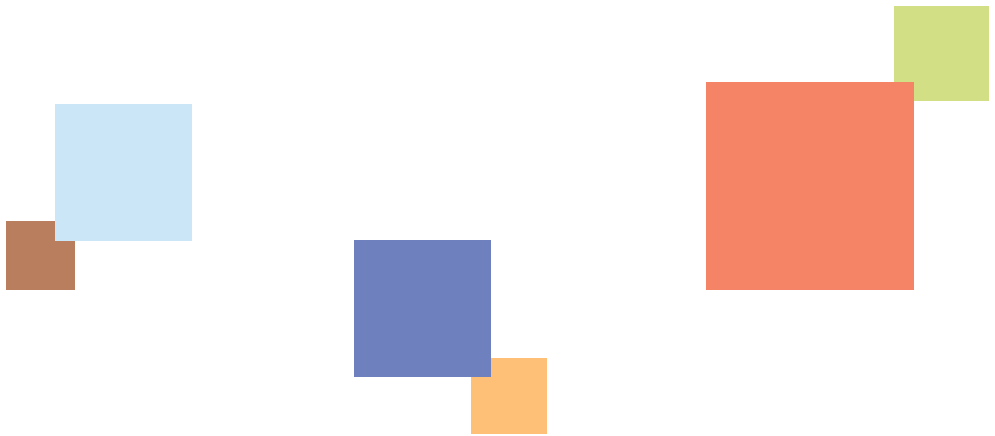




# STRATEGIC ORIENTATION PLAN **2012-2016**

AGENCE FRANÇAISE  
DE DÉVELOPPEMENT



■ Agence Française de Développement (AFD) is a development finance institution that has been working to fight poverty and foster economic growth in developing countries and the French Overseas Communities for more than seventy years. It executes the policy defined by the French Government.

AFD is present on five continents where it has an international network of 71 agencies and representation offices, including 9 in the French Overseas Communities and 1 in Brussels. It finances and supports projects that support more sustainable and shared economic growth, improve living conditions for the poorest, contribute to protecting the planet and help stabilize fragile or post-conflict states.

Its subsidiary, Proparco, supports private investment.

AFD also works with French and international academic networks to feed into debates and forward planning on development.

In 2011, AFD approved nearly €9 billion to finance activities in developing countries and the French Overseas Communities. The funds will help get 4 million children into primary school and 2 million into secondary school; they will also improve drinking water supply for 1.53 million people. Energy efficiency projects financed by AFD in 2011 will save nearly 3.8 million tons of CO<sup>2</sup> equivalent annually.



# A NEW STRATEGY FOR A STRONGER AND MORE INFLUENTIAL AGENCY

After ten years of strong growth and substantial transformation at AFD, the third Strategic Orientation Plan (POS3) builds on the potential it has acquired. It aims to strengthen AFD and situate it within the framework of the new “partnership for development” promoted by the French Government.

In a rapidly changing international environment, AFD is underscoring its strategy to finance long-term development activities. The aim is to help communities build sustainable conditions to allow them to meet their priority needs, without compromising the ability of future generations to meet their needs.

The attention given to the social and environmental dimensions of the projects it finances, along with their impact on climate change, has been further strengthened. Sustainable development has thus become a hallmark for AFD.

This POS underscores the priority given to Sub-Saharan Africa and the Mediterranean, in the context of France’s development policy and the implementation of the strategy for differentiated geographical partnerships.

It promotes targeted approaches in emerging countries and solutions tailored to the case of fragile States.

In the French Overseas Communities, it enhances the specific role played by AFD in strengthening local authorities and economic actors and reinforcing their regional integration.

AFD has defined a series of additional requirements for its operations with the aim of achieving excellence in terms of social and environmental responsibility, professional ethics, accountability, transparency and the effectiveness of its action.

# 1.


## A RAPIDLY CHANGING ENVIRONMENT

The past decade has seen unprecedented social progress worldwide, although massive poverty continues to exist in the least developed countries and countries in crisis. This poverty also remains present in middle-income countries, where the majority of the world's population lives today. Emerging countries now have significant resources, yet their extremely rapid growth means they face the need to seek delicate balances in order to ensure swift, more sustainable and more equitable development and they are calling for new forms of cooperation.

Large-scale crises and more frequent and more serious natural disasters have demonstrated both the vulnerability of the development process and the increasing global interdependence.

Major changes have occurred in international solidarity activities: public aid flows have increased, but their relative weight has fallen. There are an increasing number of development actors: new donor countries, thematic funds, private foundations... Donor and recipient governments no longer have the monopoly on a cooperation relationship, which is being joined by an ever-increasing number of economic and social actors.

In 2010, for the first time, a framework development cooperation document defined France's strategy for global sustainable development based on four interdependent priorities: sustainable and equitable growth, the fight against poverty and inequalities, the preservation of global public goods and the promotion of law and stability. The strategy identifies four areas of partnership, depending on the priorities and the instruments employed to meet them.



*France's development cooperation strategy promotes sustainable and equitable growth.*

Medellín, Colombia.

The new national debate, via the Conferences on Development and International Solidarity, will contribute to discussions on the progress achieved by the Millennium Development Goals (MDGs), which arrive at their target date in 2015, the definition of sustainable development targets announced at the Rio+20 Summit, which will have a broader and more universal scope than the MDGs, and the modalities of their financing.

## 2. AN AGENCY TRANSFORMED BY TEN YEARS OF GROWTH

In recent years, Agence Française de Développement has experienced extremely strong growth in its activities, which have seen a fivefold increase in ten years. It has also undergone a profound and rapid transformation, with the extension of its geographical scope and its sectors of operation, the diversification of its counterparts and its range of financial products, the development of its knowledge production and its workforce renewal. AFD is France's main operator for development and has also become a major actor on the international scene for the environment and fight against climate change.

The Government, for its part, has reviewed the supervision mechanisms for AFD by creating a Strategic Orientation Committee in 2010, chaired by the Minister for Development and establishing the principle of a single Performance and Resources Contract with AFD, the first of which was signed in late 2011.

This development is based on values in terms of commitment, openness and adaptability, which stem from its history, and has put a new face on AFD.

The third Strategic Orientation Plan (POS3), which covers the period 2012-2016, consolidates this growth and transformation phase by exploiting AFD's full potential and setting it in the context of the new "partnership for development" promoted by the Government.

*It will set up an expertise and technical cooperation fund to scale up support for its financing, particularly in emerging countries.*



India.

# 3. SUSTAINABLE DEVELOPMENT, HALLMARK OF AFD'S NEW STRATEGY

AFD has decided to make sustainable development the hallmark of its new strategy. It is understood as the constant search for a dynamic balance between economic, social and environmental objectives in the projects it finances, over a long-term horizon and in a context of global interdependence.

This decision is based on the observation that no sustainable progress can be achieved in one of the four priority areas of France's development strategy (sustainable and shared growth, fight against poverty and inequalities, preservation of global public goods and promotion of law and stability) if major imbalances are left to persist in the other areas.

This decision will involve establishing an independent "second opinion on sustainable development" during the project appraisal process.





Lake Lalofalo, New Caledonia.

***Project appraisals will include an independent “second opinion on sustainable development”.***

## 4. AFRICA AND THE MEDITERRANEAN, GEOGRAPHICAL PRIORITIES

AFD will be continuing its action in Sub-Saharan Africa, the primary beneficiary of its financing, where it will focus the bulk of the Government's financial effort (over 60%) to help the continent tackle the huge challenges it is facing – population growth, urbanization and fight against massive poverty – by developing its substantial human and natural potential. It will focus its operations on the sectors of agriculture and food security, infrastructure – particularly renewable energy and transport – and sustainable urban development.

It will operate as widely as possible in the 17 priority poor countries defined by France, for which it will earmark over half the grants that the Government entrusts it to implement. A specific focus will be to help these countries strengthen public action and social services, for the benefit of the greatest number, and tackle their structural vulnerabilities.

In **the Mediterranean**, it will support job creation by promoting the creation of an effective institutional environment and developing the SME sector. It will work to reduce social inequalities (via vocational training and community services) and territorial inequalities (via concerted territorial development in rural areas and disadvantaged urban neighborhoods) and will contribute to improving living standards (via infrastructure for urban mobility and sanitation and low-carbon energy).



*It will scale up its operations in the sectors of agriculture and food security, infrastructure and sustainable urban development*

Accra, Ghana.

It will mainly conduct its operations through loans and by mobilizing expertise, in close coordination with European Neighbourhood Policy instruments. It will earmark 20% of the Government's financial effort for the region.

# 5. TARGETED APPROACHES IN EMERGING COUNTRIES AND COUNTRIES IN CRISIS

In **emerging countries**, economic dynamism, urbanization and rising living standards put heavy pressure on natural resources and greenhouse gas emissions and lead to high levels of social and spatial inequality. AFD will be supporting pro-poor, low-carbon growth trajectories that preserve natural capital. In these countries, AFD will combine financial support and technical expertise mobilized via French operators, with the aim of sharing experiences and promoting their know-how.

The mandate for operations will remain closely linked to the global challenges of sustainable development, with a focus on climate change and biodiversity, but also to their local manifestations in response, in particular, to the challenges of sustainable urban development. Operations in these countries will come with a low budgetary cost: AFD will earmark less than 10% of the Government's financial effort for them.

In conflict and post-conflict countries, failing States or countries faced with major natural disasters, AFD's operations will focus both on prevention, by seeking to reduce areas of vulnerability and build up the resilience of these societies, and on supporting the crisis recovery stage and the resumption of the development process. In these countries, it will work to gain a comprehensive understanding of situations, sources of tension and of the different stakeholder groups. It will give priority to projects that combine rapid results with strengthening institutions and to operating methods tailored to insecure environments.

# 6.

## SUPPORT THE DEVELOPMENT AND REGIONAL INTEGRATION OF THE FRENCH OVERSEAS

In the **French Overseas Communities**, AFD will support both housing development and urban development. These are key areas for the development of these territories, both in terms of the resulting economic activity and their social role in meeting the need for housing and slum upgrading.

It will remain committed to supporting private sector development, a prerequisite for economic development, in particular by scaling up its private equity investment activity, developing its range of direct loans to companies, based on the principle of subsidiarity with the activity of local banking systems, and by participating in structuring sectors of the economy.

It will support local authorities, particularly their structural investments, by targeting the environment and social cohesion as a priority, in addition to a support-consultancy policy. It will involve local stakeholders in the regional promotion of ambitious climate change and biodiversity policies. It will continue its activities to prevent difficulties and support the financial restructuring of local authorities.

Finally, it will contribute to promoting French influence in countries in the neighborhood of the French Overseas Communities by drawing on its dual operational competence in France's overseas regions and neighboring foreign countries and will, in this respect, continue regional cooperation activities.


# 7. A WIDE RANGE OF INSTRUMENTS TO MEET CHANGING NEEDS

AFD will continue to develop a range of innovative financial tools in order to provide its partners with financing tailored to their needs. It will maximize the developmental impacts of the public resources entrusted to it by optimizing their use. It will pursue an ambitious policy of partnerships, particularly with international solidarity organizations and regional and local authorities involved in decentralized cooperation.

It will complement the activities of its subsidiary Proparco by continuing its cooperation with companies. The aim is to promote the mobilization of their expertise in order to support developing countries and share knowledge of the economic circles in the countries in question.

It will strengthen its relationship with the community of cooperation agencies and development finance institutions. A particular effort will be made to further develop the dialogue with European institutions, continue coordination and build synergies between European stakeholders.

It will set up an expertise and technical cooperation fund to scale up support for its financing, particularly in emerging countries, and to meet demand from partner countries seeking to benefit from the know-how of French stakeholders. The aim will be to share experience and exert influence.



*AFD has become a major international actor in the environment sector and the fight against climate change.*

Dali, Yunnan, China.

It will pursue its knowledge production activity, from capitalization on the projects it finances to forward-looking research on development issues, including partnerships with the scientific community. The aim is to enhance the relevance of its range of activities, provide input for its training activities, promote good practices and innovation and contribute to France's positions in international fora for debate on development.



# 8.

## AN EXEMPLARY AGENCY

AFD has established stricter requirements in order to adapt to both its growth and developments in the contexts in which it operates. To this end, it will:

- pursue and strengthen its social and environmental responsibility policy, both in its in-house activities and in its operations, with the aim of promoting sustainable development;
- adjust its financial model to regulatory changes and increase the size of its balance sheet, enhance its policy to secure its financing and reinforce its strategy on non-sovereign financing in order to continue to take the risks involved in its development activity and control them;
- build an ambitious policy for its staff, a key asset for AFD, in order to develop and transfer skills, and optimize their deployment in its network of 71 agencies and representation offices. It will reinforce its ethics mechanism;
- implement the principles of the Paris Declaration, the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation, as well as the principles for the coordination and division of labor agreed by European Union member countries. It will specifically strengthen its system for evaluating and measuring the developmental results of the projects it finances and will be more accountable for its activities on this basis.





Congo Basin forest.

*It will specifically strengthen its system for evaluating and measuring results.*

# THE 12 OBJECTIVES OF THE STRATEGIC ORIENTATION PLAN

- 1.** Make the sustainable development objective the common reference for all AFD's operational activities.
- 2.** In Sub-Saharan Africa, a mobilization for food security, support for infrastructure and targeted actions for education and health.
- 3.** Focus action in the Mediterranean on employment and reducing social and territorial inequalities.
- 4.** Reconcile development and the fight against climate change, particularly in emerging countries.
- 5.** Support economic development in the French Overseas Communities via housing, the private sector, local authorities and regional integration.
- 6.** Increase the range of financial tools.
- 7.** Scale up international partnerships and cooperation with France's civil society.
- 8.** Scale up the mobilization of expertise and consider establishing a specific fund.
- 9.** Scale up the production and exchange of knowledge.
- 10.** Consolidate AFD's financial model.
- 11.** Strengthen AFD's human capital.
- 12.** Develop high standards for accountability and social and environmental responsibility.

## PHOTOS CRÉDITS

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