



# AFD AND Sustainable Cities



**4.7 billion**

euros committed to urban development and support for local authorities between 2015 and 2019

**150 projects**

underway in Africa, Asia, Latin America and Overseas France

**11 million**

city dwellers whose quality of life will be improved by the projects granted in 2019

AFD supports cities in their low-carbon transition and adaptation to climate change. It aims to improve city dwellers' quality of life and supports the sustainable development of territories. It helps urban stakeholders meet the challenges of urban growth, social inequalities and territories' vulnerability.

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# Urban development issues and challenges

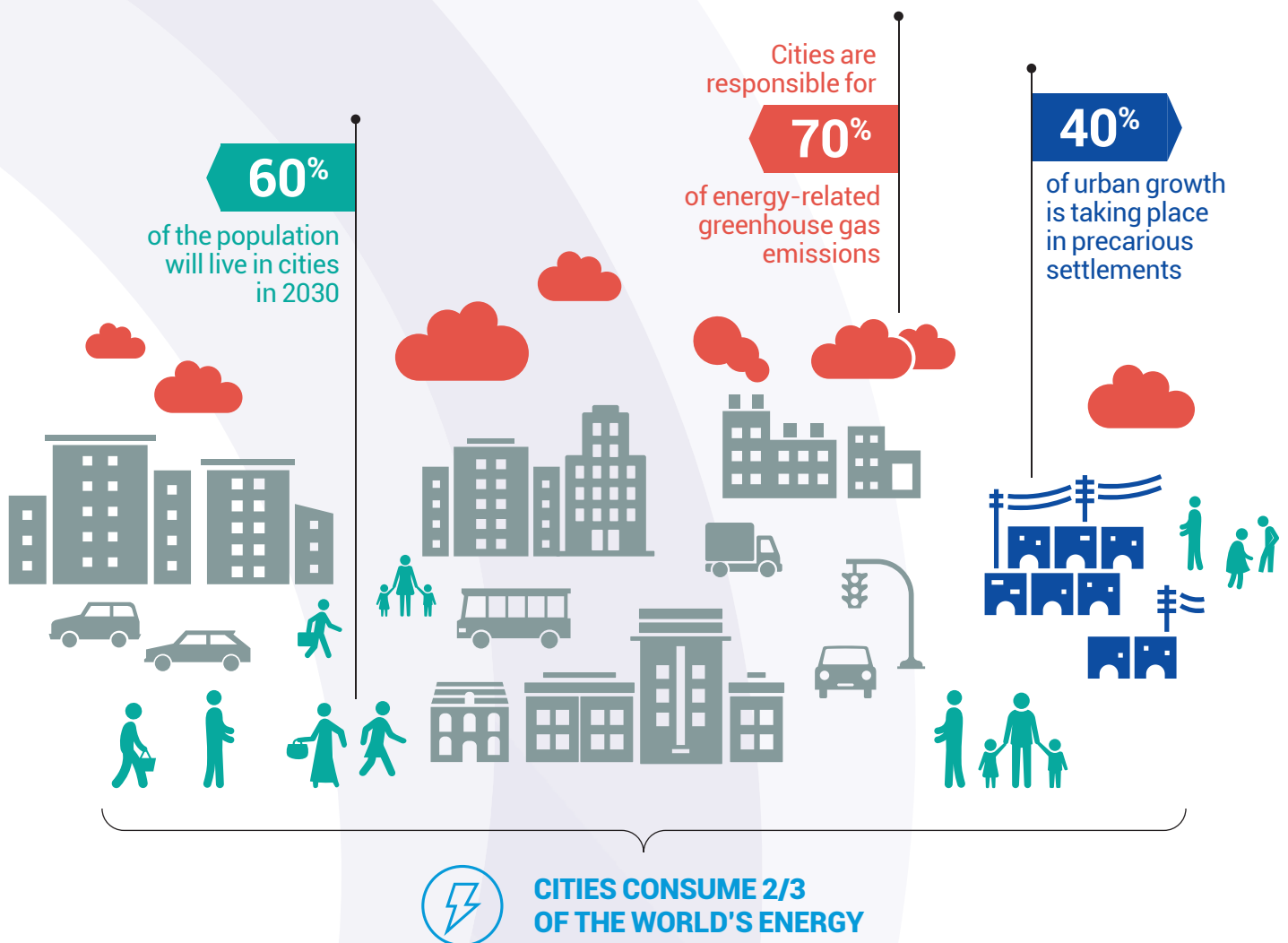
## *The high rate of urban growth and its impacts*

**Urban reality:** 60% of the world's population will be living in cities by 2030. Urban growth is somewhat stable in Latin America but exponential in Africa and Asia. By 2030, the number of cities with populations over 500,000 is expected to grow by 80% in Africa and 30% in Asia. Cities and the local authorities who administer them thus face huge challenges.

Today, urban growth is concentrated in intermediate cities especially. Their urbanisation is rapid and multifaceted, with impacts

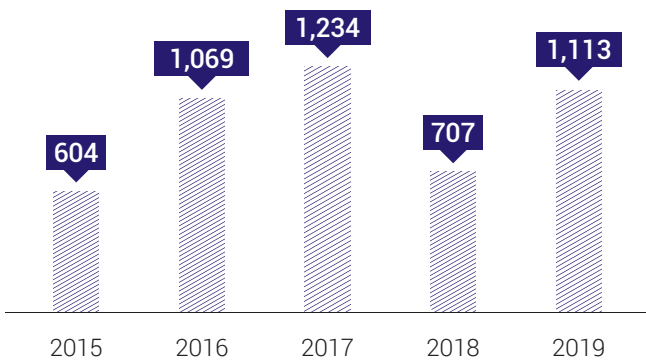
that are social (growth in precarious settlements, increased risks of social fragmentation and of poverty), economic (high youth unemployment, limited access to economic opportunities) and environmental (urban sprawl and heightened vulnerability to climate change). It is crucial to help these cities cope with the bulk of this urban growth and its impact.

## *Cities are vulnerable and generate pollution and inequalities*

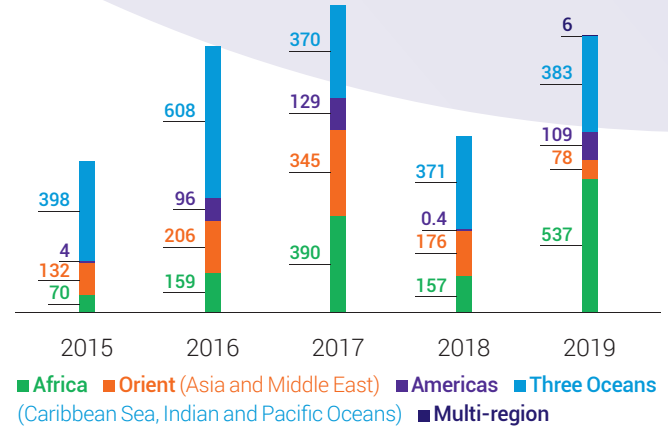


# Urban development and support for local authorities: key figures

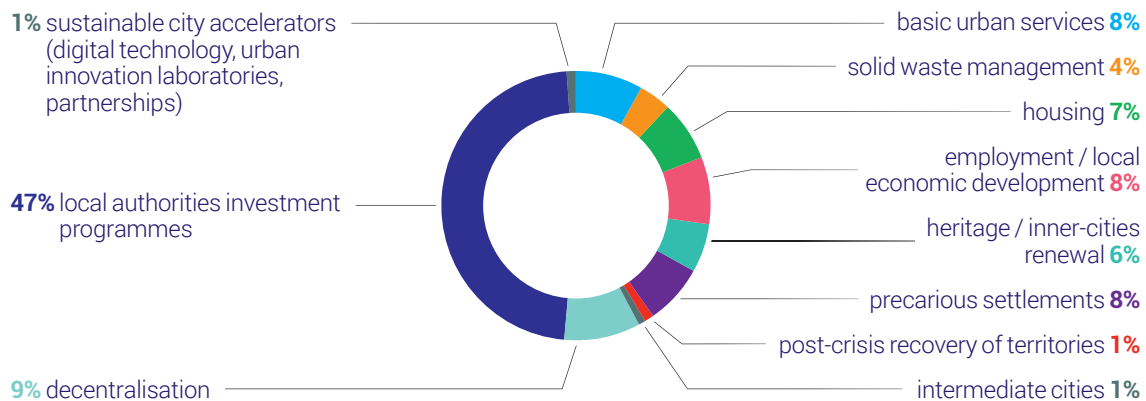
**Trend in annual commitments to urban development and local authorities**  
(in millions of euros)



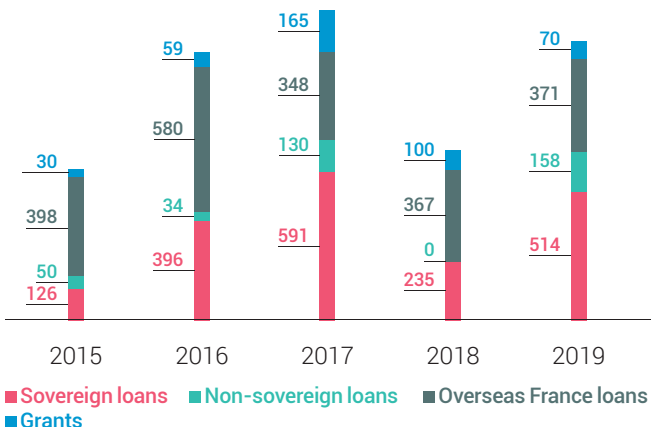
**Regional breakdown of annual commitments to urban development and local authorities**  
(in millions of euros)



**Theme-based breakdown of commitments to urban development and support for local authorities (2019)**



**Breakdown of commitments by type of financial product 2015-2019**  
(in millions of euros)



**Targeted impacts of AFD commitments to urban development and support for local authorities**



**+ 11 million city dwellers**

whose quality of life will be improved thanks to the financing granted in 2019



**+ 600 entities and public-service bodies**

working on urban issues will benefit from capacity building thanks to financing granted in 2019

# Supporting and financing the development of sustainable cities

AFD works with cities to help them meet the challenges of urban growth, social inequalities, and territorial vulnerability. It promotes the sustainable city as a process of designing, building and managing urban development by working with local actors in charge of cities, civil society and inhabitants.

## 3 strategic objectives

Improve city dwellers' quality of life

Promote sustainable urban development within territories

Strengthen the local actors in charge of cities



## 3 accelerators

Urban innovation laboratories

Smart city

Partnerships

## The "Cities and Climate" cross-cutting approach

### *Improving cities' resilience to climate change and supporting them in their low-carbon transition*

To strengthen resilience to climate change and the low-carbon transition of cities, AFD operates in favour of both mitigation and adaptation. To do so, it supports States and local authorities in implementing measures and activities on different leverage actions:

- Providing an incentive framework encouraging strategies and actions to meet the challenges of climate change (territorial climate-air-energy plans);
- Researching dense and structurally low-carbon urban forms, and energy efficiency in buildings;

- Encouraging resilient urban development (natural disaster risk prevention and/or management frameworks, urban biodiversity and nature-based solutions);
- Promoting projects that reduce greenhouse gas emissions;
- Supporting local authorities as actors of the low-carbon transition;
- Mobilising funds and dedicated tools to identify and design urban projects with climate co-benefits (regional facilities for climate co-benefit project preparation, vulnerability studies, carbon footprint, etc.).



### *Biodiversity in cities*

Preserving and developing natural spaces in cities contributes to climate resilience and natural disaster risk reduction. City greening aids in infiltration of rainwater and runoff and reduces the risk of flooding. Restoration of urban rivers, green roofs and other nature-based solutions contribute to the landscape quality

of public spaces, limit heat islands and improve the quality of life in cities. Projects to develop green spaces in cities can be carried out on a neighbourhood scale (parks, squares) or in a linear form (green belts, river banks redevelopment).



# A strategy to promote sustainable cities

## *Strategic objectives of actions*

**1**

### **Improve city dwellers' quality of life**

Cities must refocus their strategies on their residents, and better take into account their needs. This is why support is needed for projects and actions that enable improved access to essential urban services and in sectors where demand is growing, namely in:

- Improving access to basic urban services (drinking water, sanitation, public lighting, transportation and mobility services, etc.)
- Reducing the environmental and health impact of solid waste in cities
- Developing access to housing and improving living conditions
- Supporting access to employment and local economic development

**2**

### **Promote sustainable urban development within territories**

AFD promotes the territorial approach as the most suitable way to support projects and actions with goals of:

- Promoting inner-city renewal and enhancing urban heritage
- Encouraging the improvement of precarious settlements and their integration into the city
- Supporting territories in post-crisis recovery
- Supporting major urban projects
- Supporting the development of intermediate cities

**3**

### **Strengthen the local actors in charge of cities**

The objective is to support all the local actors involved in urban projects and to support local authorities, who are the key actors in territorial development. This is why AFD works on the two complementary lines of:

- Supporting decentralisation processes
- Supporting local authorities in their investment programmes and access to financing

## *Accelerators: supporting the transition towards sustainable cities*

**1**

### **Urban innovation laboratories**

The objective is to better involve civil society and city residents in the various stages of city building projects (project design, implementation, management of facilities). The idea is to meet the needs of users and citizens – while more long-term conventional building projects are underway – by identifying actions that can be conducted rapidly in order to test urban programming, new usages and new forms of citizen participation.

**2**

### **Smart city and digital technology**

Digital technology can help transform urban public action in four main areas covered by municipal competence: optimisation of urban services, improvement of urban planning and of risk and crisis management, management of local finances and municipal government transparency, creation of opportunities and innovation in terms of local economic development.

**3**

### **Strengthening partnerships**

To mobilise expertise, know-how and financing adapted to the needs of the transition towards sustainable cities, AFD works within a partnership framework. AFD's partners in this strategy include French urban development actors (local authorities, urban planning agencies, experts, researchers, companies, etc.) and other donors, such as the European Union and the World Bank, international organisations and city networks.

# Tools, beneficiaries and key principles of action

## Urban development financial tools

- Public policy loans
- Sovereign loans
- Non-sovereign loans (local authorities, operators)
- Green public-sector loans (Overseas France)
- Guarantees
- Grants
- Debt reduction contracts
- Fund for project preparation and expertise mobilisation
- Loans to the private sector (Proparco)

## Beneficiaries

- States
- Local authorities
- Public urban operators
- Public financial institutions
- NGOs
- Private enterprises (Proparco)

## FOCUS

### Project preparation facilities

In order to support and finance urban projects with a climate co-benefit, AFD has set up regional funds for project preparation along with other donors and partners:

- **UPFI** : Urban Projects Finance Initiative - preparation of sustainable urban projects in the **Mediterranean** and in the **Balkans** (EU, UfM, EIB)
- **CICLIA** : Cities and Climate in Africa - preparation of climate co-benefit projects in **Africa** (EU, SECO)
- **CICLASIA** : Cities and Climate in Asia - preparation of climate co-benefit projects in **Asia** (EU, CDIA/ADB)
- **LAIF** : Latin American Investment Facility - preparation of climate co-benefit projects in **Latin America** (EU, CAF)

## Key principles of AFD's actions



Actions to reduce cities' carbon footprint and to improve their adaptation to climate change



Actions to reduce gender inequality and to promote access to the city for all women and men



City dwellers and local actors at the heart of the projects



The territorial approach as best suited for the scale of actions



Technical and financial capacity building for local authorities



Mobilisation of AFD Group (Proparco and Expertise France), French expertise and partners for cities

## Project examples



### ***“Cities and Climate” cross-cutting approach*** *Supporting resilience*

**CHINA** Mianyang sponge city  
(€35 M - sovereign loan)

AFD supports China’s national “Sponge City” policy to improve water management and reduce risk of natural disasters. AFD is financing “sponge” infrastructure (porous road surfaces, a green corridor, a drinking water treatment plant) for a new neighbourhood being created as part of this project.



### ***Improvement of city dwellers’ quality of life*** *Enhancing housing supply*

**ECUADOR** Social Housing Programme  
Casa para Todos (€71 M - sovereign loan)

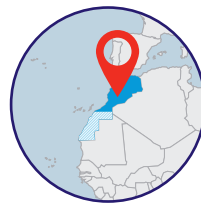
AFD is financing this social housing programme in partnership with the Inter-American Development Bank. This programme provides financial aid to the most vulnerable households so that they can build or purchase housing – or pay rent for rent-to-buy schemes. Care is given to quality: its development projects provide for community facilities and land close to city centres that are connected to services and accessible by transport.



### ***Sustainable urban development within territories*** *Improving precarious settlements and integrating them into the city*

**DJIBOUTI** Integrated Urban Development  
Project - Phase 2  
(€13 M - grant)

AFD is financing the construction of urban infrastructure, commercial facilities and local facilities to improve access to a precarious settlement in Djibouti (Layableh-Moustiquaire) as well as quality of life there. This Phase 2 follows an initial phase that targeted Balbala, a precarious settlement in Djibouti City.



### ***Strengthening local actors in charge of cities*** *Supporting decentralisation*

**MOROCCO** Programme for improving  
municipal performance  
(€100 M - sovereign loan)

This programme, co-financed with the World Bank, seeks to improve the quality of local public services provided to the residents of Morocco’s main cities. AFD is helping to strengthen management efficiency in the participating cities. It is also supporting the development of inter-city cooperation in the selected urban agglomerations.

## ***AFD in Overseas France: the leading funder of the local public sector***

AFD has a long history of financing local authorities in Overseas France as well as housing and development operators there. The volume of its actions makes AFD one of the leading funders of the local public sector, alongside Caisse des Dépôts et Consignations. Its action takes the form of direct budget loans to local authorities to finance their investment programmes, as well as project financing for housing and urban development operators. AFD is also strengthening its role as an advisor and technical partner for Overseas France authorities, particularly on climate issues.



**NEW CALEDONIA** South Province (€21 M non-sovereign loan + “PSP-Vert” concessional green loan)

AFD partially financed the 2019 investment budget of South Province, which is facing significant urban development challenges. It is also supporting the sustainable economic and social development of the region by supporting the housing supply and the modernisation of the school facilities in particular. Part of the funding will be earmarked for investment projects in education, culture and other sectors, as well as for projects with significant environmental value.

Agence Française de Développement (AFD) is a public financial institution that finances, supports and accelerates transitions towards a more just and sustainable world. As a French overseas aid platform for sustainable development and investment, we and our partners create shared solutions, with and for the people of the global South.

Our teams are active in more than 4,000 projects in the field – in the French overseas departments and some 115 countries. They strive to promote health, education and gender equality, and are working to protect our common resources – peace, biodiversity and a stable climate.

It's our way of contributing to the commitment that France and the French people have made to achieve the Sustainable Development Goals. Towards a world in common.



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April 2020



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