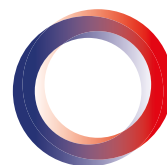




RÉPUBLIQUE
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AFD
AGENCE FRANÇAISE
DE DÉVELOPPEMENT

Sustainable development analysis

at the service of the SDGs



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#WorldInCommon

The “Sustainable development analysis and opinion” mechanism: a tool to drive alignment with the Sustainable Development Goals

To more effectively mainstream sustainability challenges into all of its financing operations, AFD has adopted a dedicated tool. Created in 2014, the “sustainable development analysis and opinion” (AADD) mechanism is now the cornerstone that ensures the alignment of AFD’s operations with the Sustainable Development Goals (SDGs).

It is underpinned by three main thrusts of the 2030 Agenda:

1 Increase impacts and drive transformative projects

This means ensuring a high-quality project design leading to positive impacts that respect the founding principle of “do no harm”.

2 Foster synergies between the SDGs

The AADD systematically questions the capacity of projects to tackle environmental, social and economic challenges while also taking governance into account. It also integrates the ways they interact with the SDGs, as foregrounded by the United Nations.

3 Promote responses tailored to each context

Thanks to the fine-grained analysis of the challenges specific to each territory, the tool goes further than a quantitative approach to contributions to the SDGs. It thus integrates the data access issues faced by many sectors and geographies.



A COMMON FRAMEWORK FOR AFD GROUP

In 2021, the Group launched a project to converge the tools for sustainable development analysis so that the approaches developed by AFD and its subsidiaries Proparco and Expertise France would be more coherent. AFD assisted these two entities in adapting the methodology to the specificities of their respective activities, partners, clients and financing.

Following a test period in autumn 2022, the Group will have a common sustainable development analysis framework in 2023. This will help drive greater impacts for financed operations and strengthen the Group’s coherence and accountability.

A TOOL AT THE SERVICE OF SUSTAINABLE FINANCE

In 2020, AFD Group set up a bond emission framework in line with the International Capital Market Association (ICMA) standards. This allows the Group to issue SDG Bonds.

To restrict financing solely to projects deemed to be aligned with sustainable development, the ratings of the sustainable development analysis and opinion mechanism constitute one of the asset eligibility criteria.

To find out more,  [CLICK HERE](#).



Between 2018 and 2022,

200 projects on average

were each year subject to a sustainable development opinion,

i.e. **80%** of total volume of financing approvals


































57%
received a
favourable
opinion (or visa)



40%
received a
favourable
opinion with
recommendations

3%
received a
reserved or
negative opinion

Analyse projects according to 6 dimensions and 17 SDGs

Pillars	Dimensions	SDGs	End-goals
PLANET	 BIODIVERSITY	   	<ul style="list-style-type: none"> • Improve the state and preservation of ecosystems • Develop or consolidate a policy, regulatory and governance framework that is biodiversity-friendly and takes local communities into account
	CLIMATE	  	<ul style="list-style-type: none"> • Ensure the project is aligned with the Paris Agreement and the local low-carbon challenges by supporting the partner on a long-term decarbonisation pathway
	 a. Mitigation b. Adaptation	   	<ul style="list-style-type: none"> • Contribute to the adaptation of the territory or sector in which the project intervenes, particularly through capacity-building and the factoring-in of climate uncertainty
HUMAN	 SOCIAL	       	<ul style="list-style-type: none"> • Support social link by reducing multidimensional inequality and promoting inclusion • Combat vulnerabilities to crises and social tensions • Mainstream a human rights-based approach into projects
	 GENDER		<ul style="list-style-type: none"> • Promote gender equality by removing barriers to women's equal, sustainable and effective access to good-quality essential goods and services • Support structural societal changes driving greater empowerment of women and equal representation in decision-making arenas
ECONOMY AND GOVERNANCE	 ECONOMY	    	<ul style="list-style-type: none"> • Promote the building of a sustainable and resilient economy that is more resource-efficient and respectful of the planet's limits
	 GOVERNANCE	 	<ul style="list-style-type: none"> • Support project sponsors in line with their needs to ensure long-term project impacts • Promote the emergence of decision-making methods based on consultation and participation • Promote governance projects in structuring sectors such as justice and taxation

The analysis grids qualify the anticipated impacts on each of these dimensions. The grids are adapted to all the different types of AFD's financing operations (loans, grants) and are applicable to all sectors.

To view the grids, [CLICK HERE](#).

From analysis to opinion, a two-pronged mechanism



A sustainable development analysis is performed by the AFD team in charge of financing appraisal in order to assess the anticipated impacts *ex-ante*. This analysis informs the dialogue with AFD's partners and clients concerning the project's content and impacts.



A sustainable development opinion is delivered by a team from the Strategy Department, independently of the Operations Department. This opinion assesses the project's expected contributions and qualifies its alignment with sustainable development. It informs the decision of AFD bodies at the financing approval stage.

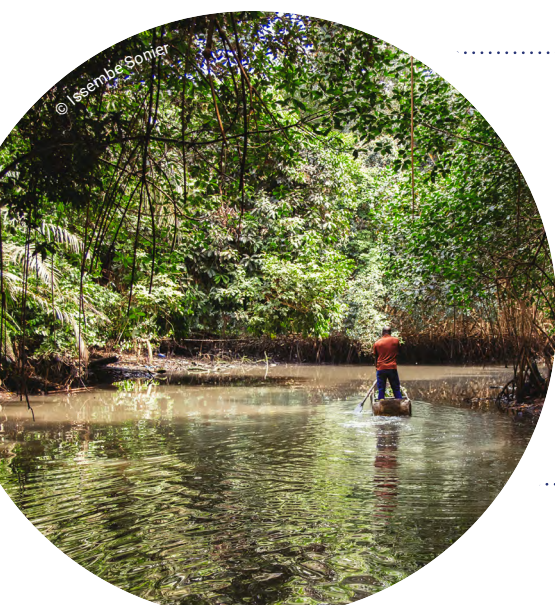
RATIONALE BEHIND THE ANALYSIS

- The sustainable development ratings are based on the project's anticipated effects. They can be negative (-2 if significant, -1 if residual), neutral (0) or positive (+1 if moderate, +2 if significant, +3 if structural).
- Each dimension is identified and rated: the analysis is not expressed as an average to avoid compensating or erasing one dimension with respect to another.
- To assess the impacts of inherently complex projects, a double rating (e.g. "-1" and "+2") on the same dimension is possible, in order to reveal any differentiated effects and provide information on sustainable development trade-offs.
- For the biodiversity, gender and governance dimensions, the rating scale matches the markers defined by the OECD's Development Assistance Committee (DAC).
- The analysis and related ratings may change during the project appraisal stage, depending on the due diligences and any changes in the content of the project.

AN INDEPENDENT OPINION ON PROJECTS

- Following a self-assessment by the project team, the Sustainable Development Opinion (ADD) Unit carries out an independent assessment which gives rise to a formal opinion.
- Depending on the ratings, the opinion delivered can be (i) favourable, (ii) favourable with recommendations, (iii) reserved, or (iv) negative.
- If a dimension is rated -2 or if the climate dimension receives a negative rating (in light of the Paris Climate Agreement), a negative opinion is given. Likewise, if the assessment shows several negative ratings, the misalignment of the operation with sustainable development is formalised by a reserved or negative opinion.
- If all of the sustainable development challenges are taken into account at the project identification stage, a visa - equivalent to a favourable opinion, can be delivered at the start of the appraisal stage.
- An early-warning mechanism allows any project at risk of misalignment with sustainable development to be reported. AFD's Executive Committee decides on whether or not to continue the appraisal.

The logic of the grid is based on a progressive scale of impacts. Below is an example for the "Climate Change Adaptation" dimension:



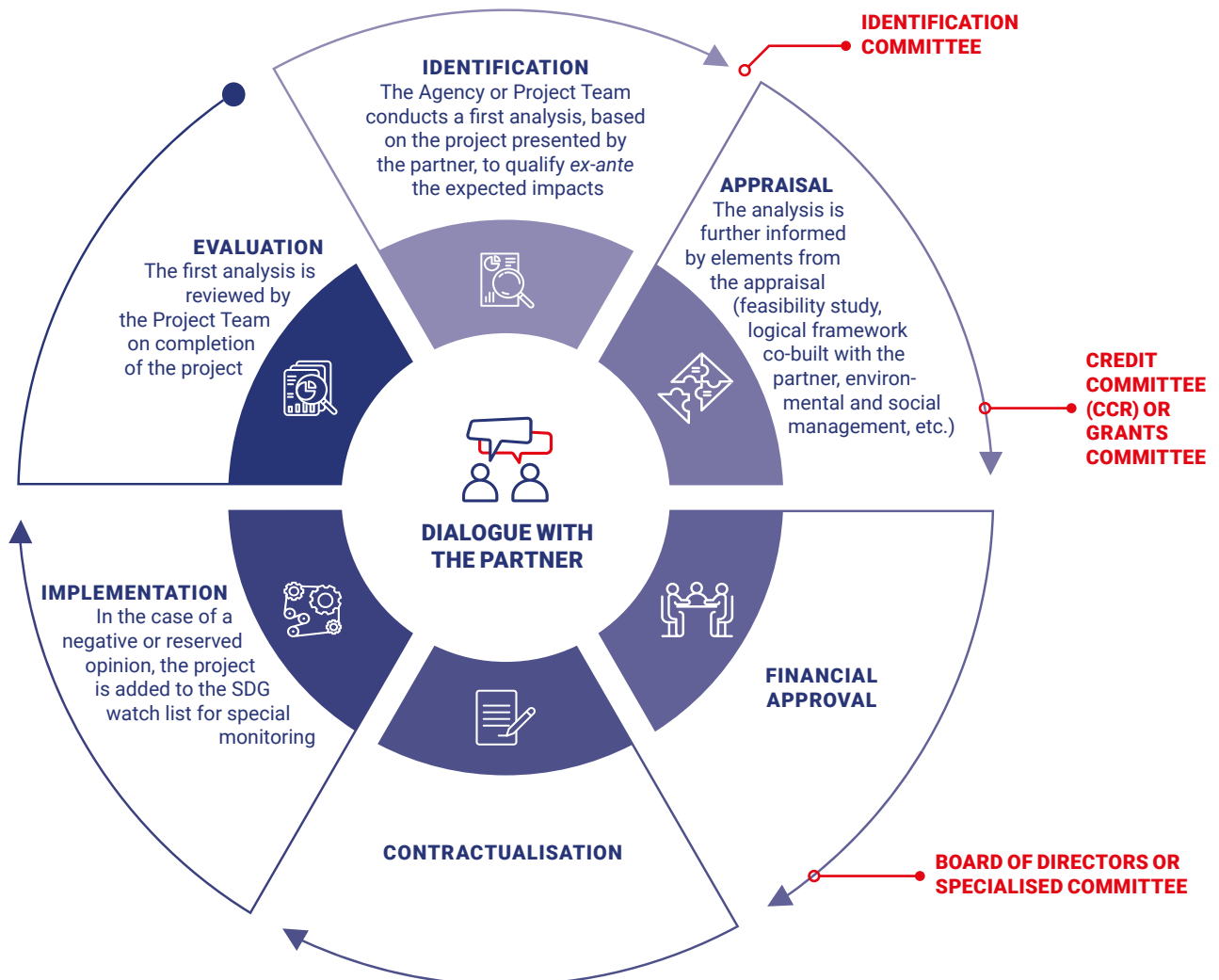
EXAMPLE OF A RANKING ATTRIBUTED TO A PROJECT

Contribution to sustainable development – summary chart

BIODIVERSITY					+3
LOW CARBON			+1		
RESILIENCE				+2	
SOCIAL		-1	+1		
GENDER			+1		
ECONOMY				+2	
GOVERNANCE					+3

Who does what in the mechanism?

The sustainable development analysis and opinion process begins right from project identification, based on dialogue with the concerned partner or client, and continues throughout the entire project life cycle.



IDENTIFICATION COMMITTEE

Formalises the appraisal mandate

- The Sustainable Development Analysis and Opinion (ADD) Unit highlights the points related to sustainability issues requiring attention.
- Early warning: if a negative opinion is likely, AFD's Executive Committee is asked to arbitrate on whether the appraisal should be pursued.



CREDIT COMMITTEE OR GRANTS COMMITTEE

Defines the negotiating mandate

- A formal provisional opinion is presented by the ADD Unit (negative, reserved, favourable with or without recommendations).



BOARD OF DIRECTORS OR SPECIALISED COMMITTEE

Issues the financing approval

- A final sustainable development opinion is issued by the ADD Unit and annexed to the briefing note delivered to the decision-making bodies.
- If the final opinion is negative or reserved, an arbitration committee is set up with Senior Management before it is presented to the decision-making bodies.

WHICH PROJECTS ARE SUBJECT TO A SUSTAINABLE DEVELOPMENT ANALYSIS AND OPINION?

All AFD-financed projects are subject to a sustainable development analysis and opinion, except for operations whose direct effects cannot be qualified:

- general budget support
- study funds
- guarantees
- crisis-recovery instruments and financing via a specific framework
- FISONG financing for NGOs
- FICOL financing for local authorities
- project co-financing via a mechanism allowing mutual recognition of procedures between donors.

The sustainable development analysis applies to operations falling within the scope of analysis and for amounts higher than €1.5 million in grants and €5 million in loans.

For a world in common

The Agence française de développement (AFD) implements France's policies on international development and solidarity. Through its financing for the public sector and NGOs, as well as its research and publications (AFD Publications), AFD finances, supports and accelerates transitions towards a fairer and more resilient world. It also provides training on sustainable development (AFD Campus) and awareness-raising activities in France.

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 Overseas France, in 115 countries and in territories in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and health. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). For a world in common.



2023

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