



Urban Development and Support for Local Authorities

ACTIVITY REPORT

2021

In 2030, 60% of the world's population will live in cities. The consequences of this rapid urbanization are social (growth of precarious settlements, increased risks of social fragmentation and poverty), economic (concentration of unemployed populations and difficulties in access to economic opportunities), and environmental (urban sprawl and increasing climate vulnerability).

Cities will need to be able to deal with this urban growth and its consequences.

Faced with these challenges, AFD provides support for the low-carbon transition in cities and their adaptation to climate change. It seeks to improve quality of life for city dwellers and supports sustainable development of territories. It helps stakeholders in cities to take up the challenges of urban growth, social inequalities, and urban areas' vulnerability.

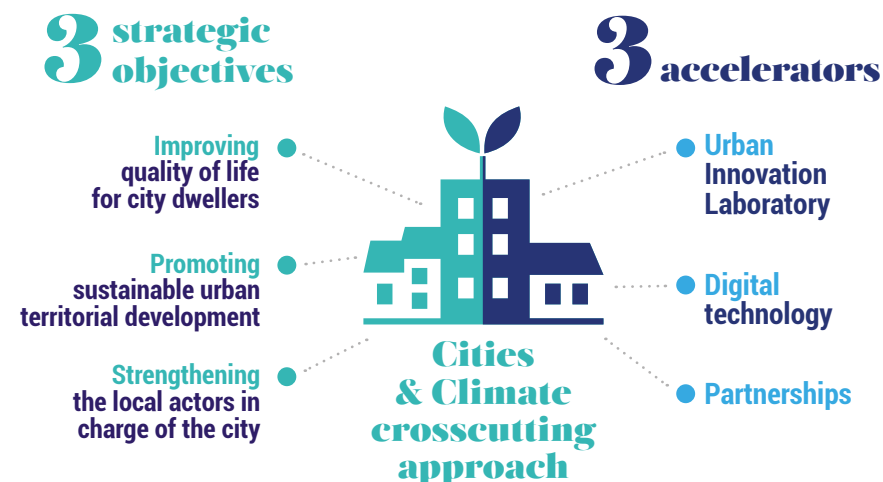
For a comprehensive view of AFD's actions regarding sustainable cities, activity reports from other entities in the AFD Group are also available. In addition to urban development and support for local authorities, AFD Group works on such issues as water and sanitation in cities, urban transportation and mobility, energy activities in cities, and private-sector sustainable city activities (via Proparco).

AFD's

Sustainable Cities Strategy

Support and financing for the development of sustainable cities

AFD provides cities with support for taking up the challenges of urban growth, social and territorial inequalities, and vulnerability of urban areas. It promotes sustainable cities as a process of design, building, and management, by working with the authorities in charge of cities, civil society, and city dwellers.



Improving climate resilience and low-carbon transition in cities

AFD works towards mitigation and adaptation, providing support for governments and local authorities using various levers:

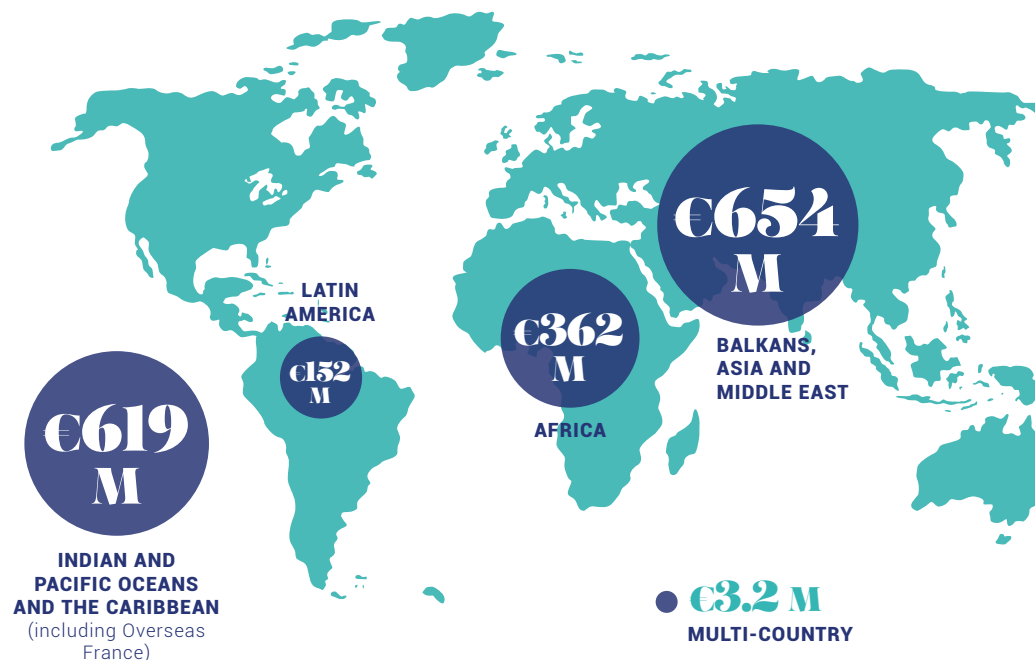
- **Adopting** an incentive framework to encourage strategies and actions in response to the challenges of climate change
- **Searching** for dense urban forms and improving energy efficiency in buildings
- **Encouraging** resilient urban development (prevention/management of natural disaster risks, biodiversity in the city, and nature-based solutions)
- **Promoting** projects for the reduction of greenhouse gas emissions
- **Supporting** local authorities as motors of low-carbon transitions
- **Mobilizing** dedicated funds and tools to identify and design urban projects with climate co-benefits



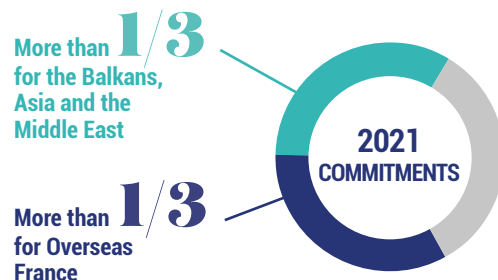
To find out more:
[FOCUS: Sustainable cities](#)

Our commitments to urban development and support for local authorities in 2021

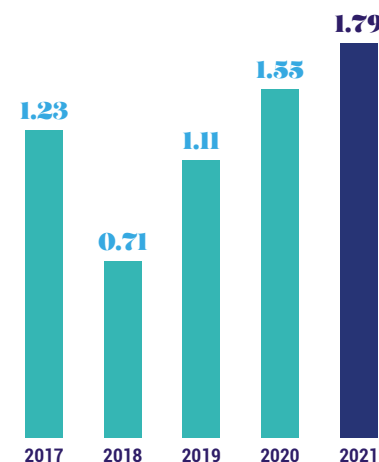
Breakdown by region



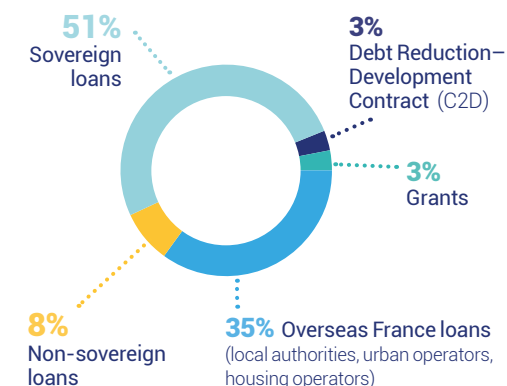
Nearly **€1.8 billion** committed in 2021 to finance projects to promote sustainable urban development and support for local authorities



Trends in commitments since 2017 (in € BN)



Breakdown by financial tool



Of AFD's financing in 2021 for urban development and support for local authorities, **more than half** were sovereign loans to States, and **over one third** were loans to local authorities and operators in Overseas France.

46 financing agreements

- 17 projects in foreign countries
- 15 projects in Overseas France
- 14 financing commitments for preparation, support, and/or follow-up on projects in foreign countries

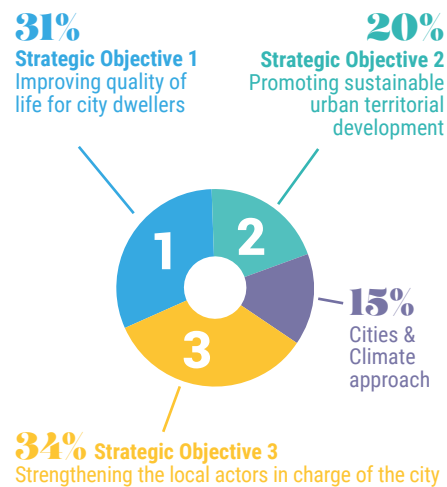


France's financial contribution in the sector of urban development and support for local authorities in 2021 amounted to:

€135 M

- **€66 M** in subsidized loans
- **€69 M** in grants

Breakdown of financing by strategic objective



In 2021, AFD financing for Strategic Objective 1 accounted for nearly one third of commitments. These include projects to improve essential urban services, solid waste treatment and management, and housing.

Gender objective



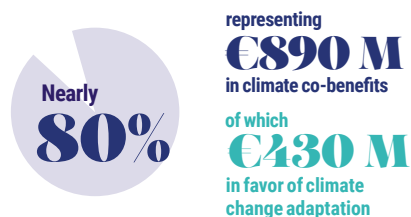
Climate objective

The Cities & Climate crosscutting approach is present in each AFD-funded project.

The 2021 commitments in the sector are aligned with the Paris Agreement. They will help fight climate change via adaptation to its effects and mitigation of greenhouse gas emissions.

In 2021, 15% of commitments were to projects whose main objective is mitigation and/or adaptation to the effects of climate change.

Climate contribution of projects in foreign countries



Capacity building and mobilization of French expertise

100% of the projects in foreign countries include capacity-building activities

88% of the projects in foreign countries mobilized French expertise during the preparation and/or execution phases

15 projects out of 17 mobilized French expertise

- 13 mobilized French private sector companies
- 3 mobilized Expertise France
- 7 mobilized French public bodies or local authorities
- 1 mobilized the French research sector
- 2 mobilized French NGOs

Expected results

In the coming years, AFD's commitments in the sector of urban development and support to local authorities in 2021 will enable:



26.8 M city dwellers and users to benefit from improved quality of life in cities,

including:



250,000 entities and public-service bodies operating in urban areas to benefit from technical and/or financial capacity building*

*This includes multiple entities, such as local authorities financed and/or supported as part of a project; local authority departments benefiting from capacity building; State ministries/agencies benefiting from capacity building activities; local PMUs (Project Management Units) supported in implementing project activities; neighborhood/inhabitants committees set up, formed or supported; local associations funded and/or supported as part of the project; urban operators funded and/or supported by the project, etc.

Strategic Objective 1

Improving quality of life for city dwellers

Projects aiming to improve the quality of life of city dwellers accounted for nearly **31%** of financing granted in 2021 for urban development and support for local authorities. These projects are designed to improve essential urban services, solid waste treatment and management, and housing.

The challenge is to put city dwellers back at the heart of urban strategies, and to consider their needs more effectively by supporting actions that improve access to essential urban services and sectors that are increasingly in demand:

- **Improving** access to basic urban services (access to drinking water, sanitation, public lighting, transportation and mobility services, etc.)
- **Reducing** the environmental and health impact of solid waste in cities
- **Developing** access to housing and improving housing conditions
- **Supporting** access to employment and local economic development

€559 M

committed in 2021 to this strategic objective (15 projects), including:



€213 M
on projects to improve access to essential urban services



Morocco:

Sustainable housing and urban development

€150 M - AFD non-sovereign loan
€500,000 - technical assistance grant
€3 M - European Union delegated funds



AFD granted a loan to Holding Al Omrane, a public development and housing operator in Morocco. The objective is to finance a multiyear program to build affordable housing that is energy- and heat-efficient, for vulnerable and lower-middle-class households. The aim is also to reduce insalubrious housing and to develop two new urban hubs that meet international standards for sustainable development, in the Oujda and Agadir urban areas. The program promotes social diversity and socio-economic inclusion as well as low-carbon sustainable urban development. The program will enable city dwellers to enjoy a better living environment.

More than

170,000

Moroccan city dwellers and users will benefit from a better quality of life.

Strategic Objective 2

Promoting sustainable urban territorial development

In 2021, **20%** of the financing granted was devoted to sustainable urban development within territories.

AFD promotes the territorial approach as the most suitable way to support projects with goals of:

- **Supporting** city center renewal and enhancing urban heritage
- **Encouraging** the improvement of precarious neighborhoods and their integration into the city
- **Supporting** cities in post-crisis recovery
- **Supporting** large-scale urban projects
- **Contributing** to the development of medium-sized cities

€359 M

committed in 2021 to this strategic objective (8 projects), including:



€108 M
on projects in favor of precarious neighborhoods' improvement



Philippines:

National program for natural disaster risk reduction at the local level



€250 M - sovereign public policy budget loan
€600,000 - technical assistance and cooperation grants

AFD supports the Philippine roadmap for natural disaster risk prevention and management and for climate change adaptation. This project helps guide the process of decentralizing, to the local level, the duties and services related to disaster risk prevention and reduction and climate change management. It will help to strengthen the capacities of local authorities and support the country's reforms. Such support will limit damage and reduce response time after a disaster, make for a more efficient recovery period, and strengthen the inclusion of vulnerable populations in local risk management and climate change adaptation strategies.

Nearly **150**

Philippine local authorities (local authorities and decentralized provincial services) will be strengthened thanks to the project.

Strengthening local actors in charge of the city

In 2021, **34%** of the commitments aimed to strengthen local actors in charge of the city.

AFD helps guide all the stakeholders involved in urban projects and supports local authorities as a key player in territorial development, in two ways:

- **Supporting** decentralization processes
- **Supporting** local authorities for their investment programs and access to financing



€605 M committed in 2021 to this Strategic Objective, was distributed among 15 projects for financing local authorities and urban/housing operators in Overseas France.

AFD in Overseas France

A major lender for the local public sector

AFD is one of the leading lenders of financing of local authorities and operators in Overseas France, alongside Caisse des Dépôts et Consignations. AFD provides direct budget loans to local authorities to finance their investment programs, and it finances projects run by housing and development operators. It is also reinforcing its role as advisor and technical partner of local authorities, particularly on climate issues.

Africa:
CITYRIZ, guarantees for mobilizing financing for African local authorities



€150 M - an AFD guarantee package totaling **€100 M** in underlying loans, including **€30 M** counter-guaranteed by the European Union and **€2 M** of technical assistance via a European Union delegated fund.

The CITYRIZ guarantee helps to develop the relationship between local authorities and financial institutions, two key players in urban development. With EU support, AFD is helping to develop banking markets for local public debt, so that local authorities can access financing in local currencies with long maturities. CITYRIZ will make it less risky for African banks to lend to cities. The guarantees will be applied to loans for sustainable urban infrastructure projects, and projects promoting better quality of life in cities. At the same time, EU-funded technical assistance (European Fund for Sustainable Development Plus - EFSD+) supports local authorities and banks in the preparation of projects and the creation of a financial offer for cities.

In 2021, financing targeting Overseas France could benefit nearly

1.2 M people

The Cities & Climate crosscutting approach

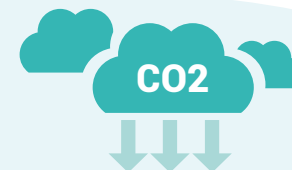
In 2021, **15%** of commitments were for projects whose main objective is mitigation and/or adaptation to the effects of climate change.

Costa Rica:

Public policy budget loan for a sustainable and low-carbon trajectory

€150 M - AFD sovereign loan

€1.2 M - technical assistance and cooperation grant



AFD is supporting Costa Rica in its sustainable and low-carbon trajectory, with co-financing from the Inter-American Development Bank. The project supports the development of the public policy framework of two carbon-emitting sectors (solid waste management and construction) as well as the implementation of a fair transition in climate change mitigation and adaptation policies. An additional project objective is the reduction of gender inequalities. At the same time, a technical cooperation program will be launched on issues for which AFD Group (with Expertise France) will provide added value and contribute to enriching dialogue on public policy.

Accelerators of the Sustainable Cities Strategy

Three development accelerators boost this strategy:

The Urban Innovation Laboratory



Civil society and city residents should be involved in the construction of the city and the urban project. It is important to meet the needs of city users while long-term urban projects are underway, by designing actions that quickly test urban planning, new uses, and new forms of citizen participation.

Digital technology



Digital technology helps drive the transformation of public action in cities, by optimizing urban services, improving urban planning and risk and crisis management, managing local finances and transparency of local governance; and creating opportunities and innovations for local economic development.

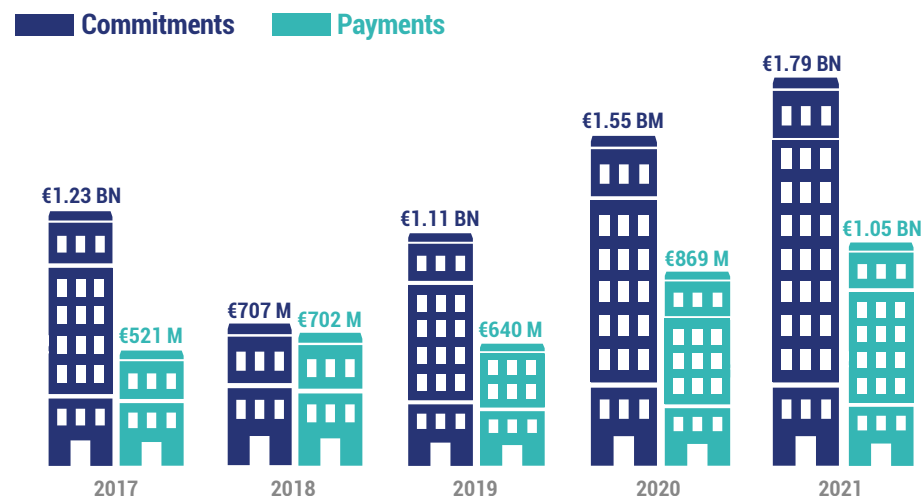
Partnerships



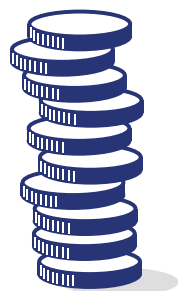
AFD's action falls within a partnership framework to mobilize expertise and financing for sustainable cities. Its main partners are the French stakeholders in urban development such as local authorities, urban planning agencies, the private sector, and the research sector; donors such as the European Union and the World Bank; and international organizations and networks of cities.

Commitments / disbursements

Trend since 2017



Agreements signed



€1.27 BN

Total amount of financing agreements signed in 2021 in the urban development and local government support sector

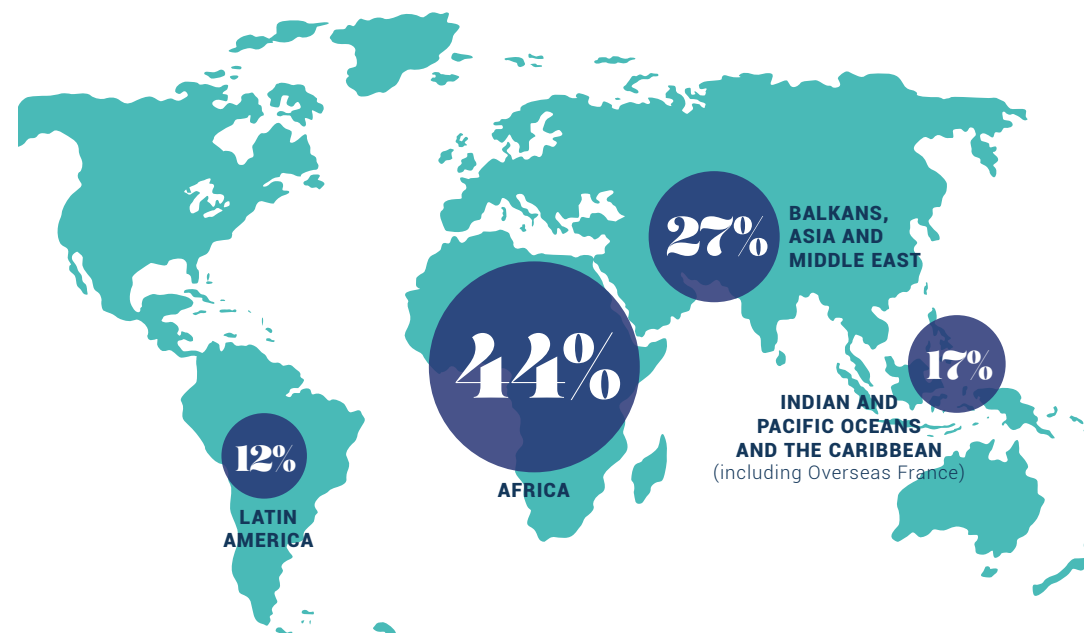


43 projects

in the sector whose financing agreement was signed in 2021

Ongoing projects

Geographical breakdown of projects in progress (as % of committed amounts)



163 projects

in progress in the sector as of December 31, 2021



For a total financing amount of **€5.2 billion**, including **€3.5 billion** remaining to be disbursed

Results achieved

In 2021, the ongoing projects in urban development and support for local authorities enabled:



nearly **11 M** city dwellers and users
to benefit from improved quality of life in cities.

Among them,

more than
4.7 M
people
benefited from improved
essential urban services
(water, sanitation,
electricity/energy,
waste management)

more than
2.7 M
people
benefited from
improvements to their
housing conditions,
access to public spaces,
or to socio-collective
urban facilities

more than
3,300
people
had their living
conditions in
the city secured
after crises

more than
10,700
people
received support
for their job or their
income-generating
activities

more than **1,560** entities and public-service
bodies operating in urban areas
benefited from technical and/or financial capacity building

Funds for preparing projects

With the support of other donors and partners, AFD has established several regional or sectoral funds for project preparation (Cities and Climate in Africa, Sustainable Housing Initiative, Cities and Climate in Asia, and others). These funds finance feasibility studies and technical assistance to prepare future urban investment projects that provide climate benefits.

CICLIA

Cities and Climate in Africa



€12.4 M: €8 M in EU delegated funds, €3 M from SECO, €1.4 M from AFD

The CICLIA Facility was launched in 2017 by the EU, SECO (the Swiss development cooperation agency) and AFD. It has already supported 34 cities of sub-Saharan Africa in the preparation of low-carbon and resilient urban projects. CICLIA funds sectoral plans, design studies, and technical assistance in all sectors of sustainable cities to help cities develop projects that contribute to fighting climate change. These preparations have a strong leverage effect that has led to the granting of more than €500 million in urban investments (by AFD with co-financing from the EU and the World Bank). Additional funding of more than €300 million could eventually be made available for projects prepared through ongoing CICLIA support.

Knowledge production

AFD's knowledge production in the urban sector has emphasized:



publication of analyses
on the affordable housing
sector in the Middle East
(Lebanon and Jordan) and
the rent-to-own sector in
Latin America (Ecuador)



co-publication with the
French Agency for the
Environment and Energy
Management (ADEME)
of a guide to urban cooling
systems in foreign countries



completion of reflection
and positioning on solid
waste management with the
publication of AFD's strategy



Towards a World in Common

Agence Française de Développement (AFD) implements France's policy on international development and solidarity. Through its financing of NGOs and the public sector, as well as its research and publications, AFD supports and accelerates transitions towards a fairer, more resilient world. It also provides training in sustainable development (at AFD Campus) and other awareness-raising activities in France.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.



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