The sustainable development analysis
RAISING QUESTIONS AND INTEGRATING PROJECT SUSTAINABLE-DEVELOPMENT ISSUES UPSTREAM
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 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.

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. 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.

Impacts of the operation on sustainable development: summary chart

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1. Sustainable growth and resilient economy</td>
<td></td>
</tr>
<tr>
<td>D2. Social well-being and reduction of social imbalances</td>
<td></td>
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<tr>
<td>D3. Gender equality</td>
<td></td>
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<tr>
<td>D4. Biodiversity conservation, management of environments and natural resources</td>
<td></td>
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<tr>
<td>D5a. Transition to a low-carbon pathway</td>
<td></td>
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<tr>
<td>D5b. Climate change resilience</td>
<td></td>
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<tr>
<td>D6. Sustainability of project impacts and governance framework</td>
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</tbody>
</table>

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

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

- overall budget support;
- study funds;
- guarantees;
- management of delegated funding without AFD cofinancing;
- small amounts 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.

1 Not including Proparco, FFEM, BPI, FEXTE and operations linked to partnerships with NGOs.
2 This scope may change depending on AFD strategic developments.
3 Less than or equal to €1.5M in subsidies and €5M in loans.
4 SPC/SPR (Strategy, Partnerships and Communication Directorate/ Strategy, Foresight, and Official Relations Department).
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*

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*

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*

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*

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.

SDG 16*

* Only the closest cross-sector SDGs are mentioned here.
### Summary table of the sustainable development analysis

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
<th>Impact</th>
<th>Trend</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sustainable growth and resilient economy</td>
<td></td>
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<tr>
<td>2</td>
<td>Social well-being and reduction of social imbalances</td>
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<td>3</td>
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<tr>
<td>4</td>
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<tr>
<td>5</td>
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<tr>
<td>6</td>
<td>Climate change resilience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Sustainability of project impacts and governance framework</td>
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</tbody>
</table>

**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 whether 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).
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 ADF’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.

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