

FRENCH
DEVELOPMENT
AGENCY

**EUROPEAN
PARTNERSHIP**

#CommonWorld

Common convictions, consistent actions



AFD and European Union (EU) institutions have decided to strengthen their partnership, with the aim of enhancing their effectiveness in development assistance and the fight against extreme poverty.

Our teams are driven by common convictions and work together towards the same objectives: deliver quality and consistent aid, come up with **new solutions to finance development**, and deliver action with a high level of operational flexibility.

Beyond the question of financing, AFD and the EU also have two other concerns: **feeding into the European debate on development and promoting common values in the field.**

A strategy driven by the SDGs and Paris Agreement

Today, the European Union and AFD share four priorities:

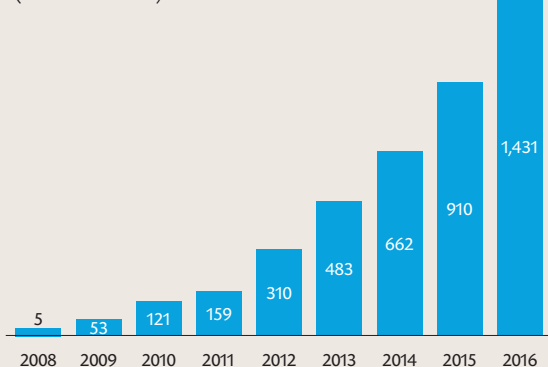
- **Focus** on priority countries and sectors;
- **Develop** projects which are consistent with all public policies;
- **Contribute** to enhancing donor coordination;
- **Enhance** the effectiveness, accountability and transparency of financial commitments.

These priorities fall into the broader framework of the Paris Climate Agreement and the 17 Sustainable Development Goals (SDGs) adopted by the international community in 2015.

For example, with EUR 3.6bn committed for projects to fight climate change in 2016, AFD is one of the main international public donors in this field.

An increasingly important partnership

EU funds managed by AFD, end of year,
(total in EUR M)



With EUR 75.5bn of Official Development Assistance in 2016, EU institutions and Member States are the world's leading aid donors.

Complementarities in action

As a financial institution, AFD monitors the implementation of projects financed with funds delegated by the EU: it supports local partners (governments, local authorities, private sector, CSOs) and ensures that the budget is properly executed (procurement, payments, project supervision). AFD is responsible for the successful implementation of the project and fully accountable towards the European Commission.

Its action is geared toward the same poverty reduction objectives as the actions of the Directorate-General for International Cooperation and Development (DG DEVCO) and Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR). However financial instruments differ: while the two European Commission services operate exclusively through grants, AFD offers several financial tools: grants, sovereign and non-sovereign loans, guarantees and risk-sharing mechanisms for local banks.

Meetings and staff exchanges are organised between the teams of AFD and the European Commission.

Provide an innovative European solution to finance development

The Commission has accredited some thirty European national agencies to manage European funds earmarked for development, including AFD. More than ever, the timing is right for increased aid coordination among donors and promotion of innovative means of financing, such as blending loans and grants.

Blending: a major leverage effect

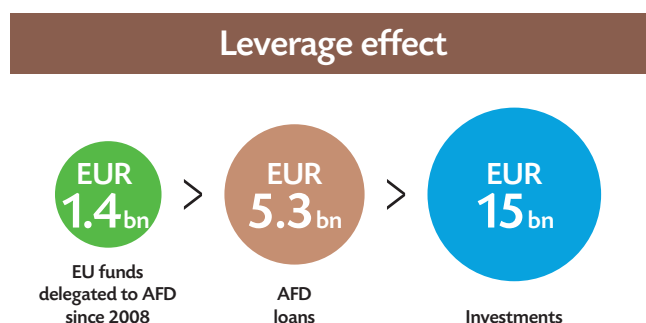
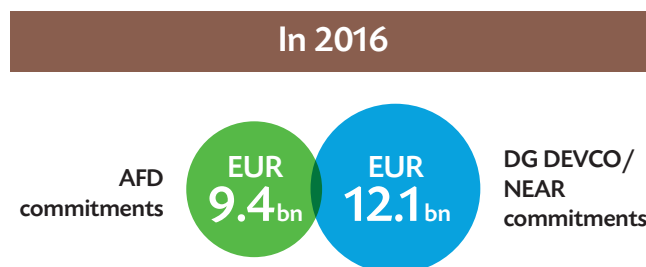
Since 2007, a new European mechanism allows loans and grants to be blended to finance development projects on a larger-scale. These “blending facilities” are especially used to support infrastructure projects and MSMEs, but also energy, social services and agriculture sectors.

Thanks to its major leverage effect, this solution allows to:

- **Unlock** loans from public and private entities;
- **Reduce** the cost of borrowing for beneficiaries;
- **And/or provide** technical assistance throughout the projects.

Over half of the EUR 1.4bn of funds delegated to AFD between 2008 and 2016 came from blending mechanisms (EUR 823m). These funds have allowed to raise over EUR 15bn worth of investments. AFD also contributes actively to the implementation of the EU’s recently launched trust funds. Over the same period, AFD itself has transferred EUR 48m to the Commission for projects in Haiti and Guinea.

Blending facilities are sub-divided into major regions of intervention: Africa, Latin America, Asia, European Neighbourhood (Eastern and Southern), as well as the Caribbean and Pacific regions.



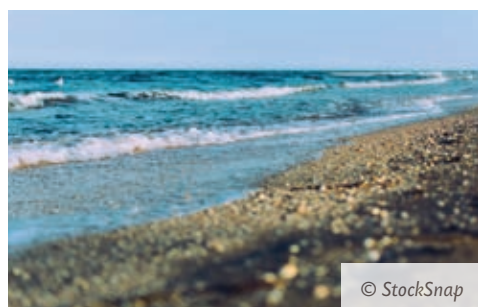
Since 2008, 172 AFD projects have benefited from EU funds.

The EFSD, or how to share risks

The European Fund for Sustainable Development (EFSD) was launched in 2017. It comprises existing blending facilities for Africa and the Neighbourhood and has created a new innovative guarantee mechanism. With an initial budget of EUR 3.35bn, it is expected to leverage up to EUR 44bn of private sector investments in countries facing challenging environments. Risks are shared with the Commission: the guarantee is transferred to intermediary financial institutions, such as AFD, which support the ultimate beneficiaries (often companies) through loans, guarantees, or other financial instruments.

The Commission and 4 financial institutions close ranks

In May 2016, the European Commission, AFD, KfW, Italy’s CDP and Spain’s AECID decided, in the context of their enhanced partnership, to pool their ideas and compare their initiatives for loan-grant blending and financial innovation. How can national banks be more effectively involved in European blending? How to support reforms more effectively? How to combine European strategy and public policies in partner countries...? The debate is open, constructive and pragmatic.



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Tunisia – Preserving the quality of Mediterranean coastal waters

In the context of the Mediterranean pollution reduction program (DEPOLMED), wastewater treatment plants and pumping stations will be rehabilitated to treat wastewater. The objective is to reduce the quantities of polluted water discharged into the sea and contribute to protecting the marine environment. This project also aims to more effectively control industrial discharges and improve access of populations to an efficient sanitation service. It is cofinanced by AFD (EUR 60m loan) and EIB (EUR 69.4m) and benefits from an EU grant from the Neighbourhood Investment Facility (EUR 10.4m).

Closer cooperation

In June 2017, the European Union and its Member States signed an overarching document outlining the future of European development policy. This “new European Consensus on Development” places particular emphasis on delegated cooperation with European development agencies as a way to achieve more effective cooperation in the field.

Closer cooperation in the field

This framework for European development cooperation applies to all EU institutions and Member States. All have committed to cooperate more closely in order to simplify aid programming and reduce the fragmentation of actions.

This “Joint programming” approach aims to:

- **Enhance operational coordination and consistency;**
- **Reduce transaction costs;**
- **Foster the deployment of joint initiatives.**

Promoted by AFD, this approach aims at jointly implementing aid.

Pooling resources via trust funds

Since 2012, the European Commission has been authorised to create and manage trust funds. The aim is to expand the range of tools of the European aid system. These funds offer the possibility of mobilising various sources of EU financing and collecting contributions from Member States and donors from third countries. This innovation increases coordination by pooling European resources, expertise and implementation capacities. AFD is fully committed.

Four trust funds have been set up: the Bêkou Fund pour the Central African Republic (2014), the Madad Fund for the Syrian refugee crisis (2014), the Emergency Trust Fund for Africa (2015) and the fund for the peace process in Colombia (2016).

Agencies and delegations



85
AFD



139
UE

Countries of operation



108
AFD



150
UE

Emergency Trust Fund for Africa (EUTF)

- The EUTF for Africa was set up during the European Valetta Summit in November 2015. **It supports in particular African countries which are the most affected by the migration situation.** How? By opening up employment opportunities, particularly for young people and women, supporting basic service provision for populations, and fostering dialogue on migration.
- **The financial contributions from the various donors stand at EUR 2.85bn** (including EUR 2.64bn from the EDF and EUR 202.4bn from Member States and other donors).
- In May 2017, 118 programs had been approved by the Operational Committee for a total amount of EUR 1.8bn, divided between three regions: **the Sahel and Lake Chad, North Africa and the Horn of Africa.**
- In this context, **the EU has allocated EUR 136.6m to AFD to finance 11 projects.** For example, one of the financing agreements signed with Cameroon, for EUR 10m, is contributing to economic recovery in the far north of the country.



© Nicolas Chorier

India – Promoting low-carbon mobility

At COP21, France and Germany launched the “Mobilise YourCity” program, which aims at helping 100 cities reduce their greenhouse gas emissions and improve their living conditions. In India, AFD is supporting three pilot cities: Kochi, Nagpur and Ahmedabad. The investments are designed to reduce high-carbon transport, alleviate traffic congestion, and improve air quality. A EUR 3.5m EU grant from the Asia Investment Facility is contributing to financing technical assistance.

Feeding into the debate

In addition to jointly implementing projects, European development aid actors are also contributing to the development debate in Brussels through workshops, conferences and panel discussions, with the aim of enhancing mutual knowledge and working in a more concerted manner. These occasions for exchanges are organised at the Parliament or Commission and contribute to strengthening ties. They also provide an opportunity to showcase the added value of European ideas and expertise in the development community.

Scaling up dialogue with MEPs

AFD is eager to enhance and continuously strives to improve European cooperation and share its expertise on specific topics. As such, it regularly organises events at the European Parliament. In the format of panel discussions, it presents the diversity of its activities and operational tools, as well as its vision of the European aid system to MEPs and representatives of the professional and academic world.

To think beyond silos and borders

In Brussels, the independent European think tank Friends of Europe seeks to create a debate and bring about change, in Europe and beyond. AFD shares this approach and this is the reason why it decided to join its “Development Policy Forum” back in 2008, along with German cooperation (GIZ), the European Commission, World Bank, United Nations and Japanese development agency, JICA. AFD’s managers and experts regularly participate in its conferences on new development models. Furthermore, in recent years, AFD has launched partnerships with other European think tanks, such as ODI, FERDI and IDDRI.

The Practitioners’ Network

This network was set up in 2007 under the impetus of AFD and KfW. It gathers 15 European development agencies and the European Commission (as an observer member). While this is an informal community of European bilateral actors, it meets regularly: at high level, during the Annual Assembly, in order to give impetus to the implementation of common strategies, and also in working groups through the year.

For example, in 2017:

- The Network has commissioned a field study on European coordination mechanisms in fragile States;
- It has influenced the negotiations on the revision of the EU financial regulation and brought about full recognition of delegated cooperation with European development agencies;
- It has worked with the Commission on reflection related to joint implementation.

Assuming the co-lead of two working groups, AFD teams are actively involved throughout the year.

www.dev-practitioners.eu

European Development Days (EDDs)

The “EDDs” are organised by the European Commission and have become a key event for development actors. It brings together researchers, analysts, civil society representatives, Heads of State, directors of development banks, private sector business leaders, as well as European Commissioners and MEPs. Every year, AFD actively participates in this event by organising several panel discussions and exhibitions and involving its experts.



Rémy Rioux at the High-Level Panel during the 2017 EDD © AFD



Solar panels at Strathmore University in Nairobi – Kenya
© Boisseaux-Imageo / French Red Cross

Multi-country – Financing green growth

AFD facilitates access to affordable sustainable energy via the SUNREF (Sustainable Use of Natural Resources and Energy Finance) program. How? By allowing companies and individuals to access bank financing, while making it more competitive. In addition, the EU has allocated a EUR 7.55m grant to Nigeria to support actors working for green growth, particularly SMEs for the development of bankable projects. www.sunref.org/

AFD is the French development bank. Public and solidarity, it is committed to projects that improve the daily lives of populations in developing countries, emerging countries and overseas. AFD is involved in many sectors - energy, health, biodiversity, water, digital, training - and accompanies the transition to a safer, fairer and more sustainable world, a world in common. Its action is fully in line with the objectives of sustainable development (SDO). Present in 108 countries through a network of 85 agencies, AFD finances, monitors and supports over 2,500 development projects today. In 2016, AFD located € 9.4 billion to finance projects in developing countries and overseas.



Signing of the new European Consensus on Development on 7 June 2017 © European Union



Proparco – a subsidiary of the Agence Française de Développement (AFD) devoted to private sector funding – has been supporting sustainable development since 40 years. It operates in 80 countries in Africa, Asia, Latin America and the Middle East and helps finance and support financial institutions and corporate private-sector projects.

www.proparco.fr



FONDS FRANÇAIS POUR
L'ENVIRONNEMENT MONDIAL

The French Facility for Global Environment (FFEM) is a financial instrument of French cooperation and development policy, dedicated to the protection of the global environment in developing countries and emerging markets. With funds of €90 million for 2015-2018, the FFEM supports innovative work in developing countries in the following areas: climate, biodiversity, international waters, soil degradation including deforestation, persistent organic pollutants and the ozone layer. At the end of 2016, the FFEM had received financial pledges of €355 million, with 301 projects in their portfolio, 68% of which are in Africa and the Mediterranean.

www.ffem.fr - ffem@afd.fr



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