SIF 2014-2018

Water & Sanitation

SECTORAL INTERVENTION FRAMEWORK 2014-2018

AGENCE FRANÇAISE DE DÉVELOPPEMENT

Shaping sustainable futures

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1

Summary

Summary

The water and sanitation sector is central to the challenges of sustainable development. Access to drinking water and sanitation was recognized as a human right by the United Nations in 2010 and is a prerequisite for improving public health and gender equality. As a source of life and biodiversity, water resources are considered as a global good. Their preservation is one of the main environmental challenges of the 21st century, especially as these resources are already under pressure and are particularly vulnerable to climate change. Water and sanitation are also an essential driving force for greener and more inclusive growth.

Its position in the international agenda for the fight against poverty for over 10 years has enabled to achieve significant improvement. However, much progress remains to be made, particularly for sanitation, which continues to be the poor relation: one human being out of three still does not have the fundamental right to improved sanitation, which is essential to dignity. Although the Millennium Development Goals (MDGs) concerning access to water were achieved back in 2010, two billion people do not benefit from a satisfactory water service. The vast majority of efforts that are necessary for climate change adaptation will need to be made in the coming years. Finally, the sector still suffers from a lack of governance, which hampers its effectiveness and holds back potential investors.

AFD's "Water and Sanitation" strategy sets out to address these issues on the basis of four areas of intervention:

- **Support the definition of clear, effective and inclusive sectoral frameworks:** the strengthening of governance, which enables to have an impact beyond development partners' financing, will concern water and sanitation services, as well as sustainable resource management. The focus will be on both the economic and technical issues of governance (clear definition of the role of institutional stakeholders, sustainable financial models, tariff setting, allocation of resources between uses, standards, polluter pays principle) and on the fight against corruption (transparency, accountability, integrity and civil society participation);
- **Preserve water resources in a context of climate change:** this will primarily involve improving the efficiency of water use, developing alternative resources, such as treated wastewater reuse or desalination when necessary, but also improving water quality by treating wastewater;
- **Provide access to efficient and sustainable services for all:** the improvement in access to water and sanitation will be considered as a means for reducing inequalities, particularly in urban areas, where vulnerable areas will be the priority. AFD's operations will also seek to maximize the impacts on the health of populations. Overall and long-term support will be provided to operators to allow them to develop a culture of performance and thereby make the funded infrastructure more sustainable;
- **Manage urban flood risks in a context of increased climate variability:** AFD's priority will be stormwater drainage infrastructure in large cities, especially in coastal areas. The institutional support will concern improving planning or establishing monitoring and warning systems.

This strategy, while seeking to meet the needs of beneficiaries, aims to rely on the assets of French actors in order to contribute to disseminate their expertise.

Finally, this strategy includes two major crosscutting aspects: firstly, the resilience of infrastructure and climate change adaptation; secondly, gender, which will be taken into account in the appraisal and implementation of projects in order to maximize their impacts.

AFD will use various types of tools and instruments to implement this strategy:

- **Capacity building and social awareness:** in addition to the usual technical assistance, AFD will continue the sectoral dialogue with its partners, as it is the main vehicle for building their capacities. The focus will also be on vocational training and on partnerships between basin operators or organizations, North-South and South-South. Information, Education and Communication (IEC) campaigns will be financed for populations: they aim to improve governance in the sector, raise the awareness of populations, particularly in terms of hygiene, and to promote gender equality. Non-Governmental Organizations (NGOs), with their knowledge of local contexts, are best placed to implement these IEC activities;
- **Infrastructure financing:** in addition to grants and sovereign loans, AFD will seek to mobilize more fund delegations from the European Commission (EC) for the sector and to develop non-sovereign loans, particularly for industrial actors. Pilot projects, with innovative financing, will also be developed;
- **Knowledge production and partnerships:** the main focus area for thinking, in connection with the international agenda and in order to complement the research already conducted, will concern water resources management and climate change adaptation.

Finally, AFD will continue to implement the pioneering approach to transparency and accountability initiated in the water and sanitation sector during the previous period. Publications will include an annual report, a mid-term monitoring report and a completion report on the strategy for the period 2014-2018. These documents will allow to follow up the expected impact of new commitments and to compare the actual impact of ongoing projects with the results that were expected when they were appraised.

BOX 1: FRAMEWORK AND EXPECTED IMPACTS

AFD has set commitment targets for 2014-2018.
It will allocate an average of EUR 700m a year to the water and sanitation sector in foreign countries, and EUR 50m in the French overseas communities.
At least EUR 250m of commitments will contribute to climate change adaptation. 80% of projects will comprise a capacity building component and 50% of projects will provide for a hygiene awareness-raising component financed by AFD or a partner. 50% of projects will be required to have a positive impact on gender. Finally, over 50% of commitments will benefit from cofinancing.

The expected outcomes of these different commitments, as an annual average, are:

- 1.5 million people gaining sustainable access to a drinking water service;
- 1 million people gaining sustainable access to sanitation;
- 4 million people with an improved drinking water system;
- 1.5 million with an improved sanitation system.

The geographical implementation of this strategy also enables to set regional targets:

- **Sub-Saharan Africa will continue to be the overriding priority and will account for an average of EUR 350m a year of commitments** over the period, with a focus on improving access to water and sanitation, as well as climate change adaptation. AFD will be the lead donor in at least three countries;
- **The operational strategy in the Middle East and North Africa will focus on preserving water resources.** In this region, the average annual commitment target stands at EUR 100m;
- **In Asia and Latin America, AFD will commit an average of EUR 250m each year.** In response to requests from projects beneficiaries, AFD will mobilize its network of expertise and partnerships among French actors in the sector, whose expertise is internationally recognized.

2

The sector: global issues

2 The sector: global issues

2.1 | Water and sanitation: First and foremost a social issue

2.1.1 | A human right still to be enforced

Access to drinking water and sanitation was recognized as a human right by the United Nations in 2010. In addition to all its impacts, gaining access to this essential service is quite simply a question of dignity for every human being.

The MDGs for 2000-2015 allowed these essential services to be placed at the center of development policies and have contributed to considerable progress in access to water. Despite this international recognition and these improvements, the full implementation of the right to drinking water and sanitation remains a multifaceted challenge (geographical and financial accessibility, availability in terms of quantity and over time, potability), which continues to be unmet today.

Although the MDGs concerning access to water were achieved back in 2010, 768 million people still do not have an "improved" water point, *i.e.* protected from contamination.[1] 2 billion people do not benefit from a satisfactory service if criteria such as potability and service continuity, which have stronger impacts on health, are considered.[2] The situation is even more critical for the poor relations of the sector – sanitation and hygiene: 2.5 billion people do not benefit from "improved" sanitation, *i.e.* avoiding contact with excreta, and over 1 billion people still practice open defecation. The MDGs for sanitation (77% of the population benefiting from improved access by 2015) are now considered as being beyond reach. It is expected that the objective will not be reached before 2026.

In addition to these global figures, it is also necessary to mention the persistence of geographical and social inequalities to the detriment of:

- Certain parts of the world and mainly Sub-Saharan Africa, where between 37% and 70% of inhabitants, respectively, do not have access to an improved water source and satisfactory sanitation facilities;
- Rural areas (83% of people without access to an improved water source and 90% of people who defecate in the open are rural dwellers);
- Vulnerable zones in urban areas;
- The most vulnerable populations and particularly women.

Consequently, the universality, quality and sustainability of services still largely need to be strengthened.

2.1.2 | A public health issue

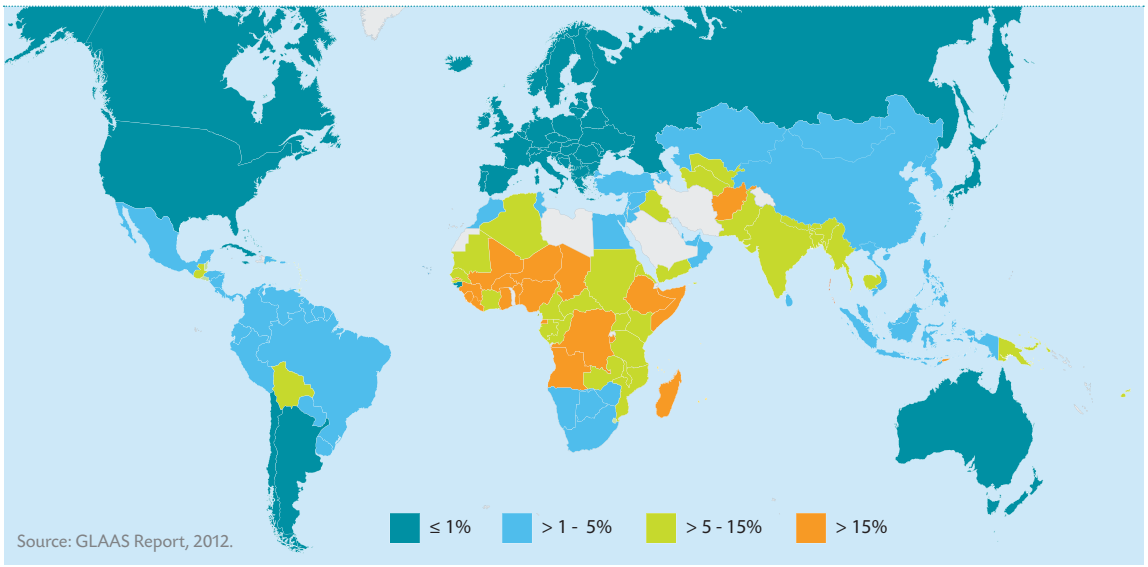
Water and sanitation are prerequisites for hygiene and health. The lack of appropriate services causes a number of waterborne diseases. Diarrhea is the second cause of child mortality and kills 2,000 children under the age of five every day.[3] Malaria, the main cause of mortality in the world, is transmitted by vectors related to stagnant water. Furthermore, the impact of hand-washing with soap, which reduces the risk of diarrheal diseases by 45%[4] with a limited cost, cannot be emphasized enough.

Investments in improving access to water and sanitation must be considered as a priority for health expenditure. One euro invested can generate up to 8 euros of economic benefits, in particular for households, by reducing health expenditure, increasing the school attendance rate and improving productivity.[5]

1 Joint Monitoring Programme (JMP), 2013; WHO/Unicef.
2 *"The needs for drinking water in the world are underestimated: billions of people are concerned"*, G. Payen in *Le Droit à l'eau potable et à l'assainissement en Europe,* 2012; H. Smets/ Académie de l'Eau.
3 http://www.who.int/mediacentre/factsheets/fs330/en/, 2013; WHO.
4 *Effect of washing hands with soap on diarrhoea risk in the UN world report on the development of water resources community: a systematic review,* Curtis and Cairncross, 2003.
5 *Global costs and benefits of drinking water and sanitation interventions to reach the MDG target and universal coverage,* Hutton, 2012; OMS.

FIGURE 1

DEATHS ATTRIBUTABLE TO INSUFFICIENT WATER, HYGIENE AND SANITATION SERVICES



Source: GLAAS Report, 2012.

2.1.3 | A key factor for women's empowerment

Access to water and sanitation is a precondition for gender equality. Without water or a toilet at home, the time available to participate in life outside the family home is reduced. Fetching water (water drawing, transport, storage, use) and maintaining latrines are tasks mainly carried out by women and girls, as is the case with hygiene education for young children. According to UNICEF (United Nations Children's Fund), in Sub-Saharan Africa, girls and women devote an average of 3 to 4 hours a day to collect water, whereas this time could be used for social or economic activities.

Consequently, improving access to water and sanitation increases the time available for women and facilitates access to school for girls. This also limits the risks of physical attacks on them during their journey to the water point or during open defecation and reduces the physical consequences from carrying heavy loads of water over long distances. It therefore involves generally improving the quality of life of women and children.

2.2 | A sector at the heart of environmental challenges

2.2.1 | An overexploited natural resource[6]

Water resources are subject to increasing pressure, particularly in terms of quantity. In a century, withdrawals have seen a sixfold increase due to the growth in the world's population, which is expected to reach 9 billion people by 2050, but also to changes in lifestyles (urbanization, industrialization) and diets.

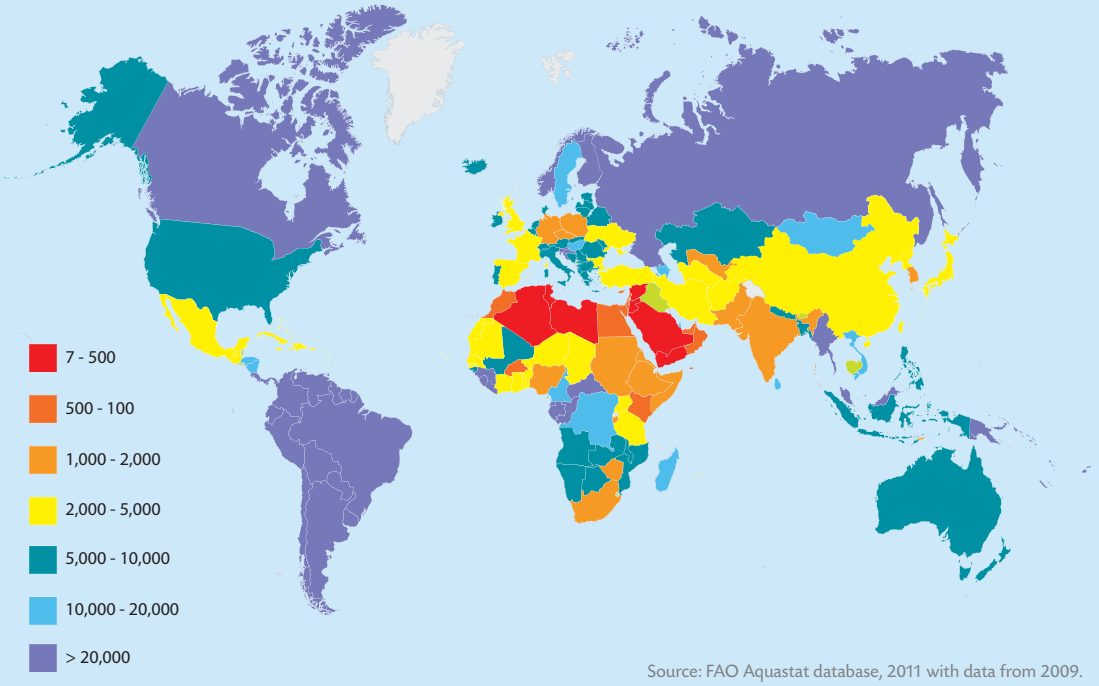
As a global average, availability of freshwater per day and per capita stands at 5,000 liters while needs amount to 3,500 liters. By 2050, this availability will fall to approximately 3,500 liters, which will no longer be sufficient to fulfill all needs. In addition, its distribution is far from being homogeneous and the equation is particularly difficult to resolve in territories that have the fewest resources. A water crisis is developing in North and East Africa, the

6 The figures indicated in this chapter are taken from the UN World Water Development Report published in March 2012.

Middle East, and right up to South Asia. These geographical areas, as well as certain densely populated areas, have developed unsustainable solutions: for example, renewable aquifers are overexploited (which is a real time bomb considering that they currently cover half of the needs for drinking water) or fossil groundwater is withdrawn. In 15 years, over 40% of the world's population could be living in a situation of water stress, *i.e.* four times more people than today.

FIGURE 2

WATER RESOURCES AVAILABLE PER CAPITA



Source: FAO Aquastat database, 2011 with data from 2009.

The quality of water resources is also seriously threatened. Treatment is insufficient, both for industrial waste and domestic wastewater: 90% of effluents are discharged untreated into rivers, lakes and coastal areas. Treatment systems, when they exist, often operate over or under capacity and only rarely allow the treated wastewater to be reused in agriculture. Agricultural inputs are a major source of pollution, albeit diffuse, of surface water and groundwater. The accelerated erosion of watersheds subject to deforestation is a general cause of the deterioration of the quality of water resources. The eutrophication of coastal areas and of large freshwater reserves generates toxins, produced in particular by blue-green algae, and is an increasingly serious phenomenon on all the continents.

On a global scale, considerable volumes of surface water and groundwater are deteriorating and becoming inappropriate both for human consumption and for biodiversity conservation.[7]

2.2.2 | Water and climate change: Mitigation and above all adaptation

The water and sanitation sector can contribute to reducing greenhouse gas emissions. There are indeed a number of links between water and energy, as highlighted by the emerging concept of the "water-energy" nexus. Firstly, water and sanitation infrastructure is, and could increasingly be, energy-intensive with the development of technologies such as desalination or the exploitation of less accessible resources: energy efficiency must be improved,

7 Since 1900, half the natural wetlands have disappeared.

through the reduction of electricity consumption for pumping or the reuse of residual sludge for biogas production. Secondly, water is an "input" for power generation used for the extraction of fossil fuels, thermal plant cooling, the irrigation of biofuel crops and for hydropower generation which is the main source of renewable power generation in the world.

The impact of climate change on countries and populations will lead to an increase in droughts in certain parts of the world, combined with extremely heavy rainfall and flooding in other regions. The modification in climate patterns (rainfall and temperatures) will have an influence on the availability and quality of water resources for urban areas and agriculture. The deterioration of watersheds, the overexploitation and pollution of groundwater, the pollution of rivers and the accelerated erosion of deforested slopes are likely to worsen.

Consequently, investments for adaptation (monitoring and protection of resources, flood control measures) are necessary, with a cost estimated by the United Nations Framework Convention on Climate Change at USD 11bn a year for several decades, with 85% in developing countries. There is, in addition, a need to preserve natural environments which are affected by climate disturbances.

2.3 | An essential resource for growth

These various social and environmental issues mean it is necessary to develop an economic approach to water, even though it is not the only determinant for growth. The lack of access to water and sanitation generates an overall cost estimated at 1.5% of global Gross Domestic Product (GDP),[8] with major disparities depending on the regions: in Sub-Saharan Africa, this cost stands at 4.5% of GDP.

There are very close links between the different economic sectors and water resources: the economic sectors that endanger water resources are those that need them the most. Agricultural sectors, and therefore the entire agri-food sector, are among the most dependent on water resources. The water we consume is first and foremost the water we eat: every day, we drink approximately 3 liters of water, but we consume 3,000 liters *via* the production of our food. Irrigation accounts for 70% of water use. It will continue to increase despite considerable efforts to streamline the production and international agri-food trade sectors. Food security requires water security. Similarly, industrial activities account for 20% of withdrawals and are concentrated near water resources, which are used as inputs (solvents, thermal fluid, washing, etc.), for transport, and as a receptacle for waste.

2.4 | Persistent institutional shortcomings

2.4.1 | The "water crisis": a governance crisis?

The lessons learnt from investments made in recent years often show that infrastructure is prematurely obsolete or non-functional, which leads to a clear conclusion: the development of technical solutions and infrastructure alone is not enough and the root causes of the "water crisis" lie in the governance of the sector.

This poor governance firstly stems from an inefficient institutional structuring. In a sector where there is a wide variety of actors who intervene at different levels (States and local authorities, local management organizations and

8 *Global costs and benefits of drinking-water supply and sanitation interventions to reach the MDG target and universal coverage, Hutton, 2012; OMS.*

transboundary basin organizations [TBOs], private sector and public utilities, users and citizens, donors and NGOs, etc.), an inappropriate definition of responsibilities, for example, an incomplete decentralization,[9] or ineffective regulation, can be a stumbling block. Similarly, an unclear or incomplete allocation of functions (planning, operation, regulation or control, etc.) is a barrier to improving performance in the sector. Finally, water is used for different activities, which each have their own rationale and can become conflictual if there is not an appropriate water policy.

The sector also suffers from a lack of competences. This is due to insufficient training provision and a lack of attractiveness of the sector given its bad image of deficient public services and the low levels of remuneration. Corruption, an undeniable factor of ineffectiveness, must unfortunately be mentioned as well.

This governance crisis fuels inequalities in terms of access to the service and water resources management. It deters economic actors from investing and the international community from increasing financing. It contributes to an unsatisfactory targeting of aid: countries that concentrate 70% of the unserved population only receive half of the aid amounts.

Improving governance, which requires a strong political will in the countries concerned, is consequently central to the international sectoral debates.

2.4.2 | Financial models are often too weak

The lack of a sustainable financial model, which balances costs and income, is one of the main manifestations of flawed governance. The financing for the sector comes from three sources (tariffs, taxes and transfers), often called the "3 Ts":

- Tariffs include all the contributions directly paid or invested by the users of water, hygiene and sanitation services;
- Taxes are funds from domestic taxation and are channeled to the sector *via* transfers from all levels (national, regional and local): investment or operating subsidies, tax relief, etc.;
- Transfers correspond to the contributions from the international community (grants or a subsidized portion of loans), such as the funds disbursed through international donors or NGO projects.

The combination of these sources of financing must cover all the investment costs for extensions and renewal, the maintenance and operating costs, but also costs related to the regulation of the sector and financial charges.

In the short term, investment expenditure is the highest and there are considerable financing needs. According to the World Health Organization (WHO) and in order to achieve the MDGs, the international community would need to provide some EUR 20bn every year, including over EUR 16bn for the sanitation sector alone. Over EUR 75bn would be necessary every year to provide universal access to drinking water and sanitation for all. Faced with these needs, Official Development Assistance (ODA) flows to the sector stood at EUR 6bn in 2011, which only accounts for 4.7% of total aid. In addition, while ODA volumes have been increasing slowly since 2002, they remain below those earmarked for health, education or energy. In the longer term, once the main investments have been made, the taxes and tariffs will need to cover all the costs, including the debt repayment.

There are considerable needs for regulation in order to ensure there is a balance between objectives for economic efficiency, equity and accessibility.

9 Water Governance in OECD Countries, OECD, 2012.

3

Political and institutional context at international level

3 Political and institutional context at international level

3.1 | An active and structured international sectoral dialogue

Various events or initiatives allow regular high-level meetings to be held, such as the World Water Forum, which is organized every 3 years – the last edition was held in Marseille in 2012 – or the Sanitation and Water for All (SWA) initiative. The latter includes over 90 governments from developing countries, donors, development banks, civil society organizations and other sector partners. It aims to create the conditions for universal access to water and sanitation and allows biennial meetings to be organized during which developing countries and donors make commitments in terms of financing and governance.

However, translating the sector's priorities into the main agendas for development aid continues to be a challenge. In this context, the definition of global Sustainable Development Goals (SDGs), which will follow on from the MDGs from 2015 onwards, is a major challenge. This process is closely related to the outcomes of the Rio+20 United Nations Conference on Sustainable Development in 2012, where the central place of water and sanitation in the three pillars of sustainable development was reaffirmed. Consequently, water and sanitation could legitimately constitute a specific SDG. Discussions are mainly focused around the formulation of four targets: services (as a continuation of the MDGs), water resources management in connection with food security, wastewater depollution and, finally, risk management and adaptation.

3.2 | France has an internationally recognized added value

The expertise of the "French School of Water" firstly concerns water resources management: France, with the 1964 Water Act, was the precursor in Integrated Water Resources Management (IWRM) by river basin. Its public actors (water agencies, National Agency for Water and Aquatic Environments, local authorities, etc.) and private actors (consultancy firms, suppliers of mapping and modeling tools, etc.) have sound experience in this field. The model of regional development companies has inspired a number of countries.

France has also been a pioneer in implementing sector regulation through contracts and in the promotion of a model based on the decentralization of competences to regional and local authorities: French actors have a wealth of experience in defining and supervising public service delegation contracts. This French model is constantly developing: the diversification of contract follow-up methods and enhanced conditions for competitive bidding procedures bring about an improvement in the service and a reduction in water prices.

France has leading economic actors in all the activities related to the water cycle, from design to operation. The expertise of French engineering companies, of all sizes, is internationally recognized. France has several leading

construction companies, particularly constructors of plants and pipelayers. The companies that construct treatment plants generate EUR 1.5bn of turnover at international level. They meet the needs of emerging countries in terms of drinking water treatment and wastewater treatment plants and propose integrated technological solutions (design-construction-operation). The pipelaying companies, which employ 37,000 people in France, propose innovative techniques at a lower cost, such as the laying of trenchless pipes, which can be attractive for developing cities. The equipment and spare-parts manufacturers for the sector (small and medium-sized enterprises [SMEs], and French companies, but also European groups) produce in France and employ some 27,000 people. Products manufactured in France have high quality standards, which contribute to the durability of infrastructure. Finally, three of the world's leading groups for the management of water and sanitation services are French.

France's added value is also reflected in training: a number of technical training centers in the world are the same as the International Office for Water (OIEau) in Limoges, and French actors offer specific training provision to developing countries *via* the AquaCampus platform.

Decentralized cooperation includes another category of French actors in the sector. Since 2005, the Oudin-Santini Law allows regional and local authorities to earmark 1% of water and sanitation bills for international cooperation. Some EUR 23m were mobilized in 2012 and these amounts could theoretically be tripled, particularly with the involvement of small and medium-sized local authorities. Their specific expertise for support to project management and services operation constitutes key added value in this cooperation, although to date it remains difficult to mobilize.

Finally, NGOs, associations and networks, such as the French Water Partnership (FWP), Water Solidarity Program (PS-Eau) and Water Coalition, are present in the field all over the world, listening to the needs and taking actions. They are supported by French public opinion which considers that water and sanitation must be the top priority of Official Development Assistance.[10] Their knowledge of local contexts, strong advocacy capacity, as well as ability to mobilize civil society and build local partnerships, are real assets.

3.3 | A strong coordination between European and multilateral donors

The community of financiers in the sector is vast, as it is estimated that 100,000 actors are concerned. Donor coordination remains an important issue at the center of the principles of aid harmonization and effectiveness. In this respect, the analysis of the positions of other donors is a decisive element in AFD's strategy.

The main contributors include European stakeholders, with the German development bank, KfW, for which water is a focus sector (some EUR 700m of annual commitments) and the European Investment Bank (EIB) to a lesser extent. European Commission (EC) grants should especially be noted, with an annual average of EUR 340m for 2007-2013. Part of these funds are channeled *via* delegations to accredited European agencies, such as AFD, and regional or thematic cofinancing facilities. The fact that these facilities exist, the affirmation of sectoral strategic orientations consistent with those of AFD, as well as the establishment of the Mutual Reliance Initiative (MRI) for procedures between AFD, EIB and KfW provide a sound base for European cofinancing (see Appendix 2).

The World Bank devotes 10% of its activity to the water and sanitation sector, *i.e.* over EUR 2bn of loans a year.[11] Half of his amount is invested in the Latin America and Caribbean Region and approximately a third in Sub-Saharan Africa. The World Bank is an essential partner in the strategic dialogue due to these considerable financial volumes and a strategic approach similar to AFD. It is also essential *via* the Water and Sanitation Program (WSP), a multi-donor fund which it manages and whose main objective is to promote access to services for the poorest. Regional banks are also present in the sector (Inter-American Development Bank [IDB], Asian Development

10 Survey conducted in November 2013 by IPSOS Public Affairs.

11 World Bank, Annual Report, 2012.

Bank [AsDB], African Development Bank [AfDB]) and are important partners for AFD, along the same lines as the World Bank.

Other bilateral donors are very present in the water sector, in particular the Japan International Cooperation Agency (JICA), with over EUR 2bn of annual commitments, the United States Agency for International Development (USAID) with EUR 600m a year and Arab donors. To date, there has been little structured cofinancing between AFD and these donors.

The Bill & Melinda Gates Foundation is the largest private foundation: its grants for water, sanitation and hygiene exceeded EUR 600m in 2012. Others include the Foundations Ensemble, Veolia Environment, Suez Environment Initiatives or Stone Family. Their annual allocations are around EUR 2m to EUR 6m and they sometimes have skill-based sponsorship activities.

4

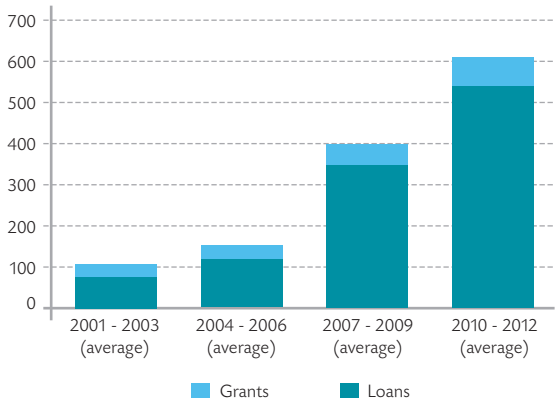
Results and lessons learned from AFD's operations in 2010-2012

4 Results and lessons learned from AFD's operations in 2010-2012

Annual average of EUR 607m of commitments in foreign countries in 2010-2012.

FIGURE 3

AMOUNT OF AFD'S FINANCIAL COMMITMENTS IN FOREIGN COUNTRIES (2001-2012)
(in millions of EUR)



The target set by AFD to allocate an average of EUR 600m a year for water and sanitation in foreign countries has been achieved for 2010-2012. The increase in AFD's contribution to the sector since 2001 has been made possible by the use of loans, grants delegated by the EC (EUR 70.60m in 2011) and France's Debt Relief-Development Contracts (C2D, EUR 42m in 2011).

For 2010-2012, the total amount of loans accounted for 88% of the financing allocated in volume, the vast majority of which was allocated to countries at subsidized rates (66% of the total). The grants allocated by AFD accounted for 4% of commitments. In addition, there are the grants implemented by AFD on behalf of third parties (EC delegations and C2D), which accounted for 8% of AFD's commitments in the sector.

52% of commitments concentrated in Sub-Saharan Africa and the Least Developed Countries (LDCs).

FIGURE 4

GEOGRAPHICAL BREAKDOWN OF AFD'S COMMITMENTS IN THE WATER SECTOR
(in millions of EUR)



AFD had set regional targets, which have generally been achieved. Half of its financing is focused in Sub-Saharan Africa and the LDCs. The Mediterranean region was marked by a general slowdown in activity during the Arab Spring, which accounts for a level of commitments below the objectives.

In emerging countries, AFD has achieved its target, particularly *via* its financing in Brazil (EUR 100m), Colombia (EUR 79m) and India (EUR 96m). The results for the French overseas territories are lower than expectations. However, they do not take into account financing in the form of budget support, part of which is earmarked for the water sector.

Expected and actual outcomes are substantial.

For 2010-2012, AFD has generally achieved its targets regarding expected outcomes from its activity. Financing allocated by AFD each year between 2010 and 2012 will thus on average:



Provide sustainable access to drinking water for 1.5 million people (target of 800,000).



Improve the quality of the drinking water supply system for 5 million people (target of 2.5 million).



Provide sustainable access to sanitation for 1.3 million people (target of 500,000).



Improve the quality of the sanitation system for 820,000 people (target of 1.5 million).

In addition and beyond the expected outcomes, AFD initiated in 2010 a pilot approach to evaluate the actual outcomes of projects in the water and sanitation sector.[12]

Between 2010 and 2012, AFD's financing, mainly committed between 2003 and 2009, contributed on average every year to:



Providing sustainable access to drinking water for 1.2 million people.



Improving the quality of the drinking water supply system for 3.4 million people.



Providing sustainable access to sanitation for 217,000 people.



Improving the quality of the sanitation system for 988,000 people.

- **79% of projects provide for capacity building actions.**

  The previous Water and Sanitation Sectoral Intervention Framework had defined capacity building as a fully-fledged operational tool. This orientation has brought about impacts, since 79% of projects financed between 2010 and 2012 provide for capacity building actions.

- **Efforts need to be pursued for sanitation and hygiene.**

  The target set in 2010 of earmarking a third of commitments in the sector to sanitation projects has almost been achieved, with 28% of financing allocated on average each year. In this complex sub-sector, with a number of actors and a difficultly to achieve financial equilibrium, the demand is not as strong as for drinking water and it is required to raise the awareness of public authorities as well as to develop international advocacy. AFD had also defined a specific strategic focus for depollution in the Mediterranean, where 40% of financing was supposed to concern sanitation. With a result of 25%, this target has not been reached and the number of projects remains limited (Morocco and Palestinian Territories in 2010, Lebanon in 2011 and Egypt in 2012).

  The previous Sectoral Intervention Framework provided for the systematic implementation of a hygiene component for projects in foreign countries. This proactive approach has led to a marked increase in the share of financing allocated that provides for this type of action (42% in 2012 against 21% in 2010).

- **A sector that contributes to the efforts of the Muskoka Initiative on maternal, newborn and child health.**

  During the G8 summit in Muskoka in 2010, France pledged to allocate EUR 200m of grants for maternal and child health for 2011-2015. The methodology for the follow-

12 The expected and actual outcomes concern different project portfolios, which came about through evolving strategies. They refer to commitment amounts which saw a marked increase between 2001 and 2012.

up of the commitments to this initiative recognizes the impact of water and sanitation projects on the health of populations, and particularly on women and children. 15% of project financing aiming to set up basic drinking water supply or sanitation systems is recognized, and 40% of hygiene promotion actions. Consequently, the projects financed by AFD in the sector from 2010 to 2012 have contributed EUR 2.4m to this initiative *via* grants earmarked in the 16 countries concerned.[13]

- **Despite the decline in the grants allocated, the rural water sector remains present.**
  In contrast with the projections of the previous Sectoral Intervention Framework, in 2012, there was an increase in commitments for basic infrastructure projects in rural and semi-urban areas (EUR 70.3m against EUR 4.20m in 2011 and EUR 12m in 2010) *via* the mobilization of sovereign loans and grants delegated by the EC. The projects are exclusively located in Sub-Saharan Africa.

- **A sector that makes a significant contribution to climate change adaptation and water resources management.**
  An adaptation project aims to reduce the vulnerability of goods, persons or ecosystems to climate impacts. For the water and sanitation sector, it involves operations located in vulnerable areas (water stress and high risk of flooding), and which allow changes to be addressed or to preserve available resources: IWRM programs, improvement in network efficiency, construction of wastewater treatment plants and drainage infrastructure. Between 2010 and 2012, the water and sanitation projects financed by AFD contributed an average annual amount of EUR 211m to climate change adaptation.

- **47% of amounts committed in cofinancing.**
  With the Paris Declaration of 2005, AFD committed to enhance the effectiveness of development assistance. This leads it to prioritise cofinanced operations for the leverage effects, the impacts in terms of visibility and the sectoral dialogue they allow. For 2010-2012, 47% of commitments (for a target of 50%) were subject to cofinancing by a partner other than the beneficiary. AFD's main co-financiers are European, thanks to the catalytic effect of EC financial instruments (see Appendix 2). A number of projects launched over the period (Egypt, Ghana, Morocco, Seychelles, etc.) fit in with the Mutual Reliance Initiative (MRI) for procedures between KfW, EIB and AFD.

- **Continued participation in reflection on the sector.**
  Between 2010 and 2012, AFD participated in the preparation of a number of publications in the water and sanitation sector (see Appendix 3). These documents seek to both capitalize on AFD's experience and disseminate good sectoral practices. In accordance with the previous Sectoral Intervention Framework, the subjects selected were, for example, transboundary water resources' management, the financing and regulation of services, private sector participation, sanitation techniques, wastewater reuse and the action of decentralized cooperation.

  AFD was also actively involved in the organization of the World Water Forum, which was held in Marseille from 12 to 17 March 2012. Finally, it participated in several filmed productions, including *A Thirsty World* (Yann Arthus-Bertrand), *The Soweto Water Project 2005-2010* (Éric Mounier) and *Our Water, Their Water* (Imageo).

13 Afghanistan, Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of Congo, Haiti, Guinea, Madagascar, Mali, Mauritania, Niger, Senegal and Togo.

5

AFD's "Water and Sanitation" Strategy

5 AFD's "Water and Sanitation" Strategy

The operational scope of this Sectoral Intervention Framework covers access to essential services, sustainable water resources management and flood risk management in urban areas. It does not address hydro-agricultural developments and hydroelectric facilities, which are respectively part of the "Rural Development" and "Energy" strategies. This infrastructure is, however, included in the definition and implementation of sectoral and IWRM policies. Finally, this Sectoral Intervention Framework also does not address solid sanitation, which is addressed in the "Sustainable Cities" strategy.

5.1 | Areas of operation

AFD has selected four areas of operation for 2014-2018, in line with the previous Sectoral Intervention Framework with the following developments:

- Strengthening the sectoral and governance frameworks remains the main priority;
- Sustainable water resources management continues to be an area that integrates the issues of the quality and quantity of water resources;
- Sustainable access to water and sanitation services for all with, for the sanitation sector, a scope of action extended from urban areas to rural areas;
- Stormwater drainage in urban areas has become a fully-fledged area.

They include two major crosscutting aspects: firstly, climate change and, secondly, gender, which are mainstreamed into the appraisal and implementation of projects in order to maximize the impacts.

This strategy is set out for each geographical area of operation in Part 6 of this document. It corresponds to the orientations defined by the Interministerial Committee on International Cooperation and Development (CICID) of 31 July 2013.

It should allow AFD to allocate an average of EUR 700m a year to foreign countries. The expected annual outcomes for these commitments are:

- 1.5 million people gaining sustainable access to a drinking water service;
- 1 million people gaining access to sanitation;
- 4 million people with an improved drinking water system;
- 1.5 million people with an improved sanitation system.

BOX 2: RELY ON THE ASSETS OF ALL FRENCH ACTORS AND ALLOW THEM TO MEET THE NEEDS OF DEVELOPING COUNTRIES

At the institutional level, AFD, while remaining responsive to local traditions and needs, will continue to promote French actors' internationally recognized expertise in integrated basin management (water agencies, public territorial basin organizations, National Agency for Water and Aquatic Environments, International Water Agency) and service regulation by contract (local authorities, consultants to support contracting authorities). In this context, its aim will be to coordinate its financing with decentralized cooperation actions. This is demonstrated by the framework agreement signed in 2013 between AFD and the six water agencies.

The social awareness and civil society participation will, as far as possible, rely on the experience of French NGOs, which are very active in the sector and propose approaches and tools that are complementary to those of AFD.

French water professionals, whether large operators, consultancy firms or equipment suppliers, are international references in terms of technical expertise and yet are experiencing difficulties on international markets. This situation is due to:

- The difficulty of developing contractual offers to meet the needs of countries;
- The lack of support from French local authorities to their companies, thereby preventing a model like the one implemented in the Netherlands, by which local authorities would export their companies and expertise in the context of decentralized cooperation;
- The procurement procedures which do not always allow innovation and technical and methodological excellence;
- The ordering consultancy firms, even French firms, which do not systematically promote access to markets for French suppliers.

AFD will involve French companies in its strategic reflection and in the actions it finances in its areas of operation in order to promote their expertise in line with the needs of Southern countries. It will seek to catalyze the links between the French operators, equipment supplies, construction companies and consultancy firms in the sector, in particular by contributing to the French Water Partnership (FWP) platform to promote French expertise. It will seek to develop procurement methods (capacity building, complex infrastructure) in order to foster innovation and durability for infrastructure.

While respecting the principles of transparency in its operations and financed procurements, AFD will take into account French expertise in the sector at political level, in infrastructure projects and in technical assistance programs.

5.1.1 | Support the definition of clear, effective and inclusive sectoral frameworks

In the water and sanitation sector, it is clearly established that ODA is far from meeting financing needs. In order to broaden its influence beyond its financing, with a view to universal access to water and sanitation, the absolute priority for AFD's operations is to support clear and effective frameworks which will strengthen national and local governance and allow sustainable financing for the sector. AFD will promote the implementation of regulation for services, whether they are operated by public or private, national or decentralized actors. The support provided may concern:

- The supervision of the technical and financial performance of operators;
- The definition of the roles and responsibilities of institutional actors;
- The strengthening of the legislative and regulatory system;
- The strengthening of decentralized entities, at the level of basins and local authorities, in their planning role and their relations with the national level;
- The definition of a sustainable financial model for the sector, reconciling the economic, social and environmental imperatives that are specific to each context;
- The involvement of civil society and the accountability capacity of managers;
- The promotion of mechanisms for the most vulnerable populations (tariffs, social connections, etc.).

BOX 3: THE MATURATION OF THE SECTORAL FRAMEWORK AND EVOLUTION OF AFD'S MODES OF ACTION IN SENEGAL

Until the mid-1990s, AFD operated in Senegal *via* grant aid, which has undeniable benefits but is limited in scope. Starting from 1992, support was provided for public policies which facilitated the implementation of an institutional reform in the urban water sector. This new policy made it possible for donors to be increasingly involved: AFD was thus able to offer loans, while maintaining grants for institutional capacity building. The gradual empowerment of the sector subsequently made it possible to develop an approach *via* a non-sovereign loan program, combined with capacity building, at the institutional and operational levels. At the same time, a grant was provided to the less profitable rural water sub-sector. From 2007 onwards, following a new institutional overhaul, the Millennium Water and Sanitation Program (PEPAM), including the entire sector, was implemented. The sanitation sector, which remains unprofitable, is financed by AFD *via* a sovereign loan combined with grants targeting capacity building for the contracting authorities.

Generally speaking, for each country, the support for the implementation of clear and effective frameworks will take into account the history and level of maturity of the sector and will require a long-term involvement.

Climate risk management involves implementing adaptation policies in order to improve the resilience of infrastructure. Taking this adaptation into account requires organizations that are able to identify the warning signals of changes and crises, and balance the interests of the different stakeholders. AFD will promote the implementation of measurement and observation networks, forecasting models, natural disaster warning systems and the identification of more vulnerable areas. It will involve avoiding "poor adaptation", *i.e.* projects that are likely to increase vulnerability to climate change, by focusing on "no regret" projects, *i.e.* which are economically relevant whatever the impacts of climate change.

In order to improve governance for a sustainable management of water resources, AFD will support IWRM policies. These policies aim to ensure a concerted allocation between the different uses (agricultural, domestic, industrial, energy and environment) upstream and downstream from river basins (local, national or international), taking into account the risks and uncertainties related to climate change.

AFD will continue to be involved in partnerships with the organizations of the main transboundary basins, particularly in Africa. Technological innovations will be sought, such as the use of remote sensing, for example, by turning to public-private partnerships.

Finally, the core values of the fight against corruption in the sector, *i.e.* transparency, accountability, integrity and participation, will systematically be promoted by AFD in the context of its sectoral dialogue with governments and the different stakeholders. As far as possible, the Water Integrity Network (WIN) tools will be used.

BOX 4: THE USE OF SATELLITE DATA: A TECHNOLOGICAL BREAKTHROUGH THAT PROMOTES FRENCH EXPERTISE?

The uses of satellite information in the water sector are likely to develop. Satellite radiometers allow evapotranspiration and soil humidity to be estimated. This information will make it possible to optimize the uses of irrigation. The images are also used to map flood-prone areas, or land use taken into account in the water balances of basins. The colorimetric supervision for the sedimentology and algae content, as well as the gravimetric detection of the bodies of groundwater, provide further opportunities. The highly promising Franco-American SWOT program, dedicated to the space altimetry of water bodies will provide better coverage and precision, and will complete the information on water systems, which are extremely difficult to maintain in the large African basins.

AFD will promote the development of these uses and applications in partnership with the National Centre for Space Studies (CNES) and French R&D agencies, consultancy firms and operators.

5.1.2 | Preserve water resources in a context of increasing water stress

In order to adapt to climate change, in particular to droughts, AFD will first and foremost promote efficiency in water use in the activities which consume the most, *i.e.* agriculture, industry and drinking water. To achieve this, it will support projects to reduce water losses and waste. Initiatives that maintain the exploitation of aquifers at their level of renewal will also be given special attention.

Secondly, and in order to increase the quantity of available water, the development of non-conventional resources will be encouraged: treated wastewater reuse for agriculture, industry, green spaces, or tourism when it meets a demand for nearby water and is able to finance the exploitation costs; sea water desalination, where appropriate, while paying particular attention to the impacts on the energy sector and the environment. The construction of catchment and storage facilities, such as dams and hillside storage reservoirs, as well as infrastructure to transfer raw or treated water, could, finally, be financed provided there are appropriate environmental and social management plans.

In order to preserve the quality of water resources, the construction of domestic wastewater treatment plants and plants to treat industrial effluents remains a priority. The aim will be to improve the efficiency of these facilities by targeting the sources of major pollution, adjusting the capacity by improving the planning of needs and, if possible, providing for energy recovery systems. The equipment effort will be combined with support for the development of systems to monitor the quality of discharges and of the receiving environment.

BOX 5: STUDY FOR TREATED WASTEWATER REUSE ON THE ISLAND OF RÉUNION

In order to meet needs to water green spaces, the Port Municipality in Réunion is considering replacing scarce water resources with wastewater treated by its new membrane filtration treatment plant. AFD has supported the municipality for the study on this project. The conclusions showed the financial interest of the project (EUR 0.66/m^3 for treated wastewater against EUR 0.99/m^3 for water from existing resources), the potential savings for the city's watering budget, and the volumes of water consequently freed up for other uses in a context of pressure on water resources.

5.1.3 | Provide access to efficient and sustainable services for all

AFD will finance the construction and rehabilitation of infrastructure aiming to extend water and sanitation services, targeting vulnerable areas, disadvantaged regions and rural areas, in order to reduce inequalities. The crosscutting impacts of projects – health and gender – will be maximized by giving priority to schools and health centers *via* hygiene education programs.

An improvement in the quality and sustainability of services will be sought through more effective management:

- Technical, in particular by reducing network losses and optimizing the energy costs of facilities;
- Commercial, for example, by improving client management systems;
- Financial, with the definition of appropriate tariff strategies based on sound socioeconomic knowledge of users and on possible financial equalizations;
- Urban, when appropriate, in connection with AFD's "Sustainable Cities" strategy.

The projects will contribute to developing a performance culture at the operators: appropriate engineering, continuity of supply, customer service, billing and payment of administrations, preventive maintenance, quality certification.

Subject to the existence of regulation mechanisms, AFD will support the promotion of alternative approaches, such as the informal initiatives of small-scale private service providers (SSPSPs): in certain cases, they can be substitutes for deficient public services, or be complementary to them, particularly for the most vulnerable populations.

BOX 6: STORMWATER DRAINAGE IN GABON, AN INTEGRATED DEVELOPMENT APPROACH

AFD is financing the development of watersheds in Libreville and Port-Gentil in order to provide stormwater drainage and fight against floods and waterborne diseases. These projects include the construction of drainage infrastructure and adjacent roads, integrated into the road network when the neighborhood in question is isolated. As the quality of water runoff is related to the effective management of solid waste (it is too often thrown into channels and gutters), awareness-raising campaigns are conducted for populations. Finally, these projects include skills development for the institutions in charge of drainage infrastructure maintenance, which includes the establishment of multi-year cleaning contracts.

5.1.4 | Managing urban flood risks in a context of increased climate variability

AFD will finance stormwater management projects in large cities where floods cause severe health problems and serious damage, and hamper economic development. These projects are located in areas that are vulnerable to climate change. By improving the resilience of cities, they will contribute to climate change adaptation.

These projects will be part of a global vision of urban development including land use plans in order to define the flood-prone areas where building is prohibited. They will comprise structural drainage channels, provide for arrangements for their future maintenance, awareness-raising for populations and work on the solid waste management sector, in coordination with AFD's Local Authorities and Urban Development Division. They will improve water

retention and infiltration on plots or in areas upstream or downstream from dwellings. They will use hydrological and hydraulic models, which will ensure their effectiveness.

These projects will also provide an opportunity to gain a new understanding of flood risk management thanks to measurement and data management systems, hydrometeorological stations and early warning mechanisms in order to provide a more effective response to the challenges of climate change adaptation.

5.2 | Tools for operations

AFD will mobilize various additional tools in order to take action for the sectoral priorities presented above.

5.2.1 | Capacity building and social awareness

Capacity building is an endogenous process based on a willingness to change and a political vision. The capacities targeted are those necessary for the emergence, implementation and oversight of sustainable public policies in the water and sanitation sector. The actions focus on the core activity of organizations, beyond the infrastructure itself. This is a long-term approach and it must be conducted at three interdependent levels:

- Individual (knowledge and skills);
- Organizational (performance and capacity to achieve objectives;
- Institutional (governance, regulation, standards, supervision-evaluation, etc.).

Improved individual skills can, of course, only be put to full use in organizations that are able to take advantage of them. Similarly, the achievements of an efficient entity will only be meaningful in a sectoral environment with clear and relevant objectives. In the water and sanitation sector, which is characterized by the diversity of contracting authorities (territorial authorities, governments, private operators, State-owned companies, etc.), it is a particularly important issue.

Capacity building will be organized through various means: sectoral dialogue, technical assistance, vocational training, partnerships between operators, and public-private partnerships.

The sectoral dialogue which AFD coordinates with its partners is one of the main vehicles for building the capacities of the counterparties it finances.

Technical assistance is the most generally used tool for capacity building. This support is mainly provided by consultancy firms or technical assistants, who are made available to partners in the South on a short-term, periodic or resident basis. In order to ensure there is a more effective mobilization of technical assistance and an appropriate supervision, AFD will promote contractual arrangements that encourage:

- The formulation of innovative and integrated solutions such as the competitive dialogue or the precise definition of activities during an initial tranche of the service;
- The use of selection mechanisms that value motivated and creative profiles;
- Performance and results.

Vocational training is central to issues related to capacity building. In addition to the provision offered by national or regional centers to technicians, it is essential to provide high-level training that meets the needs of executives and give priority to the training of trainers. AFD will rely on the AquaCampus platform (International Institute for Water and Environmental Engineering [2IE], AgroParisTech, National School of Water and Environmental Engineering of Strasbourg [ENGEES] and OIEau). Since 2009, AFD has been contributing, in particular *via* its Center for Financial, Economic and Banking Studies (CEFEB), to the "Water for All" Master's program and finances an African public which is destined to become the future managers of water companies. These initiatives, which considerably promote French influence, will be scaled up in other geographical areas.

Partnerships between operators[14] or basin organizations are vehicles for North-South or South-South exchanges and

14 In the context of the Global Water Operators' Partnerships Alliance (GWOPA).

experience sharing and will be encouraged. In the same vein, the transfer of French expertise, which is particularly sought after by partners in emerging countries, will be promoted. Consequently, AFD will promote operations where several French actors can operate in the same territory (local authorities, NGOs, companies, etc.), the dialogue between French partners in the context of the FWP, and the reflection on the technical specifications adopted (durability, innovation, etc.) for the contracts it finances.

When counterparties have opted for a public-private partnership, the latter, as a vehicle for capacity building, will be supported by AFD. Indeed, while this type of arrangement has not historically met all expectations, particularly in terms of investments, it does clarify the organization of the sector and the division of responsibilities. It has also often allowed a marked improvement in the competences and technical and commercial performance of service operators.[15]

Finally, with a view to building local expertise and a process of change, the projects financed by AFD will, as far as possible, seek to not use dedicated project units, but to fit in with existing organizations, in which the objective will be to make the skills sustainable by motivating the staff. The tools implemented for projects will be designed to ensure that there is an appropriation and reuse on a larger scale.

The objective is for 80% of projects to provide for a capacity building component, financed by AFD or a partner. In the case of AFD financing, in addition to loans, various financing tools may be mobilized: the Study and Capacity Building Fund (FERC);[16] the Fund for Technical Expertise and Experience Transfers (FEXTE) to promote French expertise; grants, when the leverage effect for the entire sector is demonstrated.

Capacity building for institutions is, however, not sufficient and civil society participation is a determining factor. To achieve this, information-education-communication (IEC) campaigns will be organized for at least 50% of projects. IEC comprises a set of activities aiming to bring about a voluntary and lasting change in a practice by an individual or community. These activities improve governance in the sector *via* a greater involvement of users (technical choices, position of standpipes, composition and governance of users' associations, setting of water tariffs, reduction in water wastage and in the non-payment for services, etc.), develop good practices, especially in terms of hygiene, and promote gender. Priority will be given to participatory methods that take existing practices into account and factors which motivate households. IEC activities will be implemented preferably *via* calls for projects from NGOs, as the latter have a methodological added value related to their knowledge of local contexts.

BOX 7: FIGHT AGAINST CHOLERA IN THE DEMOCRATIC REPUBLIC OF CONGO

AFD, in partnership with the Veolia Environment Foundation and the NGO Oxfam GB, is supporting a project that aims to sustainably eradicate cholera by improving the social and health conditions of populations, particularly for women and children, thanks to a sustainable access to quality water and an improvement in hygiene practices. This project contributes to an integrated and innovative approach through:

- The institutional and financial partnership with multiple actors (corporate foundations, international NGOs, local NGOs);
- The water-health combination and contribution to commitments for maternal and child health;
- The transition from emergency relief to development;
- The water-energy combination with a micro-hydroelectric plant;
- A rigorous impact assessment led by the London School of Hygiene and Tropical Medicine.

AFD will contribute EUR 6m and manage a EUR 2.5m grant on behalf of the EC. The project will be implemented from 2013 to 2017.

15 Public-Private Partnerships for Urban Water Utilities: A Review of Experiences in Developing Countries, Philippe Marin, World Bank, 2009.

16 The example of the PACBP (Pan-African Capacity Building Project) fund, which financed 15 scholarships for African students, could be reproduced in Africa and in other geographical areas.

At least 50% of sanitation and drinking water projects financed by AFD will be required to have a positive impact on gender. In order to take into account the specific needs of women as much as possible, actions may be implemented at various phases of the project: the feasibility study will include a social component in order to analyze the context and identify the needs and specific demands of women. The times and places of the field surveys will be adapted to the timetables of women to allow them to express themselves. Women will be included in the project teams, in particular for the social intermediation and coordination. They will be involved in the decision-making process in order to ensure that their priorities are taken into account. Finally, in the school latrine programs, AFD will only finance the construction of separate toilets for girls, boys and teachers.

5.2.2 | Infrastructure financing

AFD will use its wide range of tools, subject to their availability, to provide the most appropriate financing for each project, depending on the geographical area, the sub-sector in question, and the type of infrastructure financed:

- **Grants**
  They will be allocated as a priority to the most vulnerable populations (crisis situations, the poorest countries), and possibly for pilot projects, with a priority for sanitation.
- **Delegation of European Commission funds**
  AFD may be entrusted with the implementation of EC grants. This is now a fully-fledged financing tool which AFD intends to continue to develop.
- **Debt Relief and Development Contracts (C2D)**
  It is a grant refinancing mechanism for the debt service maturities of Highly Indebted Poor Countries (HIPCs) earmarked for poverty reduction programs. In the water and sanitation sector, they will be used to finance sub-sectors where it is difficult to achieve financial equilibrium, for example for stormwater drainage.
- **Sovereign loans**
  They are allocated to a State or public entity benefiting from a State guarantee. They will mainly be used to finance the least profitable sub-sectors and will be implemented as a priority in countries where the sectoral policies are not sufficiently advanced. The interest rate may be subsidized. AFD will seek to use the most subsidized loans for the Sub-Saharan African countries in a position to borrow.
- **Non-sovereign loans**
  These loans (direct or *via* banking intermediation, without a State guarantee) are in particular adapted to financing the urban water sector when sectoral policies are sufficiently advanced. They aim at financially autonomous public or private counterparts. They may be subsidized, particularly in the case of projects for industrial sanitation which prove to have a positive impact on the environment beyond the regulations in force.
- **Loans and equity investments implemented by PROPARCO**
  Loans to the private sector will be implemented by AFD's private sector financing arm, PROPARCO (Promotion and Participation Company for Economic Cooperation), and will concern financing for build-operate-transfer contracts (in particular for contracts for water production facilities), but also financing for wastewater treatment for industrial production units when they fit in with a sustainable development framework.

BOX 8: INNOVATIVE FINANCING: COMBINE FINANCIAL PRODUCTS TO SUPPORT SSPSPs IN CAMBODIA

In Cambodia, the national access rate to drinking water remains low. In the large rural centers, with no public operator, local private entrepreneurs have for several years, in a spontaneous manner, engaged in financing and managing water supply networks (thereby becoming small-scale private service providers [SSPSPs]). In line with the national sectoral strategy to support private sector development, AFD has set up an innovative pilot program for access to credit and to support small-scale private service providers. The program includes:

- A USD 5m subsidized credit line to a local bank, reallocated to operators;
- A USD 2.5m EC grant, *via* the Asian Investment Facility (AIF), earmarked for capacity building for private operators, local banks, and the partial financing of the least profitable investments;
- A USD 1.5m guarantee portfolio to reduce the level of guarantee required from operators by banks.

- **Innovative financing: meet the needs of the different actors in the sector**

  AFD will continue to develop an innovative range of financial products for actors who have limited access to credit to finance their investments (local authorities, small-scale private service providers, public utilities or users). This vehicle is essential in order to achieve and improve access for unserved populations by national operators. These mechanisms include credit lines to actors in the sector (operators, SSPSPs or industries), guarantees, regional or national sectoral funds, and the financing of microfinance institutions.

  The infrastructure financing will be conducted in accordance with the principles of the Paris Declaration on Aid Effectiveness. There will be systematic coordination between AFD and the other donors and over 50% of commitments will be required to be earmarked for cofinanced projects. Indeed, the latter are essential in order to influence public policies, finance large-scale projects, and allow AFD to operate in less profitable sub-sectors by mobilizing external grant resources. This financing will be implemented:

- *Pari passu*, notably with European donors and in particular with KfW and EIB through the Mutual Reliance Initiative (MRI) for procedures;
- Alongside bilateral or multilateral donors, in order to reconcile the procedures of each institution, while ensuring there is a joint, and therefore greater, influence on the project and in the sectoral dialogue.

Finally, AFD will continue to develop partnerships that catalyze external grant financing resources: EC facilities, foundations and, to a lesser extent, decentralized cooperation.

5.2.3 | Knowledge production and partnerships

AFD actively contributes to national and international sectoral reflection in order to strengthen its position and improve aid effectiveness. Knowledge production is a fully-fledged operational tool and is a key element of this contribution. It is implemented with three main objectives:

- Participate in capitalization and sectoral innovation from its experience and that of French expertise;
- Raise awareness of and promote AFD's experience, both in-house and *vis-à-vis* its partners;
- Support the international dialogue and contribute to the exchange of good practices.

Knowledge production will fit in with the crosscutting themes identified by AFD's Strategy Department and in particular:

- **Natural resources**

  Knowledge production will seek to gain an understanding of the match between water needs for all its uses and the preservation of water resources *via* demand management, stormwater management, the analysis of pollutants, and the development of wetlands. AFD will also develop a doctrine on the issues of "water and climate change adaptation".

  The notion of virtual water will be studied, defining the quantity of water necessary for the production and transport of food and equipment. This approach makes it possible to understand the globalization of water, with a number of countries compensating for their deficit by importing water *via* international trade, in particular for agriculture.

- **The new social cohesions**

  AFD will continue its efforts in terms of recommendations on the regulation of water and sanitation services, public policy reforms, and strengthening institutions in the sector as well as operators. It will highlight the multidisciplinary link which underlies this process. The research will be based on *ex post* project evaluations and will provide insight into the relevance of the capacity building components implemented and the effectiveness of the different conditions or contractual commitments that project beneficiaries are required to fulfill or respect.

- **Urban sprawl**

  Urban sprawl involves various issues (health, education, socioeconomic organization, gender, etc.). AFD will support the definition and implementation of programs to evaluate the impacts of water and sanitation projects in urban areas: it will, for example, continue the evaluation work on the impacts on health of a drinking water supply program in urban areas in the Democratic Republic of Congo in collaboration with Oxfam, the Veolia Foundation and the London School of Hygiene and Tropical Medicine.

- **Innovations**

  The water sector continues to benefit from major technical and methodological innovations, for which appropriation remains an issue. For example, AFD will continue the research launched with Hystra to develop Bottom of the Pyramid (BOP) sanitation markets and build advocacy towards local and national authorities.

AFD will promote these subjects by using sectoral studies, conducting pilot projects with innovation and capitalization components, and impact analyses thanks to *ex post* evaluations.

The knowledge production projects will be conducted in collaboration with AFD's other departments and with external partners, in particular research institutes from the North and South, other donors, the private sector, NGOs, etc. Communication and promotion objectives will be defined for each research activity: publications (articles, methodological guides, etc.), presentations and integration into training programs.

In addition to the technical and financial collaborations related to knowledge production, AFD will, *via* partnerships with major organizations in the sector, support initiatives of common interest. Several partnerships have been established during the previous period, including with FWP, water agencies, Veolia and Suez, the Scientific and Technical Association for Water and Environment (ASTEE), the Marseille Center for Mediterranean Integration (CMI) and PS-Eau.

BOX 9: SOCIAL BUSINESS AND SANITATION

In the context of its knowledge production, AFD is financing the Hystra consultancy firm to conduct a "Bottom of the Pyramid/Sanitation" study, which aims to identify innovative and reproducible responses to the needs of populations the most excluded from access to sanitation. It is cofinanced by Unilever, Firmenich (manufacturer of toilet paper, soap and fragrances) and the Stone Family Foundation.

This will be the first study conducted by the Toilet Board, which is currently being set up by Unilever. The Toilet Board will be a platform of private and public actors who will take action together in the context of localized initiatives to remove the barriers to the development of commercial sanitation solutions. It is a very innovative initiative due to the wide variety of actors it intends to consult (multinational companies, institutional donors, foundations, research institutes, etc.) and the approach, which will focus on profitable sanitation projects.

6

Regional implementation of the strategy

6 Regional implementation of the strategy

AFD's strategy is implemented in four geographical areas: Sub-Saharan Africa, the Middle East and North Africa, Asia and Latin America and, finally, the French overseas territories (see Appendix 5).

6.1 | Sub-Saharan Africa

6.1.1 | The challenges: Low access rate and deficient governance

Sub-Saharan Africa has abundant renewable water resources. However, it is the part of the world where the rates of access to water are the lowest, where food security is not guaranteed, and it continues to be subject to energy deficits. It is today recognized that water plays a crucial role in the development of the continent. Due to the lack of infrastructure, only 5% of Africa's renewable water reserves are currently mobilized. The discharge of untreated wastewater degrades the quality of resources, as can be seen with the increasing presence of algal blooms and blue-green algae in Africa's lakes and lagoons.

With no development of water and sanitation infrastructure, this situation is likely to worsen as a result of several aggravating factors:

- Population growth in Africa is much higher than in the rest of the world in general (2.6% against 1.2%);
- Rapid urbanization (Africa is expected to have 10 megacities with over 10 million inhabitants by 2025);
- Climate change, which increase disparities in the distribution of water resources and destructive storm events.

This geographical area is lagging behind the most for the MDGs related to water and sanitation which will not be achieved in a number of countries. There has been progress in sustainable access to drinking water, but it remains limited: the average coverage stands at 63%, with major disparities between urban areas (84%) and rural areas (51%). Sanitation continues to be the poor relation in the sector: only 30% of the population benefits from satisfactory facilities and the wastewater collection and treatment systems either do not exist or are inadequate in most of the large cities, which leads to a high level of pollution in water resources. With no adequate facilities, 26% of the population still defecates in the open, which contaminates their environment.

In order to achieve the MDGs, most countries in the region would need to double the financial flows earmarked for the sector, while improving their capacity to absorb new financing.[17] In addition to the low level of availability of funds, their effectiveness is undermined by poor governance in the sector, despite significant progress in a number of countries.

Furthermore, the extremely rapid urbanization in Africa and population concentration expose large cities to risks of major recurrent flooding, which are exacerbated by climate hazards. Stormwater drainage is becoming an urban issue.

6.1.2 | Donors: The importance of multilateral donors

Sub-Saharan Africa receives approximately a quarter of the global Official Development Assistance earmarked for the water and sanitation sector,[18] *i.e.* approximately EUR 1bn a year.

Between 2009 and 2011, France was the 5th largest donor in the sector in Sub-Saharan Africa after Japan, the World Bank, Germany and the European Union. This French participation is channeled through AFD and AfDB thanks to France's contribution to the Rural Water Supply and Sanitation Initiative (RWSSI) and African Water Facility.

Part of European financing is implemented by AFD *via* EC fund delegations, in the context of the MDGs and Water

17 UN Water Report (GLAAS, 2012).

18 "GLAAS 2011" survey of external aid agencies (OECD, 2012).

Facility. In many African countries, water is no longer a focus sector for the EC. The impact this trend will have on the volumes that are allocated is not yet known. This trend could provide an opportunity for AFD to manage additional funds delegated by the EC and promote its experience in the region.

6.1.3 | Assessment: Objectives achieved for 2010-2012

Between 2010 and 2012, AFD committed an average of EUR 317m a year in Sub-Saharan Africa, including 83.3% of loans, 8.9% of EC fund delegations, 4.4% of C2D and 3.4% of grants earmarked for Priority Poor Countries for projects that have a strong impact on health.

While the previous Sectoral Intervention Framework assumed that the sub-sectors of sanitation and rural water could not be financed by loans, it became apparent that the improvement in the sectoral framework and political will of certain countries (Ghana, Mauritania, Niger) made it possible to finance this type of project with sovereign loans, on-granted at local level in the form of grants.

6.1.4 | "Sub-Saharan Africa" strategy: Priority to access and adaptation to climate change

On average, EUR 350m of commitments a year will benefit Sub-Saharan Africa. Support for the implementation of clear and effective sectoral frameworks will remain a priority in the region. This process involves a long-term sectoral dialogue, in accordance with other donors in the country, and formalized by consultation frameworks between States and donors. AFD will be actively working in sectoral "Water" groups in Senegal, Cameroon, Côte d'Ivoire, Burkina Faso, Togo, Kenya, Uganda, Tanzania, Ghana, the Democratic Republic of Congo, Niger, Chad, Nigeria and the Comoros. It may be the lead for donor coordination in at least three of these countries.

Operations will be tailored to the context and to the maturity of the country's sectoral framework, by financing as a priority:

- Universal and sustainable access to uncontaminated and continuously available water and the reduction of inequalities in cities. To achieve this, projects will include the extension of planned urban water services, an increase in drinking water production, and the creation of individual connections or standpipes in vulnerable areas;
- Stormwater drainage in African megacities in order to promote sustainable cities and climate change adaptation. These projects will include components for solid waste management and opening up areas/mobility to ensure they are sustainable;
- Universal access to domestic sanitation, in particular in urban and semi-urban areas, with a focus on schools and health centers;
- Support to rural water and sanitation access in countries that accept to borrow for this sub-sector, or *via* delegations of EC funds.

In a crosscutting manner, the operations financed by AFD will aim to bring about the emergence of efficient service operators.

6.2 | Middle East and North Africa

6.2.1 | The challenges: A scarce resource and a source of conflict

AFD's countries of operation in the Mediterranean have experienced a population explosion and sustained growth for three decades which, for some of them, was disrupted by the Arab Spring in 2011. In order to address the development challenges in the region in the renewed context of the Deauville Partnership established by the G8 on 26 and 27 May 2011, AFD's "Mediterranean" strategy is based on three priorities: the promotion of job-rich growth, strengthening social and territorial cohesion, and improving the quality of life for populations.

The region overall has satisfactory access rates to water and sanitation services, but sanitation continues to be an issue in rural areas and in certain urban areas: 27 million people do not have access to a sanitation system and the access rate in rural areas can be below 70%. In a context of resources that are scarce, overexploited, exposed to

climate change, and threatened by untreated wastewater discharges, the preservation of water resources is a priority which requires programs to mobilize water resources and treat wastewater using increasingly sophisticated and expensive technologies.

The Mediterranean region has a specific constraint: the geopolitics of water. This covers the issues of water service management in crisis or post-crisis countries (Palestinian Territories, Lebanon, Iraq, Syria) and the management of transboundary resources, which are a source of tension around rivers and aquifers.

In this context, the specific issues for the sector in the Mediterranean are:

- To support sectoral policies in a rapidly changing institutional environment;
- To improve the performance of operators and promote new technologies in order to optimize the use of a scarce resource that is increasingly expensive to mobilize;
- To more effectively manage water resources in order to balance the supply and mitigate the impacts of an increasing scarcity, in consultation between the actors of the various water uses;
- To depollute the Mediterranean, a shared ecosystem which is threatened by the discharge of untreated urban wastewater on the coasts.[19]

6.2.2 | Donors: Strong European presence

The main donors are present in this region and the sector, with an increased involvement of the EC due to its neighborhood policy. Following the launch of the Deauville Partnership, four transition countries, (Tunisia, Egypt, Morocco and Jordan) have become eligible for the actions of the European Bank for Reconstruction and Development (EBRD). The annual sectoral investments for non-European countries in the Southern and Eastern Mediterranean amount to an average of approximately EUR 1bn, half of which *via* bilateral aid.

Arab donors (Islamic Development Bank [IsDB], Arab Fund for Economic and Social Development, [AFESD], etc.) provide significant grant amounts. AFD will seek to coordinate with them as early as possible prior to operations.

6.2.3 | Assessment: From access to the preservation of water resources

The first projects financed by AFD in the 1990s (Morocco, Tunisia) focused on rural drinking water, with the aim of increasing water supply and strengthening the associated production infrastructure. Back in 2000, AFD's financing mainly turned towards access to sanitation in urban areas and the construction of the first wastewater treatment plants. Priority has recently been given to projects to treat urban effluents and preserve water resources by mobilizing non-conventional water programs.

Between 2010 and 2012, AFD allocated EUR 506m for the sector, including 92% in loans. This represents an 11% increase compared to 2007-2009, although this level of commitment remains below the objectives (EUR 200m a year). Sanitation and the preservation of water resources account for 65% of the financing commitments. Indeed, the end of the 2010–2012 period was marked by the Arab Spring, which slowed down activity, led to AFD reaching its operational limits in its traditional countries of operation, a break in the debt dynamics of certain major partners, and the end of prospects for operations in Syria.

Capacity building is an important focus for the support for investments, and in this field, AFD is a leading donor in the region. On average, between 2010 and 2012, 44% of commitments were subject to cofinancing with a European partner: this rate reached 78% in 2012.

6.2.4 | "Middle East and North Africa" strategy: Depollution and water resources management

AFD's target in the region is for an annual average of EUR 100m. The operational strategy in the Middle East and North Africa will mainly focus on the preservation of water resources based on the following three areas:

- Water resources management by defining comprehensive and financeable strategies to improve the efficiency of uses, promote IWRM, mobilize non-conventional resources (treated wastewater reuse and desalination) and, when these initial drivers have shown their limits, water transfers;
- The continuation of investments for wastewater treatment with an extension to the treatment of industrial effluents;

19 The H 2020 initiative, launched in 2005, is part of this approach. It aims to reduce pollution in the Mediterranean by 2020, by fighting the sources which cause 80% of pollution in the Mediterranean Sea: municipal waste, urban wastewater and industrial pollution.

→ Programs to improve operators' performance.

Furthermore, for the period to come, the issues of access to water and sanitation and those of structuring sectoral frameworks will continue to be a specific area for operations in crisis and post-crisis countries.

The development of AFD's operating methods in the Mediterranean, which already started in the last strategy, will continue for 2014-2018, with the confirmation of European cofinancing, in particular within harmonized approaches, like the financing catalyzed by the Neighbourhood Investment Facility (NIF). The use of grants will be limited from a geographical perspective (crisis countries) and thematic perspective (support for operators and improvement in sectoral frameworks).

6.3 | Asia and Latin America

In Asian and Latin American countries, which are mainly emerging or middle-income countries, the "water and sanitation" sectoral framework is generally mature and the MDGs have been or will be achieved. In the crisis or post-crisis countries in these regions, such as Afghanistan, Burma or Haiti, or the LDCs, such as Bangladesh or Lao PDR, the strategy that AFD will adopt will be the same as the one defined for Sub-Saharan Africa.

6.3.1 | The challenges: Climate change and water resources

The main challenges facing emerging countries are environmental: the preservation of water resources, which are polluted by industrial growth and the low level of environment standards, is the main priority. Water pollution is responsible for a loss of biodiversity in aquatic ecosystems.

In these highly urbanized countries, the planning of sustainable cities is a challenge that applies to water and sanitation sectors, in particular for flood prevention in a context of climate change.

This vast geographical area comprises huge disparities between countries in terms of water resources, exposure to climate hazards and, especially, economic development and social cohesion. The authorities have set out to address the issues of urbanization and the degradation of their environment by launching massive infrastructure programs in order to improve services to the poorest. These programs require colossal investments which are difficult to mobilize in the context of a possible slowdown in their economies.

The technical improvement in the water sector and, especially, sanitation sector can contribute to the fight against climate change. Indeed, water supply systems and wastewater treatment sectors are energy intensive, often using fossil fuels, and the sludge from treatment plants produces methane, which is a powerful greenhouse gas. The adoption of appropriate techniques can considerably reduce these impacts.

The CICID meeting of 31 July 2013 set the objective of seeking joint solutions to common challenges and of involving these countries in international cooperation to support the poorest countries. Operations should promote "green and inclusive growth", by fostering economic partnerships in these countries. Cooperation with the large emerging countries will mobilize French actors without a cost for the State (excluding technical expertise).

6.3.2 | Donors: Predominance of multilaterals

In 2011, Latin America and Asia received 12 and 44%, respectively, of ODA dedicated to the sector.[20] The main donors are the World Bank and regional multilateral banks (IDB, AsDB), then JICA, Germany, USAID and Spain for Latin America. In Asia, apart from Lao PDR, Cambodia and Vietnam, AFD's knowledge of the sector's actors and history is very limited compared to multilateral donors. In Latin America, multilateral donors operate *via* sectoral budget loans with tariff conditions that are well below

20 OECD, 2012.

those of AFD, but their commitments are limited in a number of countries due to their own country exposure limits.

The EC has set up two regional investment facilities (in Latin America [LAIF] and Asia [AIF]), which mobilize grants delegated to the lead European donor.

6.3.3 | "Asia and Latin America" strategy: Climate and economic diplomacy

In Asia and Latin America, AFD plans to commit an average of EUR 250m a year for 2014-2018.

In relation to the objectives of promoting green and inclusive growth, AFD's operations will give priority to sustainable water resources management and the fight against climate change by:

- Financing wastewater and sludge treatment plants with techniques that include methane recovery and reduce greenhouse gases;
- Improving energy efficiency in drinking water systems and reducing water losses;
- Industrial sanitation;
- The universality of access to services, particularly for the poorest populations;
- Integrated water resources management actions, including support for the implementation of sectoral policies.

In a complementary manner, at the request of partner countries, projects to extend water and sanitation services will be financed when they promote French expertise. This could lead to high-level training in France ("Water for All" Master's Program), the dissemination of French techniques, standards or models, exchanges with French regional and local authorities in the sector, or the preparation of contracts, for which French actors are highly skilled (drinking water treatment plants, wastewater treatment plants, service management, loss reduction). These activities could be financed by the FEXTE.

For the period to come, access to water and sanitation services and the structuring of sectoral frameworks will continue to be a specific area for operations in the least developed countries in the region (Afghanistan, Bangladesh, Haiti, Lao PDR, Cambodia, etc.).

6.4 | French overseas

6.4.1 | The challenges: Depollution and biodiversity

The eight overseas France territories, excluding Saint-Pierre-et-Miquelon where AFD does not operate in the water and sanitation sector, are unique by their geography and history. The close ties with mainland France lead to an economic difference with their regional environment. The populations, which have been formed by successive migration waves, are heterogeneous. The island configuration limits the number of actors in the sector, which leads to a low level of competition. From an environmental perspective, these territories are extremely fragile, due to an abundant biodiversity and a particular exposure to exceptional climate events.

The municipalities have competence for water and sanitation and they are free to group together into inter-municipalities in order to exercise this responsibility. In the sanitation sector, the overseas territories with the status of Department are brought into question for non-compliance with the European Framework Directive on Water (ERU).

Two sectoral issues arise from these characteristics:

- Preserving water resources and contributing to climate change adaptation by developing the entire sanitation sub-sector. Closing the gap in terms of infrastructure, in particular for wastewater treatment plants, will make it possible to address the environmental challenge and respect regulations;

- Improving the level of the water service: strengthening the performance of the sector will contribute to social cohesion. These efforts will target the issues of the irregular service quality (quality and availability of water), the limited coverage in informal neighborhoods, the significant distribution losses, and the low self-financing capacity.

6.4.2 | Donors: France and the European Commission

Until now, the financing of the water and sanitation sector has mainly been in the form of operations by the French State, the Caisse des Dépôts et Consignations and EC.

6.4.3 | Assessment: A marked disparity

AFD finances the investment programs of territorial authorities. The most discriminatory parameter to analyze these territories is the maturity of sectoral policies. In this respect, three main groups can be identified:

- Territories with the status of Overseas Authorities (COM) located in the Pacific region: New Caledonia, French Polynesia, Wallis-et-Futuna. The institutional and regulatory context there is out of step with mainland France, and the sectoral policies there are in practice less mature;
- Mayotte, Guadeloupe and French Guiana, Overseas Departments (DOM), in which the regulations of mainland France and Europe are applicable, but where their effective implementation still requires considerable support;
- The other DOM, where the sectoral policies are clear and implemented in an effective manner: Martinique and Réunion.

In the first group of territories, AFD contributes to planning and organizing the sector by financing Master Plans, and *via* institutional support which aims to clarify the role and responsibilities of actors, or to bring about the emergence of new actors.

In the two other groups, AFD finances investment programs defined by the local authorities, in the form of budget support. The support for infrastructure planning and management is marginal, as projects are generally validated by the competent Government departments.

6.4.4 | "Overseas France" strategy: EUR 50m earmarked for sanitation and improving performance

AFD plans to commit an average of EUR 50m a year for 2014-2018.

AFD's priority for operations in overseas France will be sanitation with the aim of preserving the marine environment and biodiversity and of meeting the requirements of the European Framework Directive in the DOM. In the COM, access to water for all targeting disadvantaged neighborhoods and isolated sites will be an issue in order to improve social cohesion in the territories. The projects will be implemented by the local authorities.

All the projects will be planned from the perspective of the durability of infrastructure, which requires the financial sustainability of actors and a sufficient availability of expertise. When the latter does not exist, capacity building and institutional support actions will be implemented using grant funds.

7

Accountability and transparency

Accountability and transparency

7.1 | Supervision and implementation of the strategy

7.1.1 | Annual review

In addition to the definition of a 5-year strategic orientation, this Sectoral Intervention Framework, as with the previous one, aims to monitor:

- The contribution made by allocations to the different crosscutting themes (climate, biodiversity, health, etc.);
- The achievement of the main strategic orientations of this Sectoral Intervention Framework (80% of projects including capacity building, 50% providing for hygiene awareness-raising, 50% of amounts in cofinancing, 50% of projects contributing to gender, EUR 250m for climate change adaptation, etc.);
- The indicators for the expected outcomes;
- The results achieved.

AFD's objective is to have an exhaustive vision of the results achieved at the end of each year for all the projects being implemented or completed. An assessment of the expected and actual results will be produced annually. Effectively monitoring these indicators has operational implications. Each new project committed will at the minimum comprise the relevant indicators set out in the Sectoral Intervention Framework (see Appendix 4). The supervision missions will pay particular attention to these objectives, the expected outcomes and those already achieved, and to the supervision of the quality as a whole.

7.1.2 | Mid-term supervision report

The implementation of this Sectoral Intervention Framework will be subject to a mid-term publication which will make it possible to estimate the progress of the financial activity of projects, measure the achievement of objectives or the likelihood of achieving them and, finally, capitalize on them and define, where necessary, reorientations or adjustments. The report will be in the form of a summary and pragmatic document. It will report on the amounts committed and the outcomes achieved and expected. The actual outcomes of the projects allocated in the five previous years will also be provided: they will be compared to the outcomes expected when they were appraised.

7.1.3 | Completion report

At its completion, this Sectoral Intervention Framework will be subject to a completion report for accountability, capitalization and forward-looking purposes. This summary will be based on the various annual supervision reports, to which a qualitative analysis of the outcomes achieved will be added. The completion report for the Sectoral Intervention Framework 2010-2012 was published in French and English in October 2013.

7.2 | Communication

AFD will seek to systematically provide information on and share its contributions and expertise in the water and sanitation sector, particularly in the context of the preparation of the GSDGs.

AFD will endeavor to raise awareness of its methods and the scope of its operations among its partners and the general public by:

- Providing information on its website;
- Participating in the production of documentary films on the supported projects;
- Organizing conferences on the water and sanitation sector, particularly within the ID4D (Ideas for Development) conference cycle;
- Intervening during the main sectoral meetings, in particular for the 7th World Water Forum, scheduled to take place in 2015 in the Republic of Korea.

During the major international events, it will act in coordination with the other French actors in the sector, in particular with the FWP.

8 Appendix

Appendix 1:
Logical Framework

Appendix 2:
AFD's mobilization of European instruments for water and sanitation

Appendix 3:
Publications from 2010 to 2013

Appendix 4:
AFD's accountability in the water and sanitation sector

Appendix 5:
Framework for AFD's activities for 2014-2018

Appendix 6:
Main acronyms and abbreviations

Logical Framework

OBJECTIVES	OPERATIONAL OBJECTIVES		INVESTMENTS
Improve the living conditions of populations, particularly for women and girls	**Support the definition of clear, effective and inclusive sectoral frameworks**	Provide effective and sustainable access to services for all	• Drinking water supply and rural water • Urban and rural sanitation
Promote sustainable and environmentally friendly economic growth		Preserve water resources in a context of climate change	• Rehabilitation of drinking water networks • Optimization of irrigation • Recycling of industrial water • Desalination • Treated wastewater reuse • Industrial sanitation • Domestic wastewater treatment • Transport and treatment of sludge
Adapt to climate change impacts		Manage flood risks in cities in a context of increased climate variability	• Stormwater drainage in urban areas • Watershed development

ACTIVITIES			INDICATORS
	SUPPORT		
	• Economic and financial models • Support for decentralization • Improvement of operators' performance	**Rely on French assets**	• Number of people gaining sustainable access to a drinking water service • Number of people gaining access to a sanitation system • Number of people with an improved quality in the drinking water supply • Number of people with an improved quality in the sanitation system • Financed drinking water production capacity • Financed wastewater treatment capacity • Drinking water savings • Number of people sensitized to hygiene
	• Integrated water resources management • Water and sanitation Master Plans		
	• Systems to monitor flows and emergency plans • Urban planning		

AFD's mobilization of European instruments for water and sanitation

Delegations

Between 2010 and 2012 the European Commission delegated the management of EUR 70.6m to AFD, including EUR 10m in the context of the MDGs, for projects located in Mauritania, Djibouti, Togo, Ghana, and the Comoros.

Regional Facilities

The EU-Africa Infrastructure Trust Fund (ITF) aims to promote European Union investments in Africa by contributing to financing infrastructure projects which have regional structural impacts in the water, energy, transport and telecommunications sectors. While there continue to be few cross-border projects in the water and sanitation sector, AFD has, however, mobilized ITF funds (EUR 32m between 2010 and 2012, including EUR 15m for technical assistance) to finance a sanitation project based on the depollution of Lake Victoria in Tanzania (Mwanza) and a pilot drinking water project in Uganda (Kampala). Their mechanisms in terms of monitoring water quality and treatment are intended to be replicated in the region.

The Neighbourhood Investment Facility (NIF) is a financial mechanism set up by the EC which aims to mobilize additional resources to cover the investment needs for infrastructure in the neighboring region of the European Union in the transport, energy, environment and social sectors. The NIF South, which applies to the Maghreb region and Middle East, has been extensively mobilized by AFD (EUR 40m between 2010 and 2012 in the sector).

Finally, the Latin America Investment Facility (LAIF) aims to encourage the essential investments of beneficiary governments and public institutions in Latin America. It was launched in 2010 and AFD mobilized EUR 4.5m from it in Colombia in 2012.

The projects financed by AFD in the water and sanitation sector between 2010 and 2012 benefited from a total of EUR 72m of grants from investment facilities. The mobilization of these facilities has allowed AFD to develop its cofinancing with other European donors. EUR 424m of European financing (KfW, EIB, European Development Fund [EDF]) have been mobilized, backed to a regional facility, which accounts for 74% of European financing raised in AFD projects.

Thematic facilities

For the 9th and 10th EDF, the EC had earmarked EUR 500m and EU 200m, respectively, for the water and sanitation sector in the Africa-Caribbean-Pacific (ACP) region. This EU-ACP Water Facility aimed to strengthen the political commitment for access to water, promote better governance, bring about balanced partnerships between the public sector, private sector and civil society, and support regional cooperation in water resources management. It will not be renewed for the 11th EDF (2014-2020).

For the second Facility in 2010, AFD positioned itself alongside NGOs in order to provide them with the cofinancing required by the EC to obtain funds in the context of the component on achieving the MDGs. It launched calls for proposals in addition to those of the Facility in order to cofinance projects deemed to be relevant with grants. In order to catalyze the establishment of partnerships with actors likely to play an increasing role in the sector (decentralized cooperation and foundations), AFD has given priority to projects which, in addition to the financing of the EC (maximum of 75%) and AFD (maximum of 15%), mobilized cofinancing from these new donors. 13 projects (out of 18 submitted) were selected by the EC and allowed EUR 30.9m of European funds to be raised, with AFD's cofinancing amounting to EUR 8.7m.

Publications from 2010 to 2013

Between 2010 and 2013, AFD participated in the preparation of a number of publications related to the water and sanitation sector, most of which can be downloaded from AFD's website, including:

Governance in the sector:

- *The Regulation of Water and Sanitation Services in DCs, 2010,* collection *"À Savoir"*, n° 1.
- *The Regulation of Small-Scale Water Providers in Lao PDR, 2010,* collection *"Focales"* n° 6.
- *Towards Concerted Management of Cross-Border Aquifer Systems, 2010,* collection *"À Savoir"*, n° 3.
- *Regulating and Monitoring the Technical & Financial Performance of Small Systems,* 2011, Acqua-OING and OSEau.
- *Financing Sanitation in Sub-Saharan Africa, 2011,* pS-Eau guide, n° 6.

Service management:

- *Financing Water Services in Urban Areas in Niger,* 2010, collection *"Focales"*, n° 4 (in French).
- *Universal Access to Water Services: The Role of Small Private Operators in Hô Chi Minh City, Vietnam,* 2010, collection *"Focales"* n° 1.
- *Water Services and the Private Sector in Developing Countries. Comparative Perceptions and Discussion Dynamics,* 2011, collection *"Recherches"* n° 1.
- *Financing Drinking Water Services in Small Towns* via *Local Private Operators,* 2011, collection *"Débats & Controverses"*, n° 4.
- *Access to safe water for the base of the pyramid,* 2011, Hystra.
- *Improving Performance of Water and Sanitation Public Services,* 2012, ASTEE.
- *How to Develop a Concerted Municipal Strategy for Water and Sanitation in Large Towns in Africa,* 2012, pS-Eau guide, n° 1.
- *How to Manage Public Toilets and Showers,* 2010, pS-Eau guide, n° 5.
- *How to Create a Regional Dynamic to Improve Local Water Supply and Sanitation Services in Small Towns in Africa,* 2010, pS-Eau guide, n° 2.
- *How to Analyze the Demand of Current and Future Users for Water and Sanitation Services in Towns and Cities in Africa,* 2011, pS-Eau guide, n° 3.

Technical and methodological guides:

- *Creation and Management of Boreholes Equipped with a Hand Pump in Sub-Saharan Africa, 2011, Methodological Guide,* (collective publication) (in French).
- *How to Select Appropriate Technical Solutions for Sanitation,* 2010, pS-Eau guide, n° 4.
- *How to Design and Implement a Strategy to Raise Hygiene Awareness and Promote Sanitation,* 2013, *"Des repères pour l'action"*, pS-Eau (in French).

Water resources preservation:

- *Treated Wastewater Reuse in the Mediterranean: Lessons Learned and Tools for Project Development,* 2012, *"Cahiers du Plan Bleu"*, n° 11.
- *Water Efficiency, More Efficient Water Use In The Mediterranean,* 2012, *"Cahiers du Plan Bleu"*, n° 14.

AFD has also contributed to the *2012 Assessment of Decentralized Cooperation in the Water and Sanitation Sector,* 2013, pS-Eau.

AFD's accountability in the water and sanitation sector

The evaluation and publication of outcomes of funded development projects is an essential component of the accountability approach conducted by AFD. Up until 2013, this approach concerned *ex ante* outcomes, *i.e.* those expected when the financing is allocated.

In 2010, a pilot approach to evaluation and communication on the actual outcomes obtained during the implementation of projects financed by AFD was initiated in the water and sanitation sector. A consolidated annual follow-up of commitments in the sector (about 15 to 20 new projects every year) and of all active projects (portfolio of some 150 projects) has thus been established. The expected and actual outcomes concern different project portfolios, which came about through strategies and levels of commitment that may change.

The scope of this pilot phase covers all the projects in which the team of the "Water and Sanitation" Division is involved, either as a project manager, or as a technical expert associated with a project team, irrespective of the financing source. The objective is to eventually arrive at a consolidated vision of the entire sector at AFD.

The list and definition of the indicators retained have been established with AFD's Strategy Department.

Two types of indicator are monitored:

- Resource indicators, such as the distribution of financing by sub-sector, geographical area, and financial instrument, the share of cofinanced projects, the share of projects that include a capacity building component and the associated amounts, etc.;
- Results indicators, for which the list is given in the table below.

The data are collected by the project managers. There are two issues involved:

- The accountability of contracting authorities. Commitments on the annual measurement of the actual outcomes are systematically required in the financing agreements. The contracting authorities may pass on these requirements to the firms in charge of prime contracting or to the assistance to the contracting authority;
- The estimate *versus* the measurement of the actual outcomes. The supervision consulting firm's reports allow a measurement on the basis of which the outcomes will be estimated. If the reports do not contain this information, estimations are proposed by the project managers. The aim is to move towards a systematization of measurement.

The three-yearly activity report is the main channel for the dissemination of these results. It sets out the commitments of the current Sectoral Intervention Framework and makes an assessment of it, with a qualitative analysis combined with key figures. This exercise is conducted with the aim of justifying the figures supplied, on the bases of clearly identified assumptions.

The 2010-2012 report, published in 2013, has been broadly shared *via* AFD's website and the distribution lists of our partners. These exchanges have shown the need to also communicate on the budgetary efforts for the least developed countries and the impacts on gender. AFD is requested to communicate on projects for which the agreements have been signed during the year, and not on those for which the financing has only been authorized.

Finally, in addition to the aspects of transparency and accountability, this exercise should influence the objectives set for the "Water and Sanitation" sector for the following period.

LIST OF RESULTS INDICATORS	
Indicator 1	Number of people gaining sustainable access to a drinking water service
Indicator 1 (a)	Including the number of students and/or patients gaining sustainable access to a drinking water service
Indicator 2	Number of people gaining access to a sanitation system
Indicator 2 (a)	Including the number of students and/or patients gaining access to a sanitation system
Indicator 3	Number of people with an improved DWS (Drinking Water Supply) system
Indicator 4	Number of people with an improved sanitation system
Indicator 5	Financed drinking water capacity
Indicator 6	Financed wastewater treatment capacity
Indicator 7	Drinking water savings
Indicator 8	Number of people sensitized to hygiene

Sustainable access to a drinking water service means a permanent and continuous access to uncontaminated quality water (water corresponding to the WHO quality and *Escherichia Coli* measurement standards). This access will be provided *via* individual connections to a water network, public standpipes or boreholes equipped with a pumping system located less than 30 minutes away, including the waiting time.

Improving the DWS system means improving water quality (treatment of micropollutants, reduction of the levels of iron and manganese, etc.), securing production, reducing network losses, improving performance and energy efficiency, etc.

Sustainable access to a sanitation system means permanent access to toilets flushing into a sanitation network, septic tanks or pit latrines, improved latrines (ventilated latrines, dry latrines with compost or pit latrines with a cover), etc.

Improving the sanitation system means having effective infrastructure for wastewater collection and treatment and sludge treatment, stormwater drainage infrastructure, etc.

Framework for AFD's activities for 2014-2018

The planned framework for forecasted operations for 2014-2018 leads to the following indicative breakdowns:

FIGURE 5

TARGET FOR ANNUAL COMMITMENTS BY REGION (in millions of EUR)

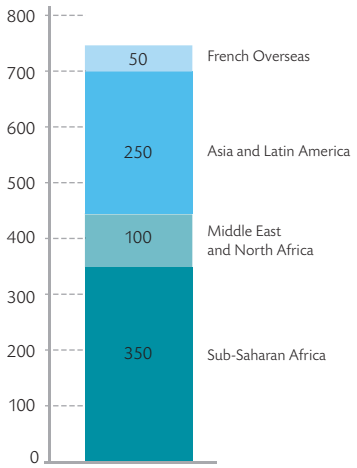


FIGURE 6

BREAKDOWN OF FRENCH BUDGET EFFORT BY REGION (FOREIGN COUNTRIES)

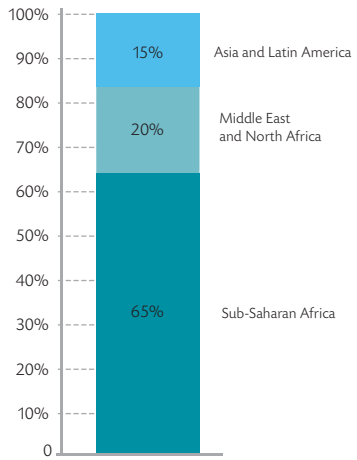


FIGURE 7

BREAKDOWN OF COMMITMENTS BY FINANCIAL TOOL

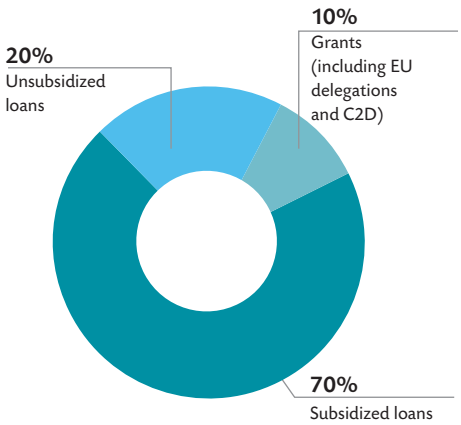


FIGURE 8

SHARE OF COMMITMENTS FOR THE 16 CICID 2013 PRIORITY COUNTRIES

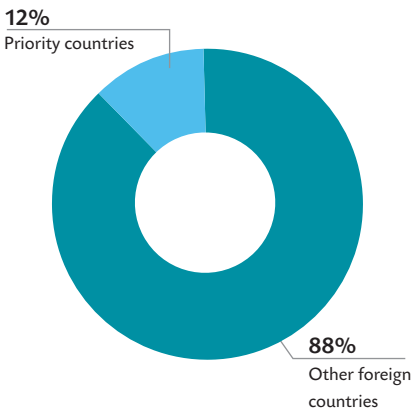
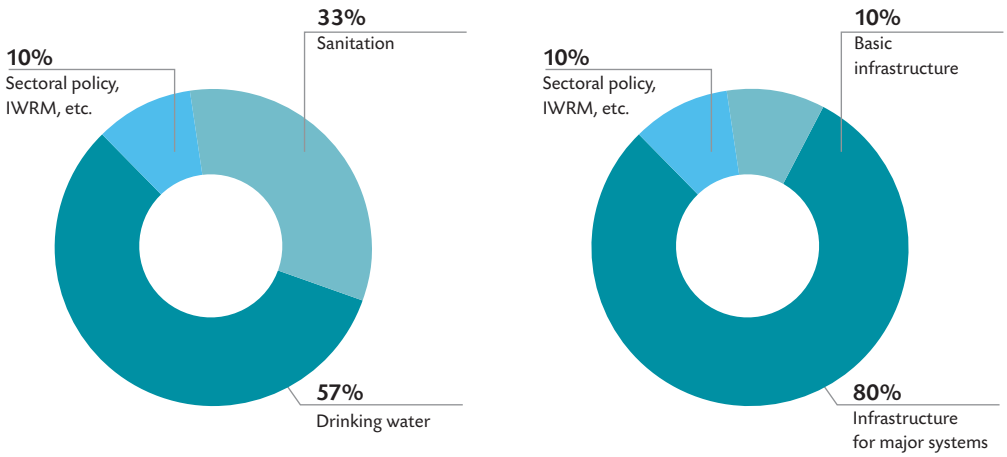


FIGURE 9

BREAKDOWN BY SUB-SECTOR



Additional targets set for 2014-2018:

- EUR 250m for climate change adaptation;
- 80% of projects including a capacity building component;
- 50% of commitments in cofinancing;
- 50% of projects including an outreach campaign.

The expected results from these commitments are as follows:

- 1.5 million people a year gaining sustainable access to a drinking water service;
- 1 million people gaining access to sanitation;
- 4 million people with an improved drinking water system;
- 1.5 million people with an improved sanitation system.

Main acronyms and abbreviations

ACP	Africa, Caribbean, Pacific
AFD	*Agence Française de Développement*
AfDB	African Development Bank
AIF	Asian Investment Facility (EC)
AsDB	Asian Development Bank
ASTEE	*Association Scientifique et Technique pour l'Eau et l'Environnement* (Scientific and Technical Association for Water and the Environment)
C2D	French Debt Relief-Development Contract
CICID	Interministerial Committee on International Cooperation and Development
COM	French Overseas Authorities
DOM	French Overseas Departments
DWS	Drinking Water Supply
EC	European Commission
EDF	European Development Fund
EIB	European Investment Bank
FEXTE	Fund for Technical Expertise and Exchange of Experience
FWP	French Water Partnership
GDP	Gross Domestic Product
GLAAS	UN-Water Global Analysis and Assessment of Sanitation and Drinking Water
IBD	Inter-American Development Bank
IEC	Information-Education-Communication
ITF	EU-Africa Infrastructure Trust Fund (EC)
IWRM	Integrated Water Resources Management
JICA	Japan International Cooperation Agency
KfW	*Kreditanstalt Für Wiederaufbau Entwicklungsbank* (German Development Bank)
LAIF	Latin America Investment Facility (EC)
LDC	Least Developed Country
MDGs	Millennium Development Goals

MRI	Mutual Reliance Initiative
NGO	Non-Governmental Organization
NIF	Neighbourhood Investment Facility (EC)
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OIEau	International Office for Water
PROPARCO	*Société de Promotion et de Participation pour la Coopération Economique*
pS-Eau	*Programme Solidarité Eau* (Water Solidarity Program)
SDGs	Sustainable Development Goals
SIF	Sectoral Intervention Framework
SSPSP	Small-Scale Private Service Provider
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization

NOTES

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Shaping sustainable futures