



RÉPUBLIQUE
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STRATEGY
2021-2025

Vietnam

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Vietnam

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EXECUTIVE SUMMARY

Even though Vietnam was one of the world's poorest countries in the mid-1980s, it achieved **LMIC** status in 2010.

Following the 13th Congress of the VCP in early 2021, the authorities confirmed their goal to make Vietnam a **UMIC and subsequently a developed country by 2045 in celebration of a century of independence**. With this in mind, a review of all post-2020 development plans and strategies is currently under way, which must also incorporate the recent commitments made by the authorities at the COP26 summit to phase out coal by 2040 and reach net zero emissions by 2050.

Vietnam has initiated its **transition to a low-carbon trajectory, but remains economically vulnerable and highly exposed to natural hazards whose impacts are, and will be, accentuated by the effects of climate change**. The challenges are considerable. With public debt now under control thanks to successful efforts from 2016 to 2020, this decade opens **a new window of opportunity for development financing**, whose potential depends on the vision developed in terms of ODA.

AFD is central to **France's strategic partnership** with Vietnam, closely aligned with Southeast Asia's regional strategy in the heart of the **Indo-Pacific** region and deeply rooted in **Team Europe**. In this pivotal period, AFD has succeeded in establishing a **"100% Paris Agreement"** strategy in Vietnam, **while seeking to maximise the impact on gender equality and sustainable development goals**.

AFD Group will strive to meet Vietnam's expectations (financing AND expertise) and France's priorities. It will pursue the following objective for the 2021-2025 period: **to support Vietnam in implementing the Paris Agreement and its COP26 pledges, working towards a low-carbon and sustainable development trajectory**. To achieve this end goal, the strategy will be structured around three operational objectives and will rely on targeted partnerships:

- **Contribute to raising public policy ambitions and capacities at national and provincial levels**, through the strengthening of provincial responsibilities in investment planning and financing, which includes: leveraging the GEMMES programme to actively participate in (i) public policy dialogues on climate, (ii) sectoral policy development, (iii) strengthening the capacity of the central and provincial authorities, and (iv) sharing and producing knowledge.
- **Support Vietnam in its transition to a low-carbon trajectory and fulfilling its pledges under COP26** by developing renewable energy capacity and modernising electricity networks. Furthermore, changes in the energy model will be promoted with the aim of phasing out coal, and there will also be support for production methods and public services that are less emission-intensive and more environmentally friendly.
- **Promote the development of inclusive, ecological and resilient cities and territories** by helping to prevent flooding while enhancing urban comfort and limiting coastal erosion, saltwater intrusion and the impacts of drought.

AFD Group will endeavour to consolidate the **added value and clarity of its interventions** in favour of the energy transition and the resilience of urban and rural territories, tailored to the needs of each territory, and its identity as a French actor firmly rooted in **Team Europe**, within a **partnership platform** that brings together research, businesses, civil society and the younger generation.

During its 27 years of operating in Vietnam, AFD has adapted to the country's various changes. Continuing the key lines of action initiated during the 2016-2020 period, while adapting to the current post-2021 context, will be a new challenge for AFD.

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1.

CONTEXT

1.1. SUMMARY OF SUSTAINABLE DEVELOPMENT CHALLENGES

In 2021, Vietnam was one of the world's 15 most populous countries with a population of over 98 million. More than 70 years after the declaration of independence, and over 40 years after a bloody decades-long war and reunification, the country has made remarkable socio-economic progress. It has experienced one of the highest economic growth rates in Southeast Asia, averaging more than 6% annually over the past 10 years.

This spectacular growth has been accompanied by very significant progress towards achieving the Sustainable Development Goals. While Vietnam's GDP per capita was only USD 95.2 in 1990, it reached USD 2,785 in 2020, allowing the country to achieve LMIC status in 2010. This upward trend has lifted tens of millions of people out of poverty¹ as evidenced by the drop in the poverty rate from 58.1% in 1992 to 6.7% in 2018.² The Human Development Index (HDI) has improved significantly in twenty years, rising from a score of 0.483 in 1990 to 0.704 in 2019, placing Vietnam among the countries ranked as having high human development (117th/189 countries)³ for the first time, at a level comparable to Thailand and the Philippines. Significant progress has been made in terms of life expectancy⁴ and education (as measured by mean and expected years of schooling). This social progress has also been made possible by bringing electricity to the whole of Vietnam. The transmission and distribution grid covers the entire country (including rural areas), with access to electricity reaching 99.4% by 2019⁵.

However, in the long term, growing inequality, an ageing population and low labour productivity will be key issues. Indeed, the Inequality-adjusted HDI (IHDI⁶) fell to 0.588 in 2019, a drop of 16.5%, reflecting, in particular, inequalities in income distribution and education. In terms of gender inequality, Vietnam scores 0.296 and ranks 65th (out of 162 countries), reflecting modest disparities between women and men in health, education, political representation and labour force participation. In addition, as life expectancy has increased and fertility and birth rates have declined sharply, the proportion of Vietnam's elderly population is increasing rapidly. UNDESA⁷ projections show that by 2030, the

country will enter a "population ageing" phase when 12% of its population will be aged 65 and over. Finally, although Vietnam's Competitive Industrial Performance (CIP) index has been growing steadily in recent years, the country still lags behind other countries in the region in terms of labour productivity. The gaps are narrowing but still remain sizeable between Vietnam and middle-income countries in the region such as Indonesia and the Philippines (LMICs), Thailand and Malaysia (UMICs) (UNDP, 2019).

The Vietnamese economy is characterised by a high degree of economic dualism and a strong dependence on FDI (Japan, South Korea, Singapore, etc.). The expansion of the economy is based on exports, for which the contribution of foreign investment is essential. Multinational companies are only integrated into the local economy in a limited manner (foreign trade is more than 200% of GNP, but 70% of exports and imports are by foreign companies). The challenge in the coming years will be to foster synergies between FDI and the local economic fabric (which is largely composed of family businesses, often operating informally and at low levels of productivity) and to move up the value-added chain by benefiting from the reorganisation of global value chains.

The country's economic growth has been accompanied by a sharp increase in GHG emissions. The energy sector accounts for more than half of the emissions, due to the significant use of coal-fired power plants (34% of installed capacity). Agriculture remains the second largest emissions sector with 30% of total GHG emissions – rice cultivation is the main contributor. **Vietnam has one of the most energy-hungry economies in the world:** the economy's energy intensity has risen sharply to 0.4 tonnes of oil equivalent per USD 1,000 of GDP (toe/kUSD), compared to a world average of 0.24.⁸ The transition to a low-carbon economy is necessary **and the government made an ambitious commitment at the COP26 summit. A proactive policy in favour of renewable energy and energy efficiency will have to be supplemented by a profound change in the national production model in accordance with these commitments** (see section 1.2).

¹ Vietnam 2035, World Bank Group, 2016.

² <https://databank.worldbank.org/source/poverty-and-equity/Type/CHART/preview/on#>

³ UNDP Human Development Index Ranking 2020.

⁴ Life expectancy at birth was 75.4 years in 2019, comparable to the average for East Asian and Pacific countries.

⁵ Doing Business 2020 report, World Bank Group.

⁶ Inequality-adjusted HDI (IHDI) is a measure of the human development of individuals in a society that takes inequality into account. The IHDI value equals the HDI value when there is perfect equality but falls below the HDI as inequality rises.

⁷ See <https://population.un.org/wpp/Graphs/DemographicProfiles/Line/704>

⁸ *ibid.*

Vietnam is one of the non-insular countries that is most vulnerable to natural disasters and the effects of climate change due to: its geographical configuration (located downstream of large cross-border catchment areas; an extensive coastline – 3,260 km – deltas and mountainous areas); the extreme weather events it regularly experiences (typhoons,⁹ droughts); and the increased negative impacts of climate change. The country's ancient myths often revolve around the fierce battle between the forces of water and land.

In this context, the resilience of urban and rural territories is being severely tested. Rising temperatures and sea levels, the increased frequency and intensity of extreme weather events, combined with population growth and rapid and sometimes uncontrolled urbanisation are exacerbating numerous risks, including those of coastal erosion, urban flooding, ground subsidence, salinisation of water tables and drought. These vulnerabilities affect the entire country. According to the World Bank,¹⁰ 40% of the Mekong Delta and 11% of the Red River Delta could disappear by 2050 and the majority of the Mekong Delta could be below sea level by the end of the century (source: GEMMES Vietnam). The present challenge is to prevent natural disasters and risks from jeopardising the economic and social improvements that have been made over the past 30 years.

Vietnam's natural ecosystems include a variety of productive forests, marshlands, rivers and coral reefs that, combined, support nearly 10% of the world's total mammal and bird species. Forest cover, including both natural forest and plantations, accounts for 47% of the country's total area.¹¹ Deforestation due to agriculture, infrastructure development, urbanisation and fires are the main threat to Vietnam's rich terrestrial biodiversity and have weakened the mangrove swamps – a natural barrier to rising water levels and a factor in reducing emissions. Marine biodiversity is also threatened by pollution from domestic and industrial water and the construction of dams and infrastructures.

Vietnam's various sustainable development challenges correspond precisely to those of the Indo-Pacific region, challenges which are inescapable on a global level in the fight against climate change, the prevention and management of natural disasters, the preservation of biodiversity and, more broadly, achieving the SDGs.

1.2. AN AMBITIOUS NATIONAL STRATEGY TO MAKE VIETNAM A UMIC

1.2.1. A new development policy and open diplomacy

Politically, the Party leads, guides, mediates and sanctions, while the government and its administration execute and manage. **Vietnam has carried out pragmatic reforms** in the spirit of the Doi Moi economic strategy initiated in the mid-1980s.

In early 2021, the VCP Congress renewed the leadership teams without any discernible changes and appointed Pham Minh Chinh as Prime Minister.

The government's objective – reiterated at the 13th Party Congress in January 2021 – **is to make Vietnam a developed country by 2045** (to mark a century of independence). **On an international level, Vietnam is particularly careful**

to maintain a balance between China and the United States, its two main economic partners. With China, Hanoi seeks to maintain mutually beneficial relations, despite tensions in the South China Sea (referred to as the East Sea in Vietnam).

Concurrently, Vietnam's priority remains its omnidirectional policy, especially with ASEAN and Asian partners (Japan, South Korea, India), but also with the EU. For the past decade, Vietnam has focused its foreign policy on integrating into the global economy by signing or negotiating free trade agreements (CPTPP, RCEP, EVFTA). The most recent Congress reaffirmed this desire for openness. **A key stage in Vietnam's rising power on the regional and international scene came in 2020, when the country held the rotating presidency of ASEAN for the year and gained a seat on the United Nations Security Council for the 2020-2021 period.**

⁹ In 2017 and 2020, Vietnam was struck by deadly typhoons, causing a death toll of nearly 600 and an estimated USD 4.3 billion in damage.

¹⁰ World Bank Taking Stock report, December 2020 (From Covid-19 to Climate Change).

¹¹ Only 7% of the remaining forest is primary forest; nearly 70% consists of mediocre-quality secondary forest. Forests and rivers have been heavily degraded and restoration work would be appropriate.

1.2.2. Climate commitments

For the past two decades,¹² Vietnam's commitments in the fight against climate change have been marked both by its active response to international calls-to-action (adherence to the 2015 Paris Agreement, COP26 pledges) and by drawing up strategic documents in favour of the climate.

A large portion of the actions envisaged in the national legal texts concern the issue of adaptation, which is the main theme of the Vietnamese government's climate policy, namely implementing strategies for climate change adaptation (production, spatial organisation, technology) and modifying the development model of the entire economy and its key sectors, particularly agriculture.

The adaptation actions envisaged can be classified into three categories: (i) strengthening resilience and enhancing adaptive capacities, (ii) preventing and mitigating the risks and damage caused by natural disasters and (iii) enhancing adaptive capacities at the national level by improving the institutional environment, financial resources and international cooperation and implementing international climate pledges.

In terms of mitigation, Vietnam's updated NDC in 2020 revised the emissions reduction target upwards from 8% to 9%, and up to 27%, instead of 25%, in relation to 2014 with international financial support, in other words a reduction in absolute value of 83 MtCO₂e per year or 250 Mt conditional on international assistance.¹³ Moreover, at the COP26 summit in November 2021, the Vietnamese Prime Minister declared Vietnam's very ambitious goal of reaching net zero emissions by 2050, a remarkable ambition for a country whose industrialisation dates back only three decades.¹⁴

The "climate" issue has been progressively integrated and developed in the country's most important strategic and legal documents (VCP and/or government resolution, laws and decrees, national and/or sectoral strategies, national action plans and programmes (see Appendix 6)) based on different concepts and approaches such as "sustainable development," "adaptation to and mitigation of climate change," "renewable energy," "green growth" and "circular economy." The National Strategy on Climate Change 2050 (NSCC) and the Green Growth Action Plan were set to be submitted to the Prime Minister for approval in April 2022 and would integrate the pledges made at COP26, as would all sectoral strategies which must evolve to align with these new objectives.¹⁵

In addition, in view of such a target, the draft PDP8 will be modified over the course of 2022, particularly with regard to the prospects for investment in fossil fuel power generation, which is currently considered inconsistent with the country's long-term climate commitments. Vietnam will have to find the right trajectory to meet both its new international climate pledges and its energy requirements in order to pursue economic development.

A transition to cleaner or renewable energy sources is under way and Vietnam is showing positive signs of political commitment to creating a more resilient and less carbon-intensive trajectory in line with its development objectives and its regional and global positioning. As its commitments are spread over a relatively long period, up to 2050, actions determined now, through national strategic plans for 2021-2025, are keenly awaited, as the need for significant investment has become an increasingly pressing matter if positive climate outcomes are to be achieved.

¹² Vietnam developed and submitted its Initial National Communication to the UNFCCC (United Nations Framework Convention on Climate Change) in 2003. This is considered a landmark in the positive momentum of Vietnam's climate change policy.

¹³ This mitigation target is also reflected in key sectors: energy, agriculture, land use, forestry and waste.

¹⁴ This commitment exceeds, for example, that of India, which aims for net zero emissions by 2070 and that of China by 2060.

¹⁵ At the first meeting held by the Steering Committee for monitoring the progress of the pledges made at COP26, the Prime Minister asked each Minister to make the necessary revisions to their strategy.

1.3. A NEW DEAL FOR DEVELOPMENT FINANCE¹⁶

In 2019, Vietnam received more than USD 2.2 billion in gross ODA (USD 1.2 billion in net ODA), making it the **largest recipient** of gross ODA in **Southeast Asia and ASEAN**, and the second largest recipient of net ODA in ASEAN after Myanmar (USD 2 billion). **France is one of the most active donors in Vietnam**, with an ODA volume of USD 2.2 billion over the 2008-2019 period, making it the fourth largest donor, second largest bilateral donor and largest European donor, although its contributions are considerably less than the amounts mobilised by multilateral agencies and Japan.

The trend for ODA has been downward since 2014. Gross ODA fell to 48% (USD 4.9/2.4 billion) and net ODA to 34% (USD 3.2/1.09 billion) between 2014 and 2019, due to several factors:

- The country's upgrade in status from LDC to LMIC in 2010, as well as the gradual shift in policy by multilateral donors such as the World Bank and ADB¹⁷ between 2017 and 2019.
- To counter the rising public debt (62.2% of GDP, 2015), the National Assembly passed Resolution 78 in 2015, which establishes a double financial ceiling restricting debt, namely (i) the public debt ceiling is 65% of GDP and (ii) ODA loan repayments are limited to 25% of total government revenue.

- Finally, Vietnam places great emphasis on **concessionality** conditions that are stricter than international OECD standards.¹⁸ These factors have **hampered the preparation and implementation of investment projects, particularly those involving external debt.**

Policy constraints and instability create a **situation of uncertainty and place limits** on generating new financing and innovation.

Although the amount of external financing has decreased over the last decade, the authorities are underlining the importance of ensuring the proper implementation of projects which are experiencing serious difficulties. They insist that the following goals should be cited in planning documents: (i) disburse 90% of the expected funding and (ii) complete more than 80% of projects already planned. However, **the ability to achieve these results remains uncertain** so long as the revision of key texts and their application does not promote a radical change in the responsibilities of stakeholders.

1.4. FRAMEWORK FOR THE FRENCH STRATEGY AND AFD GROUP'S MANDATE

1.4.1. An historic and privileged partnership with a key country in the Indo-Pacific region

France and Vietnam are linked by a strong diplomatic relationship based on a shared history. In 2013, on the occasion of 40 years of diplomatic relations, France signed

a Strategic Partnership with Vietnam. The French President's state visit in September 2016 further strengthened a unique relationship between France and Vietnam. In 2018, Mr Nguyen Phu Trong, General Secretary of the VCP, made an official visit to France. During the visit he signed a joint declaration with the French President, marking the 45th anniversary of diplomatic relations. Vietnamese

¹⁶ All of the data presented in the note are sourced from OECD statistics (ODA note jointly updated by AFD and SER in October 2020) <https://www.tresor.economie.gouv.fr/Articles/d98d9e4a-b536-4f9b-988a-b70a2e48ee46/files/60a6ff58-5eba-4f66-b622-4158de42b209> and <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>

¹⁷ As an MIC, Vietnam has not been officially eligible to receive financing from the International Development Association (IDA) – part of the World Bank that grants concessional loans – since 2017, but now has access to the International Bank for Reconstruction and Development (IBRD), which provides loans at lower concessional rates. In addition, Vietnam no longer benefits from highly concessional loans from ADB's Asian Development Fund, and is now only eligible for market-rate loans from Ordinary Capital Resources (OCR) as of January 2019.

¹⁸ A grant component of 25% for untied projects and 35% for tied projects.

Prime Minister P. Pham Minh Chinh's visit to France in November 2021 – his first bilateral visit abroad – gave a new momentum to the bilateral relationship with the new team of leaders.

Upcoming celebrations for the 50th anniversary of diplomatic relations in 2023 and AFD's 30th anniversary in 2024 will be opportunities to reinforce France's unique position and strengthen the role that AFD intends to play in supporting public policy dialogues on climate change adaptation and mitigation.

These various meetings reiterated the shared desire to **promote the development of a multipolar world**, emphasising the fundamental importance of the relationship between the EU and ASEAN, and highlighted France's desire to strengthen its cooperation with Vietnam. This desire for cooperation has been given a new impetus with the signing of the Free Trade Agreements in June 2019 and their ratification in 2020, as well as Vietnam's presidency of ASEAN and status as a non-permanent member of the United Nations Security Council in 2020. France became a "development partner" of ASEAN in 2020 under the Vietnamese presidency.

Vietnam is thus a key partner in Southeast Asia, with which France can work towards an **inclusive Indo-Pacific space, defending multilateralism and protecting common goods**.

In terms of trade, France has a significant deficit¹⁹ (around EUR 4.4 billion in 2020) and accounts for only 1% of Vietnam's international trade. Nearly 300 French companies are present in Vietnam, some of which are very well established. In 2021, with EUR 3.6 billion foreign direct investments (in stock), France became the second largest European investor and the 16th largest global investor in Vietnam.²⁰ French companies are increasingly interested in Vietnam and France wishes to conduct an **ambitious economic diplomacy** there. This plan is backed by the expert knowledge of French companies in several sectors (energy, health, food chain safety, tourism, infrastructure and urban services, environmental risk prevention, digital services).

The bilateral relationship is also fuelled by a very strong collaboration, distinguished by the diversity of fields involved (cultural, educational and linguistic, academic, scientific, health, governance, etc.) and the significant numbers of French companies present in Vietnam. Learning from the information gathered during an evaluation conducted in 2018-2019 on the French intervention strategy in Vietnam between 2005 and 2015, France is mobilising the entire Team France in the interest of bilateral cooperation by optimising the synergistic relationship in order to gain added value and transparency. AFD Group **plays an important role in the French cooperation system in Vietnam**, which is also marked by the presence of French associations and NGOs, and by the work of scientific institutions such as CIRAD, IRD and EFEO. Cooperation is also based on very dense, long-standing links between local authorities, which meet regularly for Franco-Vietnamese decentralised cooperation meetings.²¹

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France and Vietnam are linked by a strong diplomatic relationship based on a shared history.

In 2013, on the occasion of 40 years of diplomatic relations, France signed a Strategic Partnership with Vietnam.

¹⁹ Source: SER Economic Framework note Sept. 2021.

²⁰ http://www.mpi.gov.vn/Pages/tinbai.aspx?idTin=51345&idom=208&fbclid=IwAR0bK-sHACnN5uxmFTCN58QNC_bCVZSmxIW2h-cEnrJqlfQZwplHKLBYbms

²¹ The next conference on decentralised cooperation is scheduled for late 2022.

1.4.2. AFD Group's mandate

In order to deepen this rich, long-standing and multi-faceted cooperation, France is placing **the fight against climate change at the heart of bilateral cooperation, particularly via AFD Group** (see the joint declaration of 2018).

France **firmly roots its work at the heart of "Team Europe" and joins European efforts** (on operational and diplomatic levels) to act and advocate for a long-term, low-carbon, resilient development strategy, in line with the **pledges made under the Paris Agreement and COP26 as well as the ambitions of the European Green Deal and EVFTA**.

AFD has been operating in Vietnam since 1994 and has established itself as a trusted partner in the fight against climate change.²² In light of the renewed context, AFD Group will operate in Vietnam to assist in implementing the Paris Agreement and achieving the United Nations Sustainable Development Goals in accordance with the 2021 programming law on inclusive development and combatting global inequalities and the geographical and sectoral priorities defined by CICID.

AFD Group's actions will be guided by the commitments of its Group Strategy, notably ensuring 100% Paris Agreement compliance and following the priorities of its Southeast Asia strategy (see box below).

AFD Group will strive to involve French economic players and create synergies with other French and European financing tools (Treasury loans, FSPI, delegation of funds/EU guarantees, etc.).

Southeast Asia Regional Strategy 2020-2024

The three priorities of the Southeast Asia Regional Strategy are rooted in regional challenges (the increase of GHGs, endangered biodiversity and growing inequalities). They therefore aim to: i) encourage transitions towards low-carbon trajectories and territorial resilience by supporting the energy transition and urban and rural resilience; ii) support the preservation and sustainable management of terrestrial and marine environments through natural resource management and a sustainable blue economy; iii) mitigate social imbalances and reduce inequalities by strengthening human capital, access to public service provision and social inclusion.

However, in a region where its operations are limited by its mandate and the financial conditions of intervention, and even though it is targeting EUR 1 billion of new commitments per year, AFD Group remains a small player. The partnership reflex (SDG17) therefore plays a central role in our activities due to its significant leverage. In this sense, one of the regional strategy's aims includes strengthening synergies with Team France, the EU, ADB and the World Bank, but also with NGOs and the private sector. In addition, following France's recently acquired status of ASEAN Development Partner, AFD initiated a partnership with this regional organisation.

²² See Appendix 4: The Group's Positioning in Vietnam

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2.

AFD GROUP'S INTERVENTION STRATEGY

Vietnam is currently going through a pivotal period. After the public debt crisis, which is now under control, and the international health crisis, a new cycle begins in 2022, during which the country's structuring plans and strategies will be reviewed against the backdrop of the major commitments made at COP26.

Building on its achievements, AFD Group **will pursue the following overarching goal for 2021-2025: support Vietnam in implementing the Paris Agreement, towards a resilient, low-carbon development trajectory (Appendix 1 – Logical Framework)** with a proactive approach on:

- **Greater involvement in "climate" public policy dialogues** based on the GEMMES project framework (see Appendix 7) with the MONRE, the WARM Facility promoting dialogue at national, regional and provincial levels, and with EVN to develop a Just Transition.
- **Promoting and coordinating** the wide variety of skills, expertise and relationships of **the different members of Team France**, including Proparco for mitigation issues and Expertise France to optimise the impact of projects financed by AFD.

- **Implementing an unwavering "Team Europe"** approach to major climate challenges, taking on a facilitating role when developing strategic and financial initiatives.

In terms of approach, AFD Group will give priority to projects providing solutions that limit environmental impacts and those that are more favourable to biodiversity (convergence of climate and biodiversity agendas). It will also give importance, through its operations and partnerships, to gender issues, poverty reduction and the reduction of inequalities (strengthening human capital through vocational training, access to public services, social inclusion – including minorities –, etc.) and will promote a co-construction approach with stakeholders to target the most vulnerable territories and populations.

AFD will strengthen the added value and transparency of its interventions in favour of the energy transition and the resilience of cities and territories, as well as public policy dialogue, by promoting its presence in the field and its identity as a French actor that is firmly established in Team Europe.

2.1. OBJECTIVE 1: CONTRIBUTE TO ENHANCING PUBLIC POLICY AMBITIONS AND DEVELOPING CAPACITIES AT LOCAL AND NATIONAL LEVELS

AFD is recognised for the quality dialogue it has established with central and local authorities as well as for its stance at the centre of dialogue on climate-related public policies. This dialogue is more specifically grounded in the approach of the GEMMES study, which was developed in close collaboration with the MONRE and produced very concrete results presented at COP26. This dialogue is an essential pillar for achieving the strategy's objectives, which are linked to the low-carbon transition and the resilience of cities and territories. AFD will focus on strengthening this advantageous position by maintaining active participation in public policy dialogue, building the capacities of local and national authorities as well as producing and sharing knowledge.

2.1.1. Actively participate in public policy dialogue on climate

At the national level, AFD Group will prioritise its continued support of the government in its efforts to implement the Paris Agreement while continuing to set high goals for its long-term, low-carbon development trajectory and the implementation of the climate pledges made at COP26. AFD will actively contribute to the French and European operational and diplomatic effort to provide comprehensive and well-structured support in favour of Vietnam's low-carbon development strategy.

AFD's **2050 Facility** will support Vietnam, in particular by:

i) applying the **Vietnam GEMMES** model (see Appendix 7) launched in 2019;

ii) assisting the inclusion of climate change issues in the SEDP (Socio-Economic Development Plan 2021-2025/2030);

iii) drafting an initiative in support of a mechanism for implementing the COP26 commitments (a multi-donor platform that will replace the SPRCC).

The European WARM Facility aims to support public policy dialogue to strengthen the resilience of territories, in an approach informed by concrete field activities as part of the preparation and implementation of adaptation projects conducted by AFD in various provinces.

On a more local scale, AFD will continue its efforts to raise awareness of "resilience and climate" issues and **its initiative to organise seminars and continue its advocacy** for the fight against climate change, **including for younger generations in line with its work since 2017.**²³

2.1.2. Develop sectoral policies

In Vietnam, AFD will in particular support **public policy dialogue at sectoral level** in order to promote reforms in the areas it has prioritised in its intervention – in favour of both the energy transition and also territorial resilience and the integrated management of water resources.

AFD will focus its efforts on key partners such as EVN and the financial sector to prepare them for the shift in the economic model within the framework of Vietnam's commitments.

In terms of the **management of water and natural resources** and promoting **resilient urban development**, AFD will in particular mobilise the **WARM Facility** financed by EU delegated funds. The objective will be to develop **high value-added support measures** (project components) in order to strengthen local capacities and good practices during the project preparation, implementation and capitalisation phases. The Facility will also contribute to **strategic and**

public policy dialogue, notably with the MOC, MONRE and MARD. For the supported provinces, WARM will contribute to rethinking planning and investment development strategies in order to integrate climate change questions. Expertise France will be mobilised to organise study tours covering these themes while **promoting experience-sharing and strengthening French and European influence.**

2.1.3. Strengthen the capacities of central and provincial authorities

As a result of its long-standing presence in Vietnam and the privileged relationships it has established, AFD is dedicated to strengthening a **dialogue of trust with the central and local authorities, as close to the ground as possible.**

At central level, numerous **technical cooperation programmes** have made it possible to reinforce ties with key central ministries, including the MPI, MOF and MONRE, as well as BOG.²⁴

At local level, and during all phases – project identification, monitoring and implementation – AFD has increased its field trips and pays close attention to meeting the specific needs of the **territories and local actors/administrations.** The competences of the aforementioned bodies have recently been extended, with, in particular, greater autonomy for the provinces in terms of project selection and management.

AFD Group will support cities and territories throughout the various phases, from preparing the operations to implementation and monitoring. The support provided (capacity building, capitalisation, links with national public policies) will help to increase skills and disseminate good practices, extend the vision now limited to funded infrastructure in order to establish a dialogue on broader issues relating to territories, and establish the trust-based partnership with local teams in the long term. We will seek to set up a "platform for dialogue and exchange" between provinces facing the same challenges, in order to strengthen synergies between provinces and to carry out awareness-raising activities, but also to advocate with ministries and national institutions based on the lessons learned from previous projects.

²³ Conference on territorial resilience in 2018 and then in 2020. Three competitions in 2018/2019/2020 with the Communist Youth Union (CYU) and participation in discussions on the energy transition, especially with the EU.

²⁴ For example, Expertise France is implementing a technical cooperation project that mobilises French expertise to operationalise the e-government reform undertaken by the Vietnamese authorities. This project was financed by AFD until the beginning of 2022 and will be continued with funding from the Embassy (FSPI), with the same French experts participating. Synergies with AFD's provinces of intervention will be pursued.

In provinces in which it intervenes, AFD will assist the drafting of development and investment plans taking into account the impact of climate change. The dialogue between peers will be consolidated and long-term relations cemented through the development of decentralised cooperation projects and study tours with the help of Expertise France.

2.1.4 . Contribute to knowledge production and sharing

As a learning institution, AFD will strive to pursue its involvement in new ideas and research, working alongside the authorities and associations, by:

- i) capitalising on the knowledge gained from the evaluations of its interventions;
- ii) implementing several research programmes:
 - applying the GEMMES model to Vietnam to assess the impact of climate damage, co-managed with MONRE;

- modelling the emissions trajectory and peak emissions;
- implementing the programmes of AFD's Innovation, Research and Knowledge Department on inequalities, environmental sustainability indicators, etc.;
- conducting studies on coastal erosion;

iii) participating in workshops with the relevant ministries and provinces, for example on resilient territorial/urban development in 2022 and 2023;

iv) organising study tours (the fight against erosion, flooding, drought, etc.) in collaboration with Expertise France aiming to create links between local authorities from the two countries.

AFD is committed to ensuring more extensive dissemination of the work, and making it more accessible through tools for awareness-raising and informing the general public, in particular in conjunction with the French Institute in Vietnam and the local media.

2.2. OBJECTIVE 2: SUPPORT VIETNAM TOWARDS A LOW-CARBON TRAJECTORY AND COP26 COMMITMENTS

Vietnam's GHG emissions have risen sharply over a period of nearly 30 years, reaching 364.4 MtCO₂e in 2018, with average annual increase of over 11%. This makes Vietnam the 25th highest-emitting country (source: World Resource Institute).

Vietnam has recently committed to attaining net-zero carbon emissions by 2050 and also signed the Global Coal to Clean Power Transition Statement during the COP26 summit. The international community recognises these goals as commendable, but the strategy that will be adopted is still under question.

AFD Group will support Vietnam's efforts within the framework of the Green Team Europe Initiative by supporting its energy transition (**developing renewable energy and demand management**) and the shift towards **forms of electricity production and public services that are more environmentally friendly and produce fewer emissions**.

AFD Group will work in close collaboration with the other members of Team Europe to develop an original approach, namely a multi-stakeholder "partnership platform" (involving local institutions, public banks and enterprises, donors, researchers, civil society, etc.) in order to provide optimal support to Vietnam in implementing the Paris Agreement.

As part of this priority, which primarily targets the impacts of mitigation in the fight against climate change, the Group will also focus on the resilience of the financed infrastructures as well as the importance of supporting just transitions.

It will give priority to projects that have a strong social impact and reduce inequalities, particularly gender inequalities, placing equal emphasis on projects involving activities deployed in the field and work carried out with project sponsors.

In addition, AFD Group will give priority to solutions with biodiversity co-benefits (converging climate change and biodiversity agendas).

2.2.1. Develop renewable energy capacity and support grid modernisation

In 2020, Vietnam's installed capacity (nearly 60 GW) was composed of 35.5% hydro, 48.8% fossil-based thermal, 13.6% renewables (excluding hydro) and about 2% imported. Vietnam expects its **electricity demand to increase four-fold** by 2030. To meet this demand and its Paris Agreement pledges, the government **is showing a revitalised commitment to renewable energy**.

The electricity sector in Vietnam is largely dominated by the state-owned company EVN, which currently controls 60% of the installed capacity, acts as the sole buyer, has a monopoly on transmission and distribution and provides all billing and collection services. EVN will continue to play an important role in terms of investment and is expected to provide around 30% of total investment in the sector until 2030 – approximately USD 3-4 billion/year. In 2017, the government approved a project to **restructure the electricity sector** (market mechanism; opening up to the private sector, especially for renewables; tariff policies; etc.). This relies on the private sector to develop **intermittent renewable energy sources**.

Over the past few years, AFD has significantly strengthened its partnership with EVN and its subsidiaries, including four financing operations totalling more than EUR 250m, including: i) two non-sovereign loans in 2017 totalling EUR 100m for the **360 MW extension of the Ialy hydro-power plant and the construction of the Se San 4 solar power plant with a capacity of 49 MWp** (construction completed in 2020) accompanied by a EUR 2m technical assistance grant financed by the EU; ii) a non-sovereign loan of EUR 80m in 2018 granted to EVN's electricity distribution subsidiary Southern Power Corporation (EVNSPC) to strengthen the distribution network, reduce technical losses and promote the integration of renewable energy; iii) a non-sovereign loan of EUR 70m in 2021 granted for **the extension of the Hoa Binh power plant**, one of the central components of Vietnam's electricity system.

In the future, when financing the energy sector is no longer a priority in Vietnam's ODA policy (control of public debt), AFD Group will continue to provide non-sovereign loans for the following investment priorities:

i) **Modernising transmission and distribution networks to strengthen the electricity system's capacity in order to efficiently integrate new intermittent renewable energy sources** and secure electricity supply throughout the country;

ii) **Increasing the installed hydroelectric capacity** with new funding – prioritising the extension of existing hydro-electric power plants and, if possible, pumped storage plants;

iii) **Developing intermittent renewable energy sources, such as solar and wind**, relying in particular on the private sector (Proparco interventions) and public banks (see 2.2.2.i).

In addition to financing the above priority investments, for which AFD could partner with other development banks (KfW, EIB, etc.), AFD could provide support to EVN that follows Team Europe's guidelines, **in terms of strengthening its capacity for innovation, digitalisation and human resources**, in order to assist Vietnam as far as possible in operationalising the government's COP26 pledges. This support could be built on the basis of delegated grants from the EU.

2.2.2. Support lower-emission and environment-friendly production methods and public services

Achieving the objectives outlined in the Paris Agreement and SDGs depends in part on transforming economic and financial systems as well as development models in order to promote responsible and sustainable production, consumption and investment.

In this respect, AFD Group will support the development of green financing, the government's efforts to promote energy efficiency²⁵ and public and private actors willing to engage in processes to transform their models and contribute to this trajectory.

i) **Developing green financing with public and private banks**

Reforms have been initiated in the banking sector to promote green financing. Since COP26, expectations that this financing would play a full part in the low-carbon transition and the fight against the impacts of climate change have increased. Since the financial crisis of 2011, the banking sector²⁶ has been thoroughly reformed and has become sounder. The SBV has also encouraged financial institutions to raise awareness and strengthen their environmental and social management. In addition, the banks' increasing commitment to climate change issues echoes the government's desire for a knock-on effect for private and local financing.

²⁵ Vietnam has adopted an **energy efficiency programme** with the goal of reducing national energy consumption by 5-8%.

²⁶ The sector started 2020 with improved liquidity and profitability. However, certain vulnerabilities were still present. In early 2021, the IMF estimated that 45% of corporate debt was at risk of default (compared to 28% before the crisis), while according to the SBV, more than a quarter of total loans have been affected by the crisis. As a result, the rate of non-performing loans (NPLs), which had fallen sharply from 15% in 2011 to 4.9% at the end of 2019, exceeded 7%. In addition, at the end of 2019, only 18 of the 43 banks in the market had capitalisation ratios that met Basel II criteria.

In 2020, **AFD and BIDV signed the first SUNREF credit line (USD 100m)** aimed at making it easier for companies to access financing for investment in renewable energy and energy efficiency. A technical assistance programme complements the loan to support BIDV in improving the management of the environmental and social risks related to this activity.

As a result of this experience, AFD Group will diversify its interventions to the benefit of public and private financial institutions in order to contribute to improving the country's energy mix as well as the standards of environmental and social risk management. This work will be done in coordination with Proparco, which is present in the Vietnamese banking sector with two green credit lines of USD 50m with HD Bank and VP Bank and more recently with EVN Finance (USD 10m).

The possibility of a mix with EU resources will be explored to support the SUNREF approach in Vietnam more generally. Projects funded through financial intermediation with AFD lines of credit will have to meet eligibility criteria and their implementation will be assessed.

AFD will examine the possibility of supporting the SBV and all stakeholders in the deployment and implementation of reforms aimed at further developing green financing in the country (lines of credit, green bond issuance, technical assistance, etc.) but also of opening up the participation of Vietnamese public banks in the NGFS, IDFC and Green Fund international networks. As a result of becoming a member of ADFIAP in 2021, AFD will be able to organise training sessions on the implementation of green financing practices, particularly for its Vietnamese members.

ii) Interventions in the buildings energy efficiency sector

A financial feasibility study has been launched within the framework of the Programme for Energy Efficiency in Buildings (PEEB). This programme is a Franco-German initiative implemented by AFD and GIZ in five pilot countries, including Vietnam. The programme combines financing large-scale energy efficient projects and supporting professionals in the construction sector by providing them with technical expertise and advice on public policy.

In Vietnam, this programme – which has already assisted a textile company that is one of Proparco's clients – could become part of the SUNREF initiative via the local banking sector. This would make it possible to both finance real estate developers proposing energy-efficient, low-emission housing projects and facilitate access to credit for middle-income households at concessional rates. Technical and financial assistance could also support the various actors (ministries, banks, project developers) involved in the emergence of energy efficient projects.

iii) Helping public services become more sustainable by financing public enterprises

At a time when sovereign debt is constrained, AFD will deepen its **exploration of ways in which to assist public enterprises in support of lower-emission, more environmentally friendly production methods**. AFD will strive to develop innovative solutions (a reflection on the combination of EU grants and guarantees, local currency loans, etc.) in addition to continuing more traditional instruments.

Likewise, AFD will continue prospecting **urban funds** (which AFD financed with sovereign loans for a long time before regulations changed to disallow this), **public actors managing industrial zones** (Becamex, Nghi Son, etc.) for pollution clean-ups, energy efficiency, solar roofs, and **water companies** (Sawaco, Hawaco, etc.). Secondly, it will target the agri-food sector (Vinafor, Vinafood, etc.), **forest management companies undertaking reforestation and public transport companies** (TRANSERCO, SAMCO, etc.).

AFD has established a privileged relationship with SCIC (a state-owned holding corporation that invests in numerous state-owned enterprises) and CMSC²⁷ as these bodies have good knowledge of and a direct connection with the vast majority of Vietnamese public enterprises.

In Vietnam, non-sovereign financing of public enterprises faces a number of challenges (legal framework, equitisation of public enterprises, foreign exchange risk management, financial health, environmental and social standards and climate requirements, etc.). Existing regulations do not allow public enterprises direct access to grants and today therefore blended financing tools cannot be used.

iv) Promoting low-carbon and environmentally friendly urban development

AFD will focus on contributing to **promoting high-quality, environmentally friendly urban development in order to reduce the vulnerability of cities and limit their carbon footprint**.

AFD has established a privileged partnership with the City of Hanoi. The two parties signed a Memorandum of Understanding on 2 November 2018, which includes, in addition to developing the **metro system, implementing technical assistance for sustainable urban management** in connection with air quality issues. After more than a year of cooperation, a project was agreed on to increase the appeal of public transport – in particular metro lines that are already operational or soon to be opened – and to encourage the local authority's proactive policy to restrict the use of motorbikes in certain central districts by 2025.²⁸

²⁷ The CMSC is also involved in the approval process for financing operations for public enterprises.

²⁸ The deadline was originally set for 2030 but was brought forward to 2025 in November 2021.

This ambitious programme will incorporate several solutions to promote an intermodal transport approach for users of the various services currently in place or under development. Recognised French experts specialising in

the sector will be mobilised to carry out this programme – particularly those from agencies located in Ile-de-France working within the current decentralised cooperation framework (PRX Programme).

2.3. OBJECTIVE 3: FOSTER THE DEVELOPMENT OF INCLUSIVE, ECOLOGICAL AND RESILIENT CITIES AND TERRITORIES

Urban centres (major cities as well as secondary cities) **are the main driver of Vietnam's economic growth** and are developing and expanding rapidly. These cities are concentrated in areas exposed to numerous climate hazards – coastal areas, deltas, mountainous areas – and often lack the **infrastructures, urban services and capacities to deal with the weather and climate-related risks they face.**

The political authorities at central and provincial levels are aware of this climate threat and the impact natural disasters have on the country's socio-economic development. As a result, they are seeking to promote policies on territorial balance²⁹ that increasingly take into account adaptation measures. The local authorities' development projects that are submitted for financing to AFD – which is now recognised as a key player in this field³⁰ – prioritise the need to strengthen the resilience of cities and territories. A close dialogue with central and local authorities has enabled the **consolidation of a programme in favour of secondary towns at provincial level in the Red River and Mekong Deltas, coastal areas and mountainous regions that are the most vulnerable** to natural hazards and the effects of climate change. This programme could be integrated into a regional strategic approach based on priorities defined with the central authorities (MPI, MOF and BOG), and on technical solutions adapted to the specific conditions of these four areas with indicative budget allocations for each of these regions. Such an approach could foster the creation of platforms for dialogue and exchanges on the development of strategies for combating the impacts of climate change based on lessons learned in the field.

In order to improve the quality of life and resilience of existing populations and economic activities, AFD will mainly intervene in the field of **integrated water resource management to prevent and manage floods while enhancing urban comfort**, and limit the impacts of **coastal erosion, drought, land salinisation and rising sea levels.** In particular, it will be necessary to encourage the integration of resilience issues in territorial planning and action plans, design prevention methods by tailored approaches, and develop water resource management plans, while also working to strengthen the institutions in charge of these issues.

The interventions will encourage the **protection and sustainable management of biodiversity.** The actions financed (developing green spaces in cities, improving water courses, preserving mangrove swamps, sanitation, drainage, waste management, reforestation, etc.) will aim to protect, restore, manage and sustainably improve ecosystems.

Through these operations, AFD will also pay particular attention to **maintaining and restoring the quality of social link.** To this end, the WARM Facility will be a valuable asset during the preparation and implementation phases in order to better integrate the social and gender issues in investment projects (gender analyses, identifying specific gender actions, indicators and targets disaggregated by sex, capacity building in terms of gender equality, etc.).

In order to enhance the clarity and visibility of AFD's approach on resilient cities, a "standard" intervention method and content will be drafted to promote an "AFD brand" that will lend a certain homogeneity to our interventions.

²⁹ The 2017-2020 Green Growth Plan, vision 2025, identifies 11 objectives that focus on green, sustainable urban development; "Orientation Master Plan to Develop Vietnam's Urban System until 2025 and Vision to 2050" which frames national land use planning. Climate Action Plans are a legal requirement for all central ministries and provinces in Vietnam since the creation of the National Target Programme to Respond to Climate Change (NTP-RCC) in 2008. However, there is no binding mechanism to ensure their integration into local planning documents.

³⁰ A Memorandum of Understanding was signed with MPI to develop an action plan for 2025 to propel Vietnam towards a resilient trajectory.

2.3.1. Prevent and manage floods while enhancing urban comfort

Vietnam is exposed to extreme, unpredictable climate events, in particular **cyclones, which generate regular and intense floods that increase river erosion.**

Flood management is necessary for resilient territorial development. After a detailed analysis of hazards and vulnerabilities, it involves: (i) prevention measures linked to land use and water management, (ii) crisis management measures, and (iii) measures developed with the aim of sharing knowledge of past, present and future risks in order to anticipate and prevent them.

AFD's operations will aim to improve the prevention and risk management of urban and river flooding as well as river erosion. Its interventions will aim to construct and stabilise riverbanks, employ nature-based solutions, mobilise upstream areas, conduct reforestation, upgrade the hydraulic network, restore the capacities of water treatment and drainage systems, etc.

These measures can be combined with the **development of areas with a dual urban and hydraulic function to reduce risks while improving the environment and urban landscape:** developing water-spreading zones, creating urban public spaces to improve the population's living environment in connection with the rehabilitation of riverbanks and/or the development of retention lakes, floodable areas, the upgrading of vulnerable neighbourhoods, etc.

AFD will work to strengthen the capacity of local actors to prevent natural risks and take them into account when drawing up territorial development plans (promoting integrated flood risk management in urban and suburban areas, identifying vulnerable areas, flood risk prediction, etc.).

AFD will strive to offer alternative methods to the development options typically proposed by the provinces by investigating the possibility of employing **ecological engineering solutions based on a natural approach** and which may offer landscaping potential (public and green spaces), ecological and environmental options (buffer zones for **biodiversity conservation**) and contribute to capacity building by taking into account **environmental, social and, potentially, gender issues.**

2.3.2. Limit coastal erosion and prevent saltwater intrusion (and land subsidence)

Coastal erosion and saline intrusion are among the natural disasters and effects of climate change that have worsened in recent years. The Vietnamese government is aware of these threats and has approved many policies and laws to institutionalise certain integrated, sustainable management practices for public assets in relation to the issue of erosion.

In particular, due to the serious situation in the Mekong Delta, the government has made developing the resilience of this region a policy priority.

AFD has been working for several years to identify appropriate measures with **Ca Mau, the southernmost province in the Mekong Delta, and Quang Nam province** in the central region, which are particularly affected by erosion. These projects were cited as areas of priority in the 2018 Joint Statement and are based on preliminary scientific studies funded by EU grants to analyse the natural and/or anthropogenic causes of erosion and propose appropriate policies to address it.

In the future, and in response to these guidelines and capitalising on past experiences (financing the Ninh Binh lock and dam), AFD will explore the opportunity to **support measures to protect against coastal erosion (breakwaters, mangroves, dikes, sand recharging, etc.) and saltwater intrusion** (rising sea level/land subsidence).

2.3.3. Limit the impacts of drought

In recent years, areas of Vietnam (south central, highlands and the Mekong Delta) have been **impacted by drought**, leading the country to seek humanitarian aid for the first time in 2016. In early 2020, the Delta endured a prolonged drought combined with saltwater intrusion that was unprecedented in its history (sea water entered 55-110 km into the distributaries). The higher salinities have severely affected agriculture and the quality of drinking water. The **phenomenon of drought could be exacerbated by the effects of climate change** and could also encourage groundwater overuse, possibly resulting in saltwater intrusion in coastal areas.

AFD has been partnering Ninh Thuan Province for many years to finance hydro-agricultural infrastructures. In the future, in response to demand from the most affected territories, AFD will study the possibility of financing large-scale infrastructures to limit the impacts of drought (e.g., trans-basin diversion infrastructures, reservoirs, weirs, pipelines, irrigated areas, etc.).

2.4. PRIORITY STRATEGIC PARTNERSHIPS

Within the means at its disposal, AFD **supports** local institutions, public companies and banks, donors, research institutes and civil society organisations to **implement the Paris Agreement in Vietnam**, within the framework of the guidelines defined by the Local Development Council and under the Embassy's supervision.

2.4.1. Mobilising French expertise

AFD will work within the Team France framework, through all its various components: research (IRD with regard to GEMMES or scientific studies on coastal erosion, CIRAD), territories through **decentralised cooperation**,³¹ private actors (e.g. EDF, RTE in the energy/smart cities sector), French expertise through consultancy firms that focus on climate projects financed by AFD, **NGOs**, etc. This will be achieved by participating in meetings, working groups, workshops and information exchange events and will seek to highlight the diversity and added value of the actors involved.

The various members of Team France will be mobilised very early on in the project appraisal process in conjunction with the Embassy.

Flexible methods for mobilising French expertise based in Vietnam will be sought to encourage the adaptability and responsiveness of the actors.

Since the change in the French cooperation system in 2009, **AFD has been working more closely with French NGOs and has financed 36 projects** (including 23 multi-country projects) in key sectors in which NGOs play a major role: gender, social inclusion, vocational training, child protection and agricultural development. AFD works closely with Vietnamese partners, notably PACCOM, to support and monitor the activities of French NGOs in Vietnam. It organises an annual meeting with French NGOs in conjunction with the French Embassy.

2.4.2. An approach that dovetails with EU actions and reinforces coordination with bilateral partners including the EU

AFD's activities are carried out in close collaboration with the Embassy's services within the framework of **Team Europe**. The Team Europe initiatives are mainly focused on the Green Deal and climate issues. **AFD has built a privileged relationship with the EU** and has optimised **the mobilisation of European funds in order to enhance its operations**.

Grants blended with AFD loans in favour of the above-mentioned EVN and "resilience" projects reinforce the added value of programmes in terms of the technical support and capacity building components, often mobilising French expertise. Finally, via the **WARM Facility**, AFD supports an innovative and novel programme-based approach during project preparation and implementation phases. This makes its proposals more **adaptable and responsive while increasing their added value**. The implementation of similar mechanisms concerning mitigation issues with EVN and/or public banks will be developed within the framework of the new programming.

Furthermore, AFD will work as much as possible with **European stakeholders (KfW, GIZ, EIB, CDP), members of the group of six development banks (ADB, AFD, JICA, KfW, KEXIM, WB)**, the group of **European advisors** and the group of development partners (DPG) in order to coordinate exchanges and consultations with the government regarding major development orientations and regulations, notably ODA.

In addition, the mobilisation of a public development bank will be sought in the various platforms for dialogue on climate financing, in particular within the IDFC where Vietnam is still not represented.

³¹ Decentralised cooperation actions between French and Vietnamese local authorities began in the 1990s. Today, some ten regions, departments, local authorities and water syndicates are involved in decentralised cooperation projects in Vietnam. AFD has contributed to several of these projects, in particular through FICOL grants for large-scale decentralised cooperation projects.

2.5. MONITORING THE STRATEGY

The objectives of this intervention framework will be monitored by a set of indicators that will make it possible to link them to AFD's overall action on the SDGs. In particular, AFD has the target of having **a portfolio of new grants that are "100% Paris Agreement"** by maximising climate co-benefits and ensuring that **50% of new projects have a**

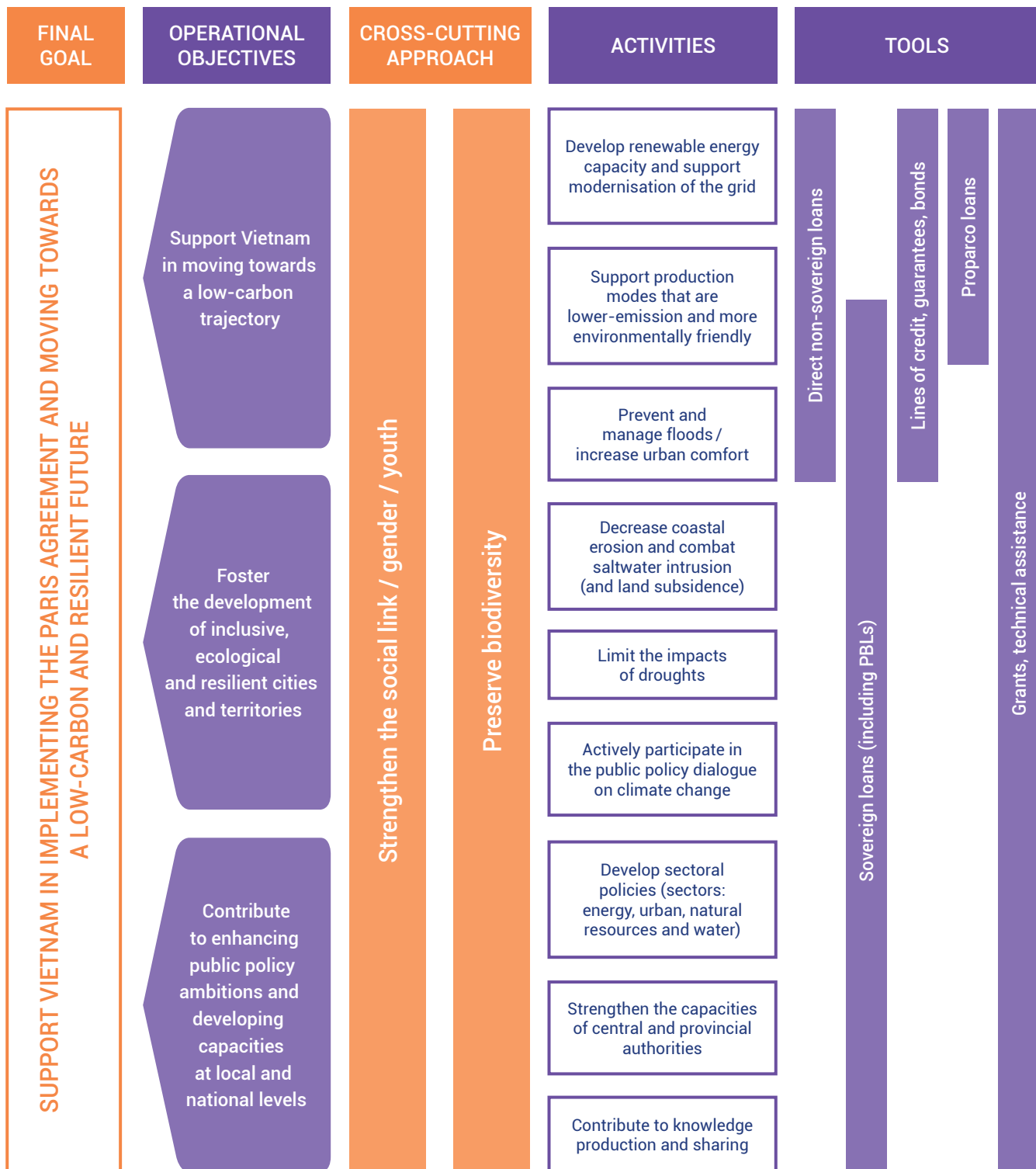
significant impact on gender issues (projects classified as DAC1 or DAC2). AFD will seek to maximise the impact on the SDGs in relation to the strategy's three objectives and will monitor the indicators of the accountability framework presented in Appendix 2 (indicators assessed ex ante in the context of project appraisal).

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

3.




APPENDICES

APPENDIX 1. SAFD'S LOGICAL INTERVENTION FRAMEWORK IN VIETNAM, 2021-2025






Reinforce synergies between Team France and the EU
Highlight the position as French bilateral donor and member of the European Union

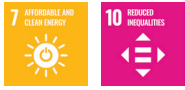

APPENDIX 2. ACCOUNTABILITY FRAMEWORK

	Number of commitments and percentage of climate co-benefit projects	MEUR
	Reduction of greenhouse gas emissions (EE53)	tCO2e
	Number of people with increased climate resilience (EE153)	No. ppl.
	Percentage of climate finance from projects based on biodiversity preservation/ mobilisation of ecosystems	%
	Proportion of projects launched annually that include a gender-related objective	%



Objective 1 – Contribute to enhancing public policy ambitions and developing capacities at local and national levels

	Number of institutions receiving support for capacity-building initiatives (SDG 17.9 and EE 175 and EE 156)	No. Inst.
	Number of local institutions receiving support (SDG 11.b / 15.1 / 16.7 and EE170)	No. Inst.
	Number of people trained on public action (SDG 16.6 / EE174)	No ppl.

Objective 2 – Towards a low-carbon trajectory

	Newly installed or refurbished renewable energy capacity (SDG 7.2 et EE 62)	MW
	Number of people with improved access to sustainable transport (urban and non-urban) (SDG 11.2, EE 89 and 108).	No. ppl.

Objective 3 – Foster the development of inclusive, eco-conscious and resilient cities and territories

	Number of people with improved essential services (water, sanitation, energy, waste management) (SDG 1.4 and EE91).	No. ppl.
	Number of people whose living conditions, access to public spaces or urban socio-community facilities have been improved (SDG 11.b and EE92)	No. ppl.

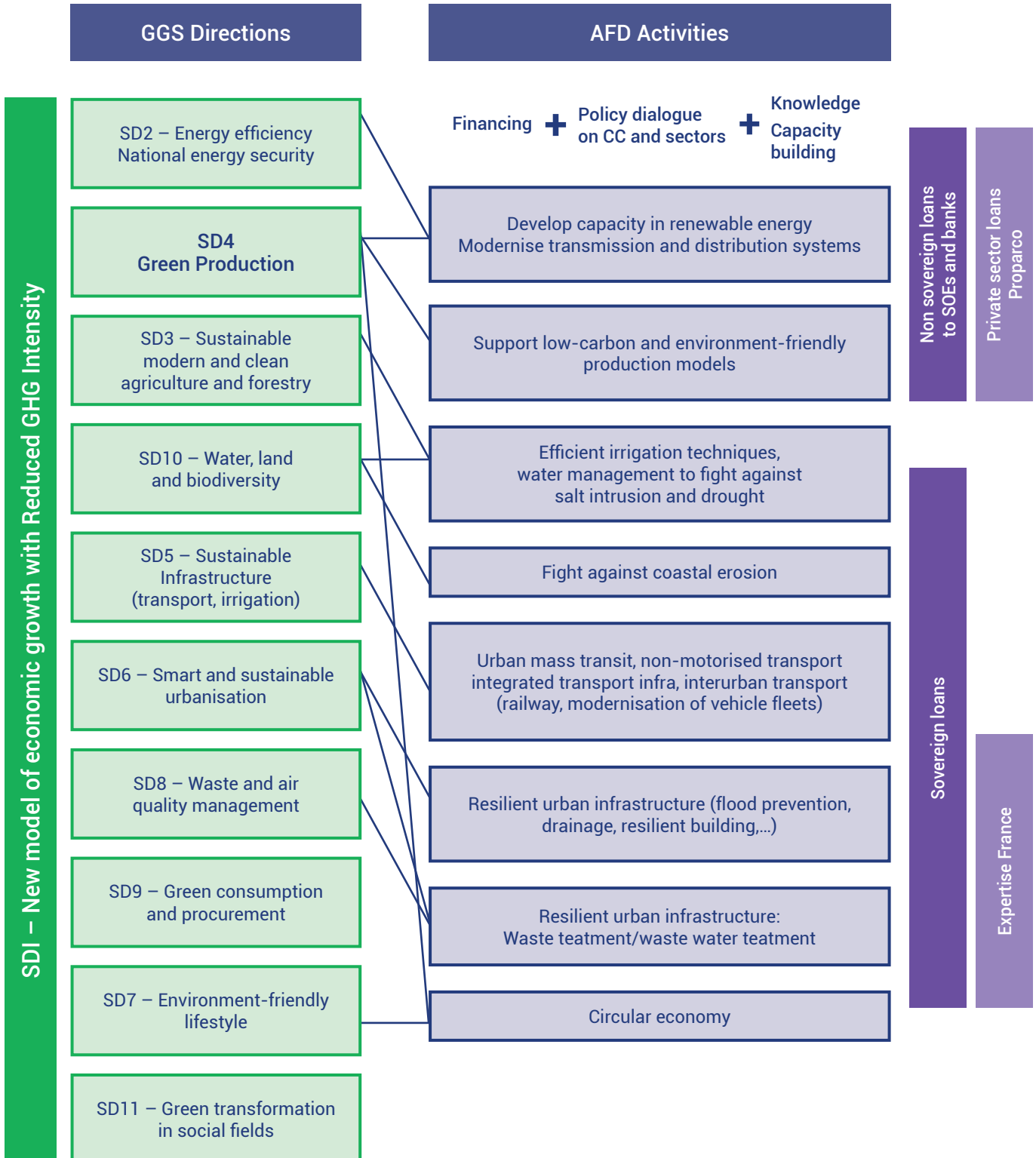
NB: This approach will also contribute to achieving SDG 13.2 by supporting public policies that integrate initiatives to combat climate change and SDG 17.16 by encouraging the exchange of knowledge, expertise and financial resources.

Cross-cutting objective

AFD will monitor the indicator regarding the mobilisation of French bids, i.e., the share (in volume) of contracts, related to AFD financing that has been the subject of an international call for tenders, that resulted in the submission of at least one French bid, as well as the percentage of projects involving French bids.

APPENDIX 3. RESPONSE OF AFD STRATEGY TO VIETNAM'S GREEN GROWTH STRATEGY (VGGS)

AFD MATCHES ITS ACTIONS WITH VGGS



APPENDIX 4. FEEDBACK: AFD GROUP'S POSITIONING IN VIETNAM AND ITS VISIBLE IMPACTS, 2016-2020

AFD has been operating in Vietnam since 1994 and has established itself as a trusted partner in the fight against climate change. This dedicated focus on related climate issues distinguishes it from other donors, **and is in line with the ex-post evaluation study conclusions published in 2018**.³² These highlighted the importance of consolidating AFD's strategic positioning and the visibility of its intervention in a twofold perspective: (i) cementing its French identity, and (ii) justifying continuing work towards still significant ODA commitments. Thus, between 2016 and 2020, in line with AFD Group's strategy and the request of Vietnamese partners, AFD continued its commitment to combating climate change issues with the following single objective: "Support Vietnam in its resilient green growth trajectory," around three approaches: i) the resilience of cities and territories, ii) the energy transition, and iii) the younger generation.

This commitment has been acted upon through funding and discussions with the Vietnamese authorities about public policies backed up by studies and research (GEMMES) and a focus on capacity building. The Group articulates around its three entities: AFD, Proparco for financing private companies and financial institutions, and Expertise France for international technical cooperation.

In a context that has become more "competitive" and complex, AFD has developed an adaptable, flexible and reactive position, notably by mobilising its non-sovereign tools and the loan-grant mix with the EU. In accordance with the recommendations of the ex-post evaluation mentioned above, AFD has also endeavoured to consolidate and develop an offer that is differentiated and competitive. It does so by combining and reinforcing AFD Group's strengths with Team France and Team Europe's various tools to build and fortify mutual confidence and trust with central and local authorities, while tailoring its interactions to the needs of each territory, as well as with certain public companies and banks with the extension of the non-sovereign portfolio.

The portfolio has undergone a profound change since 2016, in favour of a non-sovereign approach and the energy transition, due to strong constraints on sovereign demand. In preparation for the portfolio renewal for the next five-year period (2021-2025), AFD has mobilised study funds (notably on EU delegation) and deployed numerous instances of technical support.

The cumulative commitments amounted to EUR 531m between 2016 and 2020, including EUR 269m in non-sovereign instruments (three projects in favour of the energy transition), EUR 223m in sovereign (2017 tranche of climate budgetary support and a multi-province project for resilience), EUR 39.1m in grants (including EUR 36.8m delegated by the EU through the WARM Facility blended with loans, as well as the FERC, FAPS and FICOL tools), to which regional funds should be added – such as the 2050 Facility of EUR 1.5m and NGO financing (Appendix 5).

From 2016 to 2020, almost 100% of the financing AFD granted had a climate co-benefit, with the aim of reducing emissions by 190,000 tCO₂e/year.

Over this period, the projects undertaken had the following impacts:

- urban infrastructure (excluding mobility) affecting 420,000 people;
- urban mobility projects that aimed to reach more than 500,000 passengers/day;
- nearly 700,000 people benefited from infrastructure that improved their access to electricity.

AFD has been able to support new investments in the renewable energy sector via the local financial sector (public and private).

³² Evaluation of French development aid in Vietnam (2005-2015) - exPost No.70 AFD/EVA dated April 2018.

At the end of 2020, all 14 ongoing projects in the portfolio involved a French company or promoted a French interest. Proparco's action in Vietnam promotes low-carbon, environmentally friendly growth in line with AFD's climate change strategy and sustainable growth models. Three priority sectors have been identified: i) financial institutions, ii) renewable energy, iii) manufacturing, agri-food and services. After several dormant years in Vietnam, Proparco's activities are resuming, backed by EUR 56m and EUR 80m of financing signed in 2020 and 2021 respectively – and the 2022-2025 period should confirm this momentum.

Vietnam is one of Expertise France's (EF) main partner countries in Asia. EF has been working there since 1993 and has a representative office in Hanoi. Its activities are centred on five approaches that mobilise all the tools at its disposal (ETI, L'Initiative, FAPS, FEXTE, delegations of national and regional EU funds): i) strengthening governance, ii) combating climate change and supporting sustainable urban development, iii) strengthening the health care, social protection and employment systems, iv) strengthening security and peacekeeping and v) providing expertise.

APPENDIX 5. SUPPORTING NON-GOVERNMENTAL ORGANISATION INITIATIVES

Local context

Over the past twenty years, Vietnam's voluntary sector has undergone a significant evolution. Around 68,000 registered associations are grouped into three main categories: socio-political associations, socio-professional associations and non-governmental organisations (NGOs). In 2020, some 504 foreign NGOs (INGOs) were operating in Vietnam, and in that year committed a total of USD 220.7m (source VUFO-NGO Resource Centre Vietnam) to various sectors including health, education, environment and poverty reduction.

At present, civil society in Vietnam is subject to a restrictive, complicated legal framework, requiring administrative involvement at different levels. It has been the Vietnamese government's ambition for ten years to enact a law on associations to govern all CSO activities, but this is still far from being realised. The bill is still being debated and there are very diverse opinions, notably concerning the freedom of association, the scope of application and the principles of public management. Operationally, aid from foreign CSOs is subject to two decrees: (i) Decree 80/2020 (08/07/2020) on the approval procedure for non-refundable aid projects not belonging to official development assistance, and (ii) Decree No. 12/2012/ND-CP on the registration and management of the activities of non-governmental organisations in Vietnam. Administratively, foreign CSOs are managed by the Committee for Foreign NGO Affairs³³ (COMINGO). The standing agency (VUFO)³⁴ of the Committee and its executive body (PACCOM)³⁵ are responsible for relations with INGOs. PACCOM works actively to support foreign CSOs, including granting/renewing: (i) registration certificates for activities with the Ministry of Foreign Affairs (MAE), in accordance with Decree 12, and (ii) visas for expatriates.

³³ Committee for Foreign NGO Affairs – COMINGO composed of 8 ministerial members and chaired by the Vice-Minister of Foreign Affairs. Acting under the authority of the Prime Minister, the Committee has the role of assisting the government on issues relating to the activities of foreign NGOs in Vietnam.

³⁴ Established in 2001, the main function of VUFO (Vietnam Union of Friendship Organisations) is to oversee and approve all INGO activities in Vietnam, defining sources of foreign funding for Vietnam and reporting directly to the Deputy Prime Minister and Minister of Foreign Affairs.

³⁵ PACCOM (People's Aid Co-ordinating Committee): manages the activities of foreign NGOs through its central body based in Hanoi and VUFO representatives at provincial level. It receives applications for NGO registration certificates and manages all procedures for issuing, renewing and amending certificates, in liaison with the Ministry of Foreign Affairs.

AFD funding since 2009

Since 2009, AFD has worked increasingly closely with NGOs with the changes to the French system of co-operation which has led to a transfer of funding to French NGO initiatives. AFD has broadened its scope of operations and increased its collaboration with NGOs, particularly in key sectors where NGOs play a leading role: gender equality, social inclusion, vocational training, child protection and agricultural development.

AFD has financed 36 NGO projects in Vietnam since 2009:

13 country-specific projects (AFD contribution of €5.4m) and 23 projects involving several countries (AFD financing for all of the countries concerned of over €49.1m).

Of these 36 projects, **8 are ongoing** as follows:

- **3 country-specific projects**, for which AFD has awarded total grants of more than €1.07m, to the following associations: AGRISUD, PE&D, and Batik International/GRET.
- **5 multi-country projects** led by Institut Européen de Coopération et de Développement (IECD), GRET, AGRISUD International, PE&D, and Agronomes et Vétérinaires Sans Frontières (AVSF), representing a total AFD contribution of €15.9m for all countries concerned.

AFD works in close collaboration with Vietnamese partners, notably PACCOM, in order to support and monitor the activities of French NGOs in Vietnam.

AFD organises, in conjunction with the French Embassy in Vietnam, an annual meeting with French NGOs in the presence of PACCOM representatives.

The aim of the June 2019 meeting was, among other things, to discuss the theme of the "social link," an element which AFD believes is of great importance and which is the cornerstone of most of the projects it supports.

Exchanges took place between various key actors (French Embassy/AFD, PACCOM, French NGOs and the private sector through the French Chamber of Commerce and Industry in Vietnam (CCIFV)) for the first time in April 2021. The main goal of the meeting was to expand the CSO-private sector partnership.

APPENDIX 6. CORPUS OF VIETNAM'S STRATEGIC DOCUMENTS IN THE FIGHT AGAINST CLIMATE CHANGE

RESOLUTIONS	<p>Resolution No. 24-NQ/TW of the Central Committee of the VCP on the proactive response to climate change, improvement of natural resource management and environmental protection (2013)</p> <p>Resolution No. 36-NQ/TW of the Central Committee of the VCP (8th meeting) on the strategy for sustainable development of Vietnam's sea-based economy up to 2030, vision to 2045 (2018)</p> <p>Resolution No. 76/NQ-CP of the Government on preventing and managing natural disasters (2018)</p> <p>Resolution No. 120/NQ-CP of the Government on the sustainable and climate-resilient development of the Mekong Delta (2017)</p>
LAWS	<p>Land Law (2013)</p> <p>Prevention and Management of Natural Disasters Law (2013)</p> <p>Environmental Protection Law (2014 & 2020)</p> <p>Water Resources Law (2014)</p> <p>Law on Hydrometeorology (2015)</p> <p>Law on Forestry (2017)</p> <p>Law on Fisheries (2017)</p> <p>Law on Planning (2017)</p> <p>Law on Irrigation (2017)</p> <p>Law on Crop Production (2018)</p> <p>Law on Animal Husbandry (2018)</p> <p>Law on Biodiversity (2018)</p> <p>Law on Maritime and Island Resources and Environment (2018)</p>
DECREE	<p>Decree No. 119/2016/ND-CP on sustainable development, protection and management of coastal forests to tackle climate change (2016)</p>
STRATEGIES	<p>Decision No. 2139/QD-TTg on the national strategy for climate change (2011)</p> <p>Decision No. 1939/QD-TTg on green growth 2011-2020 (2011)</p> <p>Decision No. 1658/QD-TTg on green growth 2021-2030 vision 2050 (2021)</p> <p>Social-economic development strategy 2021-2030, vision 2050 (2021)</p>
PLANS	<p>National Action Plan on climate change (NAP) 2012-2020 (2011)</p> <p>National Action Plan on climate change (NAP) 2021-2030 vision 2050 (2021)</p> <p>Plan for Implementation of the Paris Agreement (PIPA) (2016)</p> <p>National Action Plan for the implementation of the 2030 sustainable development agenda (2017)</p> <p>Social-economic development strategy 2021-2025 (2021)</p>
PROGRAMMES	<p>National Target Programme to Respond to Climate Change (2008)</p> <p>National Target Programme to Respond to Climate Change 2012-2015 (2012)</p> <p>National Target Programme to Respond to Climate Change 2016-2020 (2017)</p> <p>Science and Technology Programme to Respond to Climate Change 2016-2020 (2016)</p> <p>SP-RCC 2016-2020 (2017)</p> <p>Target Programme to Respond to Climate Change and Green Growth 2016-2020 (2016)</p> <p>REDD 2030 (Reducing Emissions from Deforestation and Forest Degradation) (2017)</p> <p>Science and Technology Programme for Natural Disaster Prevention and Control and Environmental Protection 2016-2020 (2018)</p> <p>Mekong Delta Integrated Climate Resilience and Sustainable Livelihoods Programme 2030, vision 2045 (2020)</p> <p>NDCs updated (2020)</p>

APPENDIX 7. GEMMES VIETNAM MACRO-ECONOMIC MODEL: AN UNPRECEDENTED FUTURE-ORIENTED STUDY THAT IS AN ESSENTIAL COMPONENT OF PUBLIC POLICY DIALOGUE

Within the framework of the 2050 Facility, the Vietnamese Ministry of Natural Resources and Environment and AFD signed a partnership agreement to strengthen their collaboration on green growth and climate resilience, in particular through the development of the GEMMES (General Monetary and Multisectoral Macrodynamics for the Ecological Shift) programme in Vietnam.

This research programme, developed by AFD in close collaboration with IRD, aims to assess the socio-economic impacts of climate change in Vietnam and adaptation strategies to tackle these changes. An interdisciplinary team of Vietnamese, French and international researchers has provided new scientific results to contribute to the public policy dialogue with the Vietnamese government.

The specificity of the Vietnamese model is that it provides a detailed assessment of the impacts of climate change on the socio-economic development in the country – particularly the Mekong Delta – and analyses the various aspects of climate-related damage that the country could incur as well as identifying appropriate adaptation strategies, in this way properly informing future decisions.

The GEMMES Vietnam programme presented an initial report consisting of 13 chapters in four parts at the COP26 summit. This addressed all of the relevant elements, from spatialised climate scenarios to macroeconomic damage, and included sectoral and public policies for adapting and mitigating impacts on the country's most vulnerable populations.

The report offers an unprecedented forecast of climate impacts up to 2050.

The report's main results are as follows:

- **quantifying the economic impacts of climate change in Vietnam:**

- from a 1.8% loss of GDP in the case of a 1°C temperature increase by 2050 compared to the pre-industrial period, 6.7% for a 2°C increase and up to 10.8% for a 3°C increase;

- the macroeconomic impacts are approximately 30% higher than the direct sectoral losses, indicating the possibility of knock-on effects for Vietnam's macroeconomic structure.

- **an analysis of the causes and impacts of land subsidence and saltwater intrusion in the Mekong Delta:**

- the delta has an extremely low deltaic plain, with an average elevation of approximately 80 cm, rendering it extremely vulnerable to the smallest changes in relative sea level resulting from the cumulative effect of global sea level change and local vertical land movement (subsidence);

- the delta is currently experiencing high levels of land subsidence, up to 5 cm/year in some places, mainly due to groundwater extraction (currently approximately 2.5 million m³/day, with an annual increase of 4% per annum);

- sediment shortage due to upstream dams and excessive sand extraction has resulted in significant rates of riverbed incision over the past 20 years (10-20 cm/yr.), resulting in amplified tides and increased saltwater intrusion. The anthropogenic incision of the riverbed will continue to be the main factor in the salinisation of the delta until 2050;

- if the extraction rate remains at current levels, cumulative land subsidence combined with the rise in sea level could cause the majority of the Mekong Delta to fall below sea level by the end of the century.

Also of note is the significant uncertainty of future climate change for Vietnamese society, including the possible non-linearity of the climate system and threshold effects.

The challenge for 2022-2023 will be to build on this report in order to deepen the global dialogue and improve communication on the sectoral level, particularly in sectors where AFD is directly involved, with the possibility of broadening discussions to challenges of the low-carbon transition and Vietnam's COP26 commitments (starting to phase-out coal in 2040 and reaching net-zero emissions by 2050). In this context, the GEMMES Vietnam team will organise a series of targeted seminars in the first half of 2022 with the objective of increasing the awareness of key players and the population on the issues of climate change in Vietnam.

The GEMMES programme supported the MONRE in the scope of the circular on the new environmental law on the impacts, vulnerabilities, risks and losses related to climate change.

ACRONYMS AND ABBREVIATIONS

ADFIAP Association of Development Financing Institutions in Asia and the Pacific

AFD *Agence Française de Développement*

ASEAN Association of Southeast Asian Nations

ADB Asian Development Bank

BIDV Bank for Investment and Development of Vietnam

BOG Bureau of Government

CDP Cassa Depositi e Prestiti (Italian development finance institution)

CICID Interministerial Committee for International Cooperation and Development

CIRAD French agricultural research and cooperation organisation

CMSC Commission for Management of State Capital at Enterprises

CPTPP Comprehensive and Progressive Agreement for Trans-Pacific Partnership

CSO Civil society organisation

DAC Development Assistance Committee

EDF *Électricité de France* [French power company]

EFEO French School of Asian Studies

ETP Energy Transition Partnership

EU European Union

EVFTA European Union–Vietnam Free Trade Agreement

EVN Vietnam Electricity [state-owned power company]

FAPS *Facilités d'Amorçage de Préparation et de Suivi de projets* (Project Start-up, Preparation and Monitoring Facility)

FDI Foreign Direct Investment

FERC *Fonds d'expertise et de renforcement de capacités* (Study and Capacity Building Fund)

FEXTE *Fonds d'Expertise Technique et d'Echanges d'Expériences* (Fund for Technical Expertise and Experience Transfers)

FFEM *Fonds Français pour l'Environnement Mondial* (French Facility for Global Environment)

FICOL *Facilité de Financement des Collectivités territoriales* (French Local Authorities Financing Facility)

FSPI *Fonds de solidarité pour les projets innovants* [Solidarity Fund for Innovative Projects]

GEMMES General Monetary and Multisectoral Macrodynamics for the Ecological Shift

GHG Greenhouse gas

GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit [German development agency]

IDFC International Development Finance Club

IRD *Institut de Recherche pour le Développement* [French National Research Institute for Sustainable Development]

JICA Japan International Cooperation Agency

LDCs Least developed countries

LMIC Lower-middle-income country

MARD Ministry of Agriculture and Rural Development

MOC Ministry of Construction

MOF Ministry of Finance

MONRE Ministry of Natural Resources and Environment

MPI Ministry of Planning and Investment

NAMA Nationally Appropriate Mitigation Action

NDC Nationally Determined Contribution

NGFS Network for Greening the Financial System

NGO Non-governmental organisation

ODA Official Development Assistance

OECD Organisation for Economic Co-operation and Development

PBL Policy-based loan

PDP8 Power Development Plan 8

PEEB Programme for Energy Efficiency in Buildings

RCEP Regional Comprehensive Economic Partnership

RTE *Réseau de Transport d'Électricité* [French electricity transmission network operator]

SBV State Bank of Vietnam

SCIC State Capital Investment Corporation

SDGs Sustainable Development Goals

SL Sovereign loan

SUNREF Sustainable Use of Natural Resources and Energy Finance

UMIC Upper-middle-income country

UNDESA United Nations Department of Economic and Social Affairs

UNDP United Nations Development Programme

VASI Vietnam Administration of Seas and Islands

VCP Vietnamese Communist Party

VDB Vietnam Development Bank

VEPG Vietnam Energy Partnership Group

WARM Water and Natural Resources Management

WB World Bank

Towards a world in common

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

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



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Twitter: @AFD_France - Facebook: AFDOfficiel - Instagram: afd_france

5, rue Roland-Barthes -75598 Paris cedex 12 -France

Tel.: +33 1 53 44 31 31