

FINANCING APPROVALS IN 2017

EUR 1.3 billion for the water and sanitation sector

2017 confirmed the strong growth in the annual volume of financing approvals, which has doubled since 2014. Out of EUR 1.3 billion, **EUR 1.2 billion concern foreign countries** and **EUR 78 million the French overseas territories**. This accounts for 12% of the total amounts of financing approved by the AFD Group in 2017.

Africa remains the main area of operation with EUR 500 million approved. Commitments in Asia and Latin America increased significantly at EUR 470 million and will, for example, finance the first operations in the sector in Argentina and Bolivia. The level of approvals in the Middle East remained stable at EUR 220 million.

Expected project outcomes

In the coming years, thanks to financing approved in 2017 in foreign countries:



5 million people will benefit from a safely managed drinking water service



1.6 million people will benefit from a basic drinking water service



1.5 million people will benefit from a safely managed sanitation service



200,000 people will benefit from a basic sanitation service

These projects will also increase the drinking water production capacity by 247,000 m³/d, the wastewater treatment capacity by 730,000 population equivalent, save 13 million m³ of drinking water every year, and raise hygiene awareness for 2.3 million people.

Projects approved in Guinea, Nigeria, Uganda and Iraq are the main contributors to the improvement in drinking water services.

For sanitation, main contributors are projects located in Argentina, Côte d'Ivoire, Bolivia and Cambodia.

Over EUR 1 billion of loans

Loans amounts accounted for 83% of approvals. In foreign countries, sovereign loans (45% of which are concessional), continued to largely predominate (93%) compared to non-sovereign loans (7%).

EUR 216 million of grants

The volume of grants increased by a factor of 2.5 compared to 2016. This rise is related to the increase in grants from the French State (EUR 55 million), C2D financing (EUR 101 million) and European Union fund delegations (EUR 44 million). Furthermore, the water and sanitation sector benefited from the first Green Fund delegation to AFD of EUR 15 million for a flood management project in Senegal.

Grants from the French State mainly benefited Sub-Saharan Africa (the priority poor countries* received 45% of grants for the sector).

France's financial effort (EUR 49 million of subsidies for concessional loans and EUR 55 million of grants) targeted for 85% Sub-Saharan Africa and the Mediterranean.

GOVERNANCE – Supporting the second-generation sector reform in Senegal

Senegal has launched deep institutional reforms in the water and sanitation sector, in relation to the Sustainable Development Goals, and has adopted a new sectoral policy letter for 2016-2025. AFD, a longstanding partner in the sector, supports this approach by allocating the Government a EUR 40 million public policy loan (cofinanced with the European Union).

Disbursements will be conditional upon the achievement of results in terms of sector governance, access to water and sanitation services, and water resources management.

A EUR 1 million grant is financing specific actions for public finance management, the promotion of gender equality, and adaptation to the impacts of climate change.



* Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Djibouti, DRC, Guinea Conakry, Ethiopia, Madagascar, Mali, Mauritania, Niger, Senegal, Togo (2018 CICID meeting).

BREAKDOWN OF APPROVALS IN 2017 BY STRATEGIC AREA

Support the definition of clear, effective and inclusive sectoral frameworks

19 % of financing and 58 % of projects

Over half of projects contribute to this area, which refers to institutional support. While these actions are by nature less costly than infrastructure, they represent a significant financing volume in 2017 due to the allocation of several public policy loans (to Senegal, Bolivia and Jordan). When actions with implementing agencies and operators are taken into account, 88 % of projects approved in 2017 contribute to capacity building in the broad sense.

Provide access to efficient and sustainable services for all 59 % of financing

The implementation of a high-quality service for all is the social pillar of the strategy and the main area of AFD's operations in the water and sanitation sector.

Preserve resources in a context of climate change 14 % of financing

Wastewater treatment accounts for 86% of financing in this area, with the remainder consisting of actions for water resources management, such as the support to the Transboundary Basin Organizations of the Nile and Congo rivers.

Manage flood risks in a context of climate change 8 % of financing

In 2017, two flood control projects in the Congo and Argentina were implemented in this area.

CLIMATE – Better managing water security by treating and reusing wastewater in Cochabamba, Bolivia

Cochabamba, the 3rd largest city in Bolivia, suffers from major water stress. It is exacerbated by climate change, which is responsible for the melting of glaciers, meaning they no longer play the role of water storage. The river which flows through the city is heavily polluted by wastewater discharges, groundwater is overexploited, and farmers use raw sewage to irrigate their fields, despite high health risks. Consequently, treating wastewater to protect water resources and extend the cycle of water use has become a priority for the Bolivian authorities.

AFD is providing a EUR 42 million loan for financing a program under the Sanitation Metropolitan Master Plan. It includes building new sanitation infrastructures (networks and plants), which will benefit some 250,000 people. Technical assistance will support the development of the institutional framework for wastewater reuse for agriculture and will strengthen the sustainability of sanitation services.

In 2017, 19 projects in the sector, amounting to EUR 560 million, contributed to adaptation to the impacts of climate change.



CRISIS – Supporting the reconstruction of drinking water infrastructure and planning the redevelopment of the service in Iraq



The drinking water service in Iraq, which used to be efficient, has suffered from the series of crises and restrictions which the country has been subject to over the past decades. In certain parts of the country, the recent fighting has made the situation even worse and has caused major damage to infrastructure for basic services.

AFD is promoting the relief-development continuum by financing, via a EUR 10 million grant, the Wathab program launched by the International Committee of the Red Cross (ICRC) in Iraq. It aims to conduct urgent rehabilitation works on drinking water treatment and distribution systems and develop long-term planning for all the technical, administrative and financial aspects of water services in urban areas.

This project is part of the SAWA Initiative for Resilience, which aims to provide a structured response to the regional challenges of the crises in Syria and Iraq.

2017 REVIEW OF THE MONITORING INDICATORS FOR THE STRATEGY

In its sectoral strategy, AFD has defined monitoring indicators and has set several quantified average annual targets for 2014-2018. Those which are not achieved will be subject to special efforts in the coming years.

Indicators		Cible 2014-2018	Valeur 2017	
Resources implemented Geographical breakdown	Financing approvals in foreign countries	EUR 700m a year	EUR 1,187m	✓
	<i>including Sub-Saharan Africa</i>	<i>EUR 350m</i>	<i>EUR 496m</i>	✓
	<i>including the Mediterranean re-</i>	<i>EUR 100m</i>	<i>EUR 222m</i>	✓
	<i>including Asia and Latin America</i>	<i>EUR 250m</i>	<i>EUR 467m</i>	✓
	Financing approvals in the French overseas territories	EUR 50m a year	EUR 78m	✓
Resources implemented Project content	Amount for projects with a climate co-benefit	EUR 250m a year	EUR 560m	✓
	Share of projects with a capacity building component	80 %	88%	✓
	Share of projects with hygiene awareness-raising	50 %	52%	✓
	Share of projects with a positive gender impact*	50 %	36%	✗
	Share of cofinanced projects (by amount)	50 %	44%	✗
	Share of projects with a sanitation component (by amount)	30%	26%	✗
Expected outcomes**	Number of people benefiting from a safely managed drinking water service		5 million	
	Number of people benefiting from a basic drinking water service		1.6 million	
	Number of people benefiting from a safely managed sanitation service		1.5 million	
	Number of people benefiting from a basic sanitation service		0.2 million	

KNOWLEDGE PRODUCTION AND PARTNERSHIPS

In 2017, AFD renewed four financial partnership agreements, with OIEau, PFE, the Projection network and IRSTEA.

The theme of flood risks was one of the focuses for knowledge production in 2017. For example, AFD supported the organization of an “Ecological Engineering and Climate Risks” workshop, alongside the Seine-Normandie Water Agency, on the interest of nature-based solutions as a complement and alternative to “grey” infrastructure in addressing climate hazards (floods, etc.). This event led to the signing of an international declaration on the promotion of these solutions during COP23 in Bonn.

Two AFD technical papers, “Flood Risks and Cities in Developing Countries” (n° 35) and “Socio-Physical Vulnerability to Flooding in Senegal” (n° 25), were published.



Several research projects are also ongoing on the subject of sector governance, including a socio-political analysis of the water crisis in Bolivia (C. Le Gouill, AFD Research Papers, n° 2017-51), a retrospective analysis of the public-private partnership for the urban water sector in Senegal (conducted by CNAM), a study on the socio-political impact of self-managed water supply systems in the outlying neighborhoods of Kinshasa (conducted by IRD DIAL) and a socio-anthropological study on the development of untreated water networks in the Comoros (conducted by CNRS).

* Proportion of projects appraised by the Water and Sanitation Division and classified 1 or 2 under the OECD/DAC “Gender Equality” marker.

** In relation to Sustainable Development Goal (SDG) n° 6, which targets universal access, a high level of service, and covers the entire water cycle, starting in 2017, the indicators for the expected outcomes were aligned with the SDG’s notions of a “safely managed” and “basic” water and sanitation service. Consequently, the comparison with the target values of the strategy is no longer relevant. The data presented has been provided by AFD’s partners.

MONITORING OF PROJECT IMPLEMENTATION

Signing of financing agreements and disbursements

In 2017, AFD realized **EUR 993 million** of financing approvals with the signing of **47 agreements** for the water and sanitation sector.

In 2017, disbursements for the sector stood at **EUR 614 million**.

Portfolio of projects under implementation in the sector

On 31 December 2017, some **200 projects were under implementation**, for a **total amount of AFD financing of EUR 5.7 billion**, including an outstanding amount of EUR 4.2 billion.

Over half of the portfolio is made up of projects located in Africa (61% of amounts). Asia and Latin America regions account for 16% and 13% respectively and the Middle East for 17% of the portfolio. The activity in the French overseas territories accounts for 2% of amounts.

Actual project outcomes

In 2017, thanks to the projects under implementation financed by AFD:



3.2 million people have benefited from a safely managed drinking water service



82,000 people have benefited from a safely managed sanitation service



440,000 people have benefited from a basic drinking water service

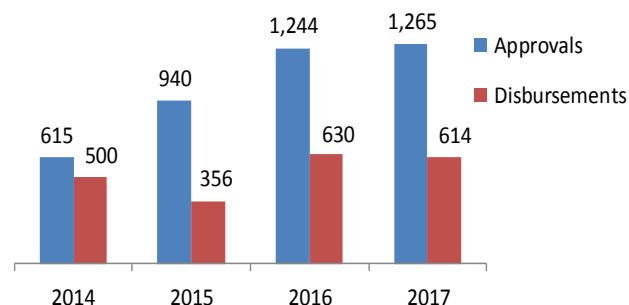


95,000 people have benefited from a basic sanitation service

AFD-financed projects have also raised hygiene awareness for 346,000 people, mainly in Cameroon and Togo, and have improved or secured housing for 321,000 people.

The projects financed in Burkina Faso, Côte d'Ivoire and India are the main contributors to the improvement in drinking water services. For sanitation, main contributors are projects located in Cameroon, Tunisia and Tanzania.

Annual Approvals / Disbursements to the sector (in EUR M)



Comparison of expected and actual project outcomes - The example of Cambodia



The expected outcomes of new projects approved during the year cannot be compared with the actual outcomes of ongoing projects. However, for a given project, it is extremely worthwhile comparing the expected outcomes prior to project start-up with the actual impacts of the project at its completion.

For example, the table below sets out the results of a EUR 30 million non-sovereign loan to the Phnom Penh Water Supply Authority (PPWSA), to finance the construction of the 2nd phase of the drinking water production plant in Ni-roth (130,000 m³/d) and the extension of the distribution network.

This project was launched in 2012 and has been carried out within the time-frame and allocated budget. Its success demonstrates PPWSA's performance which is held up as a model in the subregion : it supports the increase in demand in a rapidly growing city while providing a high-quality service and maintaining a social policy for the poorest populations.

Project indicators	Expected value (2012 estimate)	Final result (2017 review)
Number of people gaining sustainable access to a drinking water service	500,000	517,512
Number of people with an improved drinking water system		416,697
Drinking water production capacity financed (m ³ /d)	130,000	130,000