogue will make it possible to (i) produce studies and publications that can improve AFD Group's practices, (ii) solicit their expert views in public policy discussions, and (iii) enhance reflection work in support of the European ambition to promote solidarity and sustainable development.

Finally, AFD Group will position itself at the interface between the academic world and decision-makers. Our research and evaluation work will help inform decision-making to improve the impact of public policies in the countries and territories where we operate. AFD Group will try to create innovative initiatives, including the financing of AI projects for sustainable development, and we will contribute to multistakeholder working groups, particularly within the framework of the Paris Dialogue.





Outlook and new horizons in a period of geopolitical flux

The strategic commitments of the AFD Group Strategy 2025-2030 must enable us to (i) carry out the mandate entrusted to us in support of sustainable development and (ii) work toward this goal in a troubled context in which there can be sudden disruptions and large-scale transformations well beyond transition schemes.

The Strategy 2025-2030 is intended to be a dynamic strategy. It commits AFD Group to a shift in its activity that – without calling into question the project approach – acknowledges the need to go further and to put greater focus on local territories, on actors, on systems and their corresponding processes of change, and on their levers. It will go beyond projects to actors, and from actors to systems, the goal being to amplify impacts and to seek out the most transformative effect on the trajectories of sustainable development.

The new strategy reflects the dual mandate entrusted to us by the French Government: reaffirmed solidarity to promote (i) development for the most vulnerable people and (ii) the development of cooperation, which is indispensable for mobilizing sustainable investments for global public goods and a convergence of trajectories. All this will go beyond traditional aid approaches.

The Strategy 2025-2030 is also intended to be a forward-looking and ever-evolving strategy because many of the issues addressed in this document remain unresolved. Indeed, we will have to keep an active watch on (i) new issues and innovations that are emerging everywhere, due to the acceleration of ecological dangers and to social, democratic and geopolitical challenges, and (ii) the future that artificial intelligence may hold for us.

That is why, when putting our Strategy 2025-2030 into action, we will have to begin anticipating the orientations of the next strategy for the 2030-2040 decade. AFD Group will have to undertake this analysis work along with its owner (the French State), its clients, and its partners. This work will also draw on the many reflections of the AFD Group's employees as they question their professional practices.

Postface

Operationalization, monitoring, and accountability framework

This fifth in a line of strategies must be perfectly consistent with the international strategy of the French State, the owner of AFD Group, as summed up in the Paris Pact for People and the Planet (4P) and set out in the Agreements on Targets and Resources that guide the action of AFD and its subsidiaries. AFD Group's transformation projects must also help meet the commitments of this strategy.

Paris Pact for People and the Planet (4P)	No country should have to choose between fighting poverty and saving the planet	Every country adopts its own transition strategy	We need a financial boost and more public resources	The financial system must be more efficient: the role of private capital	+
AFD Group Strategy 2025-2030	AFD Group	AFD Group by the others' side	AFD Group, a mobilization platform		
AFD Group Agreement on Targets and Resources 2025-2027	<i>Sectoral objectives</i> <i>Work in progress</i>	<i>Geographical objectives</i> <i>Work in progress</i>	<i>Mobilization objectives</i> <i>Work in progress</i>	<i>Group objectives</i> <i>Work in progress</i>	
CAP27 corporate project	<i>"Accountability, Expertise and SDG Consistency" Program</i>	<i>"Client and Partner Confidence" Program</i>			<i>"Working Better Together" and "Group Performance and Dynamics" programs</i>

In addition, this Strategy 2025-2030 will be put into operation according to a geographical breakdown of the strategic objectives for the main countries where AFD Group is present. AFD, Proparco, and Expertise France will implement this strategy at each of their Group entity levels, in accordance with their respective strategic frameworks.

Crosscutting and thematic roadmaps will set out action plans for the implementation of the major commitments of the Strategy 2025-2030. The CAP27 corporate project will help guide the transformations of AFD Group brought about by this strategic ambition.

A review of AFD Group’s country strategies is already underway to adapt to these new strategic orientations. These country strategies will make it possible to contextualize and clarify situations, geographical intelligence, expectations, and priorities (by our partners’ side). On this contextual basis, the strategies will present the way in which the optimized response – in Group mode and 100% SDG (i.e., our quality commitment and SDG impact) – will be organized. It will also indicate the resources allocated to financial and civic mobilization as well as to expertise in this context.

AFD Group will set up a monitoring and accountability framework for this strategy. This framework will include the creation of new tools to assess the quality of the processes that the Strategy 2025-2030 seeks to generate (by our partners’ side, SDG alignment, mobilization, innovation, transformation, etc.).

AFD Group’s Agreement on Targets and Resources for the 2025-2027 period will cover the sectoral indicators setting out the policy priorities of the Interministerial Committee for International Cooperation and Development as well as the geographical mobilization and economic influence indicators. It will also detail performance indicators, which should make it possible to monitor AFD Group’s activity as a whole.



Annex 1

Review of the Strategy 2018-2022

Over the previous six years, AFD Group profoundly transformed its action dealing with our five foundational commitments: (i) 100% Paris Agreement, (ii) 100% Social Link, (iii) 3D development (defense, diplomacy, development), (iv) priority to non-sovereign actors, and (v) partnership reflex.

Via its 100% Paris Agreement commitment, AFD was the first donor to align its financing with the Paris Agreement. In addition, AFD Group has committed more than €26 billion in climate finance since 2017, making us a reference organization in climate finance among other funders and partners.

The 100% Social Link commitment resulted in reinvestment in basic social sectors such as education and health. Its strong focus on prioritizing gender equality has also contributed to advancing France's feminist diplomacy. In 2021, nearly 50% of AFD projects contributed to gender equality. Today, more than 60% of AFD's climate projects also help to reduce gender inequalities, demonstrating the interdependence between climate and social link. AFD Group also ambitiously started investing in the themes of "sport and development" and "cultural and creative industries."

AFD Group also made the issue of vulnerabilities and resilience one of the core issues in its operational strategy. By linking the complementary skills of the actors involved in diplomacy, defense, and development (commonly known as the 3D doctrine), AFD has made this approach the cornerstone of its interventions in crisis situations. Since the 2017 launch of the Minka Peace and Resilience Fund, which targets the most vulnerable people in conflict situations, AFD has committed nearly €1 billion in response to crises in four regional areas: the Sahel, Lake Chad, the Central African Republic, and the Middle East. The Minka Fund has enabled AFD Group to adapt its actions in crisis and conflict areas. More broadly, the Strategy 2018-2022 enabled progress in understanding and responding to extreme events and adapting to climate change.



With its priority on non-sovereign counterparties, AFD Group is committed to supporting all non-governmental actors likely to trigger positive development dynamics. These actors include the private sector, public companies, public banks, local authorities, and civil society. In 2021, 55% of AFD Group's commitments benefited non-sovereign actors. We will continue to forge multiple links in the coming years to support the transformation of stakeholders and accelerate the implementation of the SDGs.

Finally, the partnership reflex has enabled AFD Group to increase and diversify its financing capacities and to unite its partners – bilaterally or within coalitions of actors – on a policy of alignment with the Paris Agreement and the SDGs. It has made us the top international partner of the World Bank Group. We also worked on creating and facilitating the Finance in Common Summit (FiCS).

Geographically, Africa remained at the top of the list of AFD Group's priorities. Over the period 2018-2021, Africa was the region receiving the largest amount of our support, with more than €20 billion in financing. The LDCs, particularly in the Sahel, were the top recipients of our grant resources. In the French overseas territories, AFD thoroughly reviewed its positioning and tools, at the request of the relevant Ministry, showing its confidence in us. As for Latin America and Asia, we significantly stepped up our action, with an increase in AFD Group financing that now exceeds €12 billion each year.

Annex 2

CAP27

A roadmap for AFD Group transformation by 2027 has been developed. Known as CAP27, this program will help us implement our new strategy. CAP27 boosts or rounds out initiatives and projects already underway in the three AFD Group entities.

The Group dimension of CAP27 manifests itself in the governance adopted. For example:

- ▶ Adoption and support of the roadmap by the CEOs of the three entities
- ▶ Programs adopted and supported by members of the respective COMEX (executive committees) of the three entities
- ▶ Implementation of the transformations by the experts and focal points within the dedicated teams of the three entities.

In response to our four strategic commitments, three issues have been defined as a direct response to the implementation of the Strategy 2025-2030. They are taken into account in three programs:

- ▶ “Group Performance and Dynamics,” in response to the challenge of “working as a Group.” This will help increase synergies within AFD Group and pool Group management for greater organizational, operational, financial, and human-resource efficiency.
- ▶ “Accountability, Expertise, and SDG Consistency,” in response to the “100% SDG” challenge. This will enable AFD Group to become the first 100% SDG development institution.
- ▶ “Client and Partner Confidence,” in response to “mobilization” and “by the others’ side” issues. This will enable AFD Group to become a mobilization platform capable of responding as closely as possible to the needs of its clients and partners.

Achieving strategic commitments also requires improving our internal functioning. This is addressed by the following programs:

- ▶ “Working Better Together” is a program to transform our working environment and our ways of doing things, as well as to promote employee well-being and collaboration within AFD Group.
- ▶ “FabRIK,” “OpéraSlons” and “Securis” are three computer programs to equip AFD Group with information systems that are capable of handling our strategic needs and enable us to conduct our activities efficiently and securely.
- ▶ “Austerlitz” is the exemplary program for AFD Group’s new headquarters. It will improve our quality of life and working conditions (QLWC), our internal synergy, and our attractiveness.

Each program involves projects to be implemented across our three entities in order to meet the challenges and the objectives set. The appropriate professional expertise will be mobilized to put those programs into motion. Our teams will receive support in their ownership of the changes involved. Within each program, strong emphasis will be put on monitoring the results achieved and ensuring that the changes implemented actually bring about the expected benefits.

The detailed content of each program and its progress will be made available regularly over the next few years via AFD Group’s various communication channels and at dedicated events.

Annex 3

Sustainability reporting as a way to leverage transformation

CSRD: TRANSPARENCY FOR ENVIRONMENTAL AND SOCIAL TRANSITION

At the World Climate Summit in 2019, the EU launched its Green Deal with the ambition of becoming the first climate-neutral continent by 2050. To this end, the EU has built an ecosystem – the Corporate Sustainability Reporting Directive (CSRD) – on sustainability reporting, taxonomy regulation, and the ESG¹⁸ pillar of CRR 3 prudential regulations. The objective of the CSRD is to direct financial flows toward sustainable companies.

Under the CSRD, companies exceeding certain thresholds of turnover, size of results, and/or workforce must produce ESG data that will be used by banks, insurance companies, and asset managers. By improving the availability and quality of ESG data published by companies, the CSRD raises sustainability information to the same level as financial information. Following the “double materiality” principle, which is a core aspect of the directive, companies must ensure transparency according to harmonized standards (the European Sustainability Reporting Standards – ESRS). This transparency must cover (i) the effects of sustainability issues on the company’s financial situation and performance and (ii) the impacts, risks, and opportunities generated by its activities on the environment and society. Transparency on corporate management of sustainability issues encourages the establishment of an environmental and social trajectory steered by dedicated governance, which will be analyzed by external auditors.

AFD GROUP ALIGNED WITH CSRD’S TRANSFORMATIONAL APPROACH

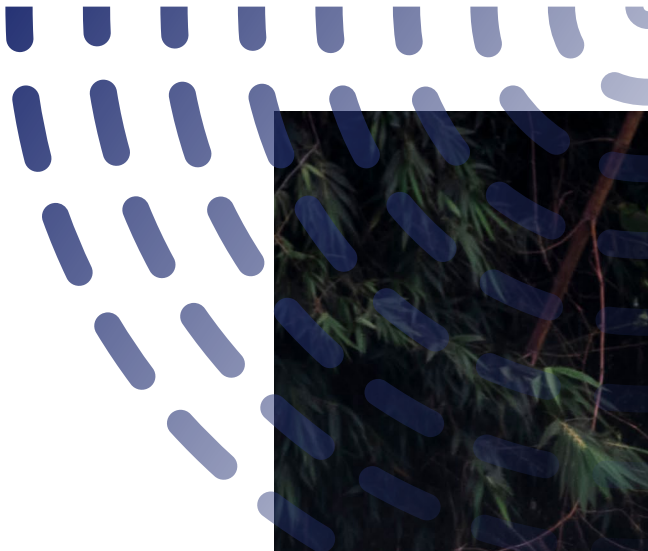
AFD Group will be subject to the CSRD reporting obligation in 2026 (for 2025 data). Hence, we are now em-

barking on a compliance process that aims for not only transparency on ESG data in the ESRS-required format, but also for the integration of sustainability as a core aspect of AFD Group’s strategy and the deployment of real transformation capacity. In its Strategy 2025-2030, AFD Group is committed to becoming the first 100% SDG public development bank following its alignment with the Paris Agreement in 2017. We are making support for the SDG trajectories of countries and territories one of our core actions, and we are contributing to international advocacy and mobilizing financial flows and investments toward the SDGs. AFD Group is aligning with the transformation approach promoted by the CSRD for several reasons: (i) to increase the transformational impact of our actions; (ii) to maximize the positive impacts, co-benefits, and synergies that promote our three crosscutting issues (climate and nature protection, reduction of inequalities and multidimensional vulnerabilities, and institutional and democratic development); and (iii) to do no harm.

AN ENHANCED CORPORATE SOCIAL RESPONSIBILITY POLICY

The Strategy 2025-2030 provides for AFD Group to strengthen its CSR policy in line with the framework set by Agenda 2030, both through the quality of its operations and by supporting systematic consistency between its internal functioning and its external commitments. This approach is fully in line with the impact approach advocated by the CSRD. AFD Group has therefore undertaken to reduce its internal carbon footprint by 2030 and to improve the compensation of its residual emissions. Our reduction ambition must be set out in the social dialogue by the end of 2025 and put into motion based on several levers. These will include the promotion of responsible purchasing and a low-carbon trajectory for AFD Group, in line with the transparency required by the directive on the transition plan for climate change mitigation and adaptation. Additionally, AFD Group’s significant commitment to an ambitious HR policy (particularly in terms of diversity and gender equality) and to its clients and partners demonstrates that it places the interests of its stakeholders at the heart of its actions throughout the value chain. This is likewise consistent with the CSRD, which encourages their inclusion in strategy and business models.

18 ESG: environmental, social, and governance criteria



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About AFD Group

AFD Group finances and drives the transition to a fairer, safer and more resilient world, working with its partners to support communities all over the world. Drawing on the complementary strengths of its entities – Agence Française de Développement for public financing, Proparco for responsible private investment, and Expertise France for technical expertise – the Group is ideally positioned to meet all sustainable development challenges.

Working in over 160 countries, including France's Overseas Territories and Departments, the Group adapts its operations to the realities on the ground, actively supporting local initiatives. With over 4,000 projects, whose objectives are aligned with the Sustainable Development Goals (SDGs), AFD Group works on behalf of the French people, together with all stakeholders committed to economic development and the preservation of common goods: climate, biodiversity, peace, gender equality and global health. Working by your side, toward a world in common.



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