

# AFD, WATER AND SANITATION

A service for all,  
a resource for tomorrow



In 2011, AFD allocated **€643m** of loans and **€69m** of grants to water and sanitation in developing countries

## WATER AND SANITATION: A CORE DEVELOPMENT CHALLENGE

Access to water and sanitation is a major international challenge for health and the environment, but also for poverty reduction and gender equality.

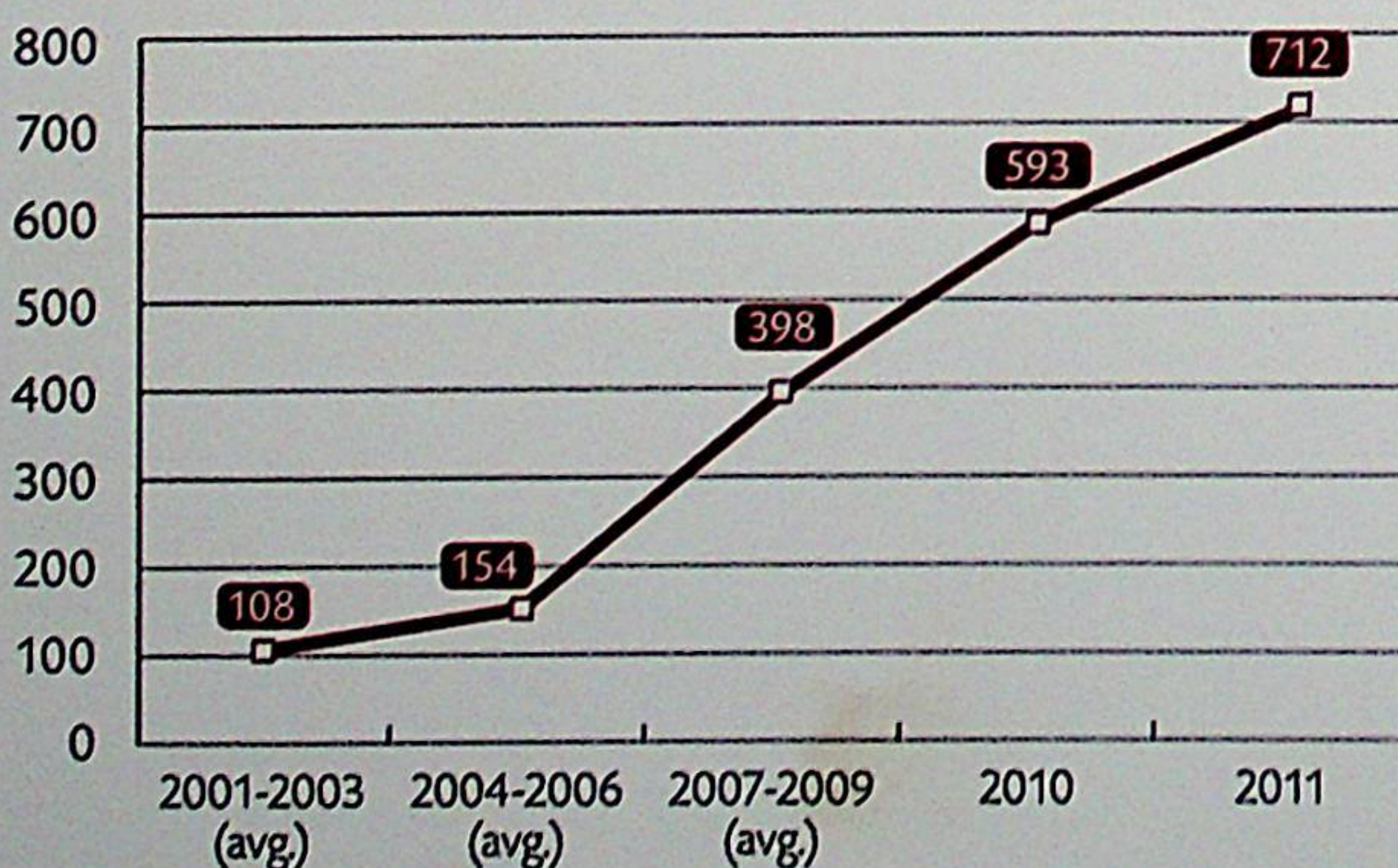
The Millennium Development Goal (MDG) that aims to halve the proportion of people without sustainable access to drinking water is expected to be reached by 2015. Yet roughly **800 million people** still do not benefit from satisfactory access to drinking water. The situation for basic sanitation gives even more cause for concern: this component of the MDG will certainly not be reached.

Moreover, pressure on water resources – both in terms of quantity and quality – increases with demographic growth, changing diets and urban growth. **Climate change** is expected to exacerbate these tensions, as it will lead to an **even more unequal distribution** of water resources. In 15 years' time, one third of the world's population may be living in water-stressed regions.

## FRANCE IS MOBILIZED FOR WATER AND SANITATION

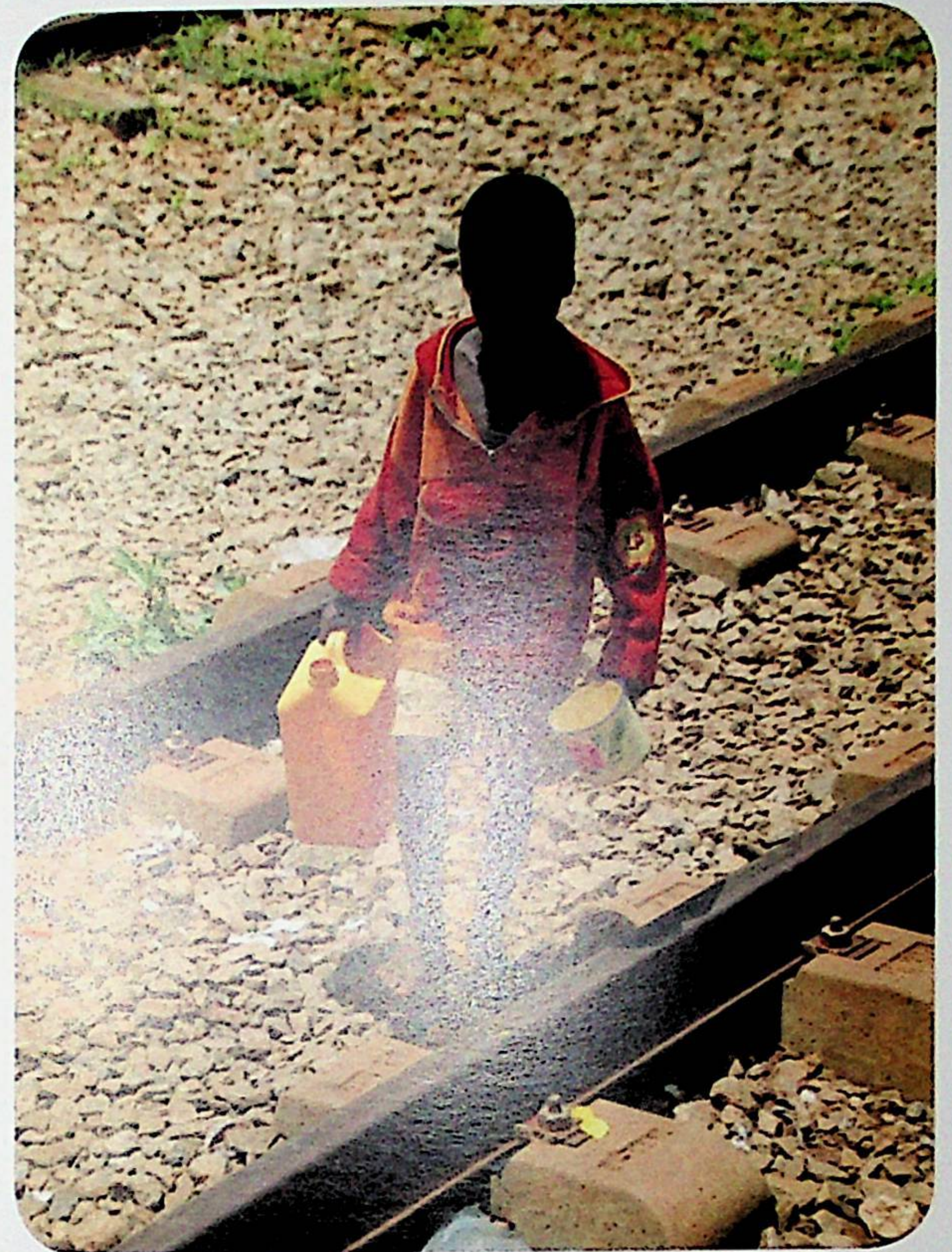
France defined water as one of the priorities of the Evian G8 Summit in 2003, which shows the importance it gives to this sector. It announced that it would **double its aid to this sector** at the Summit. This objective was reached back in 2007, mainly thanks to the increase in AFD financing.

Yearly commitments of AFD (€ M)



This political commitment is in line with French opinion: 35% consider this sector as the top priority, well ahead of the other sectors (education is in 2<sup>nd</sup> place with 14%)(<sup>\*</sup>).

(<sup>\*</sup>) Source: IFOP survey "The French and Development Assistance", July 2011



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For the period 2010-2015, AFD aims to commit **€600m** every year to water and sanitation in developing countries.

It has also set result-oriented targets: provide access to drinking water to an average **800,000** people every year and to **500,000** for sanitation.

AFD focuses roughly half of its financing on Sub-Saharan Africa, which is the most behind on the MDG.

## ENHANCING THE EFFECTIVENESS OF OFFICIAL DEVELOPMENT ASSISTANCE AND ACCOUNTABILITY ON RESULTS

In the water and sanitation sector, AFD has adopted a pilot approach to evaluating and communicating on the effective results of its operations and not only on those that are expected when it allocates its financing.

To this end, it conducts an annual supervision of its entire portfolio in order to evaluate the progress of each project on the basis of the stated objectives.

AFD has defined quantitative and qualitative results measurement indicators and systematically evaluates projects that have reached completion.

### Support the definition of clear and effective sectoral frameworks

The water and sanitation sector is complex as there are multiple financial flows, a wide range of stakeholders working at different levels and strong connections with other sectors, such as health, energy and agriculture.

Such complexity requires a clear and effective sectoral framework, which is an essential condition for making infrastructure investments sustainable. It has a multiplier effect on the whole sector. It is a prerequisite for universal and sustainable access to the service and to sound resource management.

#### A clear and effective sectoral framework comprises

- an operational legislative and regulatory environment
- a clearly defined distribution of the responsibilities and resources of each stakeholder
- a realistic development strategy that specifically defines the distribution of financing between Tariffs, Taxes and grant-based Transfers (the "3 Ts")

### Manage water resources sustainably

The ever-increasing pressure on both quantity and quality has made **Integrated Water Resources Management (IWRM)** essential in order to ensure that there is a concerted allocation to the different uses (agriculture, domestic, energy and industry), while taking ecosystem requirements into account.

IWRM includes social, economic and environmental considerations and appears to be the most appropriate framework for the implementation of climate change adaptation policies.

AFD supports initiatives that ensure:

- an optimal and concerted allocation of resources that takes the economic value of water into account
- the development of tools for measurement, analysis and modeling
- an improved water demand management, notably for agriculture
- the protection of aquatic environments and of their biodiversity
- the development of "unconventional" water resources, particularly treated wastewater reuse and desalination

AFD and the French Global Environment Facility (French GEF) notably support **transboundary basin organizations (TBOs)** that contribute to maintaining peace and to sustainable development at the sub-regional level.

### Provide sustainable access to water for all

AFD seeks to ensure that financial balance is reached thanks to the "3 Ts" and that the water service is sustainable by supporting additional initiatives:

- to bring down operating costs by reducing technical losses and through energy efficiency
- to increase billing and collection by improving commercial management and raising user awareness (including administrations) to the consequences of not paying for water
- to provide access to drinking water for all thanks to appropriate tariff strategies based on a sound knowledge of demand and, in certain cases, through support to informal private initiatives

### Guarantee a healthy urban environment

Sanitation needs to catch up with urban growth in order to address the health and environmental threats posed by cities in developing countries. AFD advocates and finances projects that:

- clarify the action framework for sanitation (it is generally complex and not unified) and make this sector a political priority
- develop infrastructure in the entire sector (wastewater collection and treatment, sludge transport and treatment and stormwater drainage)
- promote hygiene systematically

In order to reduce operating costs and greenhouse gas emissions, AFD also examines opportunities to optimize energy and recycle sludge in each of the wastewater treatment plants it finances.



Promoting hygiene through a card game in Mauritania

## AND 3 ADDITIONAL TOOLS

### THE PAN-AFRICAN CAPACITY BUILDING PROGRAM (PACBP)

The "Water for All" International Executive Masters Program, set up by AgroParisTech and Mines ParisTech (French graduate institutes of education and research), is based on developing the capacities of future water and sanitation service managers in developing countries. It aims to empower executives to manage urban services.

Since 2008, the aim of the PACBP has been to develop training programs to build skills in Africa, particularly for infrastructure management. In this context, the Development Bank of Southern Africa (DBSA) and the Industrial Development Corporation (IDC) are supporting the establishment of certain training modules of the "Water for All" International Executive Masters Program in Africa.

The 2iE Institute in Ouagadougou and the African Water Academy in Kampala are the first partners identified.



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### Capacity development

Capacity development is a process for long-term change that concerns all sector stakeholders, whether or not they are States. It is not confined to **individual skills** development, but must also **improve organizations and governance in the sector**.

At the national level, this support generally takes the form of a consultant service or a **technical assistance** provided to Southern partners. Technical assistance has today become a fully-fledged operational method for AFD. It focuses on the implementation of effective sectoral frameworks and on service management.

At the regional level, AFD gives priority to supporting organizations that guide sectoral policies: transboundary basin organizations, AMCOW, ECOWAS and AWF. It promotes **technical and managerial vocational training**. It supports the implementation of **South-South and North-South partnerships between operators** (via the GWOPA initiative) or between water resource managers.

### Infrastructure financing

AFD finances infrastructure through grants and loans, generally subsidized by the French State.

It gives priority to program rather than project approaches by allocating them  $\frac{2}{3}$  of its financing. This objective leads to an increase in **cofinanced operations** through a **donor coordination** approach, particularly among European donors.

In addition to grants and loans to States, AFD has a **wide range of financial tools** that it endeavors to use effectively on the basis of the needs of its Southern partners: direct loans to local authorities or operators, credit lines, guarantees...

### Knowledge production and sharing

AFD actively contributes to national and international sectoral thinking. It views knowledge production as a fully-fledged operational tool as it helps improve the quality and relevance of its operations. This activity contributes to **capitalization** and **sectoral innovation**.



Moyen Sebou hydro-agricultural development project in Morocco

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### ECONOMIC APPROACHES TO WATER DEMAND MANAGEMENT

AFD is leading a program to promote the economic approach to water demand management at the Marseille Center for Mediterranean Integration (CMI), in partnership with Plan Bleu. It comprises several case studies (Jordan, Morocco and Tunisia), as well as both national and regional think-tanks and experience sharing workshops. This approach offers a solution to the difficulty encountered by certain countries to implement effective demand management policies. The aim is to provide economic insight based on a cost-benefit analysis of the different opportunities for national measures.

## Sub-Saharan Africa and Least Developed Countries

In these countries, which are often behind on the MDGs, AFD primarily focuses on access to water and sanitation.

It concentrates its aid, particularly its grants, on the 14 priority poor countries defined in 2009 by the French Interministerial Committee for International Cooperation and Development<sup>(\*)</sup>.

The diversity of economic and institutional situations means that a uniform approach is unsuitable. AFD has consequently defined a country typology based on the **maturity of countries' sectoral policies**. There are three different categories of countries:

- 1 countries where the sector is in crisis with no definition of a sectoral policy, or with an incomplete policy that is not implemented
- 2 countries that have defined a sectoral policy which is being implemented
- 3 countries that have an effectively implemented sectoral policy and where national and local stakeholders have taken ownership of the policy

AFD **tailors the range of tools it uses and its priorities to each of these 3 categories** in order to maximize the effectiveness of its operations, while integrating feasibility constraints. For category 1 and 2 countries, the priority is to support the definition and implementation of an effective sectoral framework. This requires developing the capacities of national stakeholders through technical assistance and institutional and organizational studies.

Small stand-alone projects (mini-networks and on-site sanitation) are the priority in category 1 countries, primarily through grants or highly subsidized loans.

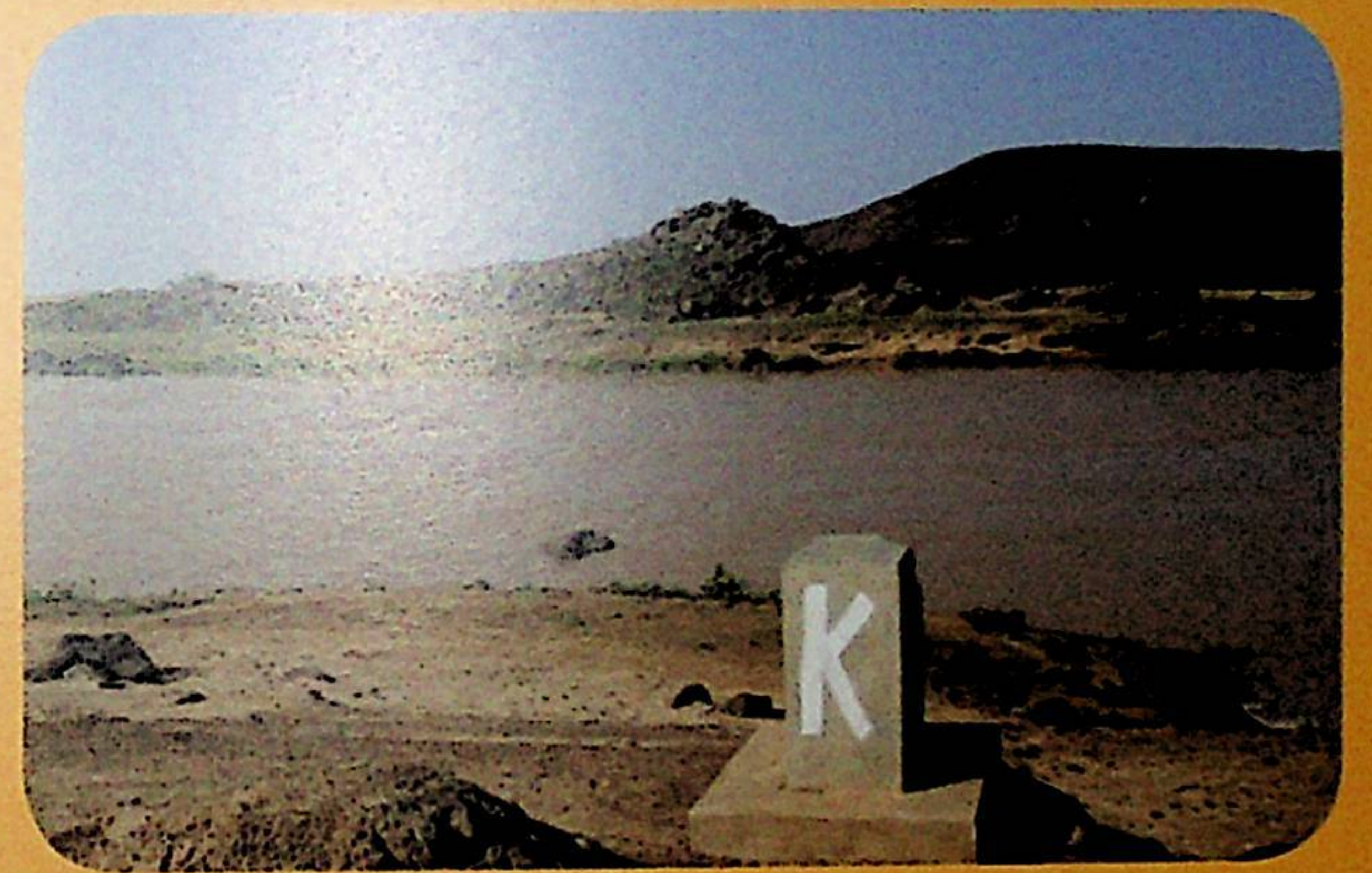
### AFD's objectives

- **€300m** committed each year
- **9 million** people gaining access to drinking water and sanitation between 2005 and 2015

Category 2 and 3 countries are eligible for loans to States, local authorities and operators.

AFD also supports projects that improve resource management and regional economic integration. For example, it provides support to a number of African transboundary basin organizations and finances major regional water infrastructure.

(\*) Benin, Burkina Faso, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Ghana, Guinea, Madagascar, Mali, Mauritania, Niger, Senegal and Togo



First stone of the Kandadji dam in Niger

© AFD - G. Sartena

## KANDADJI PROGRAM FOR THE DEVELOPMENT OF THE NIGER VALLEY

This program, to which AFD is planning to contribute €66m, comprises the construction of a dam and the creation of a 1.6 billion m<sup>3</sup> reservoir, the construction of a 130 MW hydropower plant and the gradual development of irrigated areas (45,000 ha by 2034). The dam and its associated infrastructure are part of a regional investment program, which is the outcome of the Shared Vision of the 9 member States of the Niger Basin Authority.

## LAKE VICTORIA – KAMPALA DRINKING WATER AND SANITATION PROJECT

This project is cofinanced by AFD, KfW and EIB and constitutes an investment of over €200m to upgrade and build treatment plants and restructure the drinking water network. It is part of the Lake Victoria Region Water and Sanitation Initiative and plans to monitor the quality of water in the lake at Murchison Bay, where algal blooms that carry cyanobacteria and toxins are developing. The project aims to develop specific techniques to treat them that can be disseminated to all the cities bordering the lake. A grant from the EU-Africa Infrastructure Trust Fund has been mobilized for this purpose.



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## ➤ Mediterranean

Urban regeneration and land-use planning are a priority for AFD in Southern and Eastern Mediterranean countries. Water and sanitation projects form part of this objective.

Water demand management is essential in these highly water-stressed countries. The geopolitics of water is complex in this region and the management of transboundary resources is a source of tension.

In addition to reinforcing local and national sectoral policies, AFD focuses its operations on:

- **promoting IWRM** based on a more effective use, the concerted allocation of resources between uses via an economic approach and the mobilization of unconventional resources
- **supporting sectoral policies thanks to capacity development** (particularly for operators) and **setting up partnerships with the other donors**
- **de-polluting the Mediterranean** by improving sanitation, under the Union for the Mediterranean (UfM) and its H2020 Initiative. This sea is indeed threatened by the discharge of untreated urban wastewater, which has environmental, health and economic impacts

### AFD's objectives

- **€200m** committed each year
- at least **40%** of commitments earmarked for sanitation

## ➤ Emerging and middle-income countries in Asia and Latin America

In these countries, AFD's operations aim to limit the environmental footprint of rapid growth. Its strategy for water and sanitation is core to its objectives for sustainable development and for the integration of climate change (mitigation and adaptation).

4 priorities have been defined:

- **to recover and develop greenhouse gases** from wastewater treatment
- **to reduce the energy consumption** of drinking water and sanitation services, particularly by fighting against network losses
- **to protect biodiversity** thanks to the development and upgrading of sanitation systems
- **to preserve ecosystems** (arid or humid) that have been weakened by climate change, **thanks to the sound management of water resources** at the local and regional level

### AFD's objective

- **€100m** committed each year

## COLOMBIA – INTEGRATED WATER RESOURCES MANAGEMENT

AFD is contributing to the establishment of an effective IWRM policy in Colombia thanks to budget support cofinanced with the Andean Development Corporation (CAF). This support includes a mechanism of progress indicators established jointly by the Colombian Government and AFD. Moreover, as part of its decentralized cooperation, the Adour-Garonne Water Agency has established an institutional partnership, which will allow exchanges between the French and Colombian IWRM models.

## ➤ French Overseas Communities

AFD supports endogenous economic development in the French Overseas Communities. It focuses its support to local authorities on environmental issues.

There are three priorities for water and sanitation:

- **to develop the entire sanitation sector** (collective and private infrastructure, regulation, governance, stakeholders' capacities and sustainable financing)
- **to improve the level of the water service** (water quality, coverage of informal neighborhoods, distribution losses and self-financing capacity)
- **to support the development of IWRM policies** in order to adapt to climate change and protect aquatic environments



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## PALESTINIAN TERRITORIES – SANITATION PROJECT IN GAZA

The Gaza Strip is one of the most densely populated regions in the world. The overexploitation of the aquifer leads to the salinization of the water. The discharge of untreated wastewater exacerbates groundwater pollution.

AFD, alongside other donors, is financing the construction of a wastewater treatment plant that will treat the wastewater of 250,000 people by 2015. This project improves public health by limiting health risks related to the discharge of untreated effluents and also protects the environment.

### AFD's objective

- **€60m** committed each year

## ➤ Innovative financing

AFD endeavors to use its entire range of financial tools in order to provide tailored assistance. In addition to loans and grants to States, it develops an innovative range of financial products for development stakeholders that often have limited access to credit to finance their investments: local authorities, small private operators or public utilities.

The support allows them to improve the quality of their service and supply for communities. AFD's main innovative financial tools for these stakeholders include:

- **dedicated credit lines for the sector** allocated to commercial or development banks. This allows them to finance small- and medium-sized public or private operators that AFD could not finance individually
- **guarantees**, which reduce the risk taken by banks with the loans they allocate by sharing it with AFD. This promotes investment and job creation in the sector
- **regional or national water sector basket funds** dedicated to financing secondary cities or local utilities
- **financing for microfinance institutions**, which makes it possible to develop sectoral products for users (for example, to finance a connection to the water network or a latrine)

## ➤ Strategic partnerships

French stakeholders in the water and sanitation sector have diversified and recognized know-how. AFD involves them in its strategic thinking and promotes concerted approaches in the countries where it operates. For example, it works in partnership with:

- **stakeholders in integrated basin management**, an area in which France enjoys substantial expertise
- **local/regional authorities**, which can both contribute to developing capacities in the South and cofinance projects through an increasing mobilization of their decentralized cooperation grants, particularly thanks to the French "Oudin-Santini" Law
- **NGOs**, which are active in the sector and have skills that are complementary to official development assistance
- **foundations**, which have increasingly significant financial capacities
- **water professionals** (operators, consultancy firms and equipment suppliers), which are often a reference at the international level
- **research and development institutes**

### VIETNAM – CREDIT LINE FOR DRINKING WATER

AFD has allocated a €30m credit line to extend and improve drinking water networks in small- and medium-sized cities in six Mekong Delta provinces. The program will improve the service for over a million residents (better quality water available 24 hours a day, higher pressure, etc.). The financing is multi-staged: a loan to the State is retroceded to the Vietnam Development Bank, which in turn earmarks it for loans to local water companies.



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The branches of the Mekong River supply water for the projects financed by the credit line

### DECENTRALIZED COOPERATION – URBAN SANITATION IN MALI

Thanks to the Oudin-Santini Law, French local authorities can earmark up to 1% of their water and sanitation budget for international solidarity activities in the sector. AFD promotes these initiatives.

For example, in Mali, it is cofinancing a sanitation project in Kayes City, along with the Urban Community of Evry Centre Essonne and the Seine-Normandie Water Agency. Simultaneously, it is financing a sanitation and urban development project in Bamako with SADEV 94 (Planning and development company of the Val-de-Marne Regional Council). The Malian municipality is in both cases the project contracting authority and benefits from the expertise of the French local public bodies that are involved.

AFD is also strengthening its ties with the **European Commission** in the water and sanitation sector through a number of tools:

- cofinancing for NGOs and loan-grant blending under the ACP-EU Water Facility
- cofinancing and delegated management, notably via the MDG Initiative
- loan-grant blending with the Neighbourhood Investment Facility, the EU-Africa Infrastructure Trust Fund and the Latin America Investment Facility



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AFD, the *Agence Française de Développement*, is a public development finance institution that has worked to fight poverty and support economic growth in developing countries and the French Overseas Provinces for 70 years. AFD executes the French government's development aid policies.

Through offices in more than fifty countries and nine French Overseas Provinces, AFD provides financing and support for projects that improve people's living conditions, promote economic growth and protect the planet: schooling, maternal healthcare, help for farmers and small business owners, clean water supply, tropical forest preservation, and fighting climate change, among other concerns.

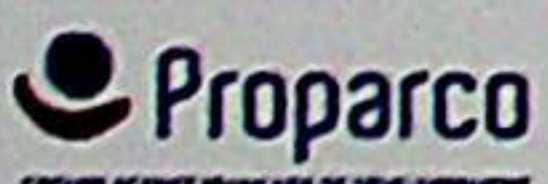
In 2010, AFD approved more than €6.8 billion for financing aid activities in developing countries and the French Overseas Provinces. The funds will help 13 million children go to school, improve drinking water access for 33 million people and provide microloans benefiting more than 700,000 people. Energy efficiency projects financed by AFD in 2010 will save nearly 5 million tons of carbon dioxide emissions annually.

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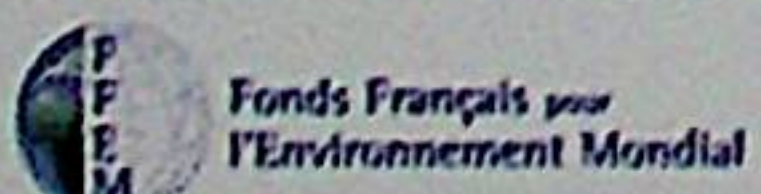
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PROPARCO, AFD's subsidiary dedicated to private investment, promotes private investment in emerging and developing countries in order to boost growth, promote sustainable development and reach the Millennium Development Goals. Its financing is tailored to the specific needs of investors in the productive sector, financial systems, infrastructure and private equity investment.

FFEM



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FFEM is a bilateral public facility set up by the French Government in 1994 following the Rio Summit. It aims at promoting global environmental protection via sustainable development projects in developing or transition countries. The French Global Environment Facility supports physical projects in recipient countries. Its operations are learning-based and support experimental, innovative or exemplary approaches.



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