



Urban Development and Support for Local Authorities

ACTIVITY REPORT

2023



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

AFD helps cities cope with this urban growth and its impact by supporting their low-carbon transition and their adaptation to climate change. AFD's goals are to improve the quality of life for city dwellers and to boost sustainable local development. To do so, it helps people take up the challenges of urban growth, social inequality, and the vulnerability of their cities.

The year 2023 saw a sharp increase in our commitments in the Balkans, Asia and the Middle East via sovereign loans, as well as (but to a lesser extent) in Africa through grants and loans. The 2023 financing has served to bolster the technical and/or financial capacities of many cities and other entities in the urban sector (around 460 worldwide).

AFD committed a total of nearly €3 billion in financing for sustainable cities in 2023.

For a comprehensive view of AFD's actions regarding sustainable cities, activity reports from other entities in 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).

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 the vulnerability of urban areas. AFD promotes sustainable cities as a process of design, building and management, by working with local authorities, other local actors, civil society and city dwellers.

3 strategic objectives

3 accelerators



Improving climate resilience and low-carbon transitions in cities

AFD promotes climate-change mitigation and adaptation, by providing support to central governments and local authorities using various modes of leverage:

- **Adopting** an incentive framework to boost strategies and actions in response to the challenges of climate change
- **Searching** for improved urban density and energy efficiency in buildings
- **Encouraging** resilient urban development (natural disaster prevention and risk management, biodiversity in the city, and nature-based solutions)
- **Promoting** projects that reduce greenhouse gas emissions
- **Supporting** local authorities as drivers of the low-carbon transition
- **Mobilizing** dedicated funds and tools to identify and design urban projects with climate co-benefits
- **Facilitating** access to climate finance for local authorities

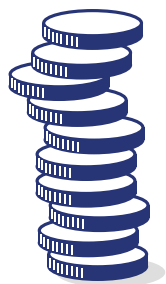


Find out more:

<https://www.afd.fr/fr/ressources/focus-villes-durables>

Our commitments to urban development and support for local authorities in 2023

Breakdown by region



€887 M
committed by AFD in 2023
to finance projects
that promote sustainable
urban development and
support local authorities

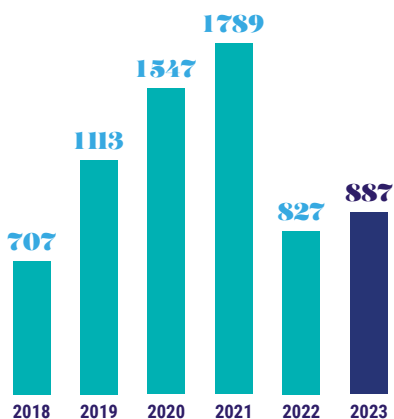
What did Proparco do in 2023?

Proparco, AFD Group's subsidiary dedicated to the private sector, has committed approximately **€100 M** to support private stakeholders in urban development. In 2023, for example, Proparco initiated two projects in South Africa **to build and retrofit rental housing** that is affordable, well located and energy-efficient. It has teamed up with South African investment manager *27four* to acquire a €20 M stake in *Diversity Urban Property Group*. Proparco has also provided a €10 M credit line in local currency to *TUHF Limited*, a non-bank financial institution that supports small-scale entrepreneurs.

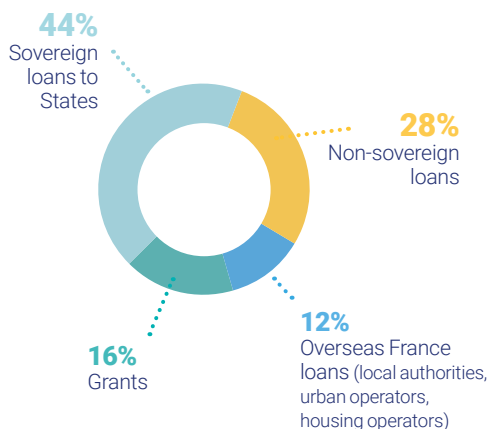




Trends in commitments (in € M)



Breakdown by financial tool



39
financing
commitments



23 projects in foreign countries

6 projects in Overseas France

10 financing commitments for
preparation, support, and/or follow-up
on projects in foreign countries

Multiple contributions to the Sustainable Development Goals (SDGs)

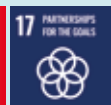


The projects for urban development and support for local authorities financed in 2023 work toward **SDG 11 “Sustainable cities and communities”**. They also continue to contribute to several other SDGs to varying degrees:

SECTORAL SDGs



CROSSCUTTING SDGs



51%

representing **€455 M** in climate co-benefits in foreign countries, including **€201 M** for climate-change adaptation.

The Cities & Climate crosscutting approach is present in each AFD-funded project. The 2023 commitments in the sector are aligned with the Paris Agreement.



69%

of 2023 commitments in foreign countries promote governance.



17%

of 2023 commitments in foreign countries promote biodiversity preservation, exceeding the target of 7%.



58%

of the 2023 commitments promote gender equality in foreign countries.



AFD's new financing in the sector effectively mainstreams **gender issues into projects for urban development** and support for local authorities. This is also the main objective of a €150 M operation.



Expected outcomes

AFD's commitments in the urban development sector, and support for local authorities **in 2023** will enable the following in the coming years:



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

Among them:



2 M

people
will benefit from
enhanced essential
urban services (including
water, sanitation, waste
management, electricity,
energy, etc.)



10.9 M

people
will see improvements
to their housing
conditions or enjoy
access to public spaces
or collective social
urban facilities



0.6 M

people
will benefit from
an improvement
to urban living
conditions
following crises



11,000

people
who will receive
support for their
income-generating
activities
or their job



461

entities operating in urban areas
will benefit from technical and/or financial capacity building*

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



Improve quality of life for city dwellers

In 2023, nearly **42%** of our urban development financing went to re-establishing city dwellers as the focus of urban strategies and to improve access to essential urban services.

Meeting city dwellers' needs (public lighting, waste management, housing, jobs, etc.):

- 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

€368 M

committed to this strategic objective
(12 projects) including



€141 M
in foreign countries
for waste
management

Bangladesh



Improving infrastructure and city governance

€184 M - AFD sovereign loan



AFD is mobilizing financing for a national results-based program targeting 86 cities, dedicated to infrastructure improvement (in quality, access, resilience and gender sensitivity) and to city governance (especially for more inclusive cities). This project is co-financed by the Asian Development Bank, which, in addition to a \$300 M loan, is managing a €2 M technical assistance grant. This financing also contributes to Strategic Objective 3 "strengthen local stakeholders".

Improved quality of life for

7.1 million city dwellers
and users

of whom **4.3 million**
will benefit from
increased climate resilience

87 organizations will benefit
from capacity building



Promoting sustainable urban development

AFD has devoted **17%** of urban development financing to sustainability, with action targeted at the local level.

Projects adapted to the needs of each area:

- Supporting **city center** renewal and promoting **cultural 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**

€151 M

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



€105 M
for projects
in intermediate
cities

Madagascar

2nd Support and Development Program for Balanced Cities



€ 42 M - Sovereign loan
€ 7 M - Grant

AFD is continuing its support for PADEVE, a project run by the Ministry of Decentralization and Regional Planning. This second phase involves support for six cities to deal with their expansion (Antsirabe, Fianarantsoa, Toliara, Mahajanga, Diego and Toamasina – average population 200,000). They will benefit from rehabilitation or construction of urban infrastructure such as roads, markets, drainage canals, public gardens, and essential services. PADEVE's actions will take climate actions into account in that work, and they will increase the cities' capacity for action.

654,000

people will benefit from improved living conditions and access to urban collective social facilities thanks to the program

7 entities (cities and ministries) are receiving capacity building

Strengthening local authorities in charge of the city

By 2023, **42%** of financing focused on strengthening local actors in urban development.
AFD supports local authorities as key players in regional development.

Two pillars of action:

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

€368 M
committed to this
strategic objective
(9 projects), including:
**109 M€ in financing for
local authorities and
urban/housing operators
in Overseas France**

Colombia

Development plan for the City of Bogota



€150 M - Non-sovereign loan
in local currency (pesos)



AFD is supporting the City of Bogota by financing part of its 2020-2024 development plan, especially in the areas of gender equality (the main crosscutting objective) and social inclusion, climate-change adaptation, and access to sustainable mobility.

4 city-dependent entities are receiving capacity building

847,000
city dwellers and users will see
improvement in their quality of life

AFD finances local authorities in Overseas France (e.g. €30 M for French Guiana in 2023)

AFD is one of the leading sources of financing for local authorities and operators in Overseas France, alongside *Caisse des Dépôts et Consignations*. In 2023, for example, it supported the **Territorial Collectivity of French Guiana** (population 300,000) via a €30 M budget loan for its investment program devoted especially to infrastructure in education, transport, and digital networks. Support in these areas has become essential to keep pace with demographic growth. AFD is also boosting its role as advisor to and technical partner of local authorities, particularly on climate-change issues.

What's more,
100%
of projects
in foreign countries
include
capacity-building
activities

1.3 million people will benefit from the financing targeting Overseas France in 2023



Sports and culture in cities

AFD finances local sports facilities to develop access to sports and improve the quality of the sports offer and management. We also finance cultural facilities such as museums and strive to reconcile preservation of cultural heritage (including historic districts) with the enhancement of the city's attractiveness over the long term.

Mauritania

Culture & Sports for Youth Project

€18 M - AFD grant



AFD is supporting this project, which uses culture and sport as levers to advance social cohesion and inclusion of young people. The project will develop public facilities dedicated to culture and sports in socio-economically vulnerable neighborhoods in Nouakchott and Nouadhibou. It also includes the creation of a national mechanism for promoting culture and the



arts, supporting the relevant government ministry, and developing a training curriculum for facilitators.

660,000

people (including young people and women) will see their quality of life improved via better access to quality cultural and sports facilities.

Funds for project preparation

AFD has set up several <https://www.afd.fr/fr/les-fonds-de-preparation-de-projets> with partner support. These funds are designed to finance feasibility studies and technical assistance to prepare future urban investment projects.

The Swiss State Secretariat for Economic Affairs (SECO) delegated €3 M to AFD in 2023 for the **CICLIA (Cities and Climate in Africa) facility**. CICLIA is dedicated to projects to **fight climate-change** impact in African cities. AFD had allocated a €3 M grant to top up CICLIA in 2022.



The European Union delegated €5 M to AFD for Phase 3 of the **Urban Projects Finance Initiative (UPFI)**, a facility for preparing sustainable

urban projects. It targets cities and States in the **five countries of the European Union's eastern neighborhood** (Armenia, Azerbaijan, Georgia, Moldova, and Ukraine).



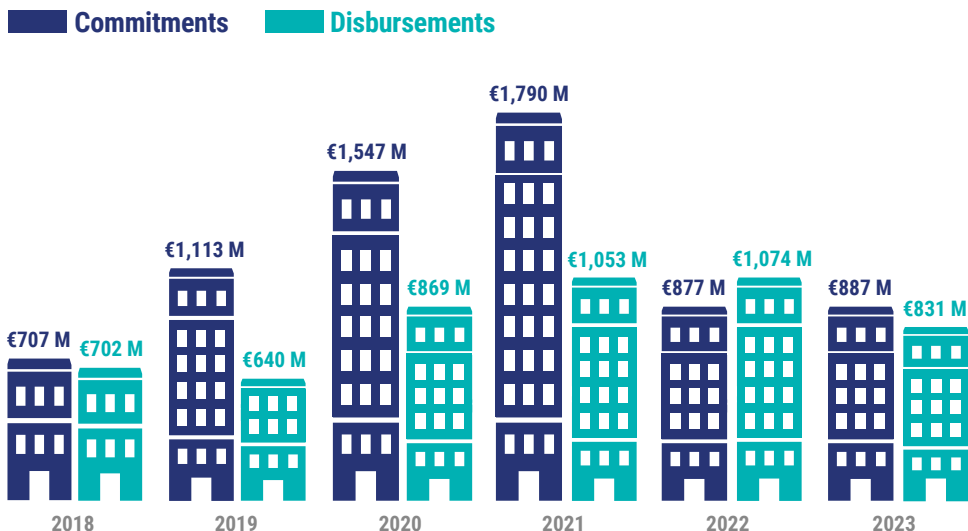
The **Cityriz guarantee program** encourages banks to finance the **climate co-benefit projects of African cities** and their operators. As part of this program, AFD manages a €2 M technical assistance budget financed by the European Union. AFD helps local authorities in the technical and financial preparation of their resilient infrastructure projects, and it supports the banks that lend to them by bolstering their risk-analysis procedures.



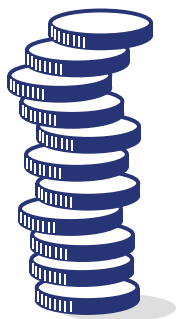
<https://www.afd.fr/fr/la-garantie-cityriz#47915>

Commitments / disbursements

Trend since 2018



Agreements signed in 2023



€763 M

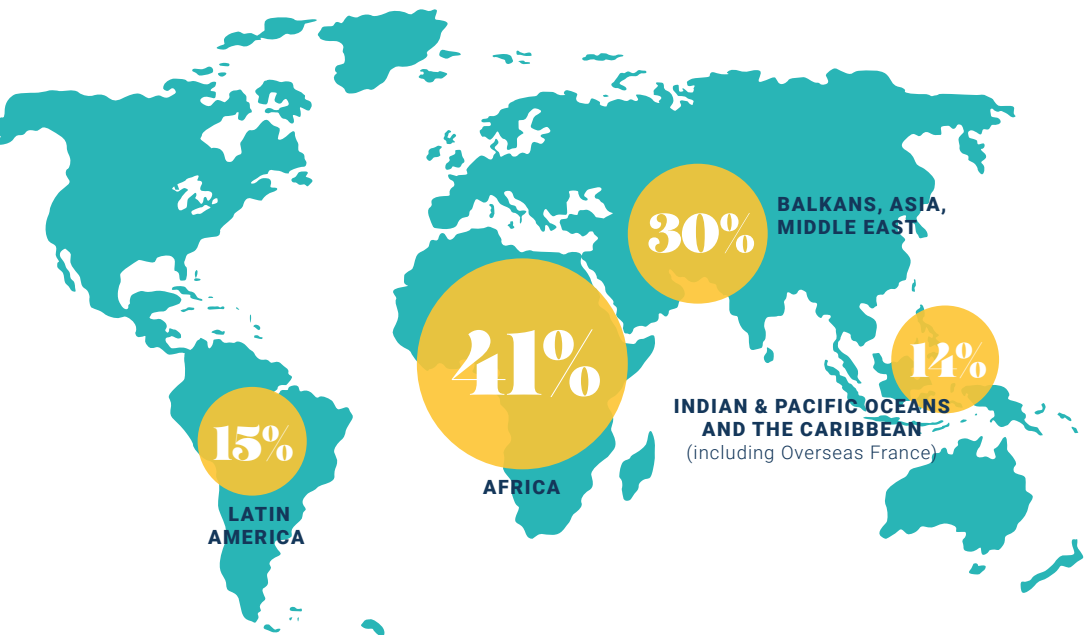
Total amount
of financing agreements
signed in
the urban-development
and local-authorities
support sector



41
projects
in the sector with signed
financing agreements

Ongoing projects

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



198
projects
in progress
in the urban development
and local government support
sector as of December 31, 2023



For total financing of

€5.6 BN

including **€2.5 BN**
remaining to be disbursed

Results achieved

AFD's urban development and support for local authorities projects
in 2023 has enabled:



more than **6.7 M** city dwellers and users
to benefit from improved quality of life in cities,

including



more than
2.5 M
people
to benefit from improved
essential urban services
(water, sanitation,
electricity/energy, waste
management)



more than
0.3 M
people
to benefit from
improvements to their
housing conditions,
access to public spaces
or public urban facilities



nearly
22,600
people
to receive support
for their job or their
income-generating
activities



nearly
35,000
people
to benefit from
more secure living
conditions following
crises in their city



nearly **2,000** entities operating in the urban sector
to benefit from technical and/or financial capacity building

Finished projects



Porto Novo

Green City: developing and protecting the lagoon area

€8 M - AFD grant awarded in 2015

€1.2 M - French Facility for Global Environment (FFEM),



FONDS FRANÇAIS POUR
L'ENVIRONNEMENT MONDIAL



By combining urban planning, creation of public spaces, and flood risk management, this project contributes to greater resilience to climate change in Benin's capital. In addition, two decentralized cooperation projects with Greater Lyon and the Urban Community of Cergy-Pontoise have provided technical support. Among other benefits, the projects included the development and environmental protection of lagoon banks and precarious neighborhoods, support

for income-generating activities, renovation of traditional town squares, and technical and institutional support for municipal services.

Improved quality of life
and greater climate resilience for

25,000 people

2,200 people benefiting from
an income-generating activity
(including 720 market gardeners)

Knowledge production and partnerships



AFD's knowledge production in the urban sector has focused on **housing** especially. With funding from the Sustainable Housing Initiative (SHI), we conducted a study on how affordable housing contributes to achieving to the various SDGs. A summary report of the study, which was based on scientific literature, has been published. Meanwhile, the year was rich in **training courses provided by AFD experts** on sustainable cities. The training targeted solid waste management, decentralization (with Campus France in Marseilles), and "Cities and Climate" (in Mombasa, Kenya), for example.

Events and partnerships

AFD took part in a number of major events devoted to sustainable cities, including the **UN-Habitat** General Assembly in Kenya — with which we signed a partnership agreement — and the Summit for a New Global Financing Pact conference on financing sustainable cities, held at UNESCO in Paris. AFD also participated in the second session of the Intergovernmental Negotiating Committee to develop **an international treaty on plastic pollution**.

We also spoke on the subject of waste management at the COP28 Climate Conference in Dubai. Additionally, we are continuing to build on our knowledge about intermediate cities, having taken part in a research seminar organized by the French Institute of International Relations (Ifri).

For 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 2,700 projects in the field, in 120 countries and French Overseas Departments and Territories. 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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