

**AFD**  
AGENCE FRANÇAISE  
DE DÉVELOPPEMENT

# The sustainable development analysis

RAISING QUESTIONS  
AND INTEGRATING PROJECT  
SUSTAINABLE-DEVELOPMENT  
ISSUES UPSTREAM

#WorldInCommon



# THE SUSTAINABLE DEVELOPMENT ANALYSIS AND OPINION MECHANISM: THE WHY AND THE HOW

## Which operations are subject to a sustainable development analysis and opinion?

All AFD-funded operations are subject to a sustainable development analysis.<sup>1</sup> However, they are not all subject to a sustainable development opinion. The scope of sustainable development opinion<sup>2</sup> covers all AFD operations except:

- overall budget support;
- study funds;
- guarantees;
- management of delegated funding without AFD cofinancing;
- small amounts<sup>3</sup> operations;
- calls for FICOL projects (French Local Authorities Financing Facility) aimed at local authorities;
- co-financed operations involving mutual recognition of procedures in which the project leader is not from AFD;
- resolutions amending projects for which funds have already been granted;
- additional resolutions for minor changes to the financing amount without changes to the project objective.

<sup>1</sup> Not including Proparco, FFEM, BPI, FEXTE and operations linked to partnerships with NGOs.

<sup>2</sup> This scope may change depending on AFD strategic developments.

<sup>3</sup> Less than or equal to €1.5M in subsidies and €5M in loans.

The Sustainable Development Analysis and Opinion mechanism aims at facilitating the cross-cutting inclusion of sustainable development concerns in AFD's financing operations. It comprises:

- a sustainable development analysis prepared by the project team, based on a qualitative assessment of the scope of the expected impacts;
- a sustainable development opinion issued by an independent unit<sup>1</sup> from the Operations Department, to inform decision-making by the AFD's Board.

The Sustainable Development Analysis and Opinion mechanism promotes dialogue throughout the project development cycle by raising questions regarding the operations' development impact on sustainable development and incorporating the feedback into the project design as early as possible, in collaboration with the counterparties.

<sup>1</sup> SPC/SPR (Strategy, Partnerships and Communication Directorate/ Strategy, Foresight, and Official Relations Department).

## How is sustainable development assessed in the operations?

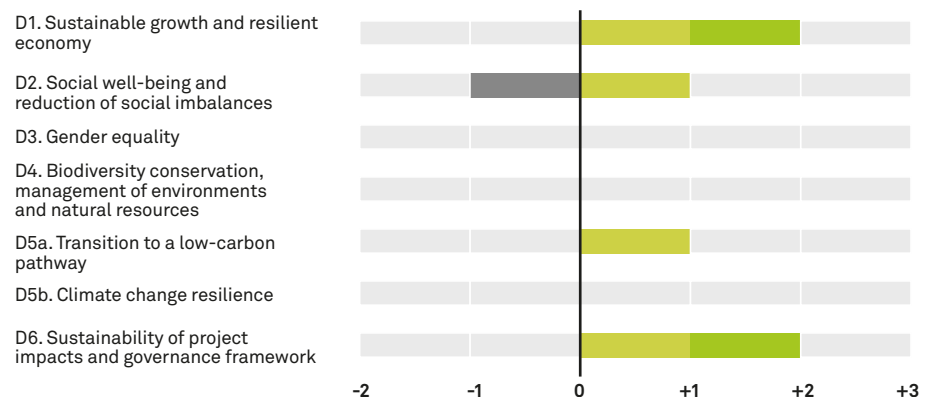
The three traditional pillars of sustainable development - social, environmental and economic - as well as the cross-sectoral issue of governance, are broken down into six operational dimensions. The sustainable development analysis consists of a detailed description of the impacts included in section 4.1 of the Project Identification and Project Presentation Notes (PIN/PPN) for each sustainable development dimension, accompanied by a summary chart (see below). A summary table (see opposite) describes the different types of impacts for each dimension and each rating. This table uses a qualitative

approach to estimate the potential positive and negative impacts for the six sustainable development dimensions, based on a -2 to +3 ranking. It complements the quantitative measurements from the economic analysis, project monitoring indicators and aggregate indicators.

In order to fine-tune the overall rating, sub-criteria are provided for each dimension in seven detailed sustainable development tables.<sup>1</sup> They can also be used to raise questions about SD issues on a given dimension and to identify actions to move up to the next ranking. One or more sub-criteria may be relevant.

<sup>1</sup> The dimension concerning "The fight against climate change and its effects" is divided into two sub-dimensions.

## Impacts of the operation on sustainable development: summary chart



# THE 6 DIMENSIONS AT A GLANCE



## SUSTAINABLE GROWTH AND RESILIENT ECONOMY

Promoting a type of growth that consumes fewer natural resources; making production systems more resilient to economic, environmental and social crises (creation of sustainable jobs, greater economic attractiveness, market regulation, etc.).

SDG 8, 9 and 12\*



## GENDER EQUALITY

Removing barriers and ensuring women access to the opportunities created by the project; supporting structural changes in society to foster greater independence for women (gender parity in decision-making bodies, incentives for employing women, etc.).

SDG 5\*



## SUSTAINABILITY OF PROJECT IMPACTS AND GOVERNANCE FRAMEWORK

Supporting the project owners according to their needs; contributing to the implementation of methods for decision-making, management and regulation, based on access to information and justice, consultation and participation; promoting "state-run" governance projects (improvement of management structures and financing conditions, planning, monitoring and evaluation, etc.).

SDG 16\*



## CONSERVATION OF BIODIVERSITY, MANAGEMENT OF ENVIRONMENTS AND NATURAL RESOURCES

Improving the quality of "ordinary" environments; addressing factors related to the degradation of natural resources and biodiversity; protecting ecosystem goods and services (land and water regulation, provision of food resources, etc.).

SDG 14 and 15\*



## SOCIAL WELL-BEING AND REDUCTION OF SOCIAL IMBALANCES

Reducing inequalities and social vulnerability; supporting structural changes in society to ensure collective benefits (improved access to basic services, training, improved living conditions, establishing generalized social dialogue, etc.).

SDG 10\*



## FIGHT AGAINST CLIMATE CHANGE AND ITS IMPACTS

**Transition to a low-carbon pathway:** taking action to drive structural change enabling the counterparties to move towards low-carbon development (technical mitigation measures, involvement of private and financial players, public policies, etc.).

**Climate-change resilience:** contributing to developing various technical and institutional options related to the vulnerability issues identified (increased risks of floods, water stress, heat waves, coastal erosion, etc.); improving the capacity to prepare for climate uncertainties and enabling those concerned to deal with them (warning systems, land use plan).

SDG 13\*

## FOCUS CLIMATE

The two qualitative frameworks concerning the "transition to a low-carbon pathway" and "climate change resilience" are consistent with the Paris climate agreement. They ensure that projects do not risk locking an area or a sector into a technical "solution" that is not suited to the observed climate change or preventing the use of other less carbon-intensive measures. They are not intended to replace the selectivity grid based on greenhouse gas emissions, which aims to avoid financing projects with high emission levels, but will complement it to ensure that all operations are consistent with the objective of low-carbon and resilient development.

\* Only the closest cross-sector SDGs are mentioned here.

# Summary table of the sustainable development analysis

## USER GUIDE:

1. Levels 1 to 3 are progressive and cumulative: a higher level can only be reached if the conditions of the level below are fulfilled.


















































2. Use the summary table first to identify the project's expected level of impact for each dimension.

3. Then refer to the detailed analysis tables for each dimension with the sub-criteria, in order to fine-tune the analysis of the impacts, if necessary, to decide between two possible ratings or to identify the actions to be implemented to optimize the project impacts.

4. If the project has positive and negative effects in the same dimension (different effects on populations, territories or resources), both effects must be specified in the chart and analysis report.

5. If two or more sub-criteria are relevant, the analysis should determine which of the impacts will be most significant in the given context. The predominant impact shall be noted.

6. If the operation is not applicable for a given dimension, you may specify NA instead of 0 (neutral effect).

	-2	-1	0	+1	+2	+3
<b>DIMENSION 1</b>  <b>Sustainable growth and resilient economy</b> Macroeconomic resilience, territorial development, inclusive trade, local economy, innovation and green production sectors	 The project may weaken the economy by promoting an unsustainable and non-resilient growth model	 The project may weaken the company/entity in charge of the project or promote the continued use of unsustainable production and consumption patterns	 The project has no significant impact on the sustainability of growth or the resilience of the economy	 The funding helps improve the performance of the economic model (competitiveness/efficient use of resources) AND/OR boosting economic activity	 The project contributes to improving the performance of the economic model and its capacities to adapt to future changes/challenges (demography, resource depletion, climate change, etc.)	 The project introduces structural economic changes (planning, management, investments, financing, market regulation) thereby promoting sustainable and resilient growth
<b>DIMENSION 2</b>  <b>Social well-being and reduction of social imbalances</b> Effective access to services, development of capabilities, improvement of living conditions and environment, decent employment conditions, inclusion and participation in community life, lifelong income security, reduction of sensitivity to tensions and conflicts	 The project contributes to the deterioration of social well-being	 The project contributes to the deterioration of individual well-being	 The project has no significant effect on social well-being	 The project improves individual well-being	 The project has an impact on reducing inequalities or produces collective benefits (living together)	 The project leads to a structural change that improves collective social benefit
<b>DIMENSION 3</b>  <b>Gender equality</b> Access to services, control over resources and income, access to justice, combating violence against women, participation in economic, social and political decision-making bodies, project governance considered with regard to gender	 The project may worsen gender inequality	 The project provides an opportunity to reduce gender inequality but fails to initiate a dialogue or specific measures, thus maintaining inequality	 After analysis, the project does not have any effect on gender equality	 The needs and interests of women and men were analyzed and addressed in discussions with the counter-party but this has not led to one or more specific measures	 One of the expected effects is to ensure that women have effective access to the opportunities created within the framework of the project (Specific work done to remove barriers)	 The empowerment of women and the structural reduction of inequalities between women and men is one of the main or crosscutting objectives of the project
<b>DIMENSION 4</b>  <b>Biodiversity conservation, management of environments and natural resources</b> Functionality of ecosystems, use of natural resources, inclusion of communities, improvement and sharing of knowledge and relevant technologies, creation of a favorable environment (economic incentives, regulations, funding)	 The project harms critical habitats	 The project has residual impacts on environments and natural resources at local level despite the implementation of offsetting measures	 The project has no significant impact on biodiversity and natural resources The project helps minimize or even avoid negative impacts through its design	 The project includes measures aimed at improving the quality of environments and using natural resources in a responsible way at local level	 The project helps reduce the pressure on sensitive environments and ensure the sustainable management of natural resources	 The project makes it possible to significantly improve the state of biodiversity, through conservation and sustainable management actions
<b>DIMENSION 5A</b>  <b>Transition to a low-carbon pathway</b> Technical measures/carbon efficiency, mobilization of financial stakeholders, impacts on public policies (economic, fiscal and budgetary instruments or mechanisms that are voluntary, regulatory, informational or educational, research and development)	 The project might have a long term structural lock-in impact that hinder solutions with low carbon emissions or future implementation of a low-carbon pathway	 The project is not consistent with the objectives of the country's climate policies or the issues identified within the framework of the analysis of its transition to a low-carbon pathway	 The project has no impact on the factors driving change but is consistent with a low-carbon transition pathway	 The project is aligned with the country's climate policies and contributes to a low-carbon pathway through its effect on at least one factor driving change, from the following: technical measures, mobilization of financial and private stakeholders, impact on public policies	 The project contributes significantly to low-carbon pathway through its effect on at least two factors driving change from the following: technical measures, mobilization of financial and private stakeholders, impact on public policies	 The project makes a structural contribution to the low-carbon pathway in the country through its effect on all the factors driving change: technical measures, mobilization of financial and private stakeholders, impact on public policies
<b>DIMENSION 5B</b>  <b>Climate change resilience</b> Techniques used/project planning, material aspects (infrastructures), awareness-raising/information to stakeholders, funding	 The project is not consistent with public-policy adaptation objectives and locks the country into a long-term development direction that is not resilient to climate change	 The project is not consistent with public-policy adaptation objectives and has a significant likelihood of increasing the vulnerability of the area, OR it exposes itself to significant climate risks, without taking any adaptation measures to deal with these risks	 The project has no significant impacts in terms of adaptation but is consistent with the adaptation objectives of the country's national policies	 The project provides responses to the issues of climate change vulnerability identified in the project operational area, in line with the national adaptation policies or priorities	 The project provides responses to the issues of climate change vulnerability in line with the priorities of the public adaptation policies, AND incorporates an approach for managing uncertainty (robustness and/or flexibility of the technical solution) OR capacity-building actions	 The project has a structural impact on the climate resilience of the country's development strategy, in line with the priorities of the public adaptation policies: <ul style="list-style-type: none"> <li>- it provides responses to the problems of climate change vulnerability;</li> <li>- it incorporates an approach for managing uncertainty;</li> <li>- it includes capacity-building actions;</li> <li>- it guides sectors and/or regions towards development models that are more resilient to climate change</li> </ul>
<b>DIMENSION 6</b>  <b>Sustainability of project impacts and governance framework</b> Information and transparency, consultation and participation, planning, execution and management, rights and justice, economic governance and funding	 The project is not consistent with the institutional environment (legislative framework, standards) OR is in contradiction with one of the governance sub-criteria promoted by AFD OR the project framework does not take into account the regulatory role of the State	 Project owner capacity limitations have not been adequately considered within the framework of the project, thus placing the project sustainability at risk OR despite the measures planned, the context makes it impossible to ensure the sustainability of the project impacts	 After analysis, the sustainability of the project impacts cannot be established AND the project has no impact on governance beyond the project scope	 The sustainability of the project impacts is guaranteed: the project owner's capabilities, the decision-making processes (consultation, participation, planning) and the funding are adequate	 The project will have long-term effects on the institutional framework, through decision-making processes (consultation and participation, information and transparency)	 The project will have significant long-term impacts on one or more structural areas of governance (taxation, state of law, human rights, civic participation, commons, etc.)

# THE SUSTAINABLE DEVELOPMENT ANALYSIS AND OPINION IN THE PROJECT CYCLE: WHO DOES WHAT?

## Identification

The agency/project team carries a preliminary sustainable development analysis in the PIN (section 4.1).

## Identification Committee (CID)

- An initial discussion between the project team and the SD Opinion team takes place on the basis of the SD analysis.
- The SD opinion team helps to define the project appraisal mandate, integrating SD issues, but does not issue a formal opinion.

## Project Appraisal

- The project-team pays particular attention to the six SD dimensions during the project appraisal. In light of the actions identified, the team drafts section 4.1 of the PPN and highlights the SD impacts (maintains or revises the rating).
- A draft SD opinion is prepared before the CCR (Favorable [F], Favorable with Recommendations [FwR] or Reserved [R]).

## Credit Committee (CCR)

- Discussions are conducted on the basis of the draft SD opinion.
- A final SD opinion is issued following the CCR.

## Granting of funds

The nature of the SD opinion (F, FwR, R) is included on the cover page of the note to the decision-making bodies, with the opinion in the Appendix.

## SUSTAINABLE DEVELOPMENT ANALYSIS AND OPINION: THE GUIDE

Created in 2013, the Sustainable Development Analysis and Opinion mechanism was updated in 2017 to integrate AFD's new strategic orientations, including the Climate and Development Strategy and the Sustainable Development Goals (SDGs). It is an ongoing process and may be amended to include AFD's future strategic developments.

The “**Methodology guide concerning the Sustainable Development Analysis and Opinion mechanism**” can be consulted on AFD's internal and external websites. It provides information on how to use the analysis table and this mechanism as a whole. It sets out the role of the Sustainable Development Analysis and Opinion mechanism throughout the project cycle, the methodology used by the project teams, as well as the principles on which the sustainable development opinion is based. Finally, it presents examples of sustainable development analyses for certain sectors, according to each dimension (application of ratings).

## Further information

To help teams understand how to use the sustainable development analysis, a series of resources are available on AFD's intranet: <http://gaia.afd.fr/web/guest/analyse-avis-dd>

- The complete methodology guide
- The detailed analysis tables by dimension
- A fun, interactive tutorial on how to use sustainable development analysis
- “SD issue” sheets by project type.

In addition, periodic sustainable development training courses are provided at headquarters and for agencies.

## Contacts

Anne Chetaille  
[chetaillea@afd.fr](mailto:chetaillea@afd.fr)

(manager of the SD analysis methodology, SD training and capitalization - SPC/SPR)

Thomas de Véricourt  
[devericourt@afd.fr](mailto:devericourt@afd.fr)

(manager of the Sustainable Development Analysis and Opinion Unit - SPC/SPR)

Distribution of PIN/PPNs to the SD Opinion List:  
[Liste\\_avis\\_dd@afd.fr](mailto:Liste_avis_dd@afd.fr)