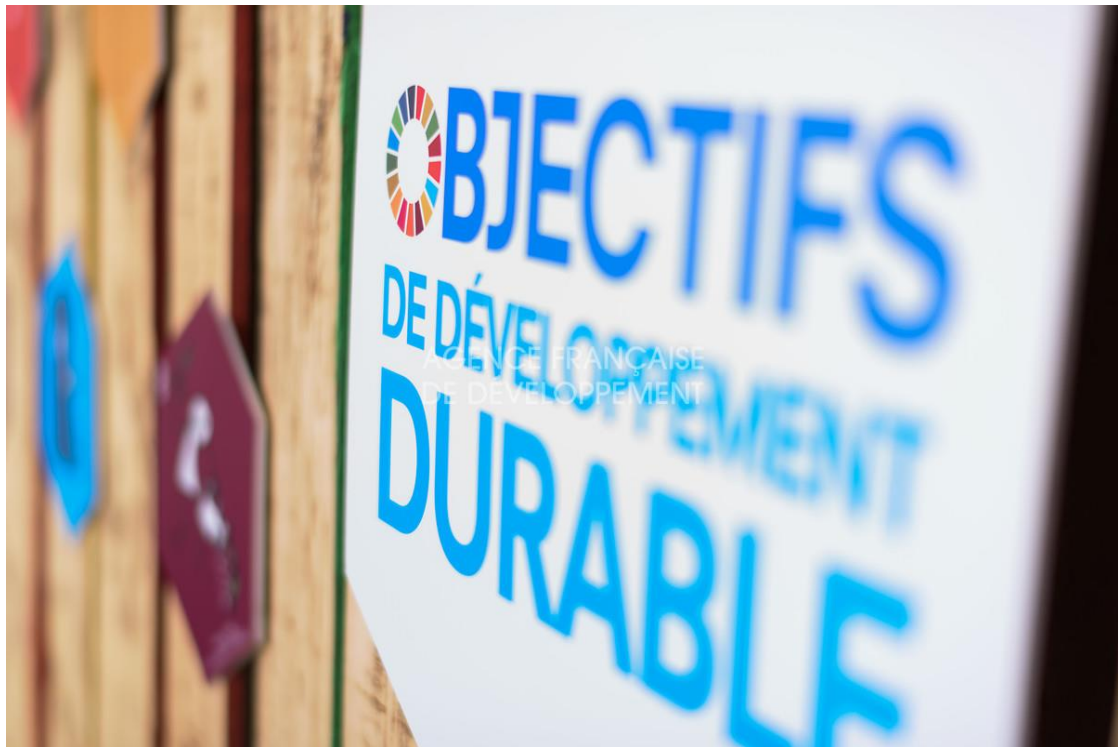




#WorldInCommon

SDG Bond Framework



October 2020

Table of Contents

Foreword.....	3
Executive Summary.....	4
PART I: AFD’s mandate and action aimed at implementing the 2030 Agenda	10
1- Introduction	11
1.1 Origin, legal basis and governance	11
1.2 The Group’s structure	12
1.3 The AFD Group’s financing tools.....	13
2. A universal mandate and tools promoting the implementation of 2030 Agenda	15
2.1 AFD’s role in France’s achievement of the 2030 Agenda on an international scale 15	
2.2 The SDGs at the heart of the AFD Group’s six strategic transitions	17
2.3 The “Sustainable Development Analysis and Opinion mechanism”: a tool for alignment with the SDGs	21
2.4 Impact measurement by Proparco	25
2.5 An intervention strategy that differs by geographic area	26
2.6 The climate strategy aimed at implementing the Paris Climate Agreement	31
2.7 The AFD Group’s partner strategy.....	34
PART II – SDG Bond Framework.....	36
1- Use of Proceeds	37
2- Loan Identification and Selection Process	44
3- Management of Proceeds.....	53
4- Reporting	53
5- External Verification.....	58

Foreword

At the initiative of the President of the French Republic, France strives towards a more sustainable and united world, with this ambition founded on the quest for social well-being, the resilience of the planet and its ecosystems, as well as economic prosperity.

As we enter into the “decisive decade for French and international commitments”^[1], I am proud that Agence Française de Développement (AFD) helps carry out this mission, in line with France’s 2030 Agenda Roadmap.

This is what drives this new bond framework, which is aligned with the United Nations Sustainable Development Goals (SDG) and through which AFD will be able to obtain financing in the capital markets in furtherance of the activity it carries out with its clients and partners.

This framework marks a decisive stage for the incorporation of 2030 Agenda targets into the dialogue AFD maintains with its clients and in the projects it finances.

This initiative also attests to the pioneering role of public development banks in the green and sustainable issuance market, responding to the demand of investors who are seeking positive impacts for people and the planet and to help achieve the SDGs.

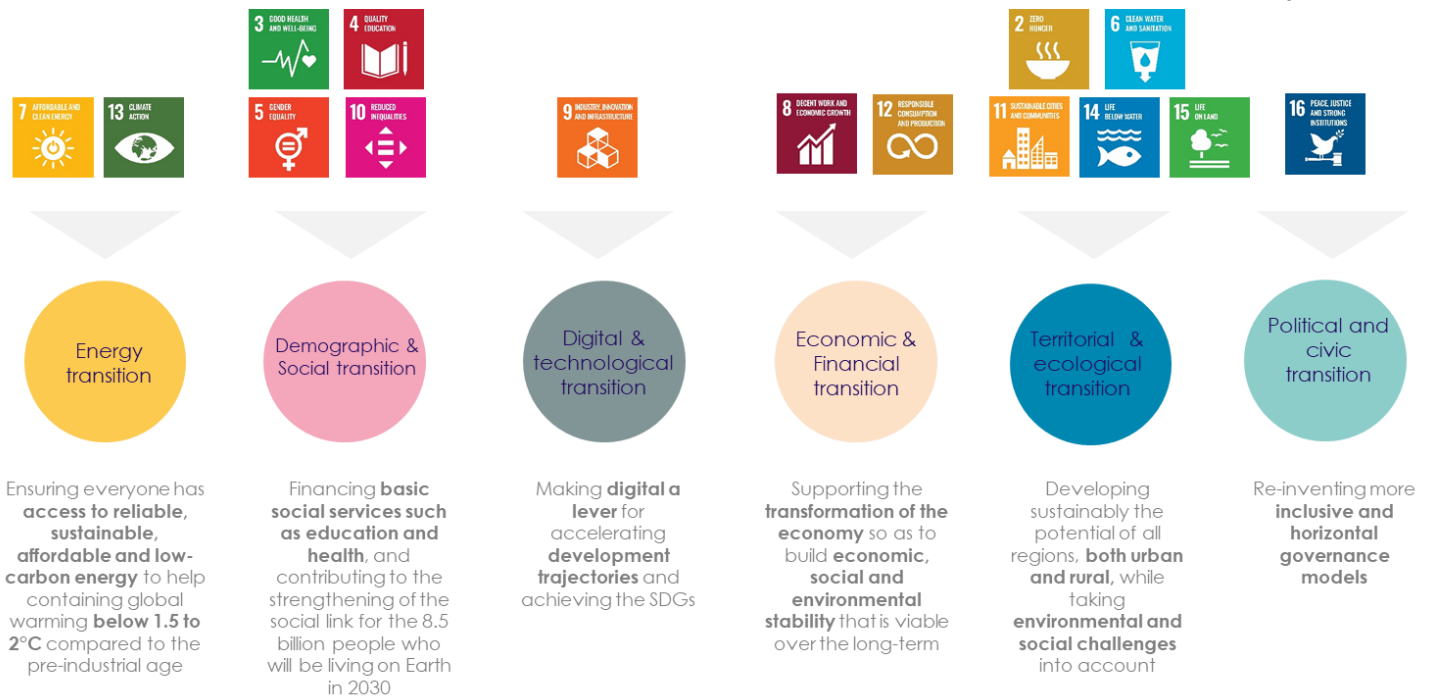
Remy Rioux, Chief Executive Officer of the AFD Group



[1] France’s 2030 Agenda Roadmap (September 2019), “Let’s act for a more sustainable and solidary world”, is available [here](#) (in French only)

The SDGs are at the heart of the AFD Group’s six strategic transitions

The AFD Group’s strategic vision and organization is based on its interpretation of the 17 SDGs, which are grouped together into six transitions. These are aimed at helping to achieve the SDGs, taking into account the interlinkages between them and the potential misalignment of certain SDGs within a single project.



It should be noted that the mapping of SDGs by transition was carried out on the basis of the principal SDG of the transition in question. Certain transversal SDGs, such as SDGs 1, 5, 13 or 17 for example, could apply to several transition.

100% Paris Agreement Strategy

- 3- Making activity 100% compatible with the Paris Agreement
- 4- Increase “climate” financing volumes
- 5- Contribute to redirecting financial and investment flows
- 6- Co-building solutions and having a voice in drawing up standards
- 7- National Strategy Against Imported Deforestation (NSID)

100% Social Ties Strategy

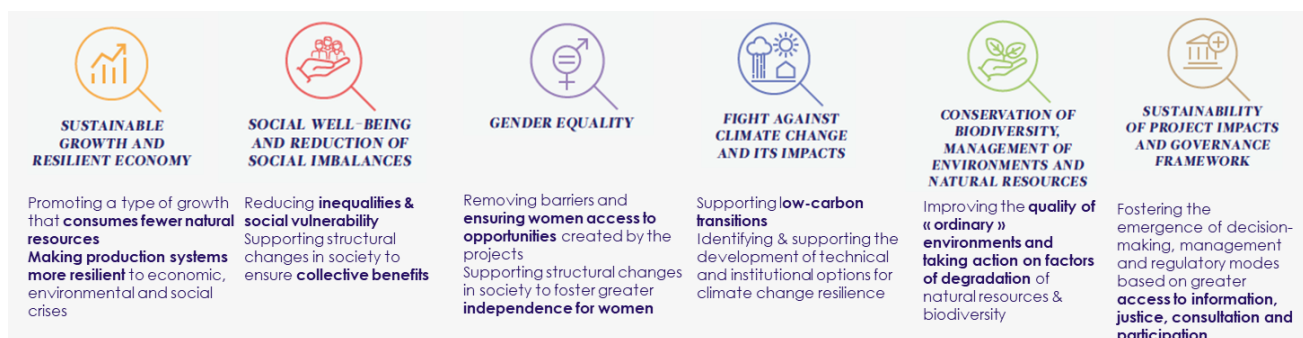
- 1- Reduce wealth disparity
- 2- Strengthen inclusion through a better understanding of contexts

The SDGs at the heart of the project analysis

Sustainable development (SD) analysis - AFD

Conducted by the “**project team**” during the appraisal phase, it consists of a detailed description of the identified impacts on each of AFD’s six sustainable development dimensions based on a scoring from -2 to +3.

Sustainable development six dimensions



Sustainable development (SD) opinion - AFD

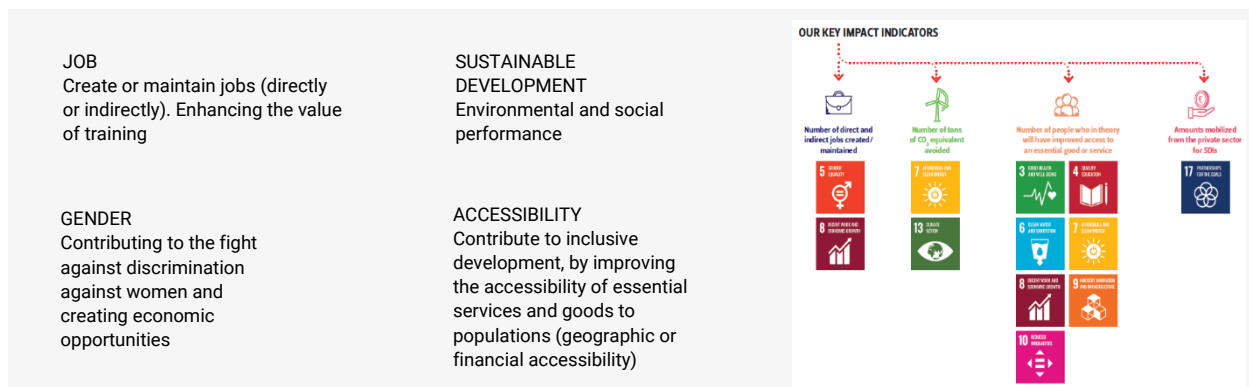
Prepared by a team that is independent of the project, **the** sustainable development opinion provides, before the loan is approved, a global assessment of a project and its overall coherence, for the sake of accountability. The SD opinion can be favorable, favorable with recommendations, reservations-expressed or negative. It makes possible in-depth discussions on how to mitigate or offset negative impacts and optimize positive impacts.

Proparco’s measurement of impacts¹

DEV Scoring

Proparco’s impact measurement is based on qualitative and quantitative indicators through four dimensions: employment, gender, sustainable development and accessibility. Specific criteria can be added depending on the type of counterparty: corporates, infrastructure, financial institutions or investment funds. Following this analysis, projects receive a “DEV” grade from 1 to 6 (1 being the best grade).

Four dimensions analyzed by the DEV grade



¹ Proparco impact measurement mechanism has only one analysis of projects’ sustainable development impacts.

AFD's SDG Bond Framework

Philosophy of the bond Framework

The AFD Group has set fundamental principles towards eligible criteria and identification and selection process which include:

- **Dynamic for progress and transformation** by integrating projects conditioned on reaching sustainable development results. Disbursements can be linked to indicators negotiated between AFD and the counterparty. This result-based approach is truly innovative and is paired with safeguards to ensure concerned indicators the access for improvement to essential services for targeted populations.
- **Impact measurement**, through various *ex ante* indicators and the development of *ex post* evaluations.
- **Attention to interlinkages** both positive or negative between SDGs: only projects with neutral or positive impacts will be selected.

The AFD Group has prepared this SDG Bond Framework in accordance with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines of the International Capital Markets Association (ICMA).

Under this SDG Bond Framework, the AFD Group may issue in the following three formats:

Climat Bond

Social Bond

Sustainable Bond

1- Use of proceeds

A loan is eligible if it satisfies all of the following three conditions (cumulative requirement):

- 1 Contribution to the SDGs:** The purpose of the financing is identified as i) contributing to at least one SDG other than SDGs 1 and 17 (i.e., loan attached to a "group of SDGs"), ii) responding to one of the six transitions in the AFD Group's strategic plan, and, finally, iii) addressing one of the eligible categories of ICMA's SBP/GBP/SBG.

 SUSTAINABLE DEVELOPMENT GOALS	Six transitions of the AFD Group	 The Sustainability Bond Guidelines	
	Energy transition	Renewable energies, energy efficiency	Entire population (including populations with costly and/or discontinuous access to energy)
	Demographic and social transition	Access to essential services (health, education)	People living under the poverty threshold, People who are victims of a lack of access to essential goods and services, Sick, elderly or vulnerable persons, Under-schooled persons, Women and/or sexual minorities
	Digital and technological transition	Essential infrastructures	Population that is victim to lack of digital infrastructure or that is computer illiterate
	Economic and financial transition	Job creation, access to essential services and combatting poverty, socio-economic development and promotion	People who are victim of a lack of access to essential goods and services and productive resources, People excluded from economic life
	Territorial and ecological transition	Food safety, essential infrastructures, preservation of terrestrial and aquatic biodiversity, clean transportation	People who are victim of a lack of access to essential goods and services, essential infrastructures, public spaces or socio-collective urban equipment, vulnerable rural populations, family farms transitioning to agro-ecology systems, People living in recurring flood zones
	Political and civic transition	Socio-economic development	Population without access to fair and effective public institutions; Population in crisis or conflict zones / affected by a conflict

2 Theme-based & technical eligibility: the loan meets **at least one** of the three technical eligibility criteria

A- Theme-based eligibility: depending on the **intrinsic nature or purpose** of the activities/projects
E.g.: Access to potable water; Access to healthcare infrastructure; School equipment; Waste collection and processing; Support entrepreneurs with digital innovation; Legal infrastructure

B- Climate performance eligibility: depending on the **minimal climate performance level of mitigation projects**
E.g.: Reduction or avoidance of at least 10 000 tons of CO2eq per year thanks to the project

C- Transformation eligibility: conditioned on **reaching sustainable development results**
E.g.: Transformational loans with results-based approach; Milestones must be reached before disbursements are made (financing on the theme of justice that includes an achievement indicator on the feminization rate in the recruitment of magistrates or on shortening of court delays).

3 Interlinkages between SDGs taken into account:

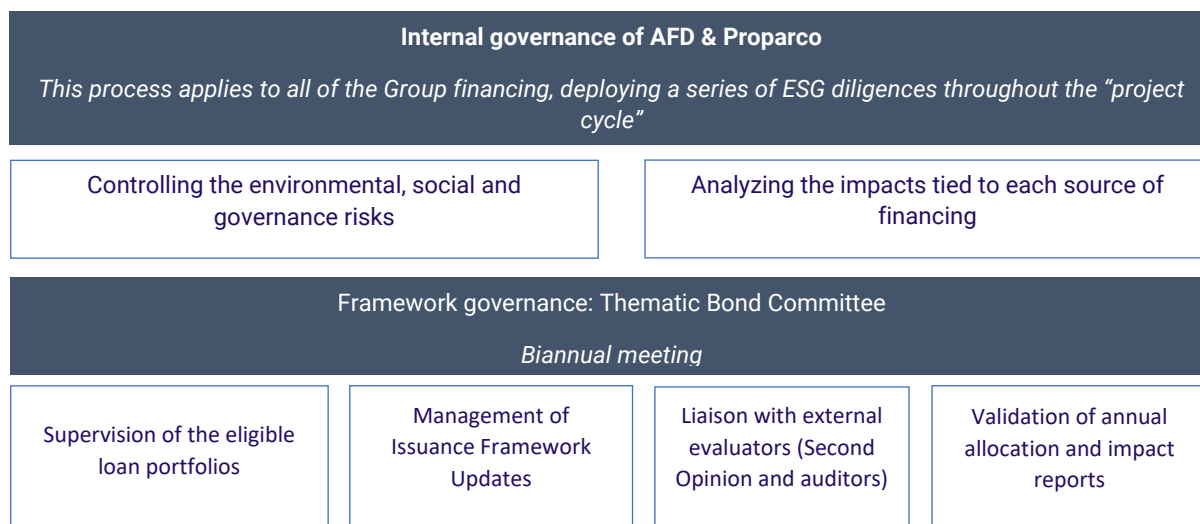


Only neutral and/or positive rating on the six dimensions of the “Sustainable Development Analysis and Opinion” mechanism

Projects are rated by DEV 1 or 2 as part of the impact rating (scale of 1 to 6)

2- Loan Identification and Selection Process

The process of identifying and selecting eligible loans is based on AFD’s and Proparco’s internal governance system, using a series of ESG diligence reviews throughout the “project cycle”.



3- Management of Proceeds

- An amount equal to the net proceeds of the SDG Bond portfolio will be matched with a portfolio of eligible loans. The Group will maintain a safety cushion to ensure that the net proceeds of the SDG Bonds never exceed the eligible loan portfolio amount.
- The AFD Group will aim to allocate the net proceeds of the bonds to eligible loans within the calendar year following the year the bond was issued. Amounts raised but not yet allocated will be managed by

the AFD Group's cash management team. This liquidity will be managed in cash and by using monetary products and invested in socially responsible investment funds (SRI) on a best effort basis.

4- Reporting

The AFD Group undertakes to publish a report on the allocation of the proceeds raised through the issuance of SDG Bonds until their maturity. This report will present the allocation of the proceeds raised, as well as, environmental and social impact indicators.

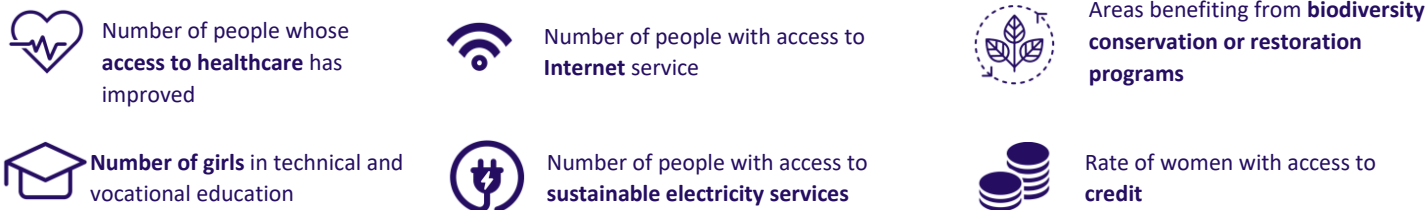
Allocation report

- The total amount of proceeds allocated to date;
- The financing breakdown per signature year;
- The share of disbursements made in the new calendar year compared to previous years;
- The share of loans integrated the loan pool;
- The total amount of proceeds awaiting allocation and the type of temporary investments (under the best efforts principle);
- The number of loans in the eligible loan portfolio;
- The breakdown of allocated funds amongst the three eligibility criteria;
- The geographic distribution of loans.

Impact report

- Measuring social and environmental benefits *via ex ante* total aggregate of indicators

Examples of aggregate indicators



- Indicators based on the minimum climate performance of the projects (B criterion)



Ex ante carbon footprint – Emission reduction or avoidance of at least 10,000 tCO2eq/year

- Indicators based on the conditionality to the achievement of environmental and social outcomes (C criterion)

Examples :

- Share of vulnerable people in the two lowest distribution quintiles, who are covered by cash transfer programs
- % of poor households eligible for additional food rations for a three-month period, under the Covid-19 social protection program
- Female recruitment rate of judges and clerks in civil courts

5- External Verification

The AFD Group has selected Vigéo Eiris to assess the transparency, governance and compliance of this SDG bond framework. The results of this assessment are included in a Second Party Opinion which is available on and may be downloaded from the AFD Group's website².

Until the SDG Bonds mature, an independent auditor will annually verify the following information:

- Allocation of proceeds to eligible loans;
- Compliance with the criteria defined in the "Use of Proceeds" section of loans in the eligible pool that are refinanced by proceeds raised.

² afd.fr/en/investors-page

PART I: AFD's mandate and action aimed at implementing the 2030 Agenda



Agence Française de Développement Group (AFD) is the principal entity that carries out the development aid policy defined by the French government. AFD also carries out its missions in the French overseas departments and territories.

1- Introduction

1.1 Origin, legal basis and governance

Created in 1941 as the Caisse centrale de la France libre (Central Fund of Free France),³ Groupe Agence Française de Développement (AFD) is a public industrial and commercial undertaking (*établissement public de l'Etat à caractère industriel et commercial* (EPIC)) whose missions and organization are defined in the French Monetary and Financial Code⁴.

Through its Inter-ministerial Committee on International Cooperation and Development (CICID)⁵, the French government defines the main development and international solidarity policies that AFD implements. The CICID details the objectives of France's development policy and the means and methods used to achieve that policy.

The last meeting of the CICID held on 8 February 2018 reaffirmed the general objective of implementing the UN Sustainable Development Goals (SDGs). Several priorities were defined in 2018:

- International stability;
- Gender equality;
- Healthcare;
- Climate and biodiversity;
- Education.

In order to support these priorities, the CICID defined a budget trajectory aimed at increasing France's official development assistance (ODA) to 0.55% of Gross National Income (GNI).

France seeks to promote all sustainable development areas – economic, social and environmental – through its development policy (see *infra* "AFD's role in France's achievement of 2030 Agenda on an international scale").

AFD Group has defined foundational commitments: implementation of the Paris Climate Agreement ("100% Paris Agreement") and strengthening of the social link in countries of intervention ("100% Social Ties"). These commitments constitute the bedrock of AFD's mission and are aligned with France's objectives for sustainable development and international solidarity. An agreement between the French State and the AFD (contractual targets and resources (COM)⁶) defines AFD's objectives and the resources made available to it.

³ CFFF was created by an ordinance adopted by General Charles de Gaulle on 2 December 1941 and fulfilled a double role of central bank and treasury department.

⁴ Articles R 516-3 *et seq.* of the French Monetary and Financial Code

⁵ The summary of the CICID's conclusions dated 8 February 2018 is available [here](#) (in French only)

⁶ The National Assembly's report on COM 2017-2019 between the State and AFD is available [here](#) (in French only)

1.2 The Group's structure

AFD Group is principally made up of three entities:

- **Agence Française de Développement**, an industrial and commercial state public undertaking (EPIC) and financing company supervised by the French Prudential Supervisory Authority which is fully owned by the French state;
- **Proparco**, an AFD subsidiary which is also a financing company and which is dedicated to supporting the private sector in developing and emerging countries;
- **Expertise France**, a key player in French and European development policy, which advises, trains and reinforces the public policy capacities of partner countries.

The AFD Group also manages the French Global Environment Facility (Fonds français pour l'Environnement Mondial (FFEM)) on behalf of the French State, which bolsters the Group's environmental efforts (fighting climate change, preserving biodiversity, etc.). The AFD Group may also from time to time oversee operations financed by the European Union (EU) or international institutions and organizations, among others. Beyond project financing, the AFD Group also has a corporate university in Marseille which helps the Group achieve its development efforts through sharing know-how and generating knowledge.

The Group has an ongoing public interest mission⁷ that is focused on carrying out various financial transactions aimed at:

- Contributing to the implementation of the French State's foreign development assistance policy;
- Contributing to the development of France's overseas departments and collectivities;

The Group possesses an extensive network and carries out its activities in 115 countries out of 85 offices. For the sake of efficiency and in order to be as close to its clients as possible, starting in 2019, the Group has decentralized a certain number of functions to sit within 17 regional departments.

The AFD Group's governance is carried out by its Board of Directors, on which sit in particular certain ministries responsible for AFD (Foreign Affairs, Economy and Finances, Overseas Territories) as well as representatives from the two chambers of French Parliament.

⁷ The AFD Group's articles of association are available [here](#).

1.3 The AFD Group's financing tools

The financing tools used by the AFD Group may consist of:

- Loans (which may or may not be concessional);
- Budgetary assistance (general or sectoral);
- Repayable advances;
- Equity investments;
- Bond purchases;
- Guarantees;
- Grants.

The financial support provided by the AFD Group may also be accompanied by technical assistance.

Beneficiaries may be foreign countries, territorial authorities (regions, departments, cities, municipalities, groups of municipalities), NGOs, banks and financial intermediaries, or private or public undertakings. The AFD Group may provide support either on its own behalf or on behalf of the French State or other French or foreign organizations, such as the European Commission in the framework of a management delegation.

Box 1 – The preponderance of loans in AFD's activity

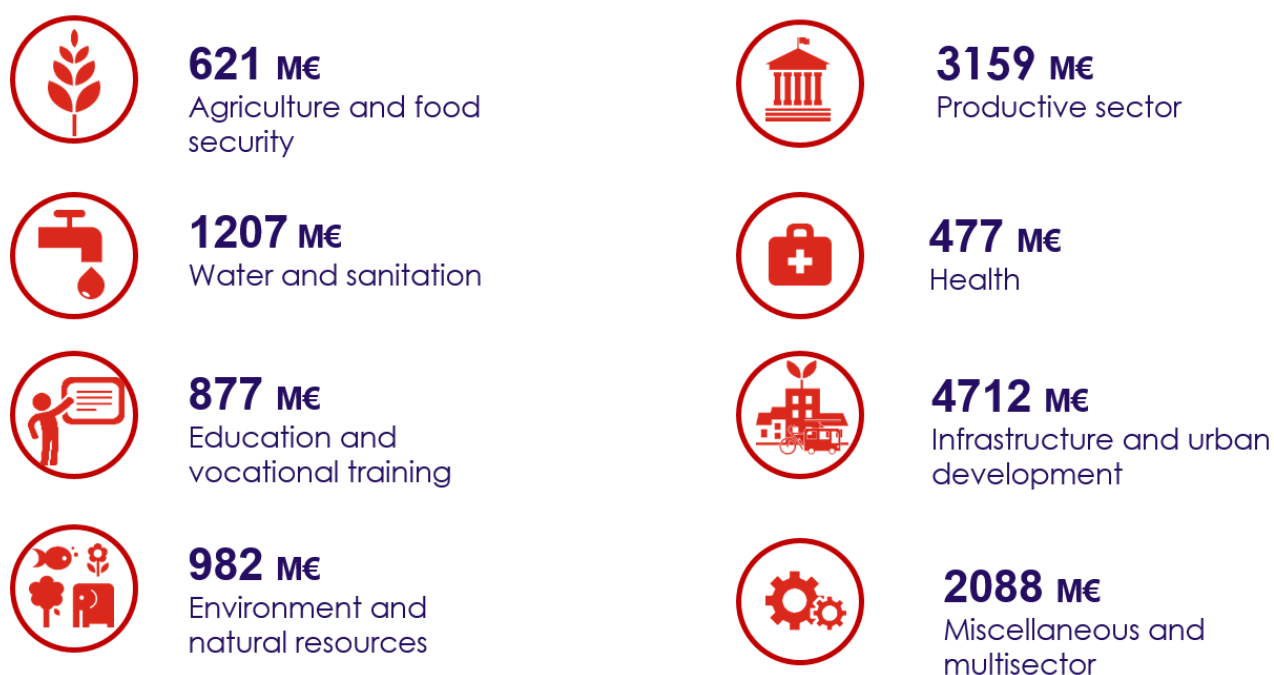
AFD is a bank specialized in financing development projects. AFD borrows funds in the capital markets at favorable rates under terms that are close to those obtained by the French State. AFD thereafter lends under terms that are more or less subsidized compared to normal market rates. AFD applies margins and commissions that vary depending on the country or project. For concessional loans (a loan whose interest rate is lower than the market rate), AFD receives from the French State dedicated funds corresponding to what is qualified as a "State rate" defined in the context of the agreement between the Ministry of the Economy and Finances, the Ministry of Foreign Affairs and the AFD. AFD is subject to banking regulations (and in particular the Basel rules) which limits - restricts even - the counterparties to which it can lend depending on risk levels. It is for this reason that awarding grants in the name of the French State is rather complementary to AFD's interventions. In the name of the Ministry of Foreign Affairs, AFD awards grants intended for the execution of projects in the sectors of agriculture, rural development, basic healthcare and education, professional training, the environment, private sector support, infrastructure and urban development, which are for the most part awarded to the least developed countries. Quite often, for a given project, AFD offers a mix of financing that combines grants and various loan tranches.

The bulk of AFD's activity consists of extending unsubsidized loans and allows it to carry out a form of redistribution benefiting the counterparties to which it extends subsidized loans. France is one of the few funders whose funding vehicle is a financial institution which is subject to banking regulations. The European Commission, the United States and the United Kingdom mostly or exclusively use grants as a funding tool, without turning to loans which are mostly used by multilateral banks. Like France, Germany (via the KfW) and Japan (via the Japan International Cooperation Agency (JICA)) have developed significant lending activities, which nevertheless represent a less substantial share of activity volume than is the case with AFD: about 55% and 75%, respectively, compared to 85% for AFD.

Box 2: Key 2019 figures

- **€14.1 billion in AFD commitments**, an increase of nearly €3 billion compared to 2018 (+70% in activity since 2015);
- **€2.54 billion in Proparco commitments**, a 54% increase compared to 2018;
- **1,072 new development projects** launched in 2019 (226 more than in 2018);
- **€6.7 billion in commitments dedicated to the African continent**, i.e. 74% of financial effort (grants and subsidized loans);
- **€1.4 billion in commitment in the Overseas Territories**;
- **€6.1 billion in commitments that have a climate co-benefit** and €1.8 billion for climate change adaptation projects.

Figure 1: Split of 2019 commitments by sector



Source: <https://www.afd.fr/fr/actualites/rapport-annuel-afd-2019-2020>

2. A universal mandate and tools promoting the implementation of 2030 Agenda

The AFD Group has an activity that can be qualified as “generalist”, which is consistent with the implementation of the UN 2030 Agenda and the 17 Sustainable Development Goals.

2.1 AFD’s role in France’s achievement of the 2030 Agenda on an international scale

France seeks to position its development policy within the framework of the 2030 Agenda. This commitment is realized through:

- aligning financing extended to partner countries with the SDGs;
- incorporating 2030 Agenda targets in the strategies of the French State and its actors (and AFD in particular); and
- identifying Official Development Assistance flows in view of the SDG targets.

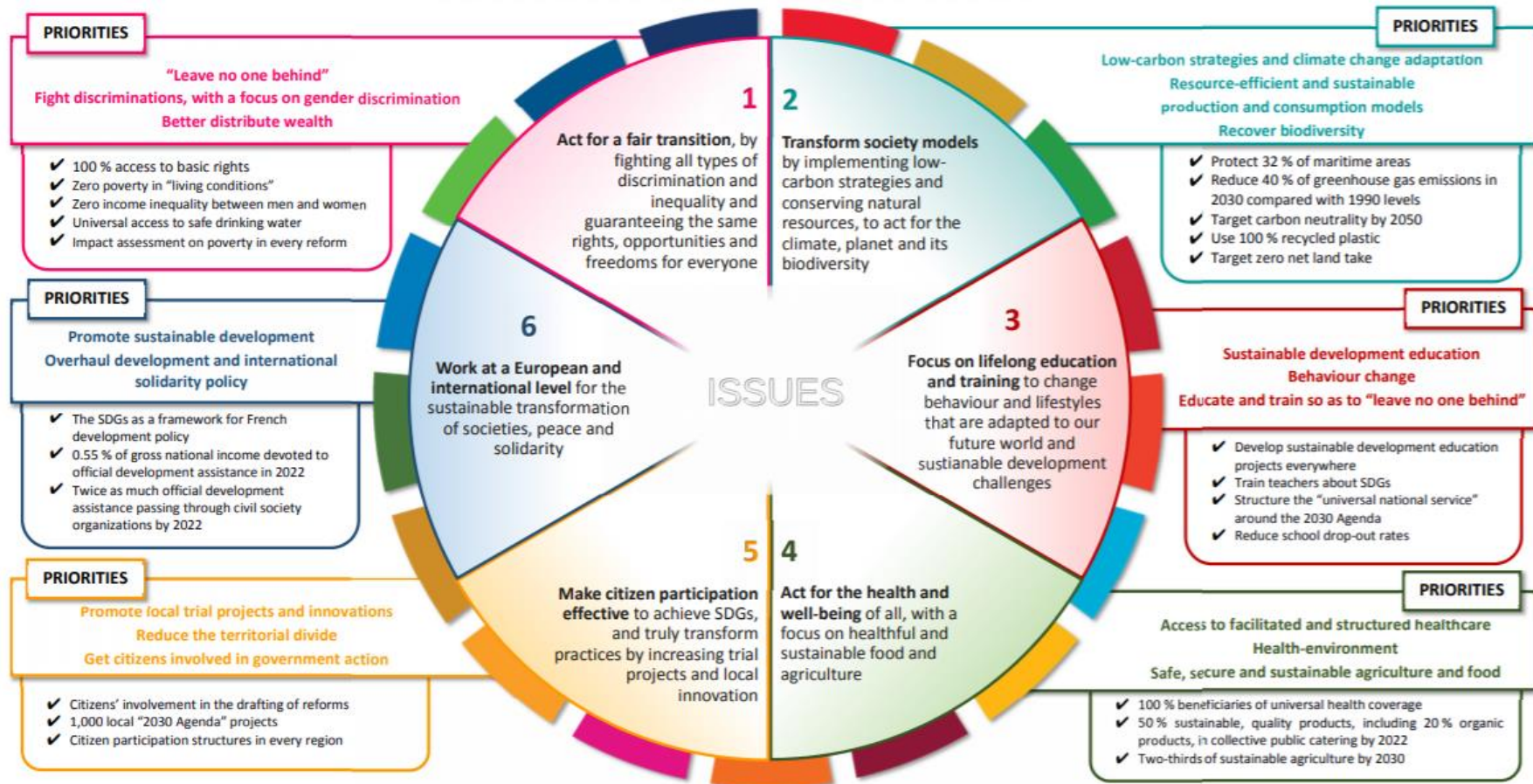
In line with the Addis Ababa Action Agenda⁸, France directs its financing towards achieving the SDGs and is committed to development financing that is sustainable and stands against the excessive incurrence of debt by partner countries. France promotes on an international level the use of innovative sources of financing that allow common goods to be financed by drawing from sectors that benefit the most from globalization.

France’s 2030 Agenda ambitions are detailed in its national 2030 Agenda implementation roadmap. AFD contributes in particular to challenge 6 of France’s roadmap, “*Work both in Europe and internationally to promote sustainable societal transformation, peace and solidarity*” (fig 2).



⁸ The Addis Ababa Action Agenda is available [here](#)

Figure 2: Challenges and priorities from France's 2030 Agenda roadmap



Source: France's 2030 Agenda roadmap

Box 3 – French ambitions relating to challenge 6 of France’s roadmap for implementing the 2030 Agenda

- 0.55% Gross National Income (GNI) dedicated to Official Development Assistance (ODA) in 2022, a first step towards the UN objective of 0.7% of GNI;
- Development of the Total Official Support for Sustainable Development (TOSSD), a new indicator of public financing flows for sustainable development benefitting developing countries, developed by an international task force in view of being adopted by the United Nations;
- €500 million dedicated to humanitarian aid in 2022 in order to combat the consequences of climate crises and of conflicts;
- Doubling of credits allocated to the AFD’s “Peace and Resilience” Fund between 2017 and 2022;
- Growing the role of non-state actors in development policy;
- Twice as much official development assistance passing through civil society organizations by 2022;
- Twice as many funds aimed at supporting the external action of local authorities by 2022;
- Supporting international volunteer initiatives within the context of cross-mobility and reciprocal volunteering opportunities.

2.2 The SDGs at the heart of the AFD Group’s six strategic transitions

The Group’s action is in keeping with the 17 Sustainable Development Goals (SDG) defined by the United Nations in 2015 and the Paris Climate Agreement.

The SDGs provide a new way of looking at sustainable development by applying a universal approach that no longer makes a distinction between developed and developing countries, but rather recognizes that there are many development trajectories.

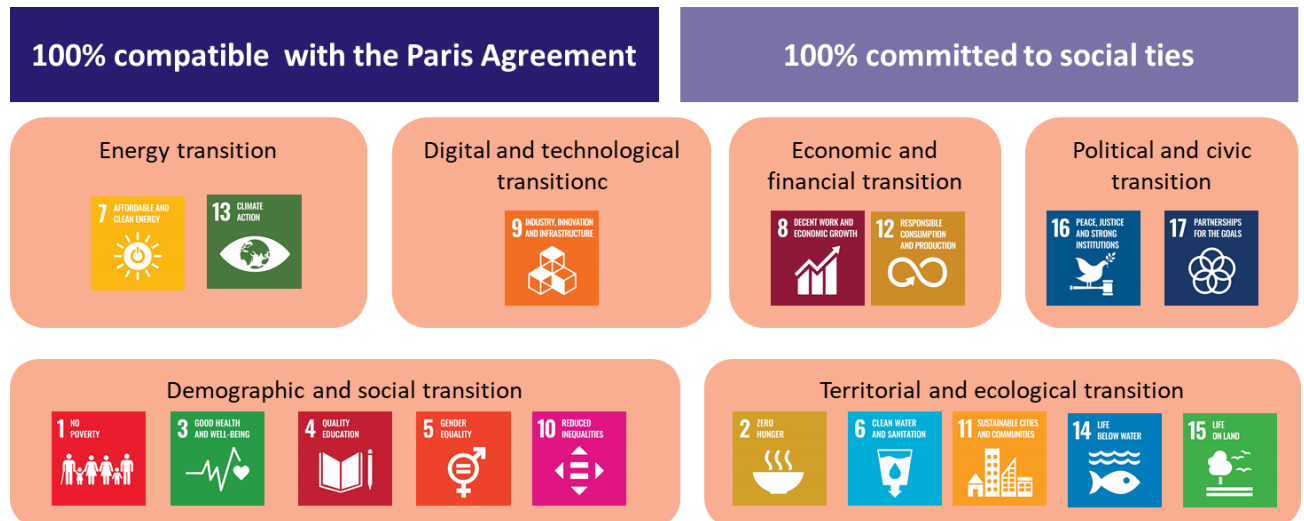
Public investment has an essential role to play: it helps launch projects in neglected or unprofitable sectors, initiates virtuous approaches to and creates dynamics likely to influence all the other actors, including companies. Finally, public investment creates a leveraging effect that multiplies the impacts of those investments.

The AFD Group’s strategic vision and organization is based on its interpretation of the 17 SDGs, which are grouped together into six transitions:

- **Demographic and social transition:** finance basic social services, such as education and healthcare, and contribute to the quality of social links for the 8.5 billion people who will be living on the Earth in 2030;
- **Energy transition:** ensure access for all to reliable, sustainable, affordable and carbon-free energy in order to contribute to keeping global warming below 1.5°C - 2°C compared to the preindustrial age;
- **Territorial and ecological transition:** sustainably develop the potential of all regions, both urban and rural, while taking environmental and social challenges into account;
- **Digital and technological transition:** make digital a lever for accelerating development trajectories and achieving the SDGs;

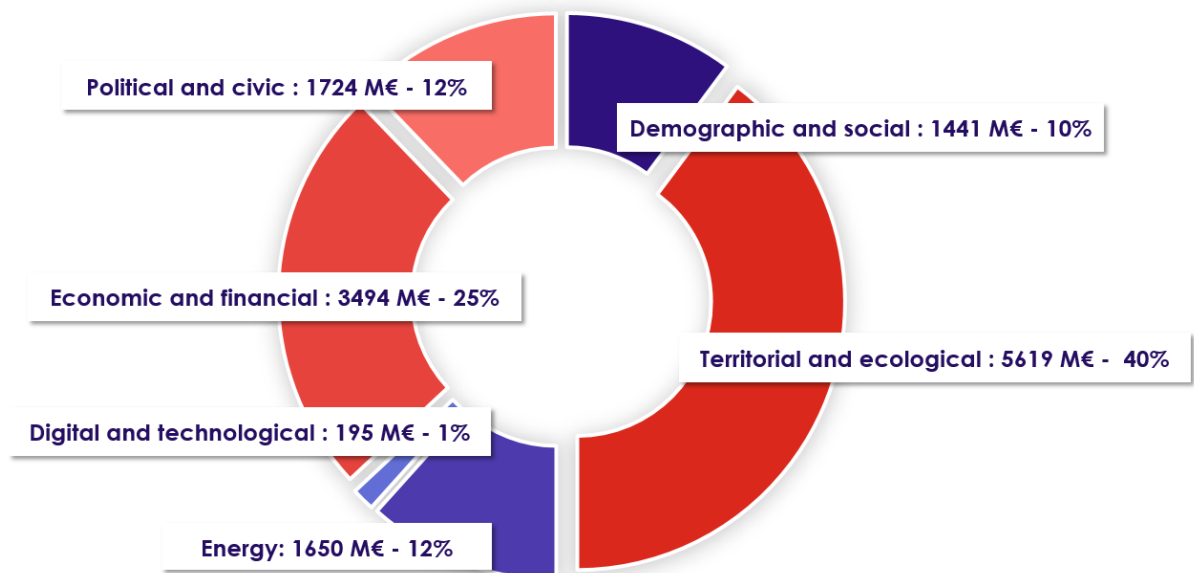
- **Economic and financial transition:** support the transformation of the economy so as to build economic, social and environmental stability that is viable over the long-term;
- **Political and civic transition:** re-invent more inclusive and horizontal governance models.

Figure 3 AFD's six transitions structured around SDGs



Note: Each SDG may contribute to more than one transition. This table identifies the major relationships between the 17 SDGs and the 6 transitions.

Figure 4: Breakdown of 2019 commitments by transition



The AFD Group has worked on methods for analyzing an investment's alignment with the SDGs and is working on the concept of "Sustainable Development Investments (SDI)". The conclusion from these efforts is that while supplementary or additional investments are necessary for implementing the SDGs, existing investments need to be transformed,

redirected and redeployed. In particular, private investments need to be mobilized, which Proparco is working on.

Alignment or non-alignment with the SDGs can be seen on a continuum. An investment may:

- Seriously compromise the achievement of one or more SDGs;
- Not substantially prejudice the achievement of one or more SDGs (rather neutral with low impact);
- Not prejudice any SDG and contribute to one or more SDGs;
- Not prejudice any SDG and strongly contribute to one or more SDGs;

However, there are indeed some cases, like in infrastructure, where an investment may greatly contribute to certain SDGs and, rather inevitably, negatively impact others. The principal delays observed with respect to achieving SDGs essentially concern transversal SDGs (reduced inequalities, peaceful and inclusive societies, responsible production and consumption, climate action, biodiversity). When within the context of a single project certain SDGs conflict, a “proportionality” approach needs to be applied so as to ensure that the benefits are highly significant and that negative impacts can be minimized, notably by exploring alternatives that allow those negative impacts to be avoided, offset or reduced.

The AFD Group has developed two strategies aimed at taking into account the interlinkages between SDGs and the potential misalignment of certain SDGs within a single project:

The **100% Paris Agreement Strategy**, which involves making all of the AFD Group’s financings consistent with resilient **low carbon development** and supporting construction of resilient and low carbon trajectories in countries (for more information, see p25).

The **100% Social Ties Strategy**, which consists of **increasing people’s well-being** and the resilience of societies through the reinforcement of social links through two strategic objectives:

Strategic objectives	Action areas
1- Reduce wealth disparity	1- Allow equitable access to essential goods and services: This is reflected in the Group's increased involvement in the social sectors (healthcare, education, social protection/safety nets) but also by an approach aimed at expanding access to water, electricity, transportation, housing, digital, etc.
	2- Cause social justice to progress: this is reflected by supporting public policies and financing that promote better redistribution of wealth (fiscal policies, decentralization, social sectors, etc.) and good financial governance (fighting corruption and tax evasion, optimizing public finances, agricultural reform and equitable redistribution of land and assets, labor law, progressive taxation of earned income and assets, etc.).
	3- Reinforce AFD's actions aimed at reducing gender inequality in all areas
2- Strengthen inclusion through a better understanding of contexts	1- Promote co-construction of projects and support a growing number of participative governance methods for managing and promoting the "commons": This involves working more with civil society by including intermediary bodies in the discussion: unions, civil society organizations, cooperatives, farmer organizations, neighborhood youth organizations, social centers, social workers, school committees, trade bodies.
	2- Target community life and inter-community ties: This can be illustrated by projects or project components that strengthen ties between individuals and local actors, notably sports and development projects and cultural players creative industries.
	3- Promote the sharing of knowledge, best practices and innovation dynamics in partner countries This is notably reflected by the development of actor platforms and networks.

Proparco contributes to the Group's mission by promoting private investments in developing countries, since the private sector is an effective lever for achieving the SDGs.

2.3 The “Sustainable Development Analysis and Opinion mechanism”⁹: a tool for alignment with the SDGs

Created in 2014, the Sustainable Development Analysis and Opinion mechanism aims to transversally take into account the sustainable development challenges present in AFD’s financings¹⁰.

This mechanism makes it possible to assess the anticipated effects of the financing, be they positive or negative. These anticipated effects are measured through six sustainable development dimensions that contribute to the SDGs:

⁹ The Sustainable Development Analysis and Opinion mechanism is discussed in the section of this framework describing the loan identification and selection process.

¹⁰ The Sustainable Development Analysis and Opinion mechanism is a system used by AFD. Proparco also carries out sustainable development impact assessments on projects but applies a different mechanism. See 2.4, page 19.

Figure 5: The six analyzed sustainable development dimensions, each contributing to specific SDGs



This mechanism consists of a two-step process:

1. A sustainable development analysis conducted by the "project team" at the time of the appraisal









2. A team that is independent of the project subsequently provides a sustainable development “opinion”¹¹.

The Sustainable Development Analysis (SD Analysis)

The project team uses a grading grid to assess a project in light of these six dimensions. This grid includes sub-criteria that are intended to refine the impact assessment depending on the project type. For example, for the “gender equality” dimension, the project can be analyzed from the point of view of the effects it may have on access to essential services, training, employment and control over income and resources, access to justice, fighting violence against women, the participation of women in places where economic, political and social decisions are made, or the gender management of the project.

This mechanism, which was put in place in 2014, has evolved to include the AFD’s new strategic orientations (notably the six transitions and climate strategy) and to be consistent with the SDGs. Each sub-criterion in the grading grids is now tied to the official 2030 Agenda targets.

Figure 6: Example of SDG target identification in the context of AFD’s sustainable development analysis

DIMENSION 3 : GENDER EQUALITY	
Sub-criteria 1: Access to essential services	
	2.2: By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons
	3.1: By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births
	4.a: Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
	5.6: Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Program of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences
	6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all (replace an onerous task – health, time, safety, etc. - for which women are responsible in most countries)
	6.2: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	7.1: By 2030, ensure universal access to affordable, reliable and modern energy services (a task often falling on women)
	11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

The Sustainable Development Opinion

A team that is independent of the project then prepares a sustainable development “opinion” that can be either:

- Favorable;
- Favorable, with recommendations;
- Reservations expressed;
- Negative.

¹¹ Based on the nature of the financing and its potential to contribute and/or have a negative impact on one or more SDGs.

Approximately 75% of AFD's annual commitments now receive sustainable development opinions, which as a matter of priority cover the most significant financing transactions in terms of risks and the financing amounts. Budgetary assistance loans, loans of less than €5 million and co-financed loans with a reciprocal delegation for which KfW or BEI is lead manager are subject only to a sustainable development analysis¹² carried out by the project managers, but do not receive a sustainable development opinion.

With a view to improvement, the sustainable development analysis and opinion mechanism will continue to evolve so as to include 2030 Agenda in AFD's activities in an increasingly defining way. In particular, these changes will aim to strengthen the analysis process by adjusting the extent of the analyses and support in light of the issues specific to each financing and to improve the monitoring of the financings.

Measuring contribution to the SDGs

In order to monitor its contribution to the SDGs, the AFD Group applies the codes of the OECD's Development Assistance Committee (CAD), the "CAD Codes"¹³ via a reference matrix.

The Group more specifically measures its contribution to transversal SDGs, i.e. climate action (SDG 13), gender equality (SDG 5), and reduced inequalities (SDG 10).

The contribution to SDG 13 is calculated by the sum of the "climate action" share of financing transactions (see section 2.6 of Part I of the Framework).

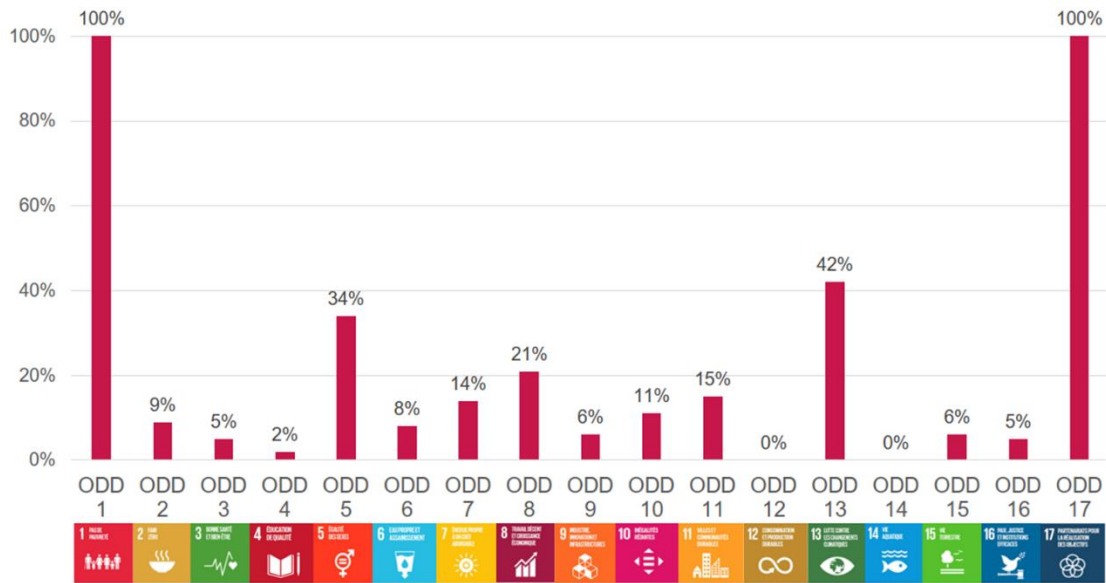
The contribution to SDGs 5 and 10 is assessed through specific markers noted during the sustainable development analysis. The grades obtained in the social well-being and "reduction of social inequalities" dimension and the "gender equality" dimension respectively determine the contribution to SDG 10 and SDG 5¹⁴.

¹² Under the mutual investigation recognition agreements between AFD and its foreign partners.

¹³ The list of the OECD's CAD codes is available [here](#)

¹⁴ There is a correspondence between the Gender Equality dimension in the sustainable development analysis and the CAD indicator on gender. A project with a grade of CAD 1 or CAD 2 will have a grade of +2 or +3 respectively, for this SD dimension.

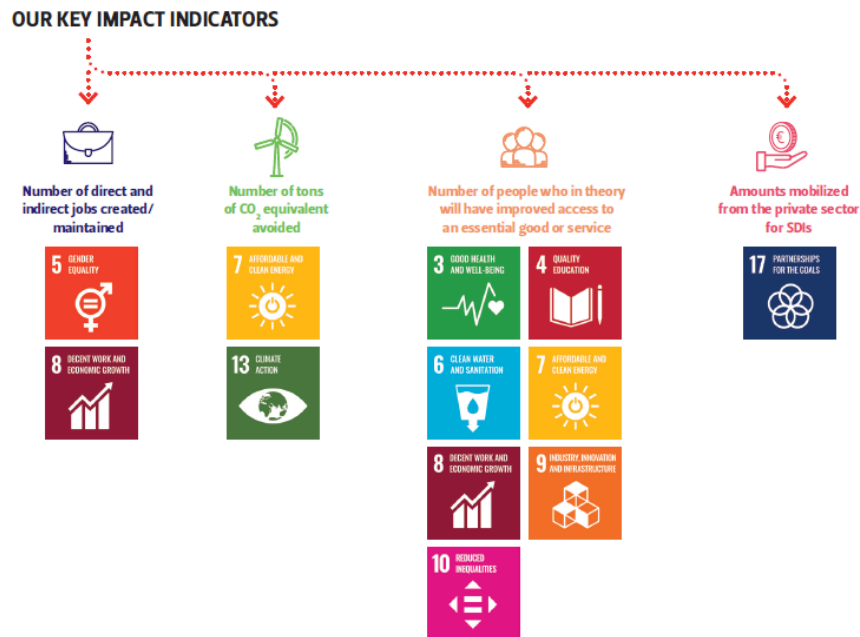
Figure 7: Contribution of the AFD Group's financings to the SDGs in 2018 (source: Activity and Sustainable Development Report)



2.4 Impact measurement by Proparco

Proparco conducts socio-economic, environmental and climate impact analyses when appraising the transactions it finances (excluding guarantees and commercial financings). Each project's anticipated impacts are assessed in light of a collection of qualitative and quantitative indicators obtained from project studies and discussions with clients. The indicators, which are consolidated in a database, produce an aggregate score called a "DEV" score ranging from 1 to 6, with 1 being the best score, which helps the anticipated impacts of projects to be compared with one another. The ex-ante impact analysis is carried out by the experts in the "Impact Measurement" unit in cooperation with the project team. The analysis is based on a common set of criteria, including employment, gender, sustainable development and accessibility, and presents the most comprehensive view of the project's contribution to the SDGs.

Figure 8: Key indicators used to measure anticipated impacts



In order to understand the actual impact of funded projects, identify the most effective ways to support impact objectives and respond to growing accountability issues, Proparco also collects key indicators at the impact measurement monitoring stage and conducts ex-post evaluation studies over projects or groups of projects in order to draw lessons learned. In 2019, Proparco conducted an evaluation of the impacts of projects signed in 2015 and 2016 after having been in the portfolio for 2 to 3 years.

2.5 An intervention strategy that differs by geographic area

The Group's field of action covers the French Overseas Territories and over 100 foreign countries. The Group's geographic intervention mandate is defined by the bodies that supervise it (Ministries of Foreign Affairs, Economy & Finances, Overseas Territories).

Figure 9: The AFD Group's strategic priorities



The AFD Group pursues its activities differently depending on the geographic area.

Indeed, depending on its needs and its geographic, macro-economic and social situation, each territory, country and region defines and implements a unique development trajectory.

The AFD Group's efforts are deployed within three geographic areas:

- Africa, which is taken as a whole with no distinction made between the north and the south;
- Three Oceans, a zone grouping together the common challenges faced by the French Overseas Territories and neighboring foreign states and arising from their location in the three regional basins;
- "Americas and East" zone, which corresponds to emerging economies.

This organization responds to the geographic priorities of France's official development assistance policy.

The AFD Group has a specific country-by-country intervention mandate.

Africa is a historical priority. The continent benefits from the majority of the Group's financial efforts, in the form of grants and subsidized loans. The Inter-ministerial Committee on International Cooperation and Development (CICID) has listed 19 priority countries for French assistance: Benin, Burkina Faso, Burundi, Central African Republic, Democratic Republic of the Congo, Djibouti, Ethiopia, Gambia, Haiti, Liberia, Madagascar, Mali, Mauritania, Niger, Senegal, Chad and Togo.

With CICID's agreement, the AFD Group regularly expands its activity to reach other countries.

The Overseas strategy

The "Three Oceans" strategy adopted by AFD in March 2019, which is specific to the Overseas Territories, takes into account common challenges faced by them, such as inequality, public health crises and climate change.

The "Overseas Trajectory 5.0" launched on 8 April 2019 by the Minister of Overseas Territories, Annick Girardin, seeks to help the 12 French overseas territories¹⁵ align their economic and social development with the SDGs. This initiative was supplemented on 25 May 2020 by the launch of the "Overseas in Common" initiative which is aimed at supporting the overseas territories during the Covid-19 crisis. This "5.0" strategy revolves around five issues:

- **"Zero carbon"**, which mobilizes the territories to reduce greenhouse gas emissions, thereby contributing to mitigating climate change. This focus point notably includes promoting an energy mix that includes a significant amount of renewable energies. Particular attention is paid to transportation issues, including through the development of electric mobility and less harmful methods of transportation.
- **"Zero waste"** within economical societies that seek to preserve resources, through a circular economy and by improving waste collection and recycling, for example. The rolling out of "Expanded Producer Responsibility", which designates actions and systems that make producers responsible for managing generated, intermediary or final waste, will be pursued. The fight against wastefulness is also pursued through the "Eau DOM plan", which helps territories optimize water services and works towards reducing leaks.

¹⁵ These 12 overseas territories are Guadeloupe, Guyana, Martinique, Réunion Island, Mayotte, New Caledonia, French Polynesia, Saint Barthelemy, Saint Martin, Saint Pierre and Miquelon, the French Southern and Antarctic Lands, and the Territory of the Wallis and Futuna Islands.

- **“Zero exclusion”**, which encourages the development of inclusive societies by fighting against any form of exclusion in certain key areas, such as education, culture, land development, medico-social issues, and sport. A housing policy focused on housing access for the most vulnerable along with urban renewal policies should allow this goal to be achieved. This component also seeks to facilitate access to energy and transportation and to adapt them to the needs of elderly. Social cohesion will also be reinforced through new employment opportunities generated by ecological transition objectives, electric mobility and housing policy.
- **“Zero agricultural pollutant”**, which promotes more restrained use of pollutants and chemical irritants (pesticides, synthetic fertilizers). In order to guarantee quality farm production and reduce the health risks tied to toxic substances, this policy encourages the development of extensive farming, which reduces dependence on certain imports and creates new employment opportunities.
- **“Zero vulnerability”**, which seeks to make the territories more resilient to climate change and natural risks, through suitable regional development policies. Hurricane and earthquake risks should therefore be better taken into account in buildings and transportation networks. When making choices about urban development, the positioning of housing and activities is to be revisited so as to better account for the rise in ocean levels.

Sustainable peace, a major commitment for building a world in common

Blatant economic and social inequalities, competition for natural resources and the exploitation of those resources, struggles for access to political power and major health crises are the main drivers of conflict in the world. The number of societies affected by conflicts is at its highest level since the end of the Cold War. Wars and violent conflicts not only threaten peace, they also threaten sustainable development, reversing the hard-won progress of the past 30 years. Peace, Justice and Strong Institutions (SDG 16¹⁶) – the goal that puts an end to conflict and restores social ties and a society’s ability to live harmoniously – is an essential condition for sustainably improving the well-being of the people on our planet. By 2030, 80% of poverty will be concentrated in countries experiencing crisis or conflict. These fragile areas are also more vulnerable to catastrophes (epidemics, hurricanes, etc.) which can generate or fuel pre-existing socio-political tensions. In response to this emergency, France has deployed a strategy focused on crisis prevention, resilience and sustainable peace.

Development has a fundamental role to play in fighting the weakening of states and societies and, thus, in promoting sustainable peace. To address the root causes of fragility, crisis and conflict whilst also responding to the needs of local populations – particularly the most vulnerable – the AFD Group acts with its partners and all the French actors involved in these issues. The AFD embodies the third “D” of the Defense, Diplomacy and Development of the “3D” approach¹⁷. Together with our partners, as well as with humanitarian and research

¹⁶ SDG 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

¹⁷ **3D development:** In contexts of crisis and fragility, there can be no sustainable development without guaranteeing peace and stability. And there can be no peace without acting upon the social, political and environmental reasons for the crises. “3D vision” is vision that is first and foremost turned towards preventing conflicts.

organizations, the AFD Group finances initiatives for the benefit of institutions, local players and civil society organizations with the aim of peacebuilding. AFD's Fragility, Crisis and Conflict Unit helps the project teams identify challenges and objectives and the initiatives to be carried out.

Act before, during and after. In particularly complex circumstances, to address security, poor development and injustice challenges the AFD Group acts:

- Before, in order to make peace sustainable: anticipate and prevent crises.
- During, to prepare the return to peace: limiting the crisis's effects.
- After, to promote positive peace: participate in reconstruction efforts.

Making this commitment operational: Minka¹⁸. The AFD Group's Minka Peace and Resilience Fund is France's tool dedicated to consolidating peace. Today, Minka targets four crisis areas: the Sahel region, Lake Chad in response to Boko Haram, the Central African Republic and the Middle East, to finance peace consolidation initiatives there.

Box 4: The AFD Group's response to the Covid-19 crisis

The Covid-19 "Health in Common" initiative

This initiative is an initial response to the health crisis and its immediate social and economic consequences, mainly for African and Middle East countries. The initiative includes the use of grants and budgetary assistance amounting to €150 million and loans totaling €1 billion, and the restructuring of existing loans and grants to include components that respond to the needs created by the public health crisis.

Projects mainly benefiting African countries have been approved to bolster their health care systems, support medical research, grow patient screening and treatment capacity, deploy epidemiological surveillance and alert management systems, and to support national response plans. The AFD has set itself the objective of approving all of the initiative's projects before the end of 2020. These will include projects to combat the epidemic as well as budget support programs to finance public health policies and credit lines to assist companies weakened by the crisis.

Institutional partnerships for Africa and the Middle East

The AFD Group works with several institutional partners to provide the most effective responses to the health crisis in Africa and the Middle East:

- With the French National Institute for Health and Medical Research (Inserm), for a project aimed at helping prepare hospitals in certain African countries (€1.5 million);
- With Institut Pasteur, to support its establishments in Africa with carrying out their national and regional mandates as Covid-19 referral laboratories (€2 million);
- With the French National Research Institute for Sustainable Development (IRD), for a project aimed at helping the authorities in six African countries develop and strengthen their strategies for responding to the epidemic (€2.2 million);
- With the Mérieux Foundation, for increasing screening capacities in Africa (€1.5 million).

Suspension of debt repayments

Subsequent to the G20's decision, the AFD Group will suspend and reschedule repayment dates for the debt of countries on the International Development Association (IDA) list and countries classified as Least Developed Countries which make the request. The amount of deferred principal and interest

¹⁸ <https://www.afd.fr/fr/ressources/fonds-paix-et-resilience-minka-bilan-d-activite-2019>

payments may reach some €200 million, depending on the scope applied and the requests submitted to the Group.

Support for weakened economies

The Group intends to respond in the form of counter-cyclical operations aimed at supporting the response policies and plans implemented by countries and territories, with the goal of managing the public health crisis, supporting the business fabric and reviving economies.

In Latin America and Asia, the AFD Group is fast-tracking the appraisal of crisis response operations, mainly in the form of credit lines to support financial institutions and in the form of budget financing for the least developed countries to support public policies aimed at fighting the epidemic. Proparco has made existing loans more flexible (payment suspensions and changes of purpose). Additional financing may be provided to support economic recovery and revival after the health crisis.

“Overseas in Common”

In light of the Covid-19 crisis, Annick Girardin, the Minister of Overseas Territories, and Rémy Rioux, AFD’s CEO, launched the “Overseas in Common” program which was endowed with €1 billion. Dedicated to supporting overseas local authorities and companies, the program provides a response to the health crisis and its economic impacts and forms part of the “Overseas Trajectory 5.0” strategy.

In this context, the AFD Group has provided assistance to overseas health systems by supporting regional epidemiological surveillance networks and by contributing to the plan to reform and boost hospital investments. The AFD Group has also committed to supporting the economic fabric by extending loans to local communities and businesses. The AFD Group also intends to promote an inclusive and carbon-free economy with a view to accelerating “Overseas Trajectory 5.0”: The Group is involved in public investment programs aimed at a sustainable recovery, including through subsidized loans, and is financing a study on the “Carbon-free and inclusive recovery in overseas territories” in view of determining which initiatives need to be financed as a matter of priority and the details of these initiatives.

2.6 The climate strategy aimed at implementing the Paris Climate Agreement

In the mid-2000s, the AFD Group was one of the first international funds providers to include fighting climate change into its strategy. The Group's climate action, which supports the objectives of the Paris Climate Agreement, seek to limit greenhouse gas emissions, promote population and ecosystem adaptation to the effects of climate change and align financial flows with long-term, low-carbon and resilient development.

In November 2017, the AFD Group adopted a new 5-year "Climate and Development"¹⁹ transversal intervention framework based on four objectives:

1. Making activity 100% compatible with the Paris Agreement

Being 100% compatible with the Paris Agreement implies making all of the AFD Group's financings consistent with low-carbon and resilient development. This implies avoiding being locked into carbon trajectories (notably due to technology or infrastructure) and inadequate adaptation.

Since January 2018, AFD has been evaluating its operations to ensure consistency with decarbonization and resilience trajectories. This evaluation is carried out in light of national climate policies, nationally determined contributions (NDC) to the Paris Agreement and the country's main climate challenges. The evaluation is carried out by AFD Group's teams through the sustainable development analysis and opinion mechanism. Previously, a selection grid was applied to AFD's interventions in order to rule out projects that were incompatible with a low-carbon development trajectory.

For each country of intervention, "climate country files" have been prepared in order to provide information for the analysis of projects' sustainable development profiles, to support public policy dialogue with national authorities, and to assist with preparing geographic strategies. These files and the sectoral strategies also contribute to identifying projects upstream.

As for Proparco, to ensure that supported projects' climate and sustainability challenges are better taken into account, the "100% Paris Agreement" dimension was fully integrated into the project appraisal phase in 2019: potential inconsistencies in Proparco's financings and direct investments with the Paris Agreement are systematically analyzed.

2. Increase "climate" financing volumes

In 2018, the AFD Group committed to ensuring that 50% of its annual financial commitments have co-benefits in terms of fighting climate change and its effects (see below, "Method for accounting for climate mitigation and adaptation financing"). The Group set itself the objective of €5 billion per year for the climate by 2020 in foreign countries, with a special focus on adaptation (target of €1.5 billion per year by 2020).

¹⁹ See [Climate & Development Strategy 2017-2022](#)

In 2019, the AFD Group exceeded this target, and committed €6.1 billion euros in climate financing, including €1.8 billion for adaptation. This level of commitment brings the Group's total commitments since 2005 to projects where climate is a co-benefit to more than €40 billion.

3. Contribute to redirecting financial and investment flows

Beyond having a "solidarity" role towards the most vulnerable countries and countries that are the least able to seize the opportunities provided by the green economy, development banks now have a major role to play as "catalysts" and, above all, "re-directors" of global public and private investment towards investments that are adapted to countries' low-carbon and resilient transitions.

The AFD Group seeks to maximize the ripple effect its financings (which are currently principally made through credit lines to banks or direct financing by Proparco) have on redirecting private investment.

In 2019, €2.39 billion in private financing was mobilized by the AFD Group through Proparco, its subsidiary. This amount should be compared to the volume of projects authorized by Proparco that are eligible for the calculation of private sector mobilization (under the OECD calculation method), which was €2.35 billion, i.e. a mobilization ratio of 1.02. This very sharp increase was principally attributable to private sector mobilization via credit lines, which amounted to €1.3 billion last year.

As part of its 2020-2022 strategy, Proparco seeks to sharply intensify its role as a catalyst of private players: it is no longer about Proparco simply mobilizing its counterparts but rather, more broadly, directing private financing flows towards sustainable development investments.

Finally, the Group is developing new high-volume, high-impact instruments: support and assistance funds, green budget loans in support of public policies, support for financial regulators which are mobilized for the greening the economy, etc.

4. Co-building solutions and having a voice in drawing up standards

In addition to financing, the AFD Group exerts its influence in order to innovate, co-build and capitalize on best practices, in collaboration with financial, institutional, research and civil society players. This work concerns nexus issues, such as alignment with the Paris Agreement and climate-related financial risks.

Method for accounting for climate mitigation and adaptation financing

The monitoring of AFD Group's climate activity is based on a systematic review of the anticipated impact of financings at the time the projects are being appraised. Development projects are considered to be "climate-related" when they present at least one of the following three types of "co-benefits":

- **Decreasing greenhouse gas emissions:** a project (or project component) is accounted for as "climate change mitigation" when the project enables greater reductions in emissions than the emissions generated by the project over its lifetime. A carbon footprint of the

project is performed ex-ante in relation to the baseline situation (which is defined as the pre-project situation). For building construction/renovation projects, more specific rules apply²⁰.

- **Climate change adaptation:** a project contributes to adaptation if it limits vulnerability of property, people and ecosystems to the consequences of climate change. A project (or a project component) is accounted for as “climate change adaptation” after (1) analysis of what is vulnerable to climate change within the area the project is being implemented; (2) a demonstration of the beneficial impact of the actions planned by the project on the climate change vulnerability areas identified within the area; and (3) the expression in the project documentation of the willingness to address the identified climate risks²¹. This methodology is consistent with the “Common Principles for Climate Change Adaptation Finance” agreed in 2015 by the members of the International Development Finance Club (IDFC) and the multi-lateral development banks.
- **Support for public policies aimed at fighting climate change:** this covers public policy loans that combine three elements: a funds transfer, a public policy dialogue that is based on a matrix of indicators, and technical cooperation. There are two accounting possibilities: policy-based loans that are specifically dedicated to climate issues (climate loans or support for national climate plans) are accounted for at 100%. Regarding other sectoral policy loans or loans to local authorities, an ad hoc methodology was developed: this method allows “climate” monitoring indicators to be accounted for on a pro rata basis in relation to all the indicators in the monitoring matrix, and is based on a positive list of actions that have a “climate” co-benefit arising from their nature/objectives.

Accounting for projects climate co-benefit volumes is done conservatively: only climate components/sub-components/actions within these projects are accounted for, in accordance with the 2015 IDFC/MDV Common Principles²².

National Strategy Against Imported Deforestation (NSID)

Echoing the Climate Plan, the AFD Group intends to put an end to imported deforestation caused by France by 2030. The AFD Group is committed on several levels, notably by taking fighting deforestation into account in the Group’s Country Strategies, by developing an action plan for fighting deforestation, by providing the grounds for mobilizing €60 million per year (from 2019 to 2023) for projects contributing to sustainable management, fighting deforestation and to re-forestation and, finally, by implementing appropriate due diligence in order to take projects deforestation risks into account.

²⁰ This method is consistent with the “Common Principles for Climate Change Mitigation Finance” approved in 2015 by the members of the International Development Finance Club (IDFC) and the multi-lateral development banks. The rules applicable to these construction/building renovation projects are described in the section entitled “Use of Proceeds”.

²¹ The rules relating to these projects are described in the section entitled “Use of Proceeds”.

²² These principles are available [here](#).

2.7 The AFD Group's partner strategy

The AFD Group has a partnership strategy that mobilizes in a coordinated manner financial institutions (multilateral banks, national and regional public development banks), the United Nations, and institutional research and civil society organizations (cf., AFD Group's involvement in the 2017 One Planet Summit). This strategy includes a targeted prospection activity aimed at new actors, such as philanthropic foundations and emerging countries which are not members of the OECD's Development Assistance Committee.

Box 5 – The “Finance in Common” summit

During his speech at the High-Level Event organized by the United Nations on 28 May 2020, the President of the French Republic noted that *“the Covid-19 crisis has revealed the intrinsic links between health, environmental and development issues. This challenge must be at the heart of not only national recovery plans but also at the heart of the global response to the crisis we must adopt.”*

He clearly defined the two objectives of the “Finance in Common” summit. *“We must immediately procure the tools to be able to be up to the task, by collectively organizing the decisive role of our development banks.”*

“On 12 November, France will organize a summit of all public development banks within the framework of the Paris Peace Forum. This summit will have two objectives:

- *Building a new and powerful coalition gathering all 450 public development banks in order to promote cooperation among them; and*
- *Bringing the public and private financial community to their sides in order to truly give us the resources for collective action against Covid-19 and in favor of the climate and the SDGs.”*

The Finance in Common summit, which will gather all of the world's public development banks for the first time, demonstrates the driving role played by the AFD Group's partnerships. Group AFD is the central operator of a French development and international solidarity policy whose ambition now is to unite on the appropriate scale all relevant SDG players and stakeholders.

In collaboration with a growing spectrum of players, the AFD Group is bolstering its mobilizing power in order to innovate, co-build solutions to key development challenges and capitalize on best practices. The Group's most advanced strategic partnerships enable it to combine financial and operational resources, develop knowledge sharing, and to pool mobilizing powers in order to facilitate convergence towards standards and practices that contribute to increased investments favoring the SDGs.

Since 2017, the AFD Group's CEO has chaired the International Development Finance Club (IDFC), a unique network of 26 national, regional and international development banks from around the world²³, of which 19 are based in developing countries. IDFC members, who are working together to implement 2030 Agenda and the Paris Agreement, have joined forces by

²³ A list of the Club's members is available here: <https://www.idfc.org/>

developing a platform dedicated to promoting and mobilizing solidary development investments worldwide. The Club meets annually to take joint action on major environmental and development issues. The Club works daily on five strategic areas directly related to the SDGs: sustainable infrastructure, renewable energy, energy efficiency, economic and social inclusion, and green finance mapping.

PART II – SDG Bond Framework



The AFD Group has prepared this SDG Bond Framework in accordance with the Green Bond Principles (GBP)²⁴, Social Bond Principles (SBP)²⁵ and Sustainability Bond Guidelines (SBG)²⁶ of the International Capital Markets Association (ICMA).

For each SDG Bond issue, the AFD Group undertakes to comply with the following four key principles:

- Use of proceeds;
- Selection and evaluation of eligible loans;
- Proceeds management;
- Reporting.

Under this SDG Bond Framework, the AFD Group may issue SDG bonds (the “SDG Bonds”) in various formats:

- **Climate bonds** (100% of the proceeds raised will be allocated to “climate” categories in keeping with the AFD’s previous climate bond framework);
- **Social bonds** (100% of the proceeds raised will be allocated exclusively to social categories in accordance with the Social Bond Principles).
- **Sustainable bonds** (100% of the proceeds raised will be allocated to the eligible categories defined in the Green Bond Principles and/or the Social Bond Principles).

1- Use of Proceeds

This SDG Bond Framework defines as “social, green or climate projects” within the meaning of the Sustainability Bond Guidelines the AFD or Proparco loans extended to countries, territorial authorities, NGOs, banks and financial intermediaries, or public and private enterprises which satisfy the eligibility criteria described below.

Types of financing

Table 1: Financing transactions eligible for the SDG Framework

Types of AFD financing	Eligibility in the context of SDG Bond issuances
Debt conversion agreement	
Macro-economic consolidation budget financing	
Policy budget financing	X
Program budget financing	X
Debt Reduction-Development Contract (C2D)	
Delegation of funds	
Fund for Technical Expertise and Experience Transfers (FEXTE)	
Guarantee (including “ARIZ” guarantee accompanying the financing risk of a private investment in an intervention zone)	
Theme-based credit line	X
Program aimed a reinforcing commercial capacity	
Pre-financing of European and State public grants	
Sovereign and non-sovereign concessional loan	X
Sovereign and non-sovereign non-concessional loan	X
Société de Gestion de Fonds de Garantie d’Outre-Mer (SOGEFOM)	

²⁴ The ICMA’s 2018 Green Bond Principles are available [here](#).

²⁵ The ICMA’s 2020 Social Bond Principles are available [here](#).

²⁶ The ICMA’s 2018 Sustainability Bond Guidelines are available [here](#).

Grant (including FICOL grants to local and regional authorities and to NGOs)	
Technical assistance	
Debt restructuring (in the context of a moratorium)	X
Bonds and Private Placements	X

Types of Proparco financing	Eligibility in the context SDG Bond issuances
Long-term loans	X
Credit lines to microfinance institutions	X
Theme-based credit line	X
Other credit line (including SME financing)	X
Financing / equity investments <ul style="list-style-type: none"> - Direct or indirect minority investments (via investment funds) - Subordinated or equity loans - Shareholders' loans - Bonds convertible or redeemable in shares 	
Foreign currency green bonds	
Solvency or liquidity guarantee	
Bonds and Private Placements	X

Eligibility conditions and criteria

















1/ Conditions

A loan is eligible if it satisfies **all of the following three conditions (cumulative requirement)**:

- A. **SDG contribution**: the purpose of the financing is identified as i) contributing to at least one SDG other than SDGs 1 and 17 (i.e., loan attached to a “group of SDGs”), ii) responding to one of the six transitions in the AFD Group’s strategic plan, and, finally, iii) addressing one of the eligible categories of ICMA’s SBP/GBP/SBG.
- B. **Thematic and technical eligibility**: the loan complies with at least one of the three technical eligibility criteria described in this Framework.
- C. **Interlinkages between SDGs taken into account**: the loan must i) comply with the AFD Group’s general exclusions and specific diligence requirements that are specific to the relevant activity sector, ii) for AFD projects only have neutral or positive grades in all of the six dimensions in the sustainable development analysis and opinion, or with respect to Proparco projects be graded DEV1 or DEV2²⁷.

²⁷ The exclusions, Sustainable Development analysis and opinion within AFD and the impact grades within Proparco are described in the evaluation and selection process (see pages 38 to 44).

Table 2: Summary eligibility approach for the SDG Bond program*

UN Sustainable Development Goals	The AFD Group's Six Transitions	ICMA SBP/GBP categories	Target populations	Issue-based & technical eligibility
 	Energy transition	Renewable energies, energy efficiency	Entire population (including populations with costly and/or discontinuous access to energy)	<p>Complies with at least one eligibility criteria:</p> <ul style="list-style-type: none"> • Theme-based eligibility: The nature or purpose of the activities or projects • Climate performance eligibility: The minimal climate performance level of projects or their contribution to adaptation to climate change • Transformation eligibility: Conditioned on reaching sustainable development results
 	Demographic and social transition	Access to essential services (health, education)	People living under the poverty threshold, People who are victim to lack of access to essential goods and services, Sick, elderly or vulnerable persons, Under-schooled persons, Women and/or sexual minorities	
 				
	Digital and technological transition	Essential infrastructures	People who are victim to lack of digital infrastructure or that is computer illiterate	
 	Economic and financial transition	Job creation, access to essential services and fighting poverty, socio-economic development and promotion	People who are victim to lack of access to essential goods and services and productive resources, People excluded from economic life	
  	Territorial and ecological transition	Food safety, essential infrastructures, preservation of terrestrial and aquatic biodiversity, clean transportation	People who are victim to lack of access to essential goods and services, essential infrastructures, public spaces or socio-collective urban equipment, vulnerable rural populations, family farms transitioning to agro-ecology systems, People living in recurring flood zones	
				
 				
	Political and civic transition	Socio-economic development	People without access to fair and effective public institutions;	

*It should be noted that the mapping of SDGs by transition was carried out on the basis of the principal SDG of the transition in question. Certain transversal SDGs, such as SDGs 1, 5, 13 or 17 for example, could apply to several transitions.

The three theme and technical eligibility criteria applying to the loans

1- Theme-based eligibility: depending on the intrinsic nature or purpose of the activities/projects

In line with the eligible categories in the GBP/SBPs, the AFD Group’s “project” loans dedicated to eligible activities or intervention sectors are described in the table below.

It should be noted that program budgetary loans²⁸ are also included, which are appraised using the same principles that apply to “project” loans.

Table 3: Project category

AFD Transitions	Issue Eligibility	Project Type
Energy Transition	Energy efficiency, renewable energies	Renewable energies Energy efficiency Access to modern and sustainable energy Beyond the intrinsic nature of these projects, projects relating to the energy transition must not only comply with theme-based eligibility but also with climate eligibility (criteria no. 2)
Demographic and social transition	Healthcare	Healthcare infrastructure and services (basic health care programs, laboratories, health centers, hospitals, ambulances, health equipment and supplies) Financing of health care (health insurance, supplemental health insurance, health coverage) Fighting disease and epidemics (Covid, Ebola, malaria, tuberculosis, infectious and tropical diseases) Health personnel training Maternal and infant health, nutrition Social protection
	Education and professional training	School equipment (school buildings, equipment, supplies, teaching materials) Support for education policies and program (school administration and management, system guidance, reform accompaniment, supporting public finance management) Teacher training, teacher policy (redeployment, management, training) Professional education and training Higher education and research (university buildings, student housing, sector professionalization, networking, training accreditation) Supporting policies in support of decent employment Support for self-employment and entrepreneurship
	Sports and culture	Use of sports for the purposes of education/fighting inequality Support for public policies Infrastructure construction/rehabilitation
Digital and technological transition	Telecommunications and IT and communication technologies	Development of broadband telecommunication networks Improve the human factors impacting inclusive access (price, usability, accessibility, etc.) Support entrepreneurial innovation with digital Support growth of digital startups having a positive social/environmental impact Applying digital technology to optimize public action

²⁸ Financing of one or a series of physical assets (buildings, equipment, etc.) but also strengthening the financial management capacities of its counterparties using a learn by doing approach. The funds lent will be disbursed and tracked in the country’s budget, with methodology support of expert financed by AFD.

Economic and financial transition	Financial services and systems, productive systems	<p>Promote access to financial services by populations, SMEs, microfinance institutions, female entrepreneurs</p> <p>Reinforce financial systems to help the transition towards sustainable finance models and the consolidation of financial systems</p> <p>Develop entrepreneurial ecosystems by supporting the emergence and growth of VSEs/SMEs/start-ups and supporting the formation of local productive sectors</p> <p>Support the transformation of productive models into sustainable models by supporting the emergence of social business and support to companies in order to make modes of production and governance evolve towards more inclusive, simple and resilient models</p> <p>Support public authorities in stewarding the productive fabric (regulations that are favorable to the entrepreneurial ecosystem, PPP arrangements, management of the country's strategic investments)</p>
Territorial and ecological transition	Water and sanitation	<p>Access to potable water (production and distribution)</p> <p>Access to sanitation (collection, transportation and processing)</p> <p>Flood prevention</p>
	Infrastructure and urban development	Access to decent and affordable housing
		Waste collection and processing (removal, processing, recycling, composting)
		Sustainable urban infrastructures (construction, rehabilitation, and maintenance of equipment and infrastructures that improve people's living conditions, such as public lighting, urban planning, markets)
		Public transportation networks (infrastructures and vehicles) allowing the use of carbon to be reduced or limited
Development of environmentally friendly travel methods (bicycles, walking) and very low emission vehicles		
Political and civic transition	State reform	<p>State digital transformation (e-gov, dematerialization, digital identity)</p> <p>Civil protection and crisis management (management of industrial accidents and disasters)</p>
	Justice	<p>Equal access to justice (infrastructure, education, tools)</p> <p>Education and awareness about rights (local structures, e-justice, public awareness campaigns, human rights)</p>

Certain loans may be accounted for as adaptation to Climate Change loans under the method described on page [26], based on the Common Principles for Climate Change Adaptation Finance. On a case by case basis, the selected adaptation projects will be described in the annual reporting.

2- Climate performance eligibility: depending on the minimal climate performance level of mitigation projects

This performance level is described in the methodology for accounting for mitigation financings (see page [26]).

The mitigation projects must comply with this second eligibility criteria (which is based on the project's minimal climate performance level) in order to be eligible for this Framework.

Mitigation loans dedicated to projects satisfying minimal technical performance criteria (technical screening criteria) will be eligible:

- A minimum amount of reduction or avoidance of relative CO₂eq emissions (namely, more than 10,000 tons CO₂eq/year compared to the baseline case without the project) or, exclusively with respect to public policy budget financing, indicators leading to a reduction in greenhouse gas emissions compared to the baseline.
- Regarding energy efficiency projects pertaining to buildings (residential, educational, healthcare, industrial, cultural, commercial, offices, transportation sector, etc.), improvement in energy and environmental performance compared to the baseline situation, or, for new construction projects, if the project aims at reductions compared to a recent counterfactual building or a theoretical baseline scenario (EDGE, for example) of at least 20% in greenhouse gas emissions, 20% in energy consumption and/or 20% in water consumption (2 out of the 3 conditions are sufficient).

Climate eligibility applies the criteria of AFD's previous climate bond framework. Climate bonds previously issued by AFD are therefore eligible for the new SDG Bond Framework.

3- Transformation eligibility – condition of reaching sustainable development results

“Transformation” loans are eligible if they have a results-based approach. To be eligible, these loans must include Disbursement Linked Indicators (DLIs). The following loans fall into this eligible category:

Purpose of the instrument: loans creating incentives to reach objectives and/or that ensure the smooth progress of the project and/or actions identified as being favorable to the SDGs (result-triggered financing).	Loans to states and local authorities	<p>Policy budget financing aimed at supporting comprehensive reform (financing assets and/or political measures to be implemented) and that include criteria tied to the achievement of these measures upon which disbursements are conditioned.</p> <p>Loans based on plans or policy matrices that are related to the AFD Group’s six transitions (see section 2.2, Part I, page 12).</p>	<p>Extension and financial parameters of the loan</p> <p>The extension of loans and/or their financial parameters (e.g., margin) are subject to conditions or may vary depending on whether target indicators are met or on other criteria reflecting the counterparty’s performance and SDG efforts.</p> <p>The achievement of disbursement-linked indicators is assessed ex post and makes it possible to verify the actual implementation of actions or sectoral policies that include achievement indicators or environmental or social impact indicators.</p>
	Loans to public and private financial institutions	Credit lines tied to internal change and transformation matrices.	<p>Funds disbursement</p> <p>The loan includes target indicators upon which fund disbursements are conditioned (disbursement-linked indicators). These target indicators are triggers.</p> <p>Disbursements can take place in several tranches according to the various milestones contemplated by the loan (on specific observation dates or as soon as the target indicator is met).</p>
	Loans to public and private companies	Loans tied to internal change and transformation matrices.	DLIs must be implementation or impact indicators favoring the SDGs.

Milestones must be reached before disbursements are made. They must be conditional on the implementation (as observed pre-disbursement) of actions or sectoral policies that include achievement of environmental, social or governance impact indicators (these indicators are considered triggers).

These loans are eligible under this issuance Framework not when they are approved, but rather at the time the triggers associated with achievement or impact indicators in favor of the SDGs are set off (DLIs).

The policy budget financings will be subject to specific monitoring after disbursements are made in order to ensure that the reforms are properly implemented and to verify positive impacts. If the results are unsatisfactory, the loans will be excluded from the portfolio of eligible assets.

Examples:

- A policy budget financing to a foreign state on the theme of health including achievement indicators that relate to the number of vaccines administered or the out-of-pocket level of a health-care basket for underprivileged populations. The loan becomes eligible only after it has been disbursed, which occurs only after the target number of vaccines has been reached.

- A transformation credit line extended to a public development bank so that it can make its executive committee or board of directors adopt a climate or biodiversity strategy and increase its origination of green projects, its range of green products, or commitments against deforestation or on reducing its portfolio's exposure to fossil fuel investments.
- A public budget financing to a foreign state on the theme of justice that includes an achievement indicator on that feminization rate in the recruitment of magistrates and clerks in civil courts.

2- Loan Identification and Selection Process

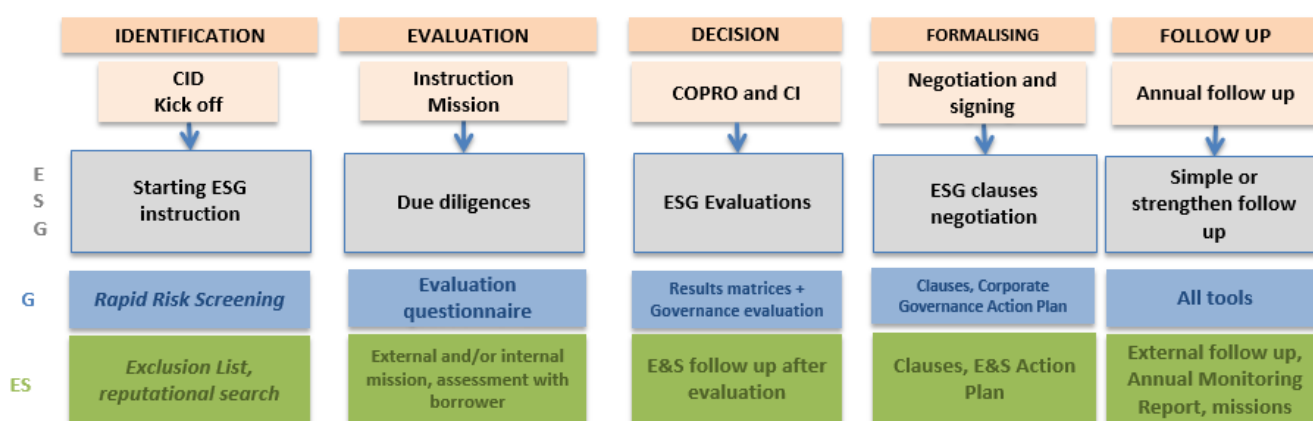
In addition to the application of the eligibility process described under "Use of Proceeds" above, the process for identifying and selecting eligible loans is based on AFD's and Proparco's internal governance system, using a series of ESG diligence reviews throughout the "project cycle". The Credit Committee is the last step before the loan is extended. This Committee verifies that the appraisal mandate was properly met.

Figure 10: The various analyses carried out over the project cycle

Project cycle	Identification	Identification Committee (CID)	Project Appraisal	Credit Committee (CCR)	Granting of funds
a- Management of ESG risks	Project team provides a first review of ESG risks.	Unit in charge of ESG risks analysis (ESI at Proparco and AES at AFD) defines a categorization of risks based on the first review of ESG risks (A: very high risk, B+: high risk, B: moderate risk, C: low risk).	ESG due diligence are conduct to measure counterparty's ability to manage these ESG risks and to define needed action to remove, reduce or offset it. A measurement of carbon footprint is done. For highest risks projects, studies are made to describe risks and provide mitigation measures.		Loan documentation contains tailor made ESG clauses and action plans if needed .
Exclusion List	The AFD Group has defined an exclusion list detailing project not eligible to its financing.				
Combatting corruption, fraud, anticompetitive practice, money laundering and terrorist financing			Due diligence are conduct by the Risk Department to evaluate quality of the counterparty and its stakeholders (KYC).		Loan documentation contains contractual provision in order to prevent or discourage practice prohibited by the AFD Group.
b- Sustainable Development analysis and opinion mechanism*	The agency/project team carries a preliminary sustainable development analysis.	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.	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	Discussions are conducted on the basis of the draft SD opinion. A final SD opinion is issued following the CCR.	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.

*mechanism for AFD projects only

Figure 11: The various analyses carried out over a Proparco project cycle



a. Controlling the environmental, social and governance risks of financing operations

All development operations can have environmental, social and governance risks. AFD Group has general policies in place to ensure that the SDGs are complied with and promoted throughout all its activities. The Group is attentive to the appropriate allocation of its financings and to the good governance of the organizations to which it provides support.

Risk prevention and identification is carried out through:

- A “general” exclusion list²⁹

1	Production or sale of illegal product or unlawful activity under the laws of the host country and France or international regulations, conventions and/or agreements.
2	Products or activities that use forced labor or child labor
3	Trade in animals, plants or any natural products not complying with the provisions of the Convention on International Trade of Endangered Species (Washington, 1993)
4	Fishing activity using a drift net of more than 2.5 km in length
5	Any operation leading to or requiring destruction of a critical habitat or any forestry project which does not implement a plan for improvement and sustainable management
6	Production, use or sale of any dangerous materials, such as asbestos or products containing PCBs
7	Production, use or sale of pharmaceutical products, pesticides/herbicides, ozone layer depleting substances or any other dangerous substances that are banned or are being progressively phased out internationally
8	Transboundary trade in wastes, except for those accepted by the Basel convention and its underlying regulations
9	Production or sale of arms and/munitions, tobacco, or strong alcohol destined for human consumption
10	Gaming establishments, casinos or equivalent undertaking
11	Any trade related to pornography or prostitution
12	Any activity leading to an irreversible modification or significant displacement of an element of culturally critical heritage
13	Production and distribution, or investment in, media that are racist, anti-democratic or that advocate discrimination against a part of the population
14	Exploitation of diamond mines and marketing of diamonds where host country has not adhered to the Kimberley Process
15	Any sector or any service subject to an embargo by the United Nations, the European Union and/or France in a particular country and with no absolute or relative restriction regarding the amount

²⁹ The AFD Group’s exclusion list in foreign countries can also be consulted [here](#)

This exclusion list makes it possible to meet criteria such as the “social minimum safeguards” contemplated by the European Union’s taxonomy for sustainable activities (forced labor and child labor (point 2 on the list)) in particular.

- **Specific diligence based on activity sector**

The AFD Group also relies on sectoral sustainable development policies. The below list summarizes the principal ambitions, guiding principles and strategic principles or appraisal practices of such policies.

Agriculture/ Agri-food	<ul style="list-style-type: none"> • Zero deforestation goal through the National Strategy Against Embedded Deforestation (dated November 2018), echoing the Climate Plan aiming to end embedded deforestation caused by France by 2030. • AFD’s Country Strategies: anti-deforestation action plans (€60 million per year) for sustainable development, anti-deforestation or reforestation projects and carrying out diligence • Integrated regional approach through designing and implementing regional policies that reconcile nature, climate and development. • Sustainable fishing: support policies aimed at maintaining/reconstituting stocks, environmental certification of fisheries and strengthening fishing institutions. • No financing for research, purchase, promotion or multiplication of genetically modified seeds in the framework of the “Sub-Saharan Africa food security” sectoral intervention.
Mines	<ul style="list-style-type: none"> • Limited number of projects. • For appraised operations: Attentive examination of the sector’s institutional environment, governance and environmental impact.
Large dams	<ul style="list-style-type: none"> • Respect for the environment, natural resources and biodiversity • Respect of labor conditions • Consideration of issues tied to involuntary displacement and relocation of populations • Evaluation of the carbon footprint and climate impact. Particular attention is paid to greenhouse gas emissions tied to construction and, above all, reservoir flooding. If a dam with a ratio of less than 4 W/m² (installed power/reservoir area) is located in a tropical area, it is likely that methane emissions will be significant. In such a case, a specific study will be requested.
Energy	<p>In line with its 100% Paris Agreement commitment, the AFD Group does not finance:</p> <ul style="list-style-type: none"> - coal-fired power station projects (as approved by its Board of Directors in March 2013): - projects for power stations fired by fuel oil or diesel only (except certain hybrid projects) - exploration or production projects or projects dedicated exclusively to the transportation of coal, gas and oil (conventional and non-conventional^[2]); - infrastructures associated with a fossil exploration, production or storage unit (mines, processing units, refineries, storage, etc.) or with fossil fuel fired electricity production if this power station is considered to be ineligible for AFD’s financing in light of its Climate and Energy Transition strategies. An infrastructure is deemed to be associated with this fossil unit if the two following conditions are satisfied: (i) the infrastructure would not have been constructed without this fossil unit, and (ii) the fossil unit is not economically viable without the infrastructure.

^[2] Non-conventional gas encompasses several types of non-renewable natural gas resources, such as shale gas. This gas is exploited by hydraulic fracturing techniques. Non-conventional oil is produced or extracted using techniques other than the customary oil well method or involves additional cost and technology due to more difficult exploitation conditions.

- **Diligence pertaining to human rights.**

The AFD Group acts in countries where human rights are not always fully respected, even if these countries have formally adhered to the fundamental conventions in this area. Mandatory due diligence on operations includes the evaluation of the social risks of the projects being financed. The Group applies the performance standards of the International Finance Corporation and the World Bank's environmental and social standards. Questions on human rights make it possible to understand:

- Working conditions and worker protection (including the fight against forced labor and child labor);
- The health and safety of communities affected by the projects;
- The acquisition of land and the involuntary relocation of populations;
- The rights of indigenous peoples.

In addition to the application of these standards, complaint management systems are established at the project level, which allows for complaints to be gathered. The financing agreements signed with the beneficiaries are required to mention the commitments made by counterparty to respect the rights of the population and evoke compliance with the fundamental conventions of the International Labor Organization (ILO). AFD Group employees also receive human rights training.

- **Controlling risks of the misappropriation of assistance, corruption, fraud, money laundering and the financing of terrorism³⁰**

The AFD Group has two mechanisms for reporting allegations and suspicions of prohibited practices: a mechanism for line-management reporting through the internal permanent control system and a whistleblowing mechanism (alternative and optional).

The AFD Group has adopted a general policy that takes the form of operating procedures that describe the controls to be carried out at the various stages of projects:

- At the appraisal stage: due diligence is carried out on the quality of the counterparty, its shareholders and beneficial owners;
- At the contracting stage: all financing agreements signed by the AFD Group include contract provisions designed to prevent or dissuade prohibited practices (lawful origin of funds, compliance with United Nations, European Union and French economic and financial sanctions, and the ability of an independent third party to verify and audit);
- At the execution stage: monitoring aims to ensure that the operation is implemented in accordance with the contractual provisions and that any risks are managed appropriately. The AFD Group also reserves the right to carry out unannounced audits. Additional due diligence concerning the economic grounds for the financing and for knowing the third party making the repayment may be conducted.

These measures are aligned with SDG 16, which seeks to promote the advent of peaceful and inclusive societies, ensure access for all to justice, and build effective, accountable and inclusive institutions at all levels. The AFD Group particularly contributes to achieving goals 16.5 and 16.a which are respectively aimed at "substantially reducing corruption and bribery

³⁰ The AFD Group's general policy to prevent and combat corruption, fraud, anti-competitive practices, money laundering and terrorist financing is available [here](#)

in all their forms” and “strengthening relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime”.

b. The analysis of impacts tied to each financing using the sustainable development analysis and opinion mechanism (SDAO)

The sustainable development analysis and opinion mechanism (SDAO) aims to facilitate transversal consideration of sustainable development concerns affecting AFD financings (this mechanism does not apply within Proparco).

The SDAO mechanism includes two processes:

1. The **conduct of a sustainable development analysis** (SD analysis) by the project team in order to qualitatively understand the range of the expected impacts;
2. The **formulation of a sustainable development opinion** (SD opinion) issued by an independent team³¹ in view of informing decision making.

The sustainable development analysis consists of a detailed description of the identified impacts on each of AFD’s six sustainable development dimensions. Each sustainable development dimension has its own analysis grid, with scoring sub-criteria for each dimension. Each grid makes it possible to estimate potential positive and negative impacts using a score of -2 to +3.

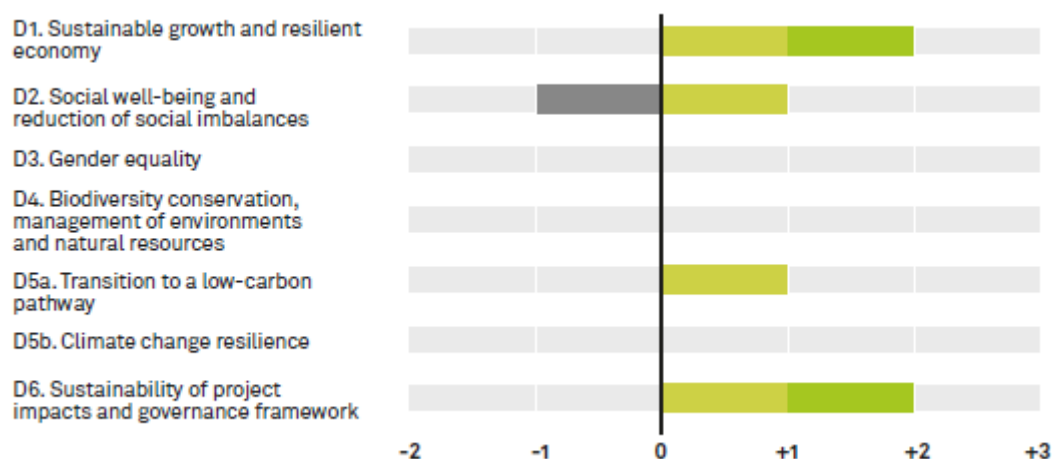
³¹ Based on the nature of the financing and its potential positive and/or negative impact to one or several SDGs

Table 4 : Grading sub-criteria for the six sustainable development dimensions

Dimension 1 Sustainable growth and resilient economy	Dimension 2 Social well-being and reduction of social imbalances	Dimension 3 Gender equality	
Macroeconomic resilience Territorial development Inclusive trade Local economy Innovation and green production sectors	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	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	
Dimension 4 Biodiversity conservation, management of environments and natural resources	Dimension 5 Fight against climate change and its impacts		Dimension 6 Sustainability of project impacts and governance framework
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)	Dimension 5.a Transition to a low-carbon pathway	Dimension 5.b Climate change resilience	Information and transparency, consultation and participation, planning, execution and management, rights and justice, economic governance and funding
	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)	Techniques used/project planning Material aspects (infrastructures) Awareness-raising/information to stakeholders, funding	

An analysis of these sub-criteria makes it possible to obtain a positive or/and negative grade within a given dimension. Indeed, the projects can have positive or/and negative effects within a given dimension (different effects on populations, territories or resources), which are then specified in the diagram and analysis text (see figure below).

Figure 12: Example of summary SD grades in the six sustainable development areas



As a reminder, only loans that have received a **neutral or positive grade in all six sustainable development dimensions** will be eligible for the SDG Bond Framework. The sustainable development analysis provides a global assessment of a project and its overall coherence, for the sake of accountability.

The purpose of the **sustainable development opinion** is to provide a view that is independent³² of the view of the operational teams on a project’s contribution to sustainable development. The team responsible for the sustainable development opinion gives a **favorable opinion, favorable with recommendations opinion, a reservations-expressed opinion or a negative opinion**.

The sustainable development aspects tied to an AFD financing are addressed with counterparties as soon as they are identified. The initial analysis makes it possible to identify weaknesses in terms of sustainable development. Up until the commitment, the SDAO mechanism makes possible in-depth discussions between the project team, the counterparty and the team responsible for the SD Opinion on how to mitigate or offset negative impacts and optimize positive impacts.

c. Proparco’s measurement of impacts, included within the project cycle

As a development finance institution and for the sake of accountability, Proparco evaluates and reports on the impact of its actions using a process to measure the results and impacts of its financings.

The measuring of results and impacts aims to:

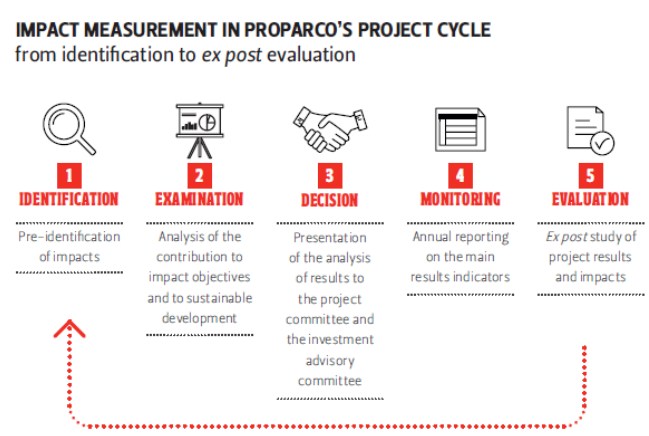
- Assist with the financing decision by evaluating the anticipated effects of projects on sustainable development at the time they are being appraised;
- Strengthen the impact of projects by identifying the levers that can be used;

³² Based on the nature of the financing and its potential to contribute and/or have a negative impact on one or more SDGs.

- Inform Proparco's strategy;
- Improve knowledge and capitalize on know-how.

The system for measuring results and impacts forms part of the various stages of the project cycle so that the results and impacts of Proparco's financings can be determined, particularly with regards to its three main strategic objectives:

- Amplifying its direct impacts on supporting employment and improving access to essential goods and services;
- Increasing mobilization of private financing alongside Proparco's financing, with the aim of directing private financing flows to sustainable development investments; SDI
- Accelerating Proparco's contribution to the emergence of tomorrow's players and sectors by supporting their transformation.



More specifically, a "DEV" grade makes it possible to measure effects on development through the evaluation of sub-criteria, such as governance, effects on employment, social issues, gender, or the environment. These DEV grades are ranked on a scale of 1 to 6, with a DEV1 grade being the most positive in terms of effect on development. As a reminder, the loans that will be eligible under this Framework will have a DEV1 or DEV2 grade.

d. Framework governance: The Thematic Bond Committee

The AFD Group has put in place a Thematic Bond Committee which is responsible for the governance of the Framework.

The Thematic Bond Committee is made up of representatives from various AFD departments, including:

- Finance, including:
 - o Treasury and Capital Markets;
 - o Funding and Market Operations;
- Operations including:
 - o Operational Management;
 - o Environmental, Social and Sustainable Development Support;
 - o Climate Change;

- Social Links;
- Governance;
- Access to Financing;
- Three Oceans;
- The Strategy, Partnerships and Communications, including:
 - Strategy, Foresight and Official Relations;
 - Sustainable Development Analysis and Opinion;
 - Corporate Strategy;
 - Corporate Social Responsibility, Accountability, Transparency;
- Risk Monitoring;
- Proparco, including:
 - Finance;
 - Impact Measurement.

Depending on needs, other departments or divisions may be called upon.

The committee will meet at least twice per year to carry out the following missions:

- Examine and approve the eligibility of loans included in the eligible loan portfolio in view of SDG contribution criteria, themes, techniques or inter-relationships between SDGs defined in “Use of Proceeds” above;
- Approve the allocation of bond proceeds to eligible loans;
- Propose replacements for loans that must be removed from the portfolio (either because they were repaid or because they no longer meet the eligibility criteria);
- Manage any future updates to the SDG Bond Framework;
- Examine and approve the annual report communicated to investors;
- Manage liaisons with external evaluators (Second Opinion and auditors).

3- Management of Proceeds

The net proceeds of each SDG Bond will be managed by the AFD Group's Funding and Market Operations Division and will constitute a pool of SDG Bonds. An amount equal to the net proceeds of the SDG Bond portfolio will be earmarked to a pool of eligible loans (as defined in "Use of Proceeds" above) and approved by the SDG Bond Committee.

The Group will maintain a safety cushion to ensure that the net proceeds of the SDG Bonds never exceed the eligible loan portfolio amount. During the life of the bonds, the net proceeds may be used to refinance new loans included in the eligible loan portfolio or to refinance existing transactions.

The AFD Group will endeavor to allocate the net proceeds of the bonds to eligible loans within the calendar year following the year the bond was issued.

It should be noted that the eligible loan portfolio will be composed of sub-portfolios, thereby making it possible to allocate, monitor and, as necessary, replace all the contemplated issue formats (climate, social or sustainable).

The Thematic Bond Committee will monitor the equivalence between the net proceeds of the SDG Bonds and the eligible loan portfolio.

Amounts raised but not yet allocated will be managed by the AFD Group's cash management team. This liquidity will be managed in cash and by using monetary products and invested in socially responsible investment funds (SRI) on a best effort basis.

The AFD Group's business model consists of supporting its partners in sustainable development. The project appraisal period can therefore last several years. The loans have long maturities, up to 25 years, and repayment begins within 10 years at the latest. Beneficiaries benefit from a disbursement period of up to seven years.

4- Reporting

The AFD Group undertakes to publish an annual report on the SDG Bonds until the SDG Bonds mature (as long as the existing SDG bonds remain outstanding). This report will present the allocation of the proceeds raised as well as environmental and social impact indicators.

The allocation and impact report will be reviewed and approved by the Thematic Bond Committee. This report will be audited annually by an external auditor selected by the AFD Group up until the maturity of the bonds. The report will be made available to investors on the AFD Group's website.

Allocation report

The Group undertakes to publish a report on the allocation of the proceeds raised through the issuance of SDG Bonds.

This report will be published annually and will present at the very least:

- The total amount of proceeds allocated to date;
- The financing breakdown per signature year;

- The share of disbursements made in the new calendar year compared to previous years;
- The share of loans that integrated the loan pool;
- The total amount of proceeds awaiting allocation and the type of temporary investments (under the best efforts principle);
- The number of loans in the eligible loan portfolio;
- The breakdown of allocated funds among the three eligibility criteria;
- The geographic distribution of loans.

Impact report

Until the SDG Bonds mature, the AFD Group undertakes to report on the sustainable development benefits and impacts that are reasonably associated with the eligible loans.

As appropriate, and subject to confidentiality commitments, the Group may provide examples of eligible loans.

The AFD Group uses “aggregatable” indicators for its strategic monitoring. These indicators make it possible to systematically quantify and consolidate the results of the AFD Group’s operations in foreign countries and in French Overseas Territories. They will be reported when available for the purposes of measuring the sustainable development benefits of loans eligible under this framework. A sample of aggregatable indicators is presented in table [4]. These indicators are regularly reviewed and updated to adapt to strategic changes and accountability requirements.

As a platform at the service of official development assistance, the AFD Group is required to continuously assure that its actions are effective. The production of knowledge and the lessons learned from evaluations enable the Group to, as part of a continuing learning process, redirect projects, strategies and operational tools to improve their quality and boost their impacts on development. The AFD Group has formalized an evaluation policy³³, which has been in place since 2013.

There are several types of evaluations:

- **Project evaluations:** these above all serve to assist dialogue with the project partners, and first and foremost the project manager. They cover most of the Group’s projects, and concern all financing methods (loans, grants, guarantees, etc.). These evaluations are most often stewarded by the AFD Group’s local agencies, with assistance on methodology from the Evaluation and Learning Department. They may use qualitative and/or quantitative methods depending what data is available and may be carried out mid-stream or at the project’s completion. A project evaluation can cover several projects when there are successive phases or groups of similar projects. The summary of the evaluation is public.
- **Broad scope evaluations:** these are evaluations that are broader or more complex than project evaluations. They most often focus on strategic projects pertaining to one sector or financial instrument. These evaluations aim to address a gap in knowledge about the results and impacts of an intervention and to understand the mechanisms

³³ The AFD Group’s evaluation policy is available [here](#)

that tie the intervention to its outcomes and impacts. They may also address sectoral, geographic, or transverse strategies, such as gender or climate. In such cases, they aim to improve the quality and implementation of that strategy. These evaluations are published.

- **Scientific impact evaluations:** these aim to rigorously identify, measure and understand the impacts that are strictly attributable to an intervention by means of a counterfactual approach, i.e. by comparing the evolution in a population benefiting from the intervention with the situation that would have prevailed in the absence of the intervention. These evaluations provide information for research on key development issues and are published.

In 2019, the AFD Group published its first evaluation report³⁴. In particular, this report describes the 44 project evaluations conducted between 2017-2018 (covering 66 projects), and 13 thematic, strategic or geographic evaluations. The report also includes two in-depth assessments: climate change and urban development in Vietnam, and policy-based loans, an innovative financial and dialogue instrument that the Group has used in over 20 countries. The main section is devoted to biodiversity. The AFD Group has committed to evaluating 50% of completed projects starting in 2020.

³⁴ The 2017-2019 evaluation report is available [here](#)

These evaluations may provide information to be used in the impact reports.

Table 5: Example of aggregable indicators applicable to foreign countries by AFD transitions

Transitions	Indicators	Unit
Transversal indicators	Greenhouse gas reduction	T eq CO2/year
	Number of persons whose vulnerability to the impacts of climate change have been reduced	Persons
	Share in volume of projects with an objective of promoting gender equality in foreign countries	Percentage
Energy transition	Number of persons acquiring access to sustainable electric services	Persons
	Newly installed renewable energy capacity	Megawatt
	Number of persons benefitting from improved quality in electricity service	Persons
	Financed renewable energy or waste energy power	Megawatt
	Energy consumption savings	GWh/year
Demographic and social transition	Number of persons whose access to healthcare has improved	Persons
	Number of persons benefitting from improved social protection	Persons
	Number of children vaccinated	Persons
	Number of children completing primary school	Students/year
	Number of girls enrolled in technical or professional training programs	Students
	Number of trainers or tutors trained (professional training)	Persons / year
Digital and technological transition	Number of persons connected to a telecoms network (internet, other)	Persons
	Number of persons with access to internet service	Persons
Economic and financial transition	Number of beneficiaries of a local financial service	Persons
	Number of full-time equivalents (FTE) supported by AFD	FTE
	Rate of women with access to credit	Percentage
	Number of individuals assisted with starting a company or their self-employment	Persons
	Number of full-time equivalent (FTE) jobs directly created or maintained by AFD (private sector and publicly owned companies)	FTE
Territorial and ecological transition	Additional availability of strategic foodstuffs in least-developed countries	Persons/day
	Areas benefitting from biodiversity conservation or restoration programs	Hectares
	Number of persons benefitting from improved essential services (water, sanitation, energy, waste management)	Persons
	Financed potable water production capacity	M3 / jour
	Number of persons benefitting from improved access to sustainable urban transportation	Persons
	Number of passengers using public transportation on financed road sections	Persons
Political and civic transition	Number of institutions benefitting from actions expanding capacity	Institutions/year
	Number of formal or informal civil society partners involved in the project	Partners

For loans that comply with eligibility criteria 2, ex ante carbon footprint will be provided for mitigation projects.

Table 6: Example of indicators by the projects' minimum climate performance (criteria 2)

Projects financed directly by AFD	Ex ante carbon footprints
Projects financed through intermediaries	Ex ante carbon footprints aggregated by sector and geographic region

For loans that are eligible under eligibility criteria 3, consistency with the AFD Group's strategy will have been demonstrated during the appraisal process and accountability indicators will be reported loan by loan (SDG impacted and associated targets, indicators). The reporting may mention (subject confidentiality provisions):

- The selected Disbursement Linked Indicators (with explanations of their materiality and the nature of the transformation they result in for the loan beneficiary), their definitions (calculation methodologies if relevant), the baseline performance level (if the indicator is expressed as an improvement in comparison to a starting point) and the target(s) to be reached
- The performance level achieved during the most recent year and/or the past several years
- Frequency of indicator observation and verification
- The source and/or verification method (contract and purchasing documents, decisions of the entity's relevant body (e.g., its executive committee), etc.)
- Or the publication of the amount of the financing, its purpose and the related borrower

5- External Verification

The AFD Group has selected Vigéo Eiris to assess transparency, governance and the compliance of this SDG Bond Framework. The results of this assessment are included in a Second Party Opinion which is available on and may be downloaded from the AFD Group's website³⁵.

Any material change to this framework insofar as it fundamentally modifies the loan eligibility criteria will be subject to the review of the Second Party Opinion provider. However, changes to the names of certain programs or minor changes in methodologies (SD opinion or measures of contribution to the SDGs) will not be subject to the Second Party Opinion provider's review.

Independent auditor

Until the SDG Bonds mature, an independent auditor will annually verify the following information:

- Allocation of proceeds to eligible loans;
- Compliance with the criteria defined in the "Use of Proceeds" section of loans in the eligible pool that are refinanced by proceeds raised.

³⁵ [Link to investors page](#)