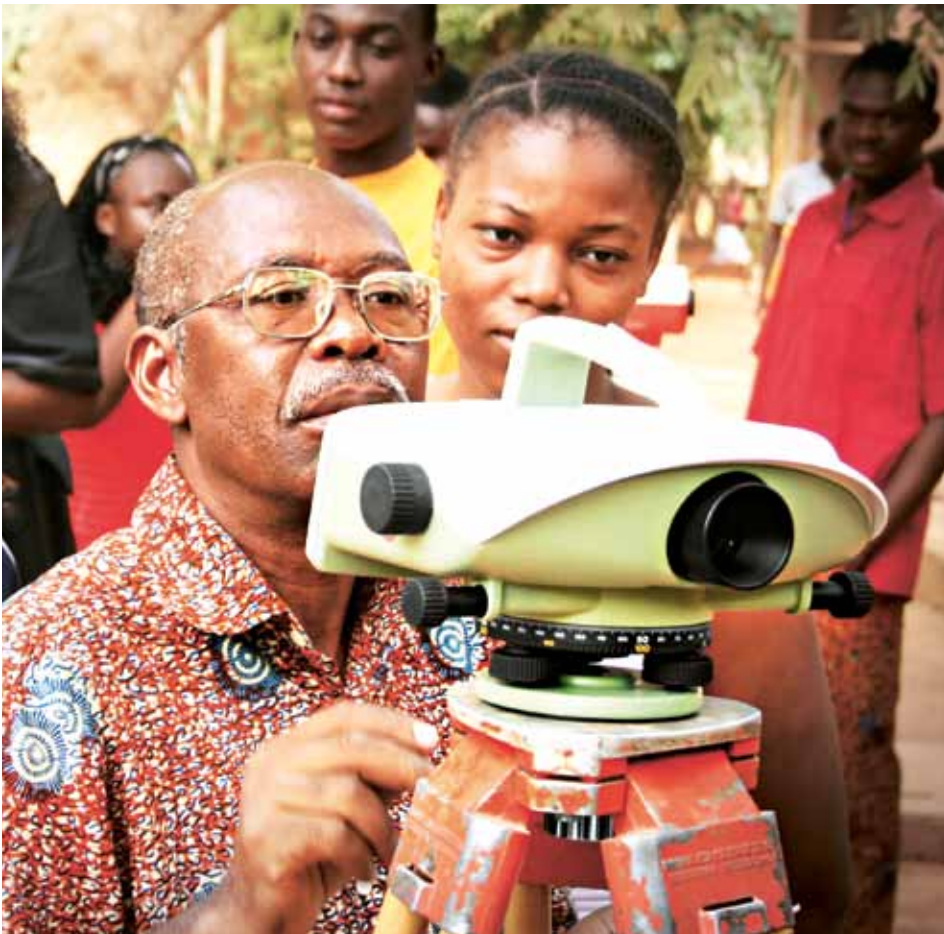




AGENCE FRANÇAISE DE DÉVELOPPEMENT

AFD 2010 ANNUAL REPORT



Shaping sustainable futures



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FUNDING

DOV ZERAH

CHIEF EXECUTIVE OFFICER



INTERVIEW

You were named chief executive of AFD in June 2010. What is your view of its current work?

In the last five years, AFD has undergone a revolution; it has become an essential player in the development arena, extending its geographic and sectoral reach, and expanding its aid volumes three-fold. In 2010, we approved nearly €7 billion in aid funding, using €600 million in budgetary resources from the French state, and we were responsible for 16% of France's public development aid budget. During the same period, we paid out €220 million in dividends to the French state. We now enter a new phase to consolidate and clarify our business model.

What is your roadmap for the years ahead?

We operate in three main geographical areas: on a North-South axis, i.e. the developed world and sub-Saharan Africa; laterally into Arab and Muslim countries, and across the oceans to Asia and Latin America. We have different priorities for each region in terms of sectors and means of intervention. The French government has given us a mandate to keep on targeting our grants towards the least-developed countries, focusing efforts on 14 high-priority countries and the health and education sectors. We will also fulfill other government aims, such as supporting economic growth and efforts to fight climate change, operating in emerging countries, aiding fragile states, and promoting economic and social development in the French Overseas Provinces. While I fully intend to follow the policies set by our government supervisors, I will also promote AFD's role in formulating new proposals.

What steps will you take to successfully meet these priorities?

Consolidating our business model starts with stabilizing action levels: project and programme funding should reach €8 billion in 2013. Risk mitigation remains crucial, especially as many of our beneficiary countries are experiencing profound political changes. That is why we have recently created a dedicated risk-mitigation department. More generally, we have begun reviewing all our procedures to ensure that they will match the scope of our interventions. Consolidation also means optimizing our resources. As France reduces its public budgets, AFD, as a public establishment, must also control its expenditures. We have decided to strengthen our greatest wealth – our human capital. Our beneficiaries seek our expertise in addition to our financing. AFD will continue to weigh in on international debates through our research and

other forms of knowledge creation. At the same time, we will expand our scope and effectiveness by forming more partnerships with other development actors – nongovernmental organizations, local governments, private foundations and multilateral development banks. In a globalized world, only cooperative strategies of this kind can hope to succeed.

Africa is changing rapidly, presenting new opportunities and increased threats. How does AFD plan to help with these changes?

By 2050, the African continent will have one billion more inhabitants, 60% of whom will live in cities. This poses a colossal challenge to food security for a continent that already imports 10% of its food requirements. We must help Africa develop its agricultural, food-processing and distribution sectors. That will occur only through infrastructure improvements, particularly roads and energy. The poor condition of Africa's infrastructure costs the continent two points of growth each year. The continent must invest €67 billion in infrastructure over the next ten years to remedy this situation. Africa has proven resilient since the financial and economic crises, with a constant growth rate of around 5%. Its private sector is structurally dynamic and innovative, as President Sarkozy noted during his February 2008 speech in Cape Town, South Africa. As Africa confronts these new challenges, it remains AFD's priority – now more than ever. We increased our funding commitments to Africa by nearly 70% over the last two years, to €2.2 billion in 2010. We will step up our efforts there by concentrating our subsidized loans in agriculture and infrastructure, and by providing grants to the education and healthcare sectors. Our subsidiary, PROPARGO, will contribute to private sector enterprises via market-rate loans.

In 2010, prices for agricultural commodities rose sharply on international markets once again. This recurring problem often has tragic consequences in developing countries. What can be done about it?

One billion people suffer from hunger in the world today. The agriculture sector plays a central role in African economies, representing 13% of GDP and employing nearly 70% of workers. It creates value, stabilizes rural populations, and fights desertification. Agricultural productivity must improve to increase the quantity and affordability of available food. That would help millions of smallholder farmers escape poverty, meet the needs of rural populations, and feed urban

"NOW, WE BEGIN A NEW PHASE TO CONSOLIDATE OUR BUSINESS MODEL"

residents. Beyond aid for farming and ranching, Africa's food-processing and distribution industries need assistance and reinforcement. For instance, Africa has plenty of livestock – it contributes strongly to the economy – but many African countries still import powdered milk! Animal feed production remains insufficient and livestock productivity has room for improvement. Solutions for these problems could be found by working with regional-scale economic communities, and by drawing on private-sector structures.

What is AFD's rationale for operating in emerging countries?

We provide emerging countries with support and encouragement through very lightly subsidized loans, and encourage them to commit to a more inclusive and environmentally-friendly growth path. In many ways, our interventions in emerging countries address issues that directly affect developed ones. Urban development, professional training and the fight against global warming underpin our actions; in these areas, we are one of the most advanced donors, with widely recognized savoir-faire. In Indonesia and Mexico, we support "green" development plans inspired by France's environmental stance. In Colombia, we provide direct financial support for Medellín's and Bogotá's sustainable development policies. When we work with the largest emerging countries, such as China and India, we motivate them to join the community of responsible actors, working toward a common action plan for global challenges.

After Africa, AFD maintains its second-highest presence in the Mediterranean Basin countries – North Africa and the Middle East. What are your priorities for this region, which is currently experiencing huge upheavals?

In North Africa and the Middle East, our main objective is to encourage job-creating growth, particularly through private-sector projects and professional training. Recent events have shown how marginalized the youngest and the poorest have become. Crucial measures include both job creation and professional and vocational training to help unemployed youth – especially young graduates – find jobs. We plan to increase our support to help these countries make the transition to democracy. The Mediterranean Union provides a structured framework that we will continue to use for these efforts. Unique opportunities have arisen that currently favor a rapprochement between developed and developing countries; we must seize these opportunities by launching ambitious cooperation projects within a regional intervention framework.

At the end of 2009, the French Interministerial Council for Overseas France asked AFD to support economic recovery in France's overseas provinces. After slightly more than a year, what has been achieved?

Our involvement with the French Overseas Provinces has a historical dimension: ever since its creation, AFD has had a mission to foster progress in these territories – it rests at the heart of our work and is in fact one of the reasons we exist. The French government's forward-looking directives strengthen our mandate at precisely this specific level – we are to assist local economies and societies. The economic downturn has hit the Overseas Provinces hard economically and socially; consequently, we support both public- and private-sector activities to develop and benefit from their combined potential. AFD has provided suitable financial products and developed a professional consulting and advisory service. In 2010, local governments launched sizeable investment programs: their first results are already evident. Several businesses adopted innovative strategies that reveal an encouraging dynamic. Regional integration remains one of the Overseas Provinces' major challenges; we therefore help them gain access to various markets, and support cooperation efforts with neighboring countries.

At the international level, 2010 was the year of biodiversity. How does AFD's work address this issue?

Biodiversity preservation is closely linked to development. Lasting economic growth depends on a well-considered use of resources. In farming, for example, soil fertility must be maintained. We are very vigilant about our projects' environmental effects, and we assist our beneficiary countries with sustainable-use frameworks for their natural resources. On another level, AFD contributes to discussions on how to tackle global issues, from biodiversity to defining new ways of financing development, in alignment with the regulatory frameworks fostered by the Group of Eight and Group of Twenty nations. •

PIERRE-ANDRÉ PÉRISSOL

PRESIDENT OF AFD'S GOVERNING BOARD OF DIRECTORS



This past year, AFD proved its openness to the world. It used a well-considered strategy and suitable financial and technical means to reinforce its funding activity and improve the quality of its assistance to beneficiary countries.

In 2010, AFD pursued the remarkable progress of previous years, in the quality, quantity, geography and range of our concerns, work, knowledge and partnerships.

Our qualitative progress rests on the broad array of financial instruments we have adapted to meet our diverse beneficiaries' needs – countries, local governments, public- and private-sector companies. Our quantitative progress is reflected through nearly €7 billion in funding approvals, including almost €1 billion for the French Overseas Provinces, a 10% increase over 2009 levels.

Geographically, AFD maintains 59 field offices and bureaux in developing and emerging countries, and nine in the French Overseas Provinces. Even as AFD has expanded into large emerging countries, it has concentrated most of France's budgetary aid on the poorest countries, particularly in sub-Saharan Africa. AFD also helps local governments and private enterprises in the French Overseas Provinces.

We have diversified our interventions and made progress on the UN Millennium Development Goals, particularly concerning healthcare, education and food security in the least-developed countries. We have also promoted "green" and inclusive economic growth, sustainability, biodiversity preservation and the fight against climate change.

Our private-sector subsidiary, PROPARCO, confirmed its major role in implementing the commitments President Sarkozy made in his Cape Town speech, authorizing funds of €1.1 billion in 2010. AFD has also made progress in supporting nongovernmental organizations (NGOs): in 2010 – the first year of our mandate to manage a large share of France's support of NGOs – we funded 63 projects with €41 million in grants and subsidies, structuring NGOs, promoting development education and supporting projects in beneficiary countries. 2010 also saw sustained contributions to creating knowledge: economic studies, evaluations and forecasts helped us design new financial instruments, guide projects' technical aspects – a key to success – and organize two major symposia. The Financial Innovations for Development Forum and the European Development Network Conference provided

opportunities to share our thinking and experiences, feeding broader discussions about development. AFD's professional training center, CEFEB, began a new strategic plan in 2010, centered on an AFD Group Corporate University project to serve our beneficiaries, partners and employees. AFD also made progress in setting up partnerships with other development professionals and organizations.

AFD helps put a more human face on globalization, adding an essential social dimension. Our interventions absorb globalization's shocks in some ways, as we promote economic growth, employment and a better standard of living in underdeveloped countries. By making all of Africa our main priority – French-, English- and Portuguese-speaking regions alike – we help the continent reduce poverty and gain its fair share of global growth. AFD's full commitment to development in North African and Middle Eastern countries also fulfills France's policy of assisting democratic transitions and building a stable future.

By intervening at France's behest in large emerging countries, AFD encourages more cooperative development strategies that focus on global environmental balances. This strategy reinforces France's influence and serves its interests. We do this with the financial resources France gives us, which we increase through a multiplier effect: in 2010, for every Euro contributed from France's public budget, AFD authorized more than nine Euros of development loans and aid. We also enjoy the French state's support through its strategic orientation board, which provides our road map. Strong support also comes from AFD's governing board of directors, the ongoing links between the administration and AFD's staff, and between the French diplomatic services and our field offices.

We achieve our goals through our employees' professional skills, proactivity, motivation and dedication, whether they work at headquarters or in the field. We serve France by remaining true to our values: commitment, integrity, openness and mobility – values the governing board of directors holds dear as the crux of AFD's identity. •

SUPERVISING & DIRECTING

As a public establishment, AFD is accountable for its activities. Its governance rests on structures that ensure transparency and good management.

THE STRATEGIC ORIENTATION BOARD

The strategic orientation board was created in June 2009. It oversees both preparation and execution of the "means and objectives" contract that binds AFD to the French state. The strategic orientation board prepares the state's guidelines before they are presented to AFD's governing board of directors, in accordance with decisions made by the Interministerial Council for Cooperation and Development. The Minister of Cooperation presides over the strategic orientation board; it includes representatives from the governing board of directors' supervisory ministries.

THE GOVERNING BOARD OF DIRECTORS

Mr. Pierre-André Périssol has been president of AFD's governing board of directors since June 2010. The governing board has 16 members, including six representatives of the French state, five members chosen for their expertise in economic and financial matters or environmental and sustainable development issues, three parliamentarians, and two employee-elected members. A government commissioner also has a seat on the governing board. The governing board of directors deliberates on the following issues:

- **AFD's strategic direction** and its means and objectives contract with the French state;
- **financial operations** and investments for AFD's own account, for the French state's account, and for third party mandates;
- **borrowings**, terms and conditions for granting financing, annual financial statements and projections, acquisition and disposal of real estate, opening and closing of field offices, transactions related to AFD's interests, and selection of external auditors.

The governing board can delegate part of its authority to AFD's chief executive officer, who will answer to it. Or, the governing board can delegate – within pre-set funding limits – to one of three special committees:

- **Committee for Operations in the French Overseas Provinces;**

- **Committee for Operations in Foreign Countries;**
- **Committee to Support NGO Initiatives.**

AUDITING OPERATIONS

An external auditor and audit committee assist the governing board of directors in its supervisory role. The audit committee verifies the quality of information furnished by all of the AFD Group's divisions, and assesses the accounting methods used as well as the quality of internal controls. The audit committee is made up of one member from AFD's governing board and three external parties:

- **Jean-Louis Mattei**, Director of Société Générale (outside mainland France), and member of AFD's governing board of directors;
- **Alain Cadiou**, honorary Inspector General of Finances;
- **Bernard Diguët**, honorary Inspector General of the Bank of France;
- **Thomas Groh**, Head of the sub-Saharan Africa and AFD Office at the French Treasury.

The governing board of directors is systematically informed about evaluations, analyses and quality assessments of AFD's internal and project operations.

2010 KEY NUMBERS

FOR THE GOVERNING BOARD OF DIRECTORS



Continued >>>
SUPERVISING
& DIRECTING



MEMBERS OF AFD'S GOVERNING BOARD OF DIRECTORS

MEMBERS AS OF 1 JANUARY 2011

PIERRE-ANDRÉ PÉRISSOL
Former Minister

MINISTRY OF THE ECONOMY,
FINANCE AND INDUSTRY

DELPHINE D'AMARZIT
Division Head
Treasury Directorate

RÉMY RIOUX
Vice Director of International
Financial Affairs
Treasury Directorate

ARNAUD PHELEP
Vice Director
National Budget Office

HERVÉ BEC
Head
National Budget Office

MINISTRY OF FOREIGN
AND EUROPEAN AFFAIRS

CHRISTIAN MASSET
General Director
Globalization,
Development & Partnerships

SERGE TOMASI
Vice Director
Globalization,
Development & Partnerships

STÉPHANE GOMPERTZ
Director
Africa & the Indian Ocean

PATRICE PAOLI
Director
North Africa & the Middle East

MINISTRY OF THE INTERIOR, OVERSEAS,
LOCAL AUTHORITIES AND IMMIGRATION

VINCENT BOUVIER
General Delegate to the French
Overseas Provinces

MARC DEL GRANDE
Public Policy Office

STÉPHANE FRATACCI
General Secretary
Immigration & Integration

KACIM KELLAL
International Affairs & Cohesive
Development Office

Government Commissioner
DANIEL BESSON
Replaced in 2011 by **CLAUDE WARNET**

INCUMBENT ALTERNATE

QUALIFIED EXPERTS

SÉBASTIEN GENEST
Vice President
France Nature Environment

CLAUDE TRUCHOT
General Engineer
Rural Water & Forest Works

OMAR KABBAJ
Advisor to His Majesty,
the King of Morocco

JEAN-LOUIS MATTEI
Director, Société Générale
(outside mainland France)

**SYLVIANE JEANNENEY-
GUILLAUMONT**
Professor at CERDI
University of Auvergne

GUY DUPONT
President
Federation of French
Overseas Enterprises

PATRICE FONLLADOSA
Director of Strategic Partnerships
Veolia Environment

PIERRE ARNAUD
Vice President
Compagnie Fruitière

JEAN-LOUIS VIELAJUS
President, Coordination Sud

ANNE DE LATTRE
Expert

PARLIAMENTARIANS

RENAUD MUSELIER
Former Minister,
Bouches du Rhone Deputy

LOUIS GUEDON
Vendée Deputy

FRANÇOIS LOOS
Former Minister,
Bas-Rhin Deputy

JEAN-LOUIS DUMONT
Meuse Deputy

ADRIEN GOUTEYRON
Haute-Loire Senator

YVON COLLIN
Tarn-et-Garonne Senator

MEMBERS ELECTED TO
REPRESENT AFD EMPLOYEES

JEAN-BERNARD VÉRON

DENIS VASSEUR

JEAN-DAVID NAUDET

DIDIER SIMON

MEMBERS OF THE EXECUTIVE BOARD

AS OF 1 JANUARY 2011



DOV ZERAH
AFD CHIEF EXECUTIVE OFFICER



DIDIER MERCIER
DEPUTY CHIEF EXECUTIVE OFFICER



LOUISE AVON
ASSOCIATE CHIEF EXECUTIVE



CAROLINE CORNU
CHIEF EXTERNAL RELATIONS
& PARTNERSHIPS OFFICER



STEPHANE FOUCAULT
CHIEF ADMINISTRATIVE OFFICER



RÉMI GENEVEY
CHIEF STRATEGY OFFICER



PIERRE JACQUET
CHIEF ECONOMIST



JACQUES MOINEVILLE
CHIEF OPERATING OFFICER



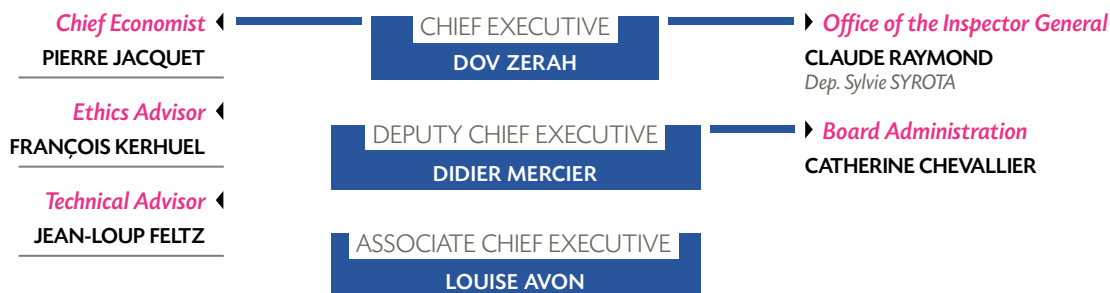
CLAUDE PÉRIOU
CHIEF RISK OFFICER



ETIENNE VIARD
CHIEF EXECUTIVE OF PROPARCO

AGENCE FRANÇAISE DE DÉVELOPPEMENT

AFD GROUP ORGANIGRAM AT 1 MARCH 2011



PROPARCO

Chief Executive
ÉTIENNE VIARD

*Deputy
Chief Executives*
PHILIPPE BASSERY
LAURENT DEMEY

OPERATIONS

LAURENT DEMEY
Dep. Jérôme BERTRAND-
HARDY

*Banks & Financial
Markets*
AMÉLIE JULY

Business & Corporates
**STÉPHANIE
LANFRANCHI**

Infrastructure & Mines
JEAN-PIERRE BARRAL

*Capital & Equity
Participations*
MARIE-HÉLÈNE LOISON

ADMINISTRATION

PHILIPPE BASSERY

Commitments
HÉLÈNE TEMPLIER

Administration & Finance
MARIE SENNEQUIER

Legal
**MARIANNE SIVIGNON-
LECOURT**

OPERATIONS

JACQUES MOINEVILLE
Dep. Colette GROSSET

SUB-SAHARAN AFRICA (AFR)

JEAN-MARC GRAVELLINI
Dep. Corinne BRUNON-
MEUNIER
Dep. Gérald COLLANGE

NORTH AFRICA & THE MIDDLE EAST (GOC)

MARIE-PIERRE NICOLLET
Dep. Yves des RIEUX

OVERSEAS PROVINCES (GOD)

ODILE LAPIERRE
Dep. Bertrand WILLOCQUET

ASIA (GOE)

MARTHA STEIN-SOCHAS
Dep. Anne-Marie CABRIT

LATIN AMERICA & THE CARIBBEAN (ALC)

LOUIS-JACQUES VAILLANT

Financial Engineering (FIN)
**LAURENCE ROUGET-LE
CLECH**

TECHNICAL OPERATIONS (DTO)

JEAN-YVES GROSCLAUDE
Dep. Catherine GARRETA
Dep. André POUILLÈS-DUPLAIX

ENVIRONMENTAL & SOCIAL SUPPORT UNIT (CAES)

Water & Sanitation (EAA)
MAURICE BERNARD

*Local Authorities & Urban
Development (CLD)*
NATHALIE LE DENMAT

*Environment & Facilities
(ENE)*
PASCAL PACAUT

Health & Welfare (SAN)
MICHÈLE OOMS

*Education & Professional
Training (EDU)*
CHRISTIAN BARRIER

*Agriculture & Rural
Development (DAR)*

*Financial Sector & Private
Sector Development (SFP)*
**AUDE FLOGNY-
CATRISSE**

STRATEGY

RÉMI GENEVEY

RESEARCH (RCH)

*Economic & Social
Research (REC)*

VÉRONIQUE SAUVAT

*Knowledge Management
(AGC)*

PHILIPPE CABIN

*Evaluation &
Capitalization (EVA)*

JEAN-DAVID NAUDET

*Macroeconomic &
Country Risk Analysis
(AMR)*

**FRANÇOIS-XAVIER
BELLOCQ**

STRATEGIC STEERING & FORECASTING (PSP)

Strategic Steering (PST)

*Organization
& Forecasting (APR)*

FRANÇOISE TISSEYRE

CRISES & CONFLICTS UNIT (CCC)

JEAN-BERNARD VÉRON

CEFEB

**GILLES GENRE-
GRANDPIERRE**
Dep. Anne-Françoise DAYON

*Administration &
Communication (ADC)*

Training (FOR)
DOMINIQUE ROJAT

OFFICE OF THE FRENCH GLOBAL ENVIRONMENT FACILITY (FFEM)

MARC-ANTOINE MARTIN

EXTERNAL RELATIONS & PARTNERSHIPS

CAROLINE CORNU

External Relations (REL)
PHILIPPE CHEDANNE

Communication (CMN)
GUILLAUME de SAINT-PHALLE

NGO Partnerships (DPO)
CATHERINE BONNAUD

Brussels Office
JEAN-MARC BELLOT

ADMINISTRATION

STÉPHANE FOUCAULT

► **FINANCE & ACCOUNTING (DFC)**

GILLES BERGIN
Dep. Grégory CLÉMENTE

Financial & Strategic Planning (PSF)
TANGUY DENIEUL

Accounting (DTC)
SYLVIE BOYER

Back office (DBO)
DELPHINE PONS-PETIT

Credit & Market Operations (DFM)
BENOÎT LEHANNEUR

► **COMPTROLLER (DBG)**

BERTRAND LOISEAU

► **IT, BUILDING SYSTEMS & LOGISTICS (DMI)**

JEAN-FRANÇOIS ARNAL
Dep. Lysiane RICHARD

Business Support (SUP)
JÉRÔME TAURAND

Assistance for Business Owner's Changes (AMO)
VALÉRIE ROQUES

Third-party Application Life-cycle Management (PMI)
OLIVIER MOREAU

Cross-functional Requirements Management (PAT)
DOMINIQUE DREXLER

Building & Logistics Management (GIL)
SYLVAIN PILLOUD

Enterprise Architecture & IT Infrastructure (UAT)
PIERRE GUISERIX

SECURITY UNIT (SEC)
RENAUD FALUOMI

BUSINESS EFFICIENCY UNIT (CEM)
CHRISTINE SABATIER

► **HUMAN RESOURCES**

Human Resources & Employment (RHE)

Administration (ADM)
NICOLAS MORA

Retirement (RET)
NICOLAS MORA

Benefits Management (CGS)
MINH BUI

Union & Employee Relations (RSO)

Skills Training (FCO)

RISK

CLAUDE PÉRIOU
Dep. Valérie ALEXIS

SECOND OPINION FUNCTION
YVES PICARD

► **INTERNAL AUDIT & COMPLIANCE (CPC)**

ERIC BAULARD
Dep. Nicolas LE TARNEC

Disbursements Verification (DCV)
VINCENT BERTOMEU

► **GROUP RISK MANAGEMENT (DRG)**

JEAN-PHILIPPE AUBERTEL

Risk Monitoring

Risk Assessment
SÉBASTIEN FLEURY

► **LEGAL (JUR)**

VALÉRIE ALEXIS
Dep. Laurence LAJOINIE-
GNANSIA

WORKING ALONGSIDE PARTNERS AND BENEFICIARIES

► 9 February

A FRAMEWORK AGREEMENT SIGNED WITH THE PACA REGION

AFD and the French Provence-Alps-Côte d'Azur Region formed a partnership to conduct joint actions in certain countries and areas of intervention. The partnership will first co-fund a project to support rural development in Tunisia, Algeria and Morocco; its purview includes training, research, consulting and technical expertise.

14 MAY

AFD signs its first funding convention with India

As part of its strategy to expand operations into the largest emerging countries, AFD signed its first funding convention with India, an agreement to promote job-creating, environmentally progressive growth. AFD granted a lightly-subsidized

€50 M

line of credit to the Small Industries Development Bank of India. The loan, enhanced with technical assistance, will finance energy efficiency projects in SMEs.

HAITI'S EARTHQUAKE AFD HELPS WITH RECONSTRUCTION

12 JANUARY

THE EARTHQUAKE THAT STRUCK HAITI KILLED 300,000 PEOPLE AND LEFT 1.5 MILLION HOMELESS. FOR THE 2010-11 PERIOD, FRANCE ALLOCATED AN ADDITIONAL €100 MILLION IN AID FOR RECONSTRUCTION EFFORTS. THESE INCLUDED A HOSPITAL REFURBISHMENT IN PORT-AU-PRINCE AND REPAIRS TO TWO POOR NEIGHBORHOODS IN THE CAPITAL FINANCED BY AFD.

MARCH-DECEMBER

OSEO EXPANDS MANDATE FOR AFD IN THE FRENCH OVERSEAS PROVINCES

THE PARTNERSHIP BETWEEN OSEO AND AFD IN THE FRENCH OVERSEAS PROVINCES LED TO A NEW CONVENTION, SIGNED IN MARCH 2010. IT EXPANDS AFD'S MANDATE TO REPRESENT OSEO IN THE OVERSEAS PROVINCES BY INCLUDING ALL OF OSEO'S SHORT-TERM COMMERCIAL FINANCING PRODUCTS. A SECOND CONVENTION, SIGNED IN DECEMBER 2010, COMPLEMENTS THIS LINE EXTENSION: IT WILL USE OSEO'S "MEZZANINE" FINANCING PRODUCTS TO SUPPORT MORE BUSINESS INVESTMENTS.

A HISTORIC COLLOQUIUM

ON THE 50TH ANNIVERSARY OF INDEPENDENCE

29 OCTOBER

NEARLY 600 PEOPLE PARTICIPATED IN THE COLLOQUIUM

"Africa: 50 years of Independences"

HELD AT THE PARIS CITY HALL, AFD ORGANIZED THE EVENT AS PART OF FRANCE'S CELEBRATIONS ON THE 50TH ANNIVERSARY OF AFRICAN INDEPENDENCES, IN PARTNERSHIP WITH THE JOURNAL, AFRIQUE CONTEMPORAINE. THE COLLOQUIUM EXAMINED THE FEATURED COUNTRIES' DEVELOPMENT PATHS AND THE EVOLUTION OF DEVELOPMENT AID AND COOPERATION.

CREATING AND SHARING DEVELOPMENT EXPERTISE

► 4-5 March

AN AFD / WORLD BANK / BILL AND MELINDA GATES FOUNDATION FORUM DEDICATED TO FINANCIAL INNOVATIONS FOR DEVELOPMENT

➤ SEE FINANCIAL INNOVATION SECTION, PAGE 47

1 DECEMBER

Approaches to measuring development debated during the annual AFD / European Development Research Network Conference

➤ SEE KNOWLEDGE CREATION SECTION, PAGE 57

Peter Piot, doctor of medicine and co-discoverer of the Ebola virus in 1976, is a professor of worldwide health and director of the Institute for World Health at the Imperial College in London. Formerly executive director of the United Nations Programme on HIV and AIDS, Piot held the AFD Knowledge Against Poverty Chair at the Collège de France in 2010. He presented a course on the AIDS epidemic and the globalization of risks. The inaugural class of his successor, Ismail Serageldin, director of the Library of Alexandria and former vice-president of the World Bank, took place on 18 November. It focused on the topic of mobilizing knowledge to eradicate hunger.

7

JANUARY

A NEW MANAGEMENT TEAM

1 DECEMBER

A NEW CEO FOR PROPARCO

Etienne Viard was promoted to Chief Executive of PROPARCO by AFD's governing board of directors when Luc Rigouzzo joined the French Ministry of Cooperation as Cabinet Director. Etienne Viard joined AFD in 1988, moving to PROPARCO in 1999 as Chief Operating Officer, where he was eventually promoted to Assistant Chief Executive. In 2008, he became Director of AFD's North African and Middle Eastern department.

2 June

Remodeled Governance

ON 2 JUNE, AFD'S FRENCH SUPERVISORY MINISTRIES APPOINTED DOV ZERAH CHIEF EXECUTIVE OF AFD. PRIOR TO JOINING AFD, DOV ZERAH WAS A MAGISTRATE AT THE FRENCH COURT OF AUDIT. HIS BROAD EXPERIENCE WITH DEVELOPMENT INCLUDES FORMER POSITIONS AS CABINET DIRECTOR AT THE FRENCH MINISTRY OF COOPERATION AND AS EXECUTIVE DIRECTOR TO THE GENERAL DIRECTORATE OF FRANCE'S "CAISSE FRANÇAISE" DEVELOPMENT AGENCY (AFD'S FORERUNNER). DIDIER MERCIER WAS NAMED AFD'S DEPUTY CHIEF EXECUTIVE. HE BEGAN HIS CAREER AT THE "CAISSE FRANÇAISE," AND WAS PREVIOUSLY CHIEF EXECUTIVE OF GEOCOTON, AN AGRIBUSINESS ENTERPRISE SPECIALIZING IN COTTON AND OILSEEDS.

LONDON EVENT
LAUNCHES
THE CELEBRATION
OF AFD'S

70TH

BIRTHDAY

TO COMMEMORATE THE CREATION OF THE CENTRAL BANK FOR FREE FRANCE (CCFL) IN DECEMBER 1941, AN EXHIBIT ENTITLED "DE GAULLE'S BANK" RAN FROM 7 DECEMBER 2010 TO THE END OF MAY 2011 AT THE BANK OF ENGLAND'S GALLERY IN LONDON. THIS EXHIBIT ON THE CCFL – AFD'S FORE-RUNNER – INAUGURATES A SERIES OF EVENTS CELEBRATING AFD'S 70TH BIRTHDAY.

7

DECEMBER

29 NOVEMBER – 10 DECEMBER

A Year After the Copenhagen Summit, a Climate Agreement in Cancún

The Climate Summit that took place in Cancún, Mexico resulted in agreement on new climate change-related efforts, in mitigation, adaptation, forest preservation, dedicated financing and knowledge transfers. Participating countries committed nearly

\$100 billion

annually (starting in 2020) to fight climate change. In addition, a "Green Fund" was created to help developing countries participate in the battle.

18-29 OCTOBER

NAGOYA CONFERENCE: CULMINATION OF THE YEAR OF BIODIVERSITY

SEE ENVIRONMENT AND DEVELOPMENT SECTION, PAGE 29

WEIGHING IN ON GLOBAL GOVERNANCE

20-22 September

Ten years after the UN Millennium Development Goals (MDGs) Declaration set eight anti-poverty goals for 2015, signatory countries gathered in New York to discuss means of accelerating their progress. Health-focused MDGs gained the spotlight during the Summit. France announced a 20% increase in its contribution to the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria. The Summit provided AFD an opportunity to strengthen its relationships with various United Nations agencies and with the Clinton and Bill and Melinda Gates Foundations.

AGENCE FRANÇAISE DE DÉVELOPPEMENT

OVERVIEW





CONCENTRATING FUNDING IN SUB-SAHARAN AFRICA



CREATING THE CONDITIONS NEEDED FOR SOCIAL AND ECONOMIC DEVELOPMENT

AFD is a public finance institution that has worked for seventy years to fight poverty and encourage sustainable development in developing countries and the French Overseas Provinces. AFD executes the French government's development aid policies.

France's aid policies and cooperation efforts find their primary outlet in AFD, a specialized and public development-finance institution. In developing countries, AFD provides funding and technical assistance for initiatives that support economic growth, improve living conditions and protect the planet. Its subsidiary, PROPARCO, encourages private-sector investment to promote growth and sustainable development, and to further the UN Millennium Development Goals. AFD has a network of about sixty field offices and bureaus in developing and emerging countries, and nine offices in the French Overseas Provinces. In 2010, the AFD Group approved €6.8 billion in project and programme funding, including €957 million for the French Overseas Provinces.

AFD uses various financial and other instruments to meet its beneficiaries' needs: loans, grants, budgetary aid, guarantees, equity participations, studies, research, and so forth. Each beneficiary and partner receives tailored financing and services. In the poorest countries of sub-Saharan Africa, AFD's funding concentrates on grants, subsidies and highly concessional loans. Developing and emerging countries with intermediate revenues benefit from larger loans, and thus receive fewer subsidies from French public aid monies.

AFD'S MISSION ALIGNS WITH FRANCE'S COOPERATION STRATEGY

AFD aligns its actions with France's overall foreign aid policy, within a framework designed in 2010. This framework sets priorities for

global challenges, identifies regions requiring concentrated aid, and outlines the preferred means of intervention. In return, AFD plays an advisory role on development issues for French public officials. It also contributes to discussions on aid effectiveness and development best practices, as debated by the OECD and within the European cooperation community. Domestically, the Interministerial Council for Overseas France, chaired by France's President, provides guidance for AFD's aid to the French Overseas Provinces.

TARGETING ACTIONS TO MEET GLOBAL CHALLENGES

French cooperation policy prioritizes four great challenges: fighting poverty and inequality, promoting sustainable and shared growth, preserving global public goods, and helping countries prevent and/or emerge from crises. AFD designs responses by working with its beneficiaries in developing and emerging countries, and very often in association with other public, private, French and international aid organizations.

• FIGHTING POVERTY AND INEQUALITY

Fighting poverty and facilitating access to essential social services remain priorities for France's cooperation and development efforts, in line with its commitment to the UN Millennium Development Goals (MDGs). AFD deploys most of France's bilateral aid toward achieving the MDGs, particularly in education, healthcare, drinking water, sanitation and housing refurbishment. AFD helps maximize



+

**SOLUTIONS THAT RECONCILE
ECONOMIC AND SOCIAL DEVELOPMENT
WITH THE PRESERVATION
OF GLOBAL PUBLIC GOODS**

▶ job creation and make economic growth more inclusive through specific actions that support small- and medium-sized businesses, such as microloans for very small entrepreneurs and professional job training. In 2010, AFD mobilized more than €2.8 billion for poverty-fighting actions.

AFD also executes French cooperation policy by ensuring project financing for nongovernmental organizations (NGOs), particularly for access to basic services. Since 2009, AFD has financed 180 NGO projects valued at €82 million.

• **FOSTERING SUSTAINABLE AND SHARED GROWTH**

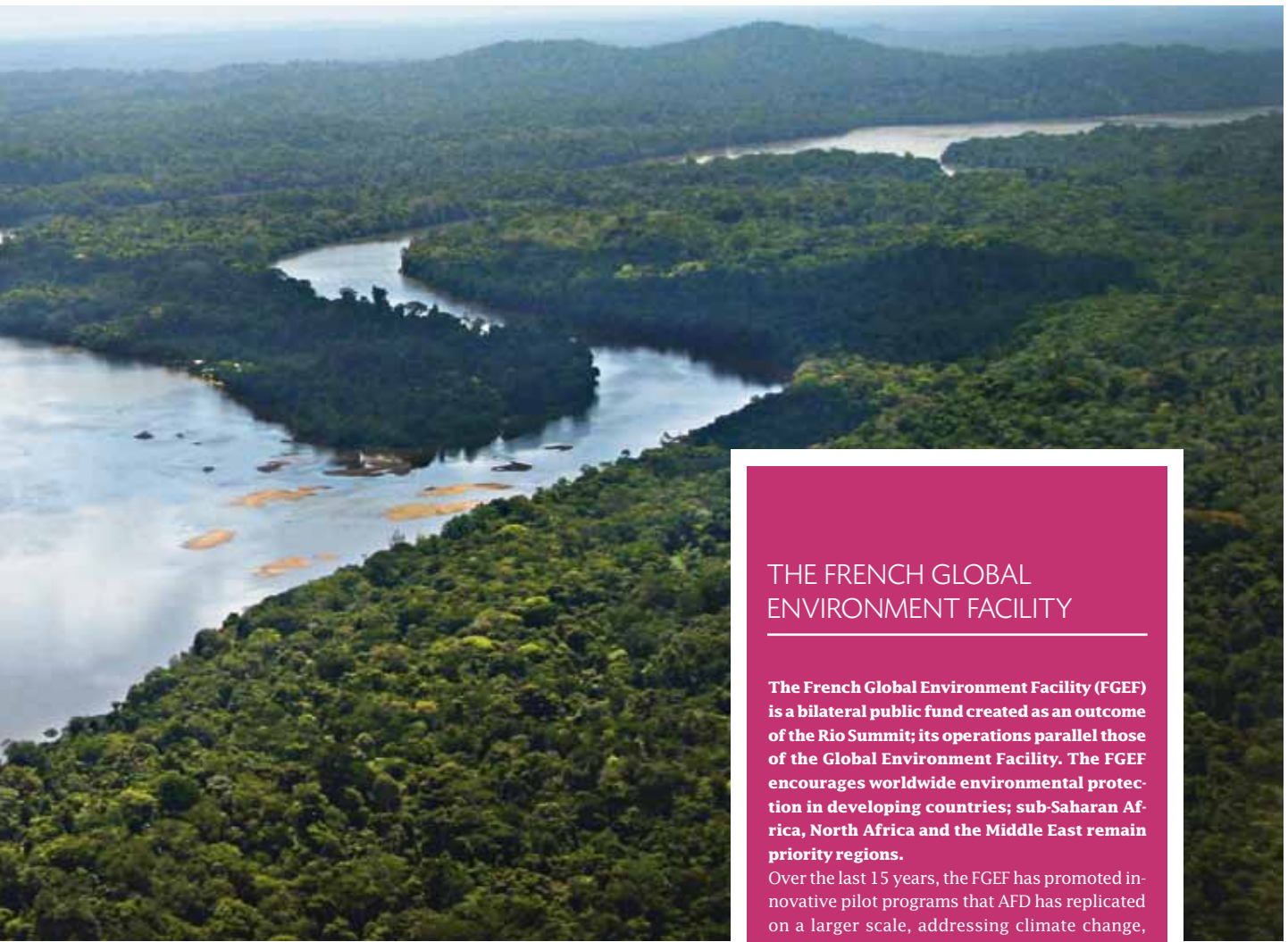
Economic growth is an essential engine of social progress. AFD's contributions include infrastructure projects, support for the financial services and private sectors, and stimulating regional and international trade. It also supports farming and agribusiness, in line with France's 2009-2011 commitment of €1.5 billion toward food security. In 2010, AFD allotted more than €2.5 billion to help stimulate economic growth. The way AFD selects and implements its projects – notably with regard to environmental and social responsibility – helps preserve the earth's future, while improving living conditions in developing countries and granting citizens choices about how they will live. Development financed in this way supports progress toward higher international standards - social, environmental and economic.

• **PRESERVING GLOBAL PUBLIC GOODS**

Managing climate change, protecting biodiversity, combating pandemics and improving financial stability – these and other issues constitute today's collective problems. Neither markets nor individual nations can solve them; they require cooperative solutions. AFD works to address these problems, acting as a leading financier and providing technical solutions that reconcile economic and social development with the preservation of global public goods. AFD is the second-largest bilateral funder by volume of initiatives to combat climate change. In 2010, AFD approved funding valued at €2.8 billion for adaptation and mitigation efforts that may abate up to five million tons of carbon dioxide emissions annually.

• **HELPING COUNTRIES PREVENT AND/OR EMERGE FROM CRISES**

The stability of the state and the rule of law ensure individual liberty and security. They also ensure the conditions for long-term social and economic development; crises can suddenly reverse several decades' worth of human and financial investment. The problem of fragile states intersects with the international community's interests, since crises and the outlaw territories they create provide fertile ground for trafficking and terrorism. AFD's crisis prevention and recovery work encourages development rooted in a close reading of beneficiaries' needs. AFD also strengthens local institutions by consolidating access to basic services, building infrastructure and bolstering economies, particularly in fringe areas.



PUBLIC AND PRIVATE MONIES TO FINANCE DEVELOPMENT

AFD raises most of its money from international capital markets.

AFD finances itself through bond issuance and private placements. It can also make credit-enhanced loans and offer lower-than-market-rate interest thanks to its triple-A credit rating, the highest long-

term rating possible. AFD's public monies come from its supervisory Ministries:

- **Foreign and European Affairs:** contributions allow AFD to finance projects with grants.
- **Economy, Finance and Industry:** contributions primarily allow AFD to subsidize loans for foreign-country beneficiaries.
- **Interior, Overseas France, Local Authorities and Immigration:** one portion of its contribution finances co-development projects through grants, and the other subsidizes AFD's loans to the French Overseas Provinces.

THE FRENCH GLOBAL ENVIRONMENT FACILITY

The French Global Environment Facility (FGEF) is a bilateral public fund created as an outcome of the Rio Summit; its operations parallel those of the Global Environment Facility. The FGEF encourages worldwide environmental protection in developing countries; sub-Saharan Africa, North Africa and the Middle East remain priority regions.

Over the last 15 years, the FGEF has promoted innovative pilot programs that AFD has replicated on a larger scale, addressing climate change, biodiversity preservation, international waters, desertification, persistent organic pollutants and stratospheric ozone. The Facility co-finances projects through grants and subsidies with many partners: public and private enterprises, research organizations, local governments, NGOs, foundations, bilateral funding agencies, multilateral and regional institutions.

Along with a steering committee made up of several French ministries – Economy, Foreign Affairs, Ecology, Research – AFD oversees the Facility's governance. A scientific and technical committee composed of high-level experts also supports it, and a secretariat housed within AFD ensures the Facility's financial and administrative management.

In 2010, the year of biodiversity, the FGEF dedicated 30% of its commitments to biodiversity protection. Altogether, it started 17 projects – including eight implemented by AFD – valued at €21 million, with sub-Saharan Africa, North Africa and the Middle East accounting for 63% of that total.

MEANS AND OBJECTIVES SUITED TO REGIONS' DEVELOPMENT TRAJECTORIES

- AFD concentrates its activities in four regional groups of countries and the French Overseas Provinces, proposing financing and technical solutions tailored to each.



SUB-SAHARAN AFRICA: FURTHERING SOCIAL AND ECONOMIC PROGRESS

Sub-Saharan Africa remains a priority for French cooperation policy because of its proximity – geographic, cultural and linguistic – and the scope of the challenges it faces, particularly its high population growth.

Most of the AFD's financial receipts from the French state are earmarked for sub-Saharan Africa. A portion goes to supporting Africa's economic growth, as per the initiative launched by President Sarkozy at Cape Town in 2008. This initiative supports the private sector and agricultural development, job-creating companies, the financial services sector, transportation and energy infrastructure, and regional integration.

AFD also supports the expansion of basic services: education, healthcare, water and sanitation. It strategizes about global public goods with governments and civil society, whether by developing low-carbon energy sources or better protecting the Congo Basin forest. AFD also promotes basic development in the most fragile countries, helping reduce the risk of crises arising from poverty and competition for too-scarce resources.

In 2010, sub-Saharan Africa received €2.2 billion worth of funding from AFD. Fourteen priority countries (Benin, Burkina Faso, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Ghana, Guinea, Madagascar, Mali, Mauritania, Niger, Senegal, Togo) received €467 million of the overall amount, representing 82% of the grants and subsidies provided by the French Ministry of Foreign Affairs and implemented by AFD.

NORTH AFRICA AND THE MIDDLE EAST: PROMOTING RAPID AND SUSTAINABLE DEVELOPMENT, ANTICIPATING CONVERGENCE WITH EUROPE

Countries on the southern coast of the Mediterranean Sea present fundamental challenges for Europe and for France, as recent social and political changes attest. Over the next 20 years, the region will face major issues: educating and employing 60 million young people and accommodating 75 million new residents in cities, in an especially fragile political and economic environment.

AFD's interventions focus on the economy and employment, including professional training, transportation and energy infrastructure. AFD also concentrates on urban development, including the restoration and refurbishment of buildings, urban expansion, and water use policies. The latter will prove especially critical, given water's scarcity in the region and the impact of water policies on the Mediterranean Sea's ecology.

AFD operates in close cooperation with other European donors, especially its German counterpart KfW and the European Investment Bank. Since most of the target countries produce intermediate revenues, AFD primarily provides loan financing: in 2010, the North Africa and Middle East region benefited from €1.4 billion of approved funding, or 23% of all funding provided to developing and emerging countries.

ASIA AND LATIN AMERICA: PREPARING TOMORROW'S WORLD BY ENGAGING WITH EMERGING COUNTRIES

In emerging countries, AFD provides less development aid and more cooperative problem-solving for shared challenges: promoting sustainable and environmentally progressive growth and developing shared actions to help the poorest countries.

This cooperation with China, India, Indonesia and Latin American nations primarily rests on market-rate financing, mobilizing not more than 10% of AFD's public monies. Knowledge transfers and pilot projects that promote environmentally and socially progressive development characterize these efforts. In 2010, AFD extended loans worth €1.5 billion to emerging countries.

FRAGILE COUNTRIES: PREVENTING CRISES AND ASSISTING CRISIS RECOVERY THROUGH DEVELOPMENT

AFD intervenes in fragile countries to prevent crises, for example by helping reduce tensions related to natural resource access. It also aids normalization in periods after crisis, by re-establishing basic services and providing funding and expertise to states and local governments.

In 2010, AFD's notable post-crisis interventions included aid in Haiti after the January earthquake, as well as in Afghanistan and the Palestinian Territories.

THE FRENCH OVERSEAS PROVINCES: ASSISTING REGIONAL AND INTERNATIONAL INTEGRATION

In the French Overseas Provinces, AFD provides technical support, consulting services and financing for local public and private entities while promoting initiatives in regional cooperation and integration.

AFD pursues three complementary objectives:

- **increasing overseas territories' endogenous economic development** by supporting innovation, business competitiveness, and major infrastructure and facilities projects;
- **supporting sustainable development initiatives** that also address environmental issues related to natural resource preservation;
- **encouraging development that strengthens social cohesion:** healthcare, education, housing and urban planning.

In 2010, AFD approved €957 million in funding for the French Overseas Provinces.



PROPARCO

A RESPONSIBLE INVESTOR, PROMOTING PRIVATE ENTERPRISE

PROPARCO (Promotion et Participation pour la Coopération Economique) began operations thirty years ago with the conviction that private enterprise plays a crucial role in developing countries.

PROPARCO is a development-finance institution and subsidiary of AFD. Dedicated to the private sector, PROPARCO's governance is unique, comprising about thirty public and private shareholders from developing and developed countries. Its mission is to catalyze entrepreneurial investment in emerging and developing countries, bolstering economic growth and sustainable development.

PROPARCO selects projects to finance according to their development impact, primarily in four priority areas: business and trade, financial systems, basic services access, and the fight against climate change.

PROPARCO makes investments on four continents, providing long-term support for its clients through a complete range of financial products adapted to the specific needs of investors in these regions – loans, guarantees and equity stakes.

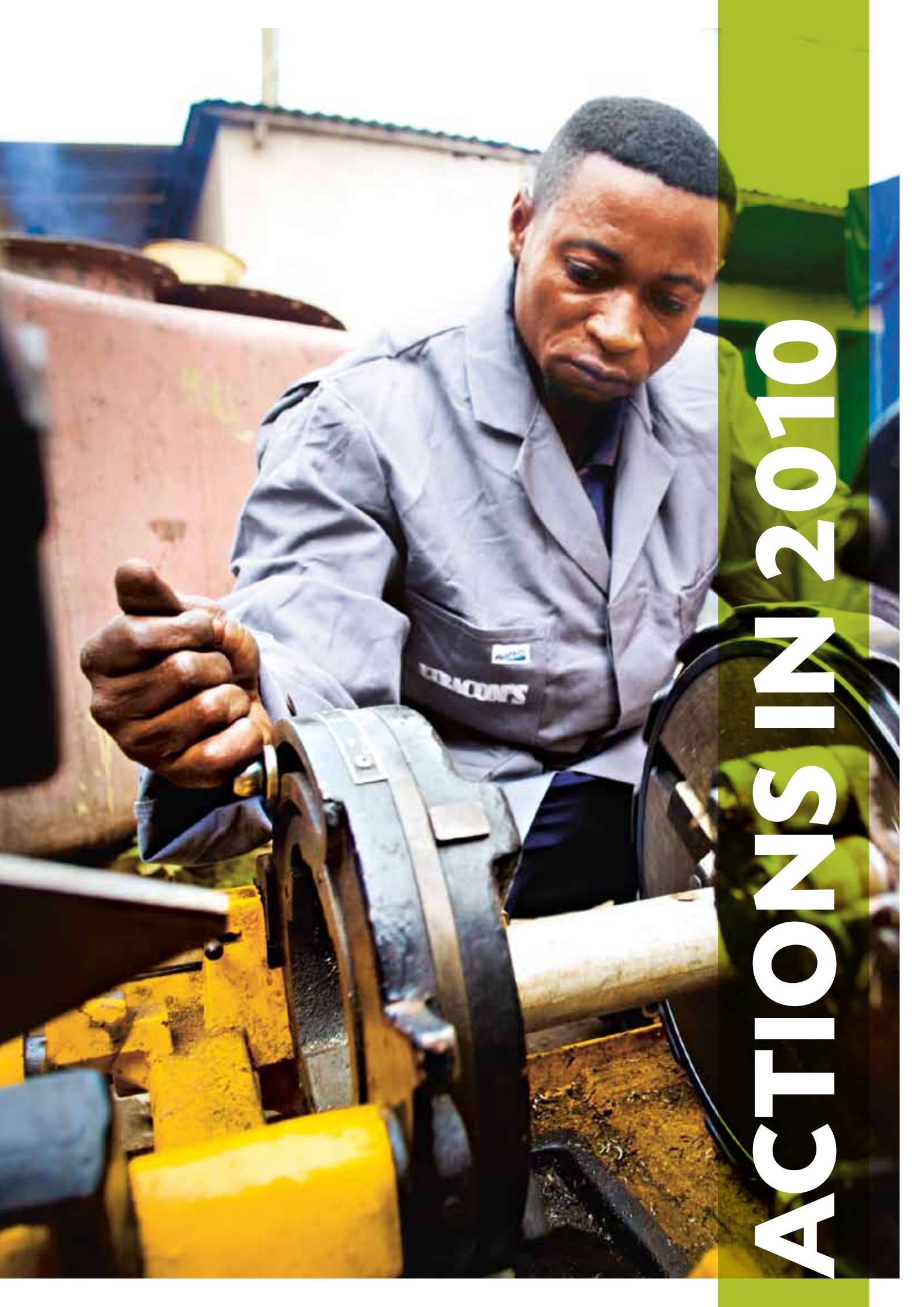
The year 2010 saw more growth for PROPARCO; its investments reached a record €950 million. Sub-Saharan Africa remains PROPARCO's priority, receiving unprecedented support as PROPARCO invested €420 million in the region, 60% more than in 2009. •

SHAREHOLDERS BY % OF CAPITAL



2010 KEY NUMBERS





ACTIONS IN 2010



01

MODERNIZING

AGRICULTURE IN

DEVELOPING COUNTRIES

The persistence of food crises in developing countries shows that their agricultural sectors need help to grow stronger and evolve. AFD encourages the use of modern farming techniques and the development of new infrastructure, institutions and systems – encouraging better-organized industries, improving coordination between industry participants, and securing land tenure.

STRUCTURING AND STRENGTHENING AGRIBUSINESS FROM THE GROUND UP

Modernized farming emerges from a concerted process to strengthen food production, processing and distribution, integrate various participants, and increase productive infrastructure and investments. AFD finances and supports such initiatives.

Agriculture offers tremendous opportunities for economic growth and job-creation in developing countries. However, regions such as sub-Saharan Africa remain very vulnerable to the instability of global commodities markets.

Developing both industrial-use agriculture (cotton, rubber) and foodstuffs (grains, oilseeds, tubers) proves imperative for the poorest countries; only this dual path will position them in export markets and recapture their local market share, where demand strongly increases each year. These challenges are central to AFD's interventions in the agricultural sector. In 2010, it approved nearly €350 million in funding for agribusiness and forestry initiatives.

INVESTING IN TECHNOLOGY AND INSTITUTIONS

Contractual relationships between businesses, farmers' organizations and smallholders can structure and strengthen the agribusiness industry. By improving risk- and profit-sharing, such contracts facilitate investment decisions and help ensure supplies and sales outlets. This approach's effectiveness is illustrated by an AFD-funded pricing mechanism in Burkina Faso that mitigates

the adverse effects of commodity price variations: it sets a range for cotton prices when growers do their planting, thus flattening price volatility at harvest time. In Ghana, AFD helped rubber growers and industrial rubber processors define a shared-growth model that stimulated production and sales (see box).

AFD encourages access to agricultural inputs and productive investments, especially technologies that improve farming productivity and profitability – such as plant varieties, cultivation techniques, health protection, fertilization and harvest processing. AFD strongly supports agro-ecological techniques that are environmentally friendly. It has also granted many loans for rice farm irrigation and hydraulic facilities (see box), and for diversification of industrial and produce crops.

AFD also participates in research and forecasting to improve projections of future opportunities and constraints. For example, AFD conducted a joint study (with CIRAD and the International Fund for Agricultural Development) on development perspectives in food production, processing and distribution in western and central Africa. •



The Senegalese government designed a national programme to achieve rice self-sufficiency, to be implemented in the Senegal River Delta.
The programme will increase

agricultural productivity by building hydraulic infrastructure with public funds, and by cultivating 2,500 hectares of new, irrigated land via private investments. It will improve farmers' access to bank credit and financing terms for farm infrastructure, helping organize and structure the industry.

A 20,000-ton increase in the country's white rice production is expected. AFD supports this programme with a €10 million direct grant to the Republic of Senegal and by delegating €3.3 million from the European Commission.

GHANA

HELPING RUBBER GROWERS

In 2010, AFD granted a €14 million loan to an agricultural bank for a 10,500-hectare rubber plantation programme, targeting villages in western and central Ghana.

The project creates a partnership between three parties: Ghana Rubber Estates, Ltd., an agribusiness guaranteeing technical assistance quality and latex purchases; a bank that promises the growers suitable credit terms; and a growers' association that will validate the proposed loan terms and technical assistance. The bank will provide loans to 3,500 smallholder families who will diversify their farms' production through rubber planting.

CREATING AN ENVIRONMENT THAT FAVORS AGRICULTURE

— AFD strives to strengthen the various services – regulatory, banking, technical and infrastructural – that expand agricultural industries directly and indirectly. —

Effective action to support farming calls for intervention not only at the producer, processor and distributor levels, but also in their overall business environment. AFD's funding in this domain exceeded €190 million in 2010, covering the expansion of local financial services, service roads, rural electrification and land-tenure security.

Farmers have difficulty financing their equipment and structures because they cannot satisfy sometimes-restrictive borrowing conditions. AFD, through its ARIZ Guarantee Fund, can augment local financiers' loans to the farming sector. In addition, AFD helps mobilize modernization funding through its support for the African Agriculture Fund.

Modernization of the agricultural sector also involves tackling land tenure issues. Recent controversies have shown the urgency of the problem, as large international companies acquire massive farmlands in developing countries. AFD contributes to the search for solutions through its support for the French Land Development Committee, which brings French expertise to the international table.

Developing opportunities means exploiting complementary assets and increasing trade between neighboring countries. However, the regulatory environment often hinders such efforts. Adequate policies on common tariffs, shared between regional economic integration zones, can help resolve these barriers. AFD supports West Africa's work on regional policies; it provided €10 million to the Economic Community of Western African States in 2010. The funds will be used to reinforce food security information systems and allow member states to improve coordination of agricultural trade. •

THE AFRICAN AGRICULTURE FUND RAISES \$135 MILLION

By the end of 2010, the African Agriculture Fund's first capital raising saw \$135 million in assets.

This capital raising is the first step toward a goal of \$300 million. Several European and international development organizations – AFD, PROPARCO, the International Fund for Agricultural Development, the Spanish Agency for International Cooperation – and a group of African development banks created the Fund in 2009 as a reaction to the world food crisis.

The African Agriculture Fund invests in agricultural companies and proposes an innovative mechanism to attract private capital: a group of public-sector investors holds shares paying dividends that are subordinate to dividend payouts on privately-held shares. The Fund acts as a catalyst for financing African agricultural industries, helping ensure Africa's food security as a result.

02



PROMOTING REGIONAL-SCALE INFRASTRUCTURE

Infrastructure plays a vital role in a country's development. Roads, power grids, telecommunications systems, railways and essential services facilitate connections between individuals and markets. However, Africa's demographic growth lowers the overall level of access to these services each year. The best approach to tackle this challenge appears to be a regional and cross-national one that coordinates funding and expertise from various donors.

DEVELOPING INFRASTRUCTURE REGIONALLY AND NATIONALLY

High-quality and integrative infrastructure shapes economic and social development. AFD deploys its efforts in urban areas, as well as on regional and national levels.



NAMIBIA-ZAMBIA

INTERCONNECTING ELECTRICAL GRIDS

In 2010, Namibia's president inaugurated the interconnection of Namibia's and Zambia's electrical grids in the presence of counterparts from Zambia, Botswana and Zimbabwe.

The high-voltage, 300-megawatt power line runs 950 kilometers, the length of the Caprivi Strip in Namibia. It reinforces the regional electricity grid and improves the country's own power supply through access to Zambia's hydroelectric production.

The total value of the project reached about €320 million. AFD, the EIB and KfW jointly contributed €105 million to its financing, via loans to NamPower, Namibia's public power authority. Given the project's regional scope, several other European donors also provided loans; a €15 million grant from the EU-Africa Infrastructure Trust Fund complemented the funding.

One of AFD's central skills is infrastructure financing. In 2010, it approved €1.8 billion to finance energy, transportation, information technology and telecommunications projects; sub-Saharan Africa was the primary beneficiary.

AFD works alongside states and regional economic communities to facilitate infrastructure development. As national networks and systems grow obsolescent, the regional level increasingly offers the best options for intervention. Regional and cross-national infrastructure programmes allow for cost-sharing, optimize management of available resources, and encourage reciprocal trade. They also increase countries' ability to withstand weather-related hazards and economic shocks. For the African energy sector alone, regional integration could save \$2 billion annually, money that subsequently can be invested elsewhere.

REINFORCING AND OPTIMIZING GRID INTERCONNECTIONS

AFD helps prepare and finance several cross-national energy projects in Africa – electricity grid interconnections between Kenya-Ethiopia, Burkina Faso-Côte d'Ivoire, and Namibia-Zambia (see box). It also participates in regional transport projects, constructing airports and seaports in Mauritius, Mozambique, Senegal, South Africa and Namibia. In the Mediterranean region, AFD is an active contributor to the Mediterranean Solar Plan.

At the same time, AFD helps plan infrastructure investments and guides frameworks for sectoral regulation. For example, in the Greater Mekong Region, AFD and the French Global Environment Facility assist the planning work of the Regional Power Trade Committee. AFD also works with the West African Power Pool to set up its regulatory framework.

AFD supports nations and local governments in developing urban infrastructure and services. AFD notably funds large transportation projects – in Tunis, Bogotá and Medellín – that have positive effects, e.g. the economic and social integration of disadvantaged residents and reductions in polluting emissions. •



KENYA | OLKARIA
280 MW expansion of geothermal power station.

KENYA

DEVELOPING RENEWABLES

To meet growing demand and improve access to electricity, Kenya's government made energy a priority in its "Vision 2030" strategic plan.

The plan prioritizes clean, economical and locally-available energy sources. AFD supports this approach. It granted two loans totaling €206 million towards expanding the Olkaria geothermal power station by 280 megawatts, and for drilling two exploratory wells inside the country.

By financing Kenya's master plan for energy production and distribution, AFD encourages a broader look at renewables' potential. AFD also partners with Ken Gen, Kenya's power company, to design its strategic wind energy plan. Furthermore, AFD granted a €20 million line of credit to Stanbic Bank and to Cooperative Bank to support private-sector initiatives to improve energy efficiency.

"AFRICA'S INFRASTRUCTURE: A TIME FOR TRANSFORMATION" AN AFD-WORLD BANK CO-PUBLICATION

Africa Infrastructure Country Diagnostics: a research program covering all of sub-Saharan Africa.

The program analyzes the role infrastructure plays in economic growth, assesses infrastructure investment needs, and benchmarks the performance of various sectors: transportation, energy, water and sanitation, information technology and telecommunications. The World Bank and AFD detailed this exhaustive work in a co-authored volume, *African Infrastructure: A Time for Transformation*, published by the World Bank.

MOROCCO

SUPPORTING HIGH-SPEED RAIL CONSTRUCTION

The Moroccan government decided to invest in a high-speed railway between the cities of Tangiers and Kenitra, in proximity to the country's main economic centers. Costing €1.8 billion, the line will start service at the end of 2015.

In 2010, AFD granted a €220 million loan to Morocco's National Railways Office to lead this project. The Railways Office will develop its own actions to exploit this project's positive economic and urban effects – the first high-speed railway in the region.

ACTING ON A LARGE SCALE

BY BRINGING PARTNERS TOGETHER

— Infrastructure projects demand large capital investments and strong expertise, and require partnerships between funders to share expertise and financial capacity.



COLOMBIA

DEVELOPING HIGHLY INTEGRATIVE URBAN TRANSPORT

In the 2000s, the Bogotá metropolitan area built an innovative rapid-transit bus system called “Transmilenio.” Its infrastructure rests on reserved highway lanes and special intersection crossings. AFD made a \$125 million loan to Colombia to finance extension of the Transmilenio network by 37 kilometers, increasing the number of daily passengers from 1.55 to 2.2 million. The extension will reduce greenhouse gas emissions by about 100,000 tons equivalent of CO₂. It will also have a social impact by improving mobility for low-income residents, and an economic one by reducing traffic congestion.

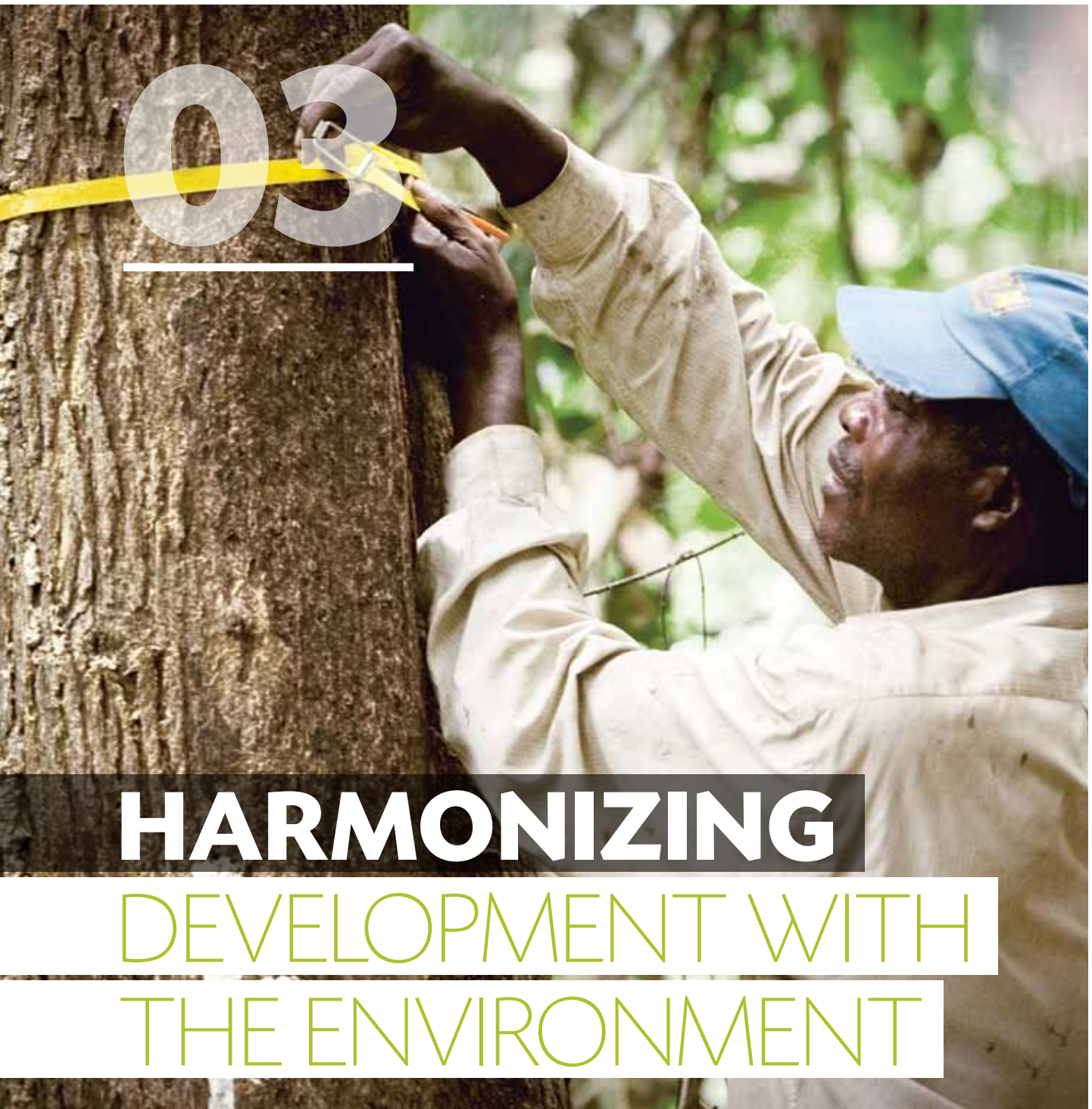
Despite their many advantages, infrastructure programmes – especially transnational ones – remain hard to finance because of their size. Partnerships between AFD and other donors prove crucial to achieve critical mass.

AFD works closely with the European Union and other European donors, such as the European Investment Bank and Germany’s development bank, KfW. They have begun to improve coordination by adopting mutually recognizable procedures and sharing access to grant and subsidy monies – such as to the EU-Africa Fiduciary Fund for Infrastructure, which finances regional and border-crossing projects in sub-Saharan Africa. AFD contributed €5 million to the fiduciary fund in 2010.

AFD also funds infrastructure projects in partnership with the World Bank, the Asian Development Bank and the African Development Bank. With the last-named, AFD financed urban road construction on the west side of Accra, Ghana. AFD has strengthened its ties with regional development banks, which are also very involved in infrastructure projects; for example, it set up a joint research fund with the Development Bank of Southern Africa.

A FINANCIAL STRIKE FORCE

The project to build a roadway between Zambia’s capital, Lusaka, and the port of Nacala in Mozambique via Malawi illustrates the advantages of a multi-donor partnership and the financing strength it can achieve. The European Union, European Investment Bank, African Development Bank and AFD were able to co-fund this large €250 million project by joining forces with the countries involved. AFD promotes all of its financial engineering tools that can develop public-private partnerships, whether by direct private-sector financing through its subsidiary, PROPARCO, or through loans and guarantees. AFD also works to improve the institutional environment of relevant industries via sectoral programmes. •



HARMONIZING DEVELOPMENT WITH THE ENVIRONMENT

Two major conferences marked 2010's global debate on sustainability: the Nagoya Biodiversity Conference and the Cancún Climate Change Summit. Developing and emerging countries have a double stake in these issues; their populations are the most vulnerable to the effects of both climate change and environmental degradation. Their development forces them to face the challenges of limiting greenhouse gas emissions and sustainably managing natural resources. AFD helps its beneficiary countries meet these challenges.

MITIGATING CLIMATE CHANGE, ADAPTING TO ITS EFFECTS

AFD considers the fight against climate change an essential part of its strategy. It helps developing and emerging countries harmonize their social and economic development with their responses to climate change issues.

Following a low-carbon development path has become an economic imperative – and necessary for energy security reasons, as well. That is why AFD includes climate change issues in its strategy.

In 2010, AFD approved €2.8 billion in funding – a 17% increase over 2009 – for projects that help fight climate change and prepare developing and emerging countries for its social and economic effects. Africa accounts for 30% of the funds. The 71 approved initiatives primarily address mitigation efforts; these amount to €2.6 billion, and may abate up to 5 million tons equivalent of carbon dioxide annually. Adaptation and mitigation projects worth €390 million supported various projects and programmes: energy efficiency, renewables, clean transportation, water conservation, agriculture and sustainable forest management. AFD has approved a cumulative €8.2 billion in climate-related financing in the 2005-2010 period, making it one of the main international public financiers of the fight against climate change.

SUPPORTING DEVELOPING AND EMERGING COUNTRIES IN THEIR PRO-CLIMATE ACTIONS

AFD has developed an innovative approach for countries that commit to pro-climate development strategies. These “climate budget loans,” accompanied by high-level policy discussions and technical assistance, support and encourage public policy changes and “green” infrastructure investments. A pioneer in this area, AFD joined with Japan’s aid organization to support Indonesia, Mexico,

Vietnam and Mauritius. In all, more than €1.2 billion has been approved for these operations since 2008. Similarly, AFD helps willing African countries design national climate strategies that call for energy, transportation, agriculture and forest conservation projects.

AFD also partners with local financial institutions to promote carbon-footprint reduction among local businesses, using loan funding as an incentive. So far, nearly €1 billion has been committed through about thirty partner banks in North Africa, the Middle East, sub-Saharan Africa and Asia. The effects are significant: financed projects have reduced CO₂ emissions by about 5 to 7 million tons per year.

REINFORCING AN INTERNATIONAL DYNAMIC

AFD actively participated in the United Nations Climate Change Conference in Cancún, Mexico, in December 2010. It contributed to several key debates on financing systems and their problems, adaptation issues, and the REDD+ programme (Reduce Emissions from Deforestation and Degradation). REDD+ offers a new financing mechanism to finance greenhouse-gas emission abatement in vulnerable tropical forest regions through the avoidance of deforestation and environmental degradation. In addition, the Forest Carbon Partnership Facility created by the World Bank will help 37 countries define their forest conservation strategy. AFD also proposed innovative and inclusive solutions in Cancún that proved crucial in creating the Green Fund. •

ETHIOPIA

ENCOURAGING WIND POWER DEVELOPMENT

Despite tremendous progress in recent years, the Ethiopian people remain without generalized access to electricity and suffer significant power shortages.

The Ethiopian government has developed an ambitious

growth and transformation plan for the 2010-2015 period. It should raise the country’s electrification rate to cover 75% of its population. The country has great hydroelectric potential, but often suffers from drought;

the national power company, Ethiopian Electric Power Corporation, has therefore sought to develop geothermal and wind energy. AFD loaned the power company €45 million to construct a 120-MW wind farm. Increased

electricity production will allow the power company to improve service to residents in the Tigray region, in the north of the country.



MANAGING

BIODIVERSITY SUSTAINABLY

Biological resources and ecosystems intersect with development strategies and the fight against poverty. AFD supports projects that help preserve these resources.

Between 2000 and 2010, AFD approved €504.6 million in funding to preserve biodiversity, of which €85.4 million was approved in 2010 – the official “Year of Biodiversity.” In addition, AFD actively fostered strategic thinking on the subject to promote coherent progress on related issues. Its approach reflects three objectives:

- **stronger financing** dedicated to sustainable ecosystems management – forests, oceans and waterways, natural preserves;
- **greater attention to biodiversity** in all sectors – especially agriculture, water and infrastructure projects;
- **active participation in international negotiations** on responses to biodiversity loss.

The Nagoya Biodiversity Summit in October 2010 was the culmination of the international year of biodiversity (see box). It led to the first international protocol on natural resources access and equitable sharing of resource benefits. The protocol proposed contracts as a new way to remunerate sustainable ecosystem management and associated lifestyles. In 2010, AFD explored several ideas about conservation issues, access to resources and ecosystem profit-sharing.

JAPAN NAGOYA

10TH CONFERENCE OF THE PARTIES TO THE CONVENTION ON BIOLOGICAL DIVERSITY

The Nagoya Summit made solid progress on defining the interaction between the Climate Convention and several core issues – forest conservation, fighting ocean acidification and strengthening natural preserves. It concluded with revived energies and a new biodiversity protocol, and with calls for support from country-participants and donors. The Summit’s new protocol mapped rules allowing

for a better distribution of conservation-led benefits. At Nagoya, France announced that by 2012 it would double bilateral aid dedicated to biodiversity preservation. It also promised annual financing of €500 million per year starting in 2014, and that eventually 10% of all of its aid monies would go to biodiversity-related subjects. The event was an opportunity for AFD to share its expertise on these issues and contribute to international discussions.



INDIA ASSAM

FOREST AND BIODIVERSITY CONSERVATION

Assam, in northeastern India, harbors priceless natural wealth and is one of the world's 34 biodiversity "hot spots."

Its forests are threatened by overuse. The Indian government has initiated a sustainable management project that focuses on participatory and integrated planning. This requires strengthening the Environment and Forest Department of Assam, setting up strategic planning, managing the forests transparently and sustainably, and developing goods and services that generate income, especially for the local village communities. The project will have economic, environmental and social effects through wood production, forest management, biodiversity protection, improved living conditions, and increased tourism. AFD allocated a €54 million loan to India to implement this innovative project over five years.



EQUITABLE ACCESS TO BIOLOGICAL RESOURCES REMAINS CENTRAL TO THE SOLUTIONS WE MUST DEVISE

- ▶ When funding projects, the French Global Environment Facility also contributes its expertise in biodiversity preservation; it may propose exploiting sorghum varieties in Mali or preserving species diversity in Ethiopian gardens. Such an approach helps local producers maintain traditional food production systems based on crop diversity.

RECONCILING RESOURCE USE WITH ECOSYSTEM PRESERVATION

Securing natural resource access for the poorest citizens depends heavily on two factors: recognizing the collective rights of local populations and reinforcing civil society. In 2010, the Critical Ecosystem Partnership Fund – a joint initiative of AFD, the Global Environment Fund, the World Bank and Conservation International – supported several community-based nongovernmental organizations promoting land and access rights in southern Africa. Village organizations actively clarify, honor and defend these rights, crucial foundations for sustainable ecosystem management.

Another approach consolidates public-goods governance as a complement to capacity building. Governance must answer key questions, such as how to protect sustainable resource use and access for local populations – for fish, grazing areas, forests, groundwater, etc. – when competing users subject such resources to unrestricted access and overuse. In 2010, these questions prompted AFD to launch an innovative project in India for sustainable, consultative and equitable management of forests (see box).

At present, nature preserves cover nearly 13% of the earth's surface; such enclaves can promote a fair balance between sustainable resource use and guaranteed local access, reserved for villagers who live within preserves or at their edges. By funding two nature preserves in Mozambique, AFD helped improve local residents' management of natural resources, such as coastal fisheries and firewood, while developing new tourism-based sources of local income. •

04



REINFORCING ACCESS TO BASIC SERVICES

AFD translates the French government's commitment to supporting the UN Millennium Development Goals into strong support for basic services – education, healthcare, access to drinking water and sanitation. In addition to providing funding, AFD promotes a comprehensive approach that encourages economic growth and sustainable development, builds diversified partnerships, and proposes innovative financial solutions.

PROMOTING HIGH-PERFORMANCE SOCIAL SERVICES

— AFD finances projects and programmes for healthcare and education, contributing to the poorest countries' human development and capacity building. —

Healthcare and education are fundamental rights. Both form a solid base for sustainable growth and development. At the same time, strong economic activity that creates jobs and wealth also helps fight poverty and broadens access to healthcare and education. AFD is committed to this comprehensive approach – combining economic growth with basic services – to improve living conditions in developing countries.

SUPPORTING HEALTHCARE SERVICES

During 2010, AFD's interventions in the healthcare sector centered on three priorities: expanding health insurance coverage, providing reproductive healthcare to improve mother and infant health, and supporting private-sector enterprise.

For example, AFD provided funding to the Pasteur Institute in Dakar to increase production of yellow fever vaccines. Elsewhere, AFD gave funding to fragile states, notably for the refurbishment of Haiti's State University Hospital after the January 2010 earthquake. It also provided funds to reduce maternal and infant mortality in the Badakhshan Province in Afghanistan.

2010 also saw new joint efforts to combat chronic diseases, for example between AFD and the French National Cancer Institute. These collaborations will identify new projects in developing countries around the Mediterranean and in Africa.

SUPPORTING EDUCATION AND JOB TRAINING

AFD aims to become the go-to partner for basic education programmes, especially in French-speaking sub-Saharan Africa, through its support for the international "Fast Track – Education for All" initiative. AFD contributes technical assistance, enhancing beneficiary countries' efforts to provide universal primary schooling. AFD gave €74 million to education programmes in Mali (see box), Burkina Faso, Mauritania and Burundi in 2010.

In addition, AFD supports professional job training centers in both the formal and informal sectors. The goal is to encourage economic growth by helping adapt vocational training to the economy's needs. In 2010, AFD bolstered public and private professional job training with €49 million in funding. Beneficiaries included Morocco, the Dominican Republic and Tunisia, where the National Engineering School of Bizerte received support. •

MAURITANIA

PROVIDING HEALTH INSURANCE TO REDUCE MATERNAL DEATHS

Ranked 137th out of 177 countries by the Human Development Index, Mauritania sees a very high level of maternal and infant mortality. This often arises from an insufficient healthcare system, but also reflects lack of geographic and financial accessibility.

In response, Mauritania's Health Ministry has initiated a program to prevent maternal deaths, focusing on obstetrics-focused health insurance

coverage that allows pregnant policyholders to protect themselves from certain risks. AFD provided a €1.1 million grant to the government to support the initiative; the results have already proven quite positive. The program offers better care during pregnancy, delivery and postnatal follow-up, prompting a 48% rise in the number of assisted deliveries without excessive financial costs for patients or the government.

MALI

EXPANDING SECONDARY SCHOOL EDUCATION

Confronted with an adult literacy rate of only 26%, officials in Mali see the need to support education and training to ensure their country's economic and social development.

The government launched an Education Investment Programme, which AFD supported with a €3 million loan. The funds will be used for three purposes: building and equipping three public high schools and refurbishing another; a skill-building program for high school teachers and administrators; and sectoral budget aid. The result will be an improvement in secondary school education through better-quality teaching and larger-capacity schools.



IMPROVING THE QUALITY AND QUANTITY OF ACCESS TO WATER AND SANITATION

In developing countries, AFD finances sanitation and drinking-water supply projects to guarantee the right to good water.

Even though the United Nations recognized access to drinking water as a "fundamental right" in 2009, and despite efforts to achieve the UN Millennium Development Goals, more than 800 million people lack access to clean, potable water; even fewer have adequate sanitation. At the beginning of 2000, France set a goal of doubling its water-sector development aid between 2005 and 2009. AFD's strong growth reached the objective by 2007.

AFD provides funding and technical assistance for four water-sector goals: design and implementation of regulatory and planning frameworks, sustainable water resource management, permanent universal access to water, and cleaner and healthier urban environments.

Most of AFD's funding for drinking water access concentrates on infrastructure to transport, treat and distribute water in urban areas, and to build mini-supply networks and hand-dug or larger, drilled bore-hole wells.

AFD's urban sanitation funding concentrates on infrastructure to collect, transport and purify wastewater, while aid for rural areas centers on installing toilets, latrines, and showers and launching systems to collect, transport and treat sludge.

In 2010, AFD approved funding for €726 million worth of water and sanitation projects, more than half for sub-Saharan Africa. Between 2010 and 2012, AFD intends to give 800,000 people per year access to drinking water, and 500,000 people access to sanitation. •

SRI LANKA

REFURBISHING WATER SERVICES

Jaffna is the capital of the North Province in Sri Lanka. It suffered greatly during the armed conflict between the Tamil separatists and the Sri Lankan government.

Since the end of the civil war in May 2009, AFD has made this province an aid priority via a €35 million loan, co-financed by the Asian Development Bank. The funds will build a drinking-water and sanitation system for the poorest residents: the system will have an optimized carbon footprint and preserve the peninsula's underground aquifers. The loan will strengthen the national water and sanitation authority by promoting decentralization and professional training programs. It will also improve the standard of living for around 300,000 citizens, and indirectly contribute to the national reconciliation process.

SYRIA DAMASCUS

SUPPLYING HIGH QUALITY WATER TO RESIDENTS

In only 60 years, the population of Damascus has multiplied ninefold, reaching 4.5 million inhabitants today.

The quality of the ground water that supplies peripheral neighborhoods has degraded, and the distribution pipelines lose up to 40% of their water through leakage.

AFD financed improved water and sanitation services

through a €30 million loan to the state. The project will take place in the Zamalka and Kafar Batna neighborhoods on the east side of the city, improving the quality and quantity of drinking water supplied to nearly 340,000 residents. It will also build up sanitation services and assist the institutional evolution of the water sector.

A photograph of a construction site. In the foreground, several workers wearing orange high-visibility vests and hard hats are working on a concrete slab. A large concrete mixer truck is positioned on the right, with its chute extended towards the workers. The background shows a clear blue sky and some distant hills.

05

RESPONDING TO THE FRENCH OVERSEAS PROVINCES' NEW CHALLENGES

AFD strives to meet the objectives of the French Overseas Modernization Plan, announced by President Sarkozy on 6 November 2009 at the first meeting of the Interministerial Council for Overseas France. AFD supports public-sector infrastructure projects and assists local governments as they implement economic, social and environmental strategies. AFD supports the local private sector by improving businesses' access to local and international markets.



**STIMULATING STRATEGIC
PUBLIC SPENDING TO COUNTER
THE RECESSION'S SHOCK**



HELPING **THE PUBLIC SECTOR**

STIMULATE THE ECONOMY

AFD helps local governments in the French Overseas Provinces – municipalities, departments, regions, public institutions – design spending plans in the most important sectors, such as the environment, healthcare, education and transportation. In 2010, it helped implement their economic stimulus programmes.

Local governments in the French Overseas Provinces must confront numerous challenges. Increased decentralization has forced them to develop new skills in major areas of social and economic development: professional training, teaching, road transport, land-use planning, the local economy, roadways maintenance, housing and the environment. Local governments must respond to large needs given their generally inferior public infrastructure and facilities compared to mainland France. They also confront demographic changes that vary from place to place. Some must develop services for young people, particularly in French Guiana and Mayotte; others, as in the French West Indies, must increase services for their vulnerable elderly.

AFD has evolved its intervention strategy to help local governments meet their particular challenges; it acts more as a partner than as just a lender, giving financial aid but also providing consulting and advice tailored to each situation.

A BANK FOR THE OVERSEAS PROVINCES

Following the economy-ravaging recession of 2009, several local governments in the Overseas Provinces sought to create local stimulus plans. To meet their inherent funding needs, AFD increased its public-sector loans to the Overseas Provinces by 27% in 2010. The loans served as a critical vector for stimulating public spending and helped buffer the decrease in other economic activity.

The loans helped finance infrastructure construction in all the local governments' areas of responsibility. For example, French Guiana saw new junior high school construction and the rehabilitation of roadways, while Reunion designed vast water and sanitation projects.

INVENTIVE FINANCIAL ENGINEERING PREVENTS OR SOLVES FINANCIAL HARDSHIPS

In 2010, AFD went beyond its traditional mission as lender to local governments in the



AFD ACTS MORE AS A PARTNER THAN JUST A LENDER, GIVING FINANCIAL AID BUT ALSO PROVIDING TAILORED CONSULTING AND ADVICE

French Overseas Provinces to offer its financial expertise as a complement to its loans. At the French government's request, AFD has helped local governments in the Overseas Provinces with their financial difficulties for several years: AFD encourages good financial management, on-going public spending and respect for reasonable payment terms to businesses as it provides financial assistance.

In 2010, four cities in French Guiana and one in Guadeloupe benefitted from this type of aid, based on a protocol between the French state and the municipalities. AFD's intervention materialized in a loan to refinance the cities' revenue shortfalls and pay short-term debts; financial assistance was combined with training and consulting activities to ensure the restructuring's longevity. AFD also proposed its savoir-faire to local governments in the Pacific region. The Ministry for Overseas asked AFD to help officials in Mayotte define a turnaround plan to rebalance its finances by 2014; this assistance comes in anticipation of Mayotte's "departmentalization" or becoming a French department (county) rather than a "collectivity" in the first quarter of 2011.

MULTI-FACETED, TAILORED ADVISORY SERVICES

AFD shares the technical expertise it has acquired through public works projects in the

French Overseas Provinces and developing and emerging countries; it has genuine expertise in water and sanitation systems, waste treatment, transportation and urban planning. AFD's partners in the Overseas Provinces use AFD's expertise to design programmes, find innovative solutions and expand their supervisory skills for public projects.

AFD helps local officials and other public servants define and implement their local development strategies during the entire policy lifecycle, from definition – as in New Caledonia where AFD helps the North Province design a sustainable land-use policy – to project preparation and implementation. For instance, AFD supported a study about sanitation in Mayotte for the Intercommunal Association; the study's findings will help guide the Association's infrastructure strategy so the sanitation services can breakeven financially.

AFD also provides professional training sessions for the Overseas Provinces' executives and elected officials at CEFEF, its corporate university. In June 2010, executive and division heads from New Caledonia, French Polynesia and French Guiana participated in a seminar on financial strategy tools, one example among many of how CEFEF's training programs build managerial skills. •

MARTINIQUE

CREATING A GUIDE FOR GOOD FINANCIAL MANAGEMENT PRACTICES

With AFD's support, the Martinique Mayors' Association created a good practices guide for managing project finances, human resources, administration, strategic planning and steering.

The publication provides an overview of relevant measures that other towns have already implemented, particularly concerning multiyear investment plans and procurement procedures. The guide serves as a technical assistance tool for towns and public servants who seek new solutions for management issues.

SUPPORTING

BUSINESS EXPANSION

IN THE FRENCH OVERSEAS PROVINCES

AFD helps implement the Interministerial Council's "Overseas SME Plan" to improve businesses' market access, make them more competitive and bolster their finances. This promotes a more endogenous development model, one more open to the global economy.

The 2009 economic contraction brought renewed high unemployment levels, especially in French Polynesia and Reunion. AFD responded with increased assistance for the private sector in the French Overseas Provinces, particularly for micro-, small- and medium-sized enterprises.

FACILITATING FINANCING ACCESS FOR OVERSEAS BUSINESSES

AFD offers guarantees to local banks, who can then share the risk of providing credit to small business, thus improving companies' access to loans. AFD makes several guarantee funds available for each geographic area:

- _ the **DOM Fund**, serving four Overseas departments and Saint Martin;
- _ **Guarantee Funds** for Mayotte and for Saint Pierre and Miquelon;
- _ the **SOGEFOM Guarantee Fund**, an AFD subsidiary, serving Overseas Provinces in the Pacific.

In 2010, AFD helped structure the Guarantee Fund for Agriculture, Fisheries, Wood Products and Aquaculture, an initiative of the Interministerial Council for Overseas. The fund began operations at the beginning of 2011, and serves businesses in Overseas departments, including Saint Martin and Saint Barthélemy.

From 2008-2010, France gave AFD the task of granting specific guarantees to the Overseas Provinces, in order to support businesses during the recession as part of a national economic stimulus plan. The guarantees facilitated companies' access to short-term credit lines (12-18 months) and bolstered their cash flow; the program ended on 31 December 2010.

In addition, the Interministerial Council for Overseas expanded AFD's mandate to represent OSEO – a French public organization



ENCOURAGING MICRO-ENTREPRENEURSHIP

AFD supports inclusive and accessible credit and assistance providers that encourage self-employment and micro-business startups in all of the French Overseas Provinces.

AFD has worked with ADIE, an association that promotes the right to entrepreneurship – since 2005 in many Overseas Provinces, and since 2009 in Wallis and Futuna and French Polynesia. In 2010, AFD helped set up a fund to guarantee ADIE's microloans to very small businesses in Wallis and Futuna.



Laurent Blériot

Chief Executive of Bioalgostral

*"Bioalgostral is a start-up business created in 2009. It focuses on an innovative sector with high growth potential – micro-algae production and applications, for energy in particular. The company aims to open new production and distribution facilities in Reunion; the island offers especially favorable climatic and environmental conditions for growing algae. Support from OSEO and AFD was crucial in helping us structure the company. **THE LOCAL REPRESENTATIVES' LISTENING SKILLS ALLOWED US TO TAILOR THEIR ASSISTANCE TO OUR GROWTH STRATEGY.** The plan led to an important technology partnership with a German firm. AFD's responsiveness greatly helped our company's credibility, which in turn cinched this critical partnership – now our company can look forward to its future with confidence."*

In Reunion, AFD and OSEO partnered with a local start-up, Bioalgostral, in an innovative research and development plan for producing a third-generation biofuel. The island of Reunion has committed to voluntarily achieving energy self-sufficiency by 2030; this project will provide a concrete solution for an alternative to imported fossil fuels.

+ SUPPORTING INNOVATIVE BUSINESSES

► charged with financing and helping SMEs, in partnership with banks and private equity firms. OSEO's public-interest products are supported by public monies; those products now accessible through AFD to businesses in Overseas Provinces include:

– **innovation aid:** reimbursable advances, grants, participatory priming loans, zero-rate "innovation" loans, aid for strategic industrial innovation projects, aid for collaborative projects in business-competitiveness centers;

– **short-term financing,** primarily through receivables factoring;

– **mezzanine financing,** primarily non-guaranteed participatory loans with an equity share. This complements bank financing (e.g. classic, innovation, international or participative development contracts), and also guaranteed participatory loans (e.g. hotel renovation, modernization and sale of restaurants, and regional development, export or "green" loans);

– **short-term guaranteed loans.**

The first "development innovation" contracts were signed in 2010 to support innovative businesses.

Since 2003, AFD has worked alongside two French financial groups, Caisse des Dépôts and Caisse d'Épargne, and the Overseas Provinces on ways to take private equity positions in Overseas SMEs and thus bolster their capital. AFD is now working with its partners to update these systems. It has proposed schemes for Reunion, the French West Indies and French Guiana Provinces that would expand the system, combining financial and other resources to ensure break-even operations. In Reunion, the new system will begin in 2011, as an asset management company for local private equity investments; the company will manage two venture-capital mutual funds that will be open to some private investors, as well as public ones.

In French Polynesia, AFD set up a local mixed-economy company, SOFIDEP, to provide participatory loans to very small businesses. It works alongside banks to support sustainable development, innovation, commodities production and distant islands.





ENCOURAGING OPENNESS TO REGIONAL NEIGHBORS AND WORLD TRADE

GUYANA PLATEAU

EXPANDING ACCESS TO THE INTERNET

Many places in Suriname, French Guiana and Brazil's Amapá State lack access to the Internet. In 2010, AFD supported a project initiated by a local telecoms company, Guyacom, to build a digital terrestrial Internet backbone between French Guiana and Amapá State.

The goal is improve on the current satellite system, offering the region's Internet users easier to use, more reliable, high-speed connections. Eventually, Internet networks in French Guiana and Suriname will interconnect with Brazil's entire network as far as São Paulo, South America's international Internet gateway. AFD provided two bank guarantees: an ARIZ guarantee for a bank loan backed by infrastructure built in Brazil, and a DOM Fund guarantee for a bank loan backed by infrastructure built in French Guiana. In addition, a French Guianan venture capital management company, Alyse Guyane, provided capital: it is a partner of AFD, the French Guiana Region, the French National Space Studies Center and France's Caisse des Dépôts et Consignations.

Creating openings to international trade has emerged as a central aim of economic modernization in the French Overseas Provinces. At the same time, cooperation with neighboring countries offers many development opportunities.

Historically, the French Overseas Provinces' economies have looked to mainland France for trade and commerce. Until recently, they barely exploited opportunities to increase trade with neighboring countries. AFD supports the Overseas Provinces' vital regional – and international – integration.

At present, although ports in the Overseas Provinces cannot compete in costs, they remain vitally active; their regional role could grow through good infrastructure and higher-quality services. AFD contributed to improved port facilities in French Guiana by financing the refurbishment of Dégrad-des-Cannes' principal quay. The port handles more than 90% of the province's maritime trade; these upgrades should maintain its share of port activity, ensuring a healthy local economy.

AFD supports Overseas business investment in export markets not only via OSEO's export-oriented products, but also by offering Overseas banks its ARIZ guarantee instrument. In this way, AFD proposes complete solutions to meet companies' needs as they develop internationally.

AFD also conducts forecasting studies related to opening regional economies. In partnership with the University of Antilles-Guyane, AFD launched a monitoring study of the Economic Partnership Agreement between the European Union and the Caribbean Forum (Cariforum), an organization that promotes cooperation between the EU and its Caribbean members. In French Guiana, an initial study of regional integration issues affecting local SMEs provided material for an opportunities and limitations analysis.

COOPERATING WITH NEIGHBORING COUNTRIES

AFD encourages regional cooperation projects. It strategizes with its partners on the Indian Ocean Commission on improving regional maritime transportation links. In addition, a funding convention signed by AFD and the South Pacific Regional Environment Programme will foster a solid waste management strategy for the South Pacific Ocean; it will take effect through public and private-sector training sessions in the Pacific's small insular countries and territories. •

IMPROVING

LIVING CONDITIONS

FOR RESIDENTS OF OVERSEAS PROVINCES

— AFD helps local governments and local government authorities improve the quality of living conditions and the daily environment of residents in the French Overseas Provinces. —



+ **FUNDING
URBAN RENEWAL
PROJECTS**

The regional and local governments in the French Overseas Provinces confront important social and economic challenges, including sub-standard housing, social inequalities and gaps in some public services. Environmental issues augment these challenges; the environment is closely tied to living conditions in these Overseas regions. The Overseas Provinces are France's great depositories of biodiversity; their natural wealth requires protection.

BUILDING HOUSING FOR LOW- AND MEDIUM-INCOME FAMILIES

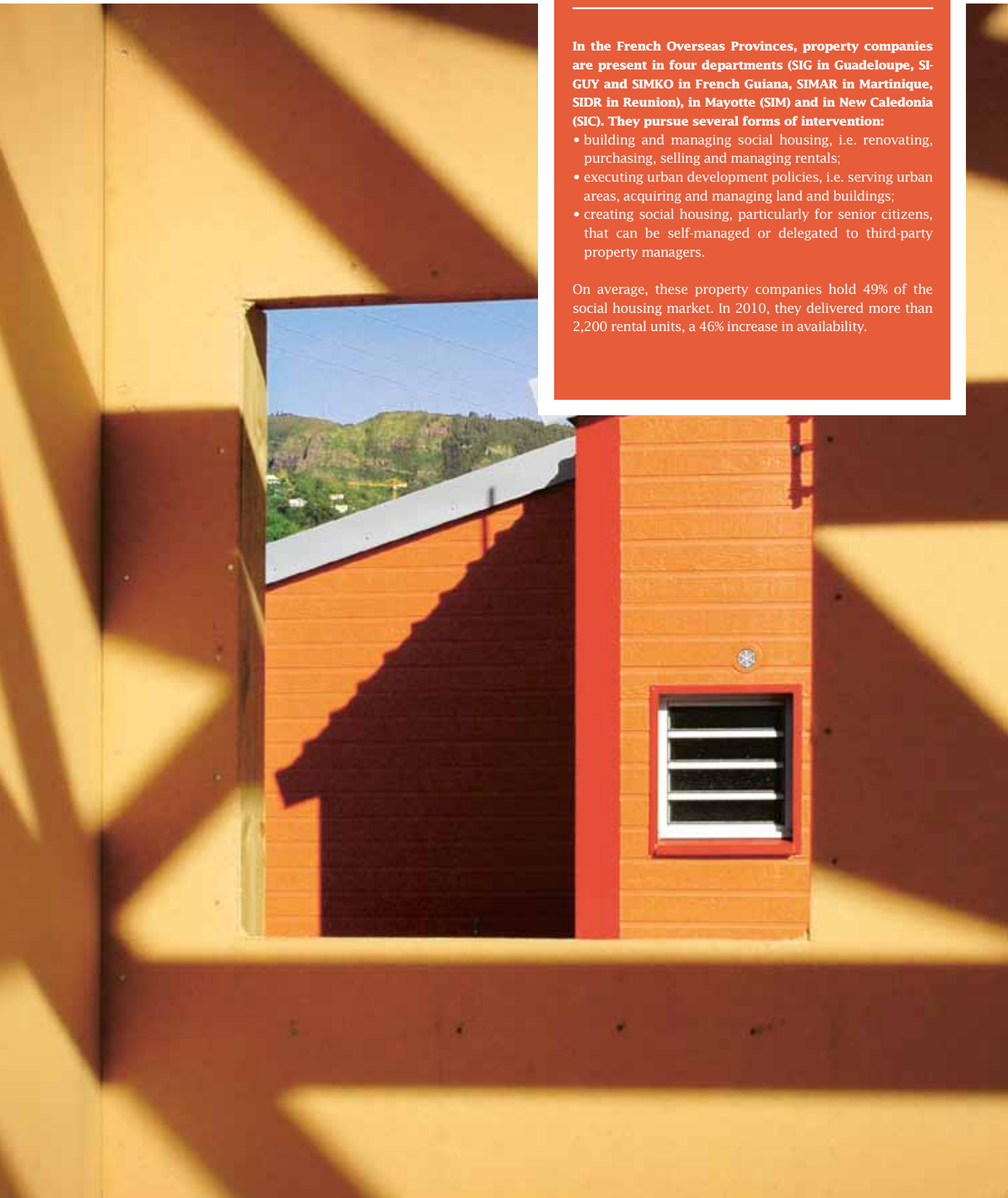
AFD has equity positions in seven social-housing property companies, and also manages the French state's shares in them. In 2010, these property companies started construction on 6,800 rental units that will house about 20,000 people when completed. This project, begun during the economic crisis, will support the construction industry – one that has been hit particularly hard – and help preserve jobs in this key sector.

In Mayotte, the minister for Overseas France officially opened the first social-housing rentals – financed by AFD as a pilot project – in November 2010. AFD and French officials also celebrated the twenty-thousandth renter of Reunion's property company, SIDR, in the town of Saint-Pierre.

These property companies are currently renovating their housing stocks. In Martinique, AFD supplied half the funds for seismic retrofitting of around 2,000 units. In 2010, the European organization Discerno-CSR awarded SIDR a certification, recognizing its efforts to attain the highest environmental standards. The organization certifies local-level public enterprises that follow environmentally and socially responsible approaches. New Caledonia's social housing property company, SIC, received the same certification in 2009.

HELPING RENOVATE DISADVANTAGED NEIGHBORHOODS

In Guadeloupe, AFD funds large urban renewal operations in the towns of Pointe-à-Pitre and Abymes, initiated by the National Agency for Urban Renovation. These operations align with other large projects to improve living standards in disadvantaged neighborhoods. In the area covered, 60% of families have incomes below the poverty line and the unemployment rate is nearly 65%, three times higher than Guadeloupe's average. In addition to demolishing buildings and building mixed-income social housing, these projects overlap with plans to knit the city's neighborhoods via on-site public transportation. The program will also improve social and economic participation



THE FRENCH OVERSEAS PROVINCES' SOCIAL PROPERTY COMPANIES

In the French Overseas Provinces, property companies are present in four departments (SIG in Guadeloupe, SI-GUY and SIMKO in French Guiana, SIMAR in Martinique, SIDR in Reunion), in Mayotte (SIM) and in New Caledonia (SIC). They pursue several forms of intervention:

- building and managing social housing, i.e. renovating, purchasing, selling and managing rentals;
- executing urban development policies, i.e. serving urban areas, acquiring and managing land and buildings;
- creating social housing, particularly for senior citizens, that can be self-managed or delegated to third-party property managers.

On average, these property companies hold 49% of the social housing market. In 2010, they delivered more than 2,200 rental units, a 46% increase in availability.

by building a commercial shopping center, a sports center and a daycare center, all shared by the two neighborhoods.

CONTRIBUTING FUNDS FOR EDUCATION AND HEALTHCARE SERVICES

AFD funds improvements in healthcare services and availability. In Martinique, it supported a hospital reconstruction project, increasing its capacity and bettering conditions for patient care. The innovative character of this project and the search for new energy-saving operations helped expand the level of local expertise; it prompted a “high environmental quality” designation specifically for Overseas departments.

In education, AFD helps those local governments in the Overseas Provinces that confront strong demographic pressures – particularly in French Guiana, Reunion and Mayotte – by funding the construction of

primary, middle-and high schools, providing spaces for new generations of students.

IMPROVING ENVIRONMENTAL QUALITY

AFD values environmentally-friendly economic development and makes sustainable growth the guiding aim of all of its interventions. In 2010, AFD renewed its partnership with ADEME, a French agency focused on the environment and energy efficiency. This agreement targets the French Overseas Provinces as one of three priority areas for intervention: it foresees joint actions that will bolster environmental and natural resource preservation. In the Overseas Provinces, the agreement prioritizes project funds in these areas:

- **exemplary and innovative energy production**, carried out by local territorial governments and/or private operators;
- **energy efficiency**, primarily retrofitting existing buildings;

- **sustainable land use and planning**, particularly in urban areas;
- **promoting territorial “Climate Plans”** to reduce the Provinces’ carbon footprints.

AFD helps local governments design sustainable development strategies at different levels and on various topics. Recent efforts include designing the New Caledonian government’s Climate Plan, and financing a wastewater collection and transfer system for the Intercommunal Community of North Reunion. At the same time, AFD promotes eco-friendly practices in private companies. More generally, it supplies assistance and advice for environmentally progressive actions.

AFD also funds research on the environment to guide relevant and effective interventions. In New Caledonia, AFD funded a study to profile ecosystems, in partnership with Conservation International and the WWF.●

STUDY ON APPROACHES TO POVERTY IN FRENCH POLYNESIA

In collaboration with the Statistical Institute of French Polynesia, AFD funded a survey of Polynesian living conditions to create a complete and up-to-date assessment of poverty indicators.

Analysis of the data showed very wide income inequalities in the Windward Islands, where most Polynesians live; these gaps reflected the low level of income transfers to the poorest and very large differences in educational attainment. Relative monetary poverty worsened from 2000 to 2010, touching more than a quarter of the population (27.6% vs. 13% on the French mainland). Education protects against the risk of poverty, but parents are sometimes reluctant to send their children to school. Developing a more ambitious public education policy appears to be a first step in improving living conditions in French Polynesia.



NEW CALEDONIA

REPLANTING FORMER MINING AREAS

New Caledonia harbors an exceptional natural wealth, calling for careful management as mining expands rapidly.

Nickel mining has a major impact on New Caledonia’s environment. That is why its mining companies routinely conduct revegetation projects, to control erosion, repair the countryside and

restore ecological areas. A new metallurgical factory under construction in northern New Caledonia has contracted with a private company to replant 210 hectares of mining surfaces. The company needed a bank loan to execute the €1.8 million contract, which would support the livelihoods of several local

sub-contractors. In October 2010, AFD’s guarantee fund for the Pacific Provinces, SOGEFORM, granted a guarantee covering 60% of the company’s bank credit needs. The company received the bank loan and was able to purchase equipment needed for its operations.



ORGANIZATION



FINANCING AND ASSISTING

— AFD proposes a wide range of tools tailored to the specific needs of its aid beneficiaries. Along with its financial products – granted according to each beneficiary’s capacities and risks – it offers structured capacity-building technical assistance.

AFD designs financial products tailored to specific beneficiaries, sectors and projects. The goal is to ensure maximum aid effectiveness while ensuring that public aid monies target the most disadvantaged.

AFD has greatly expanded its palette of financial tools in recent years to keep up with new practices, new geographic targets and new assignments from the French state. Its range of financial instruments includes:

- Loans: either (a) allocated to a state or a public entity that benefits from a state guarantee, also known as a sovereign loan; or (b) allocated to an entity without such a guarantee, e.g. a business, private or public entity, known as a non-sovereign loan. Loans may be “non-concessional,” i.e. at market interest rates and/or terms, or “concessional,” i.e. subsidized.
- Grants and subsidies: suitable for high-impact projects, such as education and healthcare, that do not generate sufficient profit over a short or medium time period to pay back a market-rate loan. Grants and subsidies primarily target 14 priority sub-Saharan African countries and aim to build beneficiary capacities.
- Guarantees: used to share risk and incentivize bank loans, particularly to small- and medium-sized businesses (SMEs), in support of productive infrastructure and job creation.
- Private equity: investments in financial institutions and private companies, providing capital needed for their long-term development; managed by PROPARCO, which has a specialized venture capital team.

DOMINICAN REPUBLIC AND KENYA

INNOVATIVE FINANCIAL SCHEMES FOR HEALTHCARE

AFD granted an \$18 million loan to an advanced medicine, telemedicine and diagnostic center, Cedimat, for construction of a large cardiology center in Santo Domingo. The center will be equipped with high-tech medical and surgical facilities, making it one of the most modern medical centers in Central America.

In addition, AFD signed a €35.5 million loan to the healthcare division of the Aga Khan Foundation network in Kenya. The loan will finance construction and equipment

for a high-tech medical and surgical center at the Aga Khan University Hospital in Nairobi.

In both cases, AFD supplied subsidized construction loans with lower-than-market interest rates so the borrowers' could use this "extra" credit capacity to tackle additional development efforts: training medical professionals, offering care in poorly served areas, and providing poor patients access to care.

In the Dominican Republic, more than 1,000 people will receive free surgery, and about

60,000 patients in Kenya will benefit from treatment, at suitably modified costs. These two projects reinforce the private sector's contribution to healthcare development. They benefitted from innovative financial schemes: subsidized interest rates made financing possible for the borrowers' other development goals; the use of financial incentives ensured that the project met objectives defined by AFD and the borrowers.



DESIGNING INNOVATIVE TOOLS FOR BETTER DEVELOPMENT FINANCING

In 2010, AFD sought innovative financial solutions through new banking-world practices and expanded partnerships. All new tools must be able to tailor solutions to varied funding needs. AFD aims to improve development performance for each Euro spent of public money; accordingly, it will adjust the mix of loan conditions and use more risk management tools, such as guarantees and insurance.

This effort to diversify AFD's aid "tool kit" springs from a renewed vision of development financing, one that blurs the traditional borders between public and private. Flows of money have increased from a range of actors: migrants, social entrepreneurs, socially responsible investors, new types of philanthropists, and companies committed to social and environmental responsibility. Complementary skills, partnerships and flexible financial instruments make it possible to mobilize larger funding volumes and achieve synergies. When well-designed, these tools create powerful capacity building – witness AFD's support for social responsibility programs in companies.

AFD's approach complements the international community's efforts to find new financial resources for development, e.g. international taxes on airplane tickets and on financial transactions.

CONTINUOUS RISK MITIGATION

As a specialized financial institution, AFD is subject to banking regulations; it carefully follows rules pertaining to credit establishments. ▶

THE FINANCIAL INNOVATIONS FOR DEVELOPMENT FORUM

On the 4th and 5th of March, 2010, AFD organized an international forum on innovations in development financing. The forum was produced in partnership with the World Bank and the Bill and Melinda Gates Foundation, and took place at the City of Science and Industry in Paris.

The event brought together more than 1,200 people from 70 countries. It drew great interest from the financial community, beyond the traditional circle of development finance institutions and international solidarity organizations.

Twenty-plus workshops illustrated the many forms that development finance takes worldwide: risk management, infrastructure financing innovations, microfinance, micro-savings and micro-insurance, market guarantee mechanisms, migrant remittance solutions, venture capital in low-income countries, solutions for financing the fight against climate change, and so forth.

Presentations illustrated the range of financial resources that can contribute to development work, the need for financial services, and the inventiveness of development actors in creating financial tools and mechanisms.

In addition, five projects won awards in the Forum's competition; their originators received grants of \$100,000 each.

✦ See more information on the Forum's internet site www.fininnov.org

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**CONTINUALLY DIVERSIFYING
AID'S "TOOL BOX"**

► In 2010, AFD's chief executive created a new risk mitigation department, charged with measuring, controlling and monitoring risk for AFD and its main subsidiaries; it reports directly to the CEO.

The department evaluates each borrower's long-term solvency via AFD's credit rating methods, adapted according to intervention sector and specific borrower characteristics. AFD reviews loan portfolio quality every quarter. It also monitors all of its other exposures: market risk, global interest, liquidity and foreign exchange rate risk, and non-compliance and/or operating risks. AFD gives special attention to fighting corruption, money laundering and terrorist financing, both to comply with banking regulations and to assist international efforts to combat these crimes. Strict procedures control the flow of funds – they are disbursed only to identified entities – and monitor their subsequent use.

More generally, AFD takes care to mitigate its legal risks in funding operations, in relations with other institutions and donors, and in its internal operations.

CAPACITY BUILDING: A GOAL IN ITSELF

Capacity-building support aims to improve beneficiaries' performances over the long term by enhancing their ability to meet goals and adapt to changes in their environment. It considers abilities at three interdependent levels: individual skills, the way organizations function, and traits of the operating environment.

AFD's capacity-building efforts rest on three forms of assistance: sharing AFD's own expertise, consulting on a project's institutional arrangement, and/or financing external experts on an occasional or long-term basis (e.g. for training, knowledge transfers, or capitalizing on knowledge). Capacity-building efforts contribute to the success of AFD-financed projects. In 2010, AFD funded 145 field-based technical assistant positions; two-thirds were deployed in sub-Saharan Africa, primarily for agriculture, education and healthcare. •

SUPPORTING
AN EFFECTIVE FIGHT
AGAINST TUBERCULOSIS

AFD made a €3 million grant to improve anti-TB efforts in five African countries: Democratic Republic of Congo, Togo, Benin, Côte d'Ivoire and Burkina Faso.

The project, implemented by the International Union Against Tuberculosis and Respiratory Disease, will supply financial aid and strengthen local technical abilities, including:

- **national programme management** via regular evaluation missions;
- **capacity building** via training sessions specifically designed for African executives;
- **experience and information sharing** via a network of experts.

AUDITING
INTERNAL
PROCEDURES

The internal audit system aims for a reasonable assurance that the AFD Group has fulfilled three vital objectives:

- **optimal functional operations;**
- **reliable financial information;**
- **compliance with laws, regulations and internal procedures.**

Permanent auditing

employs several tools: risk identification and evaluation, procedures, examinations, reporting, steering. A key-indicators surveillance dashboard evaluates potential risks, such as accounting errors, fraud, reputational threats and/or information systems problems. Permanent auditing became part of the risk mitigation department in 2010. It formulates appropriate ways to prevent and manage these various risks.

Periodic audits, conducted by the inspector general, review operations for regulatory and procedural compliance, risk exposure levels, efficiency, and the appropriateness

of controls. The inspector general's audits conform to international standards and are certified by the French Institute of Internal Audit and Control (IFACI), in accordance with French Professional Internal Audit Procedures. The permanent and periodic auditors regularly report to the internal audit committee, which answers to the governing board of directors.



RPAI
N° IFACI / 2006 / 0013R



CEFEB AFD'S CORPORATE UNIVERSITY

Based in Marseilles, France, CEFEB (Center for Financial and Economic Studies) promotes capacity building, offering training sessions and seminars for all types of professionals engaged in AFD projects. The CEFEB brings together three classes of participants – project beneficiaries, partners in developing, emerging and developed countries, and AFD employees.

CEFEB aims to transfer knowledge about leading-edge development research and practice to professionals in several fields, and to disseminate proven operational techniques that AFD has field-tested.

CEFEB offers a professional certificate degree program – a Master of Public and Private Works, delivered in partnership with the University of Auvergne's Center for Development Research and Study. It also supplies expertise for AFD's operations. Each year, it organizes more than sixty short- and long-term seminars in France, Europe and partner countries.

Training topics concentrate on seven major themes: public economics, local territorial governments, public-private and private-sector partnerships, sustainable development and social and environmental responsibility, banking and finance, development and improvement of teaching methods, and human resources.

In 2010, CEFEB provided professional training to nearly 2,000 people from fifty countries and four French Overseas Provinces. •

SHARING MY REAL-WORLD OPERATIONAL EXPERIENCES

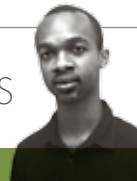


VIRGINIE DAGO

CEFEB PROJECT MANAGER SINCE NOVEMBER 2010

"After my four years at AFD headquarters in Paris as an investment officer specialized in the private sector, followed by four years in the Johannesburg field office as head of financing for local governments and the energy industry, CEFEB gave me a place to share my real-world operational experience with AFD's partners in developing and developed countries."

LEARNING NEW APPROACHES FOR MY WORK



RAOULD FERNAND

ASSISTANT ADMINISTRATIVE ACCOUNTANT FOR THE CITY OF MONSINÉRY-TONNÉGRANDE IN FRENCH GUIANA

"CEFEB's seminar on 'Financial Strategy Tools' gave me the chance to learn about new approaches for my work. While budgeting is critical, I also learned other strategies that require strong analytical and summarizing skills. CEFEB's training workshop gave me another perspective on financial analysis, along with new analytical tools and methodologies. I gained competence with decision-making tools and feel more capable of doing my job well – that can only be good for my town."

STUDYING VARIOUS EUROPEAN FINANCIAL INSTRUMENTS



JAN RIXEN

GENERAL MANAGER OF EDFI (EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS)

"In November 2010, CEFEB organized a three-day seminar in Marseilles for 25 new hires from ten EDFI member institutions. Presenters came from Germany's DEG, Holland's FMO, the United Kingdom's CDC and AFD's subsidiary, PROPARGO. The attendees learned about the various financial instruments used by European development institutions and how they co-finance projects and programmes."



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**EVALUATING PROJECTS:
 A VITAL STRUCTURE FOR AFD'S WORK**

EVALUATING PROJECTS

— AFD systematically examines the projects it finances over their complete life-cycle, from initial appraisals to completion, to improve the quality and impact of its operations.

Complying with the Organization for Economic Cooperation and Development (OECD) guidelines, AFD's performance management and evaluation program has two goals:

- improving policies, programs and future projects by integrating lessons from prior ones;
- fulfilling accountability obligations internally and to the public.

Performance management and evaluations have grounded AFD's work over the years. Evaluations take place at several levels. Before operations begin, evaluations help them capitalize on knowledge from prior projects, informing strategy. They also clarify the project design process and foster apprenticeship, for AFD's employees as well as its partners and beneficiaries. At the same time, evaluations help ensure the technical, economic, organizational and financial viability of AFD's actions.

Monitoring and evaluation during projects ensure quality execution and help predict success, while anticipating problems and finding solutions as needed. Once a project ends, a post-project evaluation provides an objective view of its appropriateness, effectiveness and impact, and serves to inform future guidelines.

Initiated in 2007 and covering AFD's entire project portfolio since 2009, the current performance evaluation system rests on six principles:

- **systematization**: all operations must be evaluated six to twelve months after completion;

RESULTS OF 2007-2009 PROJECT EVALUATIONS

The 2010 evaluation reports covered a portfolio of 52 projects, conducted in 19 countries between 2005 and 2009 and representing about €900 million in funding.

70% of the projects examined received a positive score – satisfactory or very satisfactory.

Overall, projects received positive evaluations for their

appropriateness, effectiveness and impact: the projects were aligned with local needs and strategies, and financed operations that proved beneficial for those communities.

However, efficiency and sustainability scores were more mixed. Implementation difficulties, foreseeable or not, sometimes resulted in additional delays: the average project duration to completion is 6.2 years. Local capacity building and adaptation to contextual differences call for further attention. In three-quarters of the cases, local consultants wrote the project performance evaluations.



- _ decentralization: evaluations are steered at the local level and fed back to local stakeholders;
- _ outsourcing: outside consultants perform project evaluations, to ensure independence;
- _ localization: assessments give preference to local experts from the beneficiary country, to strengthen outsourcing, benefit from contextual knowledge, and develop local performance evaluation capacities;
- _ robustness and credibility: assessments conform to international norms and standards;
- _ partnership: every evaluation is shared with the project's stakeholders.

AN EXTERNAL VIEW OF AFD'S ACTIVITIES

In 2010, AFD's governing board of directors created an external performance evaluation committee to better meet demands for accountability. The committee annually examines AFD's performance management program and reports on work completed. It also regularly reports on performance evaluations to the governing board of directors.

The performance evaluation committee comprises four qualified experts and representatives from AFD's supervisory ministries; its president is independent of AFD. During its first meeting, in October 2010, it examined the evaluation results for 52 projects that AFD completed from 2007 to 2009 (see box). •

EVALUATING INTERVENTIONS IN FRAGILE STATES

AFD conducts thorough performance evaluations of its efforts in fragile states.

AFD examined project performance in Djibouti, Haiti, Chad and the Palestinian Territories. The goal of the exercise was to identify "good practices" to improve and adapt operations in these countries.

These project assessments had two objectives: analyzing how well field actions addressed the "fragile state" situation, and studying how operations evolved over time. This empirical approach showed that while the projects themselves seemed appropriate, the states lagged in integrating their systems and approaches.

Based on these analyses, AFD designed a "good practices" methodology for fragile states, covering the country strategy, project identification, financial plan and execution, human resources and coordination.

The evaluation's 16 recommendations included defining various scenarios during the planning phase, initiating flexible and informal coordination between donors, and supporting locally-anchored charities and nongovernmental organizations.

✚ The evaluation report about intervening in fragile states can be downloaded from the Publications portal at www.afd.fr (in French).



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**INTENSIFYING PARTNERSHIPS:
PROMOTING DIALOGUE
AND REGULAR MEETINGS
AND INCREASING JOINT INITIATIVES**

PARTNERING AND CO-FUNDING TO SERVE BENEFICIARIES

- AFD creates deep working relations with various international aid actors – whether traditional or new, public or private, or from developing, emerging or developed countries. This openness to collaboration translates into concrete actions in the field via expanded, diversified and innovative project co-funding. The synergies thus created reinforce the impact of AFD’s interventions.

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Greater aid effectiveness depends on greater coherence and harmonized efforts among donors and other development actors. This assumption, as embedded in the 2005 Paris Declaration on aid effectiveness, has impelled AFD to shift operations, deepening partnerships when synergy opportunities arise. AFD extends this openness toward all development aid actors, in developed, emerging and developing countries – particularly bilateral donors, the European Commission, United Nations agencies, multilateral development banks (World Bank, African Development Bank, Asian Development Bank), local governments, foundations, private-sector companies, and nongovernmental organizations. From year to year, AFD intensifies these partnerships by holding regular discussions and increasing the number of joint actions.

In addition, AFD has established close relations with French and European politicians to increase accountability for its actions and foster public policymakers' understanding of development aid issues.

DEVELOPING AND REINFORCING CO-FUNDING OPERATIONS

In 2010, AFD sought a tangible, measurable expression for this national and international openness. Joint project funding presents a major partnership opportunity; indeed, it is the main reason that AFD has bolstered diversified and innovative co-funding practices.

Between 2000-2010, AFD committed nearly €4 billion – one-quarter of its total outlay for related operations – to co-finance projects with external partners. Recently, the number of external partners

BOLSTERING COMPANIES' KNOWLEDGE OF AND THEIR COMMITMENT TO DEVELOPING COUNTRIES

As sources of economic growth and innovation, companies prove essential partners for AFD.

In recent years, AFD has joined networks and platforms that connect private companies and multinationals in the developed world with development opportunities and issues. The objective is two-fold:

- **informing companies more fully** about AFD's interventions and projects, through partnerships with the French business and trade associations, UBIFRANCE and Medef International, and through new information tools.
- **enhancing social and environmental responsibility (SER) actions** in companies. AFD pays close attention to so-called "base-of-the-pyramid" strategies that make companies' products and services accessible to the poor. It can suggest or implement internal monitors, participate in studies with companies, identify operational projects, etc. AFD also keeps abreast of local social and economic development initiatives, fair-trade commerce, and environmental protection.



AFD AND THE ASIAN DEVELOPMENT BANK: A CLOSE PARTNERSHIP

During 2001-2010, the Asian Development Bank (ADB) emerged as AFD's largest partner in Asia, and counts among AFD principal co-funders for all of its work.

AFD is ADB's second-largest bilateral partner for its works. Between 2001 and 2010, AFD and ADB co-financed 40 projects in eight

Asian countries, with AFD contributing €1.1 billion and ADB €2.66 billion, primarily for rural development, water and sanitation, sustainable urban development, energy and private-sector development.

AFD's and ADB's partnership grew over nine years of co-funded development

projects, joint seminars for each institution's high-level managerial, operational and strategic-planning staff, periodic consultations in the field, and seconding personnel to one another. In 2010, a co-funding agreement strengthened the partnership, promoting and facilitating joint reviews of shared operations.



**AFD HAS BOLSTERED
DIVERSIFIED AND INNOVATIVE
CO-FUNDING PRACTICES**

- ▶ has increased measurably, confirming the importance of co-funding in AFD's activities.

In 2010, AFD naturally exploited its partnering tools – the range of its financial instruments, its value-adding scope as a bilateral funding institution, and the comparative advantages of its principal partners. Specifically, it took the following steps to enhance the volume and value of co-financed projects:

- close collaboration with multilateral development banks via co-funding framework agreements;
- building on the principle of “mutually recognized procedures” via a pilot project between AFD, KfW in Germany and the European Investment Bank;
- using tri-party funding conventions that authorize innovative financial and institutional arrangements. These conventions support partnerships over time and within institutions – typically, between AFD, a regional or municipal government in a beneficiary country and a regional or municipal government in France.

In addition, AFD developed new financial plans and arrangements to meet the specific requirements of various co-funding schemes, drawing upon these tools as appropriate:

- the increasing clout of co-funding at the European level, in various forms: facilities, delegated-asset management operations



(between the European Commission and a bilateral agency) and delegated transfers (from the Commission to a bilateral agency). By the end of 2010, AFD signed more than 30 funding conventions worth a total of €220 million;

- applying the principle of “lead financier” to one of the funding institutions, to simplify the funding approval process and co-funded project implementation;
- exploring means of increasing European funding access for local governments that develop aid programs, via discussions with other decentralized cooperation actors.

INTENSIFYING DIALOGUE

In 2010, intensifying dialogue with partners was AFD’s second-strongest partnership activity; it made a special effort to reach out to French development participants. AFD also seeks a strong base for its work within France and among its citizens, and therefore promotes public debate on major development topics in various arenas.

In Paris and provincial cities, such as Lyons and Romans, AFD organized several “citizen forums” on key subjects, such as corruption, demographics and migration, poverty and economic growth. AFD plans to broaden such events, given their growing importance to partners, particularly local French governments. •

ACTING ALONGSIDE NGOs

AFD builds its understanding of development issues in part by drawing on nongovernmental organizations’ experience. Communication and shared thinking with NGOs remain AFD priorities.

Such exchanges enrich AFD’s partnerships with NGOs, and the shared expertise complements project co-funding. In 2010, AFD organized several seminars to promote dialogue with civil society from developing countries. These included one co-sponsored by the Catholic Committee Against Hunger and for Development about partnerships with civil society organizations

in developing countries; one about street children in municipal and development policies, in conjunction with Social SAMU International; and a discussion about religious faiths, development and humanitarianism, in partnership with Secours Islamique France.

In 2010, AFD pursued its search for innovative approaches to sectors of shared interest with NGOs. It worked closely with FISONG, its NGO and innovation funding facility, on new solutions for energy, reproductive health and urban exclusion.

Since 2009, when NGO funding activity was transferred to AFD from the Ministry of Foreign and European Affairs, AFD has co-funded nearly 180 projects for a total value of €82 million, 70% for interventions in the field.



EXPANDING KNOWLEDGE ABOUT DEVELOPMENT

— Knowledge creation raises AFD’s visibility and influence; it enriches debate, refreshes paradigms, and helps define development policies in France and its partner countries. It also serves as a crucial counterpart to financial and technical tools, improving efficiency and accuracy.

AFD has a widely-recognized role in generating development knowledge, one closely linked to its operations and yet transcending project funding. AFD works with university centers and researchers to build understanding of the development process and expand thinking about aid interventions. In so doing, it increases their potential effectiveness and relevance.

KNOWLEDGE CREATION: CENTRAL TO AFD’S STRATEGY

Knowledge creation is a major priority in AFD’s Strategic Orientation Plan, weighted equally with the operations that it benefits; it comes into play prior to funding commitments and in post-project evaluations that measure impact and draw lessons from the field. Knowledge creation enriches AFD’s operational strategy and improves its work on the ground.

More generally, knowledge creation helps define development policies in France and its partner countries, and serves as a preferred tool for discussions between donors, NGOs, foundations and the private sector. The last nine years of sustained growth and content enrichment have built deeper understanding of how the development world has evolved, for both AFD and its beneficiary countries.

AFD has assembled several investigative and research methods to create relevant and useful knowledge, and has expanded several key activities:

- producing and publishing research on issues related to development and aid operations;
- participating in international discussions and organizing conferences, especially those contributing to the aid effectiveness agenda;
- training for beneficiaries in developing and emerging countries, notably through CEFEB, AFD’s business university.

AFD/EUDN CONFERENCE: HOW TO MEASURE DEVELOPMENT?

AFD and the European Development Research Network (EUDN) co-organize a major annual meeting; their eighth conference in 2010 was entitled "How Can Development Be Measured?" While speakers reminded attendees that there is no automatic link between monetary gains and progress in well-being, they nonetheless warned against

a too-radical critique of GDP growth as a public policy objective. Others called for a profound transformation of national accounting systems: they advocated "wealth accounting" that considers all forms of capital – especially environmental or "natural" capital, whose degradation also affects national balances. Further proposed actions included a "generalized precautionary principle" to guide development thinking, given the uncertainties of evaluating ecological threats.

This conference now offers one of the largest venues for research-sharing in Europe. This past year saw record attendance, with more than 1,000 participants from thirty countries in Africa, Asia, Europe and the Americas.



FURTHERING KNOWLEDGE CREATION

In 2010, AFD conducted research and commissioned studies within a framework established several years ago that review programs, analyze macroeconomic and country risks – including new geographic areas – and capitalize on experiences.

In addition, AFD launched several studies on new geographic areas and crucial challenges: aid effectiveness, the link between climate change and development, fragile states, sustainable water management, food security. Some of these studies serve as basic research, while others contribute to strategy documents or forecasting work – for example, the "Africa 2050" project predicting growth trajectories in Africa, conducted with the African Development Bank.

AFD's knowledge creation professionals, experts and researchers also addressed new topics in 2010, e.g. the role that laws play in development; this initiative may underpin future AFD work on operational legal projects.

AFD has continued new scientific partnerships with companies, philanthropic foundations, bi- and multilateral institutions, and especially national and international academics. The AFD "Knowledge Against Poverty" Chair, created in partnership with the Collège de France, allowed two international experts to offer key courses in 2010: Peter Piot, former Director of UNAIDS, on the AIDS epidemic and globalization of risks (see box), and Ismail Serageldin, Director of the Library of Alexandria, on mobilizing knowledge to eradicate hunger.

AFD actively pursues its conference-organizing activities, notably with the AFD/EUDN conference in December 2010 (see box), as well as a dozen other topical conferences. •

"AIDS' SIGNIFICANCE GOES WELL BEYOND THE DOMAINS OF SCIENCE AND HEALTH"

PETER PIOT

PROFESSOR OF WORLD HEALTH AND FORMER EXECUTIVE DIRECTOR OF UNAIDS, 2009-2010 RECIPIENT OF THE ANNUAL "AFD KNOWLEDGE AGAINST POVERTY" CHAIR AT THE COLLEGE DE FRANCE.

"AIDS' significance goes well beyond the domains of science and health. This epidemic questions social values in sexuality and doctor-patient communication as well as the financing and practices of international development. The response to AIDS could transform public health and international development. In this course, I will try to show the specific nature of the worldwide response to the AIDS epidemic, its potential transformations and the need for a new long-term strategy."

Excerpt from Peter Piot, *The AIDS Epidemic: Globalization of Risks, Transformation of Public Health and Development*. Published in French only by Collège de France/Fayard.



PROMOTING HUMAN RESOURCES

AFD's expanded scope requires that it also develop its human resources. AFD assures intervention quality through staffing quality – by personalizing employee assistance, reinforcing internal cohesion, and integrating men and women with diverse skills and backgrounds.

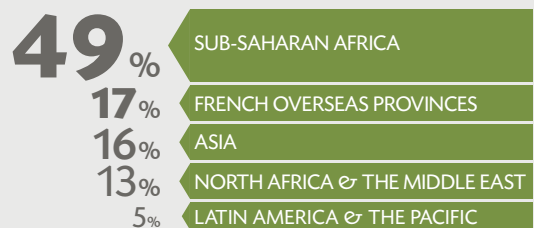
In 2010, as in the three preceding years, AFD's recruitment policy echoed its rapid and dynamic growth, with 180 new hires, including 76 recruited directly by the field offices and bureaus. AFD's employee total reached 1,715 employees, of whom 1,103 work at headquarters and 522 in field offices, including 90 civilian and international volunteers. In addition, 368 employees have been transferred to French reserve banks, and six civilian volunteers work as technical assistants. Overall, the employee roster grew by 6% in 2010.

DISTRIBUTION OF EMPLOYEES

BY GEOGRAPHIC AREA* (%)

as of 31 December 2010

* including expatriated employees, locally-recruited employees, technical assistants and volunteers





"LOCAL EMPLOYEES ENSURE
THE CONTINUITY
OF AFD'S IN-COUNTRY ACTIVITIES"



NYOKABI GITAHI

PROJECT MANAGER AT AFD'S NAIROBI OFFICE

What led you to work for AFD's office in Nairobi?

First and foremost, my passion for development issues, the industry I have worked in for the last ten years. Next, the opportunities that AFD offered: the potential to work on a larger scale, whether technically, financially or in terms of partnerships. I also wanted to expand my experience. And finally, I deeply appreciate how AFD stands at the forefront of critical issues, such as climate change or research on innovative development financing tools.

In your opinion, what do in-country recruits bring to AFD?

They bring their own experiences, their knowledge of the situation on the ground and of actual population needs. AFD can benefit from their contacts and networks. That saves time and enhances the impact of interventions. AFD's expatriated employees [from France] usually have to go from one country to another; local employees form the office's memory and ensure continuity.

What does it mean to work at AFD as a Kenyan?

I can play a concrete role in helping my country's people. I feel that my work has a real impact, and that it benefits my fellow citizens and my family. Through my work, I improve my skills and participate in local ownership of development.

EMPLOYEE DISTRIBUTION

(excluding postings to reserve banks) as of 31 December 2010

522 **LOCALLY RECRUITED
EMPLOYEES**

416 **LOCALLY-RECRUITED
EMPLOYEES
IN BENEFICIARY COUNTRIES**

106 **LOCALLY-RECRUITED
EMPLOYEES IN
FRENCH OVERSEAS PROVINCES**

1,103 **GENERAL
EMPLOYEES**

914 **GENERAL EMPLOYEES
IN MAINLAND FRANCE**

159 **GENERAL EMPLOYEES
IN COUNTRY OFFICES
AND BUREAUS**

23 **ASSIGNEES
AND TRANSFEREES**

7 **TECHNICAL
ASSISTANTS**

90 **INTERNATIONAL
VOLUNTEERS**

**TOTAL
EMPLOYEES** 1,715

THE INTEGRATION CHALLENGE: FIGHTING PREJUDICE

The Integration Challenge, an ocean sailing race, spotlights the team contributions of the disabled. It posed an exceptional challenge – setting a record with a crew composed of both disabled and able sailors, including an AFD employee.

AFD recognized the challenge's value and funded it. After three years of physical preparation, logistics and adaptation, the crew left the Island of Groix on 9 September 2010 aboard the Jolokia, a specially-equipped and adapted 50-meter sailboat. The boat and its crew set an ocean sailing record when they arrived in Mauritius on 16 November. The challenge proved that joint commitment to a project can lead to collective success, but also showed that all team members could play a role in integrating the disabled.

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**EXPERTS AND SENIOR
AFD EMPLOYEES
TRANSFER KNOWLEDGE
TO YOUNGER RECRUITS**

▶ **WELCOMING AND INTEGRATING NEW STAFF**

AFD pays special attention to the quality of new employee integration, especially when there are many new hires each year. A structured and proactive orientation links new employees to the technical training and information they need immediately. In addition, an older employee may sponsor a new hire during his or her first months on the job.



AFD reinforces this orientation in succeeding years – and more generally, transfers knowledge to younger generations – by regularly inviting experts and senior AFD employees to provide individualized tutoring.

AFD also pays attention to long-term professional integration of its workforce, emphasizing skill and career development. In 2010, 183 employees changed jobs internally, and 16 went to work in a country field office for the first time. Employee reviews, along with annual maintenance campaigns, help prepare them for this job mobility. These policies aim to anticipate and precisely define career expectations, while developing individual action plans for successful employee transitions.

OPENING AND ADAPTING TO NEW CHALLENGES

The profile of human resources is changing in the field. International volunteers and locally-recruited employees have strengthened field offices previously dominated by expatriates. The opening to diversity helps anchor AFD's operations, and furthers local ownership of the development process. Tomorrow's challenge will be creating lasting AFD jobs for every one of these recruits and promoting their professional growth. This challenge has prompted training sessions for locally-recruited employees over the past several years. More than 80 local managers participated in integration and training sessions in 2010.

At the same time, professional needs at AFD headquarters grow with new interventions and strategies. For example, a new executive-level department was created in 2010 – "risk mitigation" – as required by all financial institutions.

AFD WILLINGLY EMPLOYS THE DISABLED

For the last three years, AFD has voluntarily sought to employ the disabled. It has signed a "Disability Agreement" with employees and union representatives and initiated a four-point action plan:

- direct employment, i.e. hiring the disabled;
- support for indirect employment, i.e. hiring disabled interns and temporary workers, and purchasing services from firms dedicated to employing disabled professionals;
- maintaining and promoting the disabled, via assistance, training, job mobility, career management, arrangements and adaptations;
- sensitizing employees and managers, via training and communication.

The value of purchases from firms dedicated to employing the disabled has increased three-fold. In addition, training sessions and "Disability Days" raise awareness and demystify the issue of disabled people at work. However, AFD sees a continued need to fight preconceived ideas; this prompted its support for the exemplary "Integration Challenge" (see box page 59). •



APPENDICES

AFD OFFICE NETWORK

ABIDJAN

COTE D'IVOIRE, LIBERIA

Tel: (225) 22 40 70 40
Fax: (225) 22 44 21 78
afdbidjan@afd.fr

ABUJA

NIGERIA

Tel: (234) 9 46 01 911
Fax: (234) 9 46 01 913
afdabuja@afd.fr

ACCRA

GHANA

Tel: (233) 21 77 87 55
Fax: (233) 21 77 87 57
afdaccra@afd.fr

ADDIS ABEBA

ETHIOPIA, ERITREA,
SUDAN, SOMALIA

Tel: (251) 11 442 59 01/02
Fax: (251) 11 442 59 04
afdaddisabeba@afd.fr

ALGIERS

ALGERIA

Tel: (213) 21 69 43 00
Fax: (213) 21 48 41 20
afdalger@afd.fr

AMMAN

JORDAN

Tel: (962) 6 46 04 703
Fax: (962) 6 46 04 705
afdamman@afd.fr

ANTANANARIVO

MADAGASCAR

Tel: (261) 20 22 200 46
Fax: (261) 20 22 347 94
afdantananarivo@afd.fr

BAMAOKO

MALI

Tel: (223) 20 21 28 42
Fax: (223) 20 21 86 46
afdbamako@afd.fr

BANGKOK

THAILAND

Tel: (66) 2 663 60 90
Fax: (66) 2 663 60 77
afdbangkok@afd.fr

BANGUI

CENTRAL
AFRICAN REPUBLIC

Tel: (236) 21 61 03 06
Fax: (236) 21 61 45 78
afdbangui@afd.fr

BEIJING

CHINA

Tel: (86) 10 84 51 12 00
Fax: (86) 10 84 51 13 00
afdpekin@afd.fr

BEIRUT

LEBANON

Tel: (961) 1 420 192
Fax: (961) 1 611 099
afdbeyrouth@afd.fr

BOGOTA

COLOMBIA

Tel: (57) 1 638 14 60
afdbogota@afd.fr

BRASILIA

BRAZIL

Tel: (55) 61 33 22 43 20
Fax: (55) 61 33 21 43 24
afdbrasilia@afd.fr

BRAZZAVILLE

REPUBLIC OF CONGO

Tel: (242) 281 53 30
Fax: (242) 281 29 42
afdbrazzaville@afd.fr

BUJUMBURA

BURUNDI

Tel: (257) 22 25 59 31
Fax: (257) 22 25 59 32
afdbujumbura@afd.fr

CAIRO

EGYPT

Tel: (20) 2 2735 17 88
Fax: (20) 2 2735 17 90
afdlecaire@afd.fr

CASABLANCA

MOROCCO

Tel: (212) 522 29 53 97
Fax: (212) 522 29 53 98
afdcasablanca@afd.fr

CAYENNE

FRENCH GUIANA,
GUYANA, SURINAME

Tel: (33) 5 94 29 90 90
Fax: (33) 5 94 30 63 32
afdcayenne@afd.fr

COLOMBO

SRI LANKA, MALDIVES

Tel: (94) 11 250 23 20
Fax: (94) 11 250 52 23
afdcolombo@afd.fr

CONAKRY

GUINEA, SIERRA LEONE

Tel: (224) 30 41 25 69
afdconakry@groupe-afd.org

COTONOU

BENIN

Tel: (229) 21 31 34 53
Fax: (229) 21 31 20 18
afdcotonou@afd.fr

DAKAR

SENEGAL, CAPE VERDE,
GAMBIA, GUINEA BISSAU

Tel: (221) 33 849 19 99
Fax: (221) 33 823 40 10
afddakar@afd.fr

DAMASCUS

SYRIA

Tel: (963) 113 353 741
Fax: (963) 113 313 550
afddamas@afd.fr

DAR ES SALAAM

TANZANIA, UGANDA

Tel: (255) 22 21 98 866
afddaressalaam@afd.fr

DJIBOUTI

DJIBOUTI, YEMEN

Tel: (253) 35 22 97
Fax: (253) 35 48 09
afddjibouti@afd.fr

EAST JERUSALEM

PALESTINIAN TERRITORIES

Tel: (972) 2 54 00 423
Fax: (972) 2 54 00 227
afdjerusalem@afd.fr

FORT-DE-FRANCE

MARTINIQUE,
LESSER ANTILLES

Tel: (33) 5 96 59 44 73
Fax: (33) 5 96 59 44 88
afdfortdefrance@afd.fr

HANOI

VIETNAM

Tel: (844) 38 23 67 64
Fax: (844) 38 23 63 96
afdhanoi@afd.fr

HÔ CHI MINH CITY

VIETNAM

Tel: (848) 38 24 72 43
Fax: (848) 35 20 69 14
afdhochiminhville@afd.fr

ISLAMABAD

PAKISTAN

Tel: (92) 51 201 15 16
Fax: (92) 51 201 15 14
afdislamabad@afd.fr

ISTANBUL

TURKEY

Tel: (90) 212 283 31 11
Fax: (90) 212 283 31 51
afdistanbul@afd.fr

JAKARTA

INDONESIA

Tel: (62) 21 25 50 23 00
Fax: (62) 21 25 50 23 23
afdjakarta@afd.fr

JOHANNESBURG

SOUTH AFRICA, BOTSWANA,
LESOTHO, MALAWI,
NAMIBIA, SWAZILAND,
ZAMBIA, ZIMBABWE

Tel: (27) 11 540 71 00
Fax: (27) 11 540 71 17
afdjohannesburg@afd.fr

KABUL

AFGHANISTAN

Tel: (93) 797 32 32 35
afdkaboul@afd.fr

AFD FIELD OFFICES & BUREAUS IN DEVELOPING & EMERGING COUNTRIES

AFD FIELD OFFICES & BUREAUS IN THE FRENCH OVERSEAS PROVINCES

OPERATIONS IN COUNTRIES NOT LISTED HERE ARE SUPERVISED BY AFD HEADQUARTERS IN PARIS

KINSHASADEMOCRATIC REPUBLIC
OF CONGOTel: (243) 99 86 82 598
Fax: (243) 99 99 75 381
afdkinshasa@afd.fr**LAGOS**

NIGERIA

Tel: (234) 1 271 7151
afdlagos@afd.fr**LIBREVILLE**GABON,
SAO TOME & PRINCIPETel: (241) 74 33 74
Fax: (241) 74 51 25
afdlibreville@afd.fr**LOME**

TOGO

Tel: (228) 221 04 98
Fax: (228) 221 79 32
afdleme@afd.fr**MAMOUDZOU**

MAYOTTE

Tel: (33) 2 69 64 35 00
Fax: (33) 2 69 62 66 53
afdмамoudzou@afd.fr**MANILLA**

PHILIPPINES

Tel: (63) 2 8 11 10 01
lecabellecl@afd.fr**MAPUTO**

MOZAMBIQUE

Tel: (258) 21 30 43 00
Fax: (258) 21 30 37 47
afdmaputo@afd.fr**MATA'UTU**

WALLIS & FUTUNA

Tel: (681) 72 25 05
Fax: (681) 72 20 03
afdmatautu@afd.fr**MEXICO CITY**

MEXICO

Tel: (52) 55 52 81 17 77
afdмexico@afd.fr**MORONI**

COMOROS

Tel: (269) 773 29 10
Fax: (269) 773 22 88
afdmoroni@afd.fr**N'DJAMENA**

CHAD

Tel: (235) 252 70 71
Fax: (235) 252 78 31
afndjamena@afd.fr**NAIROBI**KENYA, BURUNDI,
UGANDA, TANZANIA RWANDATel: (254) 20 271 84 52/7
Fax: (254) 20 271 79 88
afdnairobi@afd.fr**NEW DELHI**INDIA, BANGLADESH, MALDIVES,
SRI LANKATel: (91) 11 23 79 37 47
Fax: (91) 11 23 79 37 38
afdnewdelhi@afd.fr**NIAMEY**

NIGER

Tel: (227) 20 72 33 93
Fax: (227) 20 73 26 05
afdniamey@afd.fr**NOUAKCHOTT**

MAURITANIA

Tel: (222) 525 25 25
Fax: (222) 525 49 10
afdnouakchott@afd.fr**NOUMÉA**NEW CALEDONIA,
VANUATU, SOUTH PACIFIC
ISLAND NATIONSTel: (687) 24 26 00
Fax: (687) 28 24 13
afdnoumea@afd.fr**OUAGADOUGOU**

BURKINA FASO

Tel: (226) 50 30 60 92
Fax: (226) 50 31 19 66
afdouagadougou@afd.fr**PARAMARIBO**

SURINAME

Tel: (597) 52 12 94

PAPEETE

FRENCH POLYNESIA

Tel: (689) 54 46 00
Fax: (689) 54 46 01
afdpapeete@afd.fr**PHNOM PENH**

CAMBODIA

Tel: (855) 23 426 360/426 036
Fax: (855) 23 426 243
afdphnompenh@afd.fr**POINTE-À-PITRE**

GUADELOUPE

Tel: (33) 5 90 89 65 65
Fax: (33) 5 90 83 03 73
afdpointeapitre@afd.fr**PORT-AU-PRINCE**

HAITI

Tel: (509) 22 45 40 07
Fax: (509) 22 45 07 02
afdportauprince@afd.fr**PORT LOUIS**

MAURITIUS

Tel: (230) 213 64 00
Fax: (230) 213 64 01
afdportlouis@afd.fr**RABAT**

MOROCCO

Tel: (212) 537 63 23 94
Fax: (212) 537 63 23 97
afdrabat@afd.fr**SAINT DENIS**REUNION,
FRENCH AUSTRAL AND
ANTARCTIC TERRITORIESTel: (33) 2 62 90 00 90
Fax: (33) 2 62 21 74 58
afdstdenis@afd.fr**SANTO DOMINGO**DOMINICAN REPUBLIC,
BAHAMAS, CUBA, JAMAICATel: (809) 547 12 89
Fax: (809) 381 05 92
afdstdomingue@afd.fr**SAINT PIERRE**

SAINT-PIERRE & MIQUELON

Tel: 05 08 41 06 00
Fax: 05 08 41 25 98
agence@iedom-spm.fr**SANA'A**

YEMEN

Tel: (967) 1 448 308
Fax: (967) 1 448 306
afdsanaa@afd.fr**SAO PAULO**

BRAZIL

Tel: (55) 11 25 32 47 51
Fax: (55) 11 31 42 98 84
afdsaopaulo@afd.fr**TUNIS**

TUNISIA

Tel: (216) 71 861 799
Fax: (216) 71 861 825
afdтunis@afd.fr**VIENTIANE**

LAOS

Tel: (856) 21 24 32 95
Fax: (856) 21 24 32 98
afdvientiane@afd.fr**YAOUNDE**CAMEROON,
CENTRAL AFRICAN REPUBLIC,
EQUATORIAL GUINEATel: (237) 22 22 00 15
Fax: (237) 22 23 57 07
afdyounde@afd.fr

BOOKS, PERIODICALS & VIDEOS

SCIENTIFIC JOURNALS

Afrique Contemporaine

A quarterly journal of research articles analyzing major trends in African politics, economics and society, in French. Published by de Boeck.

A Savoir

A series reviewing books and papers on current understanding of operational issues.

N° 1: The Regulation of Water and Sanitation Services in Developing Countries

Working Papers

A series of varied works, including in-depth articles, academic works and discussion papers.

- N° 76: Market Access and Specialization in Cash Crops: Vietnam's Expected Gains from WTO Accession
N° 77: The Banking System of Vietnam after the Accession to WTO: Transition and its Challenges
N° 81: Economic Integration and Investment Incentives in Regulated Industries
N° 83: The Global discourse on "Participation" and its Emergence in Biodiversity Protection
N° 84: Community Participation in Biodiversity Protection: An Enhanced Analytical Framework for Practitioners
N° 87: Local Taxation: An Economy Based Guide
N° 89: Presentation of the Institutional Profiles Database 2009
N° 92: Community Participation Beyond Idealisation and Demonisation: Biodiversity Protection In Soufrière, St. Lucia
N° 93: Community participation in the Pantanal, Brazil: Containment Games and Learning Processes
N° 94: Developing Lower Secondary Education: A Rural Issue and Challenge for Sub-Saharan Africa
N° 96: Thailand: The World's Leading Exporter of Natural Rubber Owing to its Smallholders
N° 99: Private Sector Participation in the Indian Power Sector and Climate Change
N° 108: Peasants Against Private Property Rights: A Review of the Literature

MacroDev

A series providing macroeconomic analyses of development processes, by country, region or topic, in French.

Focales

A series describing the actual, in-the-field experiences of AFD and its partners - experts, researchers, consultants and other practitioners - in developing and emerging countries.

- N° 6 : The Regulation of Small-Scale Water Providers in Laos
N° 5 : Urban Development in Vietnam: The Rise of Local Authorities
N° 3 : Linking Labour Organisation and Vocational Training in Uganda: Lessons for Rural Poverty Reduction
N° 2 : Local Government in Palestine

Recherches

A series featuring AFD-initiated and directed research studies.

N° 1: Financing Higher Education in the Mediterranean Region: The Case of Egypt, Lebanon and Tunisia

Ex Post

A collection evaluating AFD's and its partners' work to capture key lessons, organized by five themes: Evaluation and Capitalization, Executive Summary, Methodology Notes, Impact Analyses and Joint Evaluations.

► **Evaluation and Capitalization series**

- N° 25: Ex-post Evaluation of the FGEF Energy Efficiency Project in the Construction Sector in Afghanistan
N° 26: Developing Smallholder Rubber Production: Lessons from AFD's Experience
N° 27: Sector Program Support in Practice: Lessons and Perspectives for AFD Reflections on Case Studies
N° 30: Cartography of the AFD Biodiversity Project Portfolio
N° 34: Addressing Development Challenges in Emerging Asia: A Strategic Review of the AFD-ADB Partnership

► **Executive Summary series**

- N° 3: AFD-funded Resident Technical Assistance
N° 4: What Microfinance for Agriculture in Developing Countries?
N° 7: Sectoral Aid in Practice: Lessons Learned and Next Steps for AFD
N° 9: Operating in Fragile States: Lessons from Experience

► **Methodology Notes series**

- N° 2: Fostering Impact Evaluations at the Agence Française de Développement: A Process of Building In-house Ownership and Capacities
N° 3: Are Evaluations Useful?

► **Impact Analyses series**

- N° 2: Poverty, Access to Credit and the Determinants of Participation in a New Micro-credit Program in Rural Areas of Morocco
N° 4: Assessing the Effects of Health Insurance: The SKY Micro-Insurance Program in Rural Cambodia
N° 5: Randomized Controlled Evaluation of SKY Health Insurance in Cambodia, Survey Protocol

► **Joint Evaluations**

- Current editions available in French only.

Conferences & Seminars

A series of presentations and conclusions drawn from seminars and conferences organized by AFD's research department.

N° 1: Implementing Large-Scale Energy Efficiency Programs in Existing Buildings in China

WORKS FEATURING SPECIFIC REGIONS, TOPICS AND SECTORS OF ACTIVITY

Savoirs Communs

A discussion series based on AFD's practical experiences and those of other development aid professionals and participants, in French.

Key Players' Views

A series of booklets featuring the views of "key players" in the development field, covering a range of current topics.

N° 8: Health

N° 9: Fragile States and Societies

N° 10: Developing Cities

AFD and ...

Brochures highlighting AFD's operations and activities in various regions and sectors.

- AFD Group in Nigeria: A Partnership for Sustainable Economic Growth and for Social and Environmental Responsibility
- AFD in Brazil: FISEA: Engagement and Investment Alongside African Businesses
- AFD in Sub-Saharan Africa: A Priority Region for Development
- AFD and Rural Development
- AFD and SER in the Banking Sector: Partnerships to Strengthen Corporate Social and Environmental Responsibility
- AFD and Turkey: Partners for Sustainable Development
- AFD and Climate Change: Reconciling Development and Climate
- ARIZ: Insurance for Private Investment Financing Risk in AFD Partner-Countries

BOOKS

Works published with AFD's support, available in bookstores and from their publishers.

- *A Planet for Life 2010: Oceans: The New Frontier*. Pierre Jacquet, Laurence Tubiana and Rajendra K. Pachauri, eds. New Delhi: TERI Press.
- *Rubber Stories*. Ly Phalla and Philippe Monnin, eds., Lionel Courty and Ji-Sook Lee, trs. Phnom Penh: Melon Rouge Editions.

African Development Forum Series,

a joint publication of AFD and the World Bank

A series of books focusing on sub-Saharan Africa's principal social and economic development challenges. Each edition examines an issue and enriches thinking about local, regional and global policies.

- *Challenges for African Agriculture*. Jean-Claude Devèze. World Bank
- *Gender Disparities in Africa's Labor Market*. Jorge Arbache, Alexandre Kolev, Ewa Filipiak. World Bank.
- *Africa's Infrastructure: A Time for Transformation*. Vivien Foster, Cecilia Briceno-Garmendia. World Bank.

VIDEOS

TV Shows

▶ "Green Screen" (Ecran Vert)

Series of ten short films showing new and clear-eyed views of sustainable development. Broadcast on TV5, in partnership with AFD, in French. www.tv5.org

▶ "A World of Solidarity" (Un Monde Solidaire)

Series of twenty-nine short films sponsored by AFD and the French Minister of Foreign and European Affairs. Broadcast by France Télévisions, in French. www.unmondesolidaire.org

Documentaries

Films that closely examine a project; participants share their views and lessons from the experience.

- Cambodia: Prey Nup, Polders Against the Tide
- Mali: Water's Money
- Burkina Faso: Africa: Land of Science – the 2iE Engineering School

Project Stories

Film shorts (5-26 minutes long) on AFD projects, featuring project beneficiaries and partners, in French.

- Chad: Conflict Prevention
- Senegal: Water and Sanitation
- Laos: Cultural Heritage and Development
- Mauritius: Women's Health
- New Caledonia: Coral Reef Preservation
- China: Fighting Global Warming
- Senegal, Tunisia, Laos: Private Sector Support
- Kenya: Delegated Water Management

Eye-witness Accounts

Interviews with AFD's experts

- Madagascar: Nature Preserves
- Mozambique: Quirimbas National Park
- Congo Basin: Sustainable Forestry

▶ www.afd.fr – Videos

FINANCIAL STATEMENTS

A view of AFD Group's financial standing as of 31 December 2010.
The complete 2010 AFD Group financial report is available
in the Registration Document, which can be downloaded @ www.afd.fr

BALANCE SHEET

ASSETS (€ MILLION)	2009	2010	LIABILITIES & CAPITAL (€ MILLION)	2009	2010
Loans (net outstanding)	10,963	12,908	Bonds and borrowings from markets	6,693	9 004
Loans (gross outstanding)	11,365	13,254			
(-) Allowances for capital and interest impairments	-471	-419			
(+) Accrued interest	68	73	Borrowings from French Treasury	2,515	2,481
			Financial liabilities (excluding own debt)	323	301
IMF-PRGF operations *	1,760	1,956	IMF-PRGF operations	1,759	1,956
Investment portfolio	654	696	Managed funds and advances from French state	408	392
Cash & short-term instruments	1,000	927	Accruals and other liabilities	484	458
Equity participations	379	391			
			Provisions	569	651
Property, plant, equipment and intangible assets	121	167	Equity	2,122	2,149
Accruals and other assets	243	450	Net income for the year	246	104
TOTAL	15,121	17,495	TOTAL	15,121	17,495

*PRGF: Poverty Reduction and Growth Facility

KEY RATIOS & INDICATORS

		2008	2009	2010
Net banking income (€ Mn)		344	466	383
Net income (€ Mn)		167	246	104
Dividends paid to the French state (€ Mn)		289	167	220
Return on equity	<i>Overhead expenses / Net banking income</i>	54.5 %	47.4 %	62.2 %
Coefficient de rentabilité	<i>Net income / Equity</i>	10.1 %	14.8 %	6.1 %
Return on assets	<i>Net income / Total assets</i>	1.2 %	1.6 %	0.6 %

INCOME STATEMENT

EXPENSES (€ MILLION)	2009	2010	INCOME (€ MILLION)	2009	2010
Borrowings expense	597.8	609.3	Income earned on loans and guarantees	823.4	734.6
Interest expense	268.1	291.9	Interest income and commissions on loans and guarantees	430.4	384.7
Swaps expense	327.9	319.3	Swaps income	330.8	340.0
			Net allowances for unpaid interest	63.4	29.4
			Interest income losses	-1.2	-3.4
			Net allowances for sovereign loan impairments	-19.8	-32.1
Net foreign exchange loss (- gain)	1.8	-1.9	Recoveries on subsidy account for SAL* and mixed loans-grants	19.7	16.0
			Income earned on interest rate subsidies	148.4	166.8
Miscellaneous financial expenses	18.4	24.7	Investment income	42.0	42.1
Expenses for IMF-PRGF operations	31.3	22.5	Income from equity participations	6.5	6.0
			Commissions on operations	31.4	37.0
			Miscellaneous commissions	29.9	29.8
			Commissions on IMF-PRGF operations	31.9	23.4
TOTAL BANKING EXPENSES	647.5	656.5	TOTAL BANKING INCOME	1,113.3	1,039.6
NET OF IMF-PRGF OPERATIONS EXPENSES	616.2	634.0	NET OF IMF-PRGF OPERATIONS INCOME	1,081.5	1,016.2
NET BANKING INCOME	465.8	383.2			
General and administrative expenses	220.9	238.2			
Employee compensation and benefits	140.1	155.5			
• Employee compensation net of IEOM and IEDOM	136.6	151.7			
• Allowances for retirement benefits	3.6	3.7			
Taxes and regulatory fees	2.8	3.5			
Other general and administrative expenses	78.0	79.3			
Net other allowances for provisions	0	0			
Net allowances for depreciation of property, plant and equipment and amortization of intangibles	12.6	12.7			
TOTAL OPERATING EXPENSES	233.5	251			
GROSS OPERATING INCOME	232.3	132.2			
Cost of risk and other credit risk provisions	10.9	-30.2			
Net allowances for loan impairments	15.9	22.3			
Provisions for contingencies and charges allowances	-3.7	-52.2			
Capital losses on bad debt and loan losses	-1.3	-0.2			
Gross income from operations	243.2	102			
Gains or losses on fixed assets	3.4	3.3			
Net profit before tax and exceptional items	246.6	105.3			
Net income from exceptional operations	0	-1.5			
Income tax expense	-0.2	-0.1			
NET INCOME	246.5	103.7			

*SAL: Structural Adjustment Loan

APPROVED

PROJECT FUNDING

BY AFD GROUP IN 2010 (€ MILLION)

	GRANTS & SUBSIDIES		LOANS		GUARANTEES		EQUITY		HIPC & BUDGETARY AID		TOTAL		CO-FUNDING WITH OTHER DONORS	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
SUB-SAHARAN AFRICA														
Benin	11.2			30.0	0.3	0.2	0.0			3.0	11.5	33.2		
Burkina Faso	10.3	8.5	32.0	0.0	10.6	10.4	0.0		19.5	0.5	72.4	19.4		
Burundi	0.7									2.6	0.7	2.6		
Cameroon	0.9	1.1	60.0	60.0	19.4	10.4	2.3		0.6		83.2	71.5		
Cape Verde	0.6	0.5	10.0			0.0					10.6	0.5		
Central African Republic	0.7	5.5				0.0			2.0		2.7	5.5		
Chad	11.2	2.3	9.1			3.2					20.4	5.5		
Comoros	10.0	0.9		4.0					2.0		12.0	4.9		
Congo (Democratic Rep.)	6.0	7.5				0.5	2.3	7.2		1.0	8.3	16.3		
Congo (Republic of)	8.5	2.5	29.0			4.6					37.5	7.1		
Côte d'Ivoire	1.8				25.8	16.1	0.8				28.4	16.1		
Djibouti					0.3	3.4		5.5			0.3	8.9		
Ethiopia		0.3	30.0		0.4	0.0					30.4	0.3		
Gabon	0.7	0.6	15.5	16.0	0.6	11.5				10.0	16.8	38.0		
Ghana	0.8	0.5		60.0	0.2	5.0		2.3		21.9	0.9	89.8		
Guinea	0.8	1.5			0.4	1.1					1.3	2.6		
Guinea Bissau	0.0								3.0		3.0			
Kenya	1.7		222.9	256.8	5.0	1.0	8.0	8.7			237.5	266.5		
Madagascar	15.8	7.2	0.0	0.0	9.1	29.7	2.5			0.8	27.4	37.6		
Mali	11.8	16.5	15.0	29.8	7.2	2.4			6.5	41.7	40.6	90.3	1.4	4.8
Mauritania	1.3	0.8	75.0	22.0	0.0	2.0				14.2	76.3	39.0		0.2
Mauritius	1.0	0.4	234.5	50.0	1.4	5.9		3.8			236.9	60.2		
Mozambique	2.7	1.0	54.3	14.7	1.4					14.5	58.4	30.2		
Namibia			27.9			10.0					27.9	10.0		
Niger	11.4	3.4							5.0	3.0	16.4	6.4		
Nigeria	1.0	0.0	17.8	222.9				0.7			18.8	223.6		
Rwanda		0.4		15.0		11.0				3.3		29.7		
Sao Tomé & Príncipe		0.7										0.7		
Senegal	17.7	2.4	78.2	93.3	14.0	10.9				0.3	110.0	106.8	5.0	3.3
South Africa	0.7	0.5	450.5	402.7			1.1				452.4	403.2		
Sudan	0.5						1.4				1.9	0.0		
Tanzania	0.5	0.5	30.0	6.3	0.4	2.8	3.2	0.9			34.1	10.5		
Togo	10.2	6.7	20.0		3.1	0.5			4.0	3.0	37.3	10.1	3.3	
Uganda		0.5	29.9	83.0	2.2	0.1					32.1	83.6		
Zambia				53.1							0.0	53.1		10.8
Zimbabwe				15.1							0.0	15.1		
MULTI-COUNTRY PROGRAMS	27.4	52.7	174.4	164.5	0.0	7.5	111.6	86.0		50.3	313.5	361.0		20.0
TOTAL	167.9	125.3	1,616.1	1,599.1	101.9	150.2	133.2	115.1	42.6	170.0	2,061.6	2,159.7	9.7	39.2

	GRANTS & SUBSIDIES		LOANS		GUARANTEES		EQUITY		HIPC & BUDGETARY AID		TOTAL		CO-FUNDING WITH OTHER DONORS	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
NORTH AFRICA & THE MIDDLE EAST														
Algeria	0.6	2.4					2.0				2.6	2.4		
Egypt	1.5		147.0	189.4			2.2	8.1	0.5		150.7	198.0		
Iraq				87.3				7.7			0.0	94.9		
Jordan	2.4	1.7	190.6	131.1							193.1	132.8		
Lebanon	0.6	0.6	15.0	34.3	1.0		10.5	10.5			26.1	46.4		
Morocco	3.3	3.4	395.0	357.0			3.1	3.0			401.4	363.4		
Palestinian Territories	21.1	20.7			0.4						21.1	21.2		
Syria	0.3	0.6	21.0	50.0	1.8			7.5			21.3	59.8		
Tunisia	4.4	10.6	90.0	205.0	2.0	0.2	2.7	8.0			99.1	223.8	3.0	
Turkey		1.5	231.5	160.0							231.5	161.5		
Yemen	0.9	1.0		37.5							0.9	38.5		
MULTI-COUNTRY PROGRAMS	1.6	7.8			2.5						1.6	10.3		
TOTAL	36.7	50.3	1,090.2	1,251.6	2.0	5.9	20.4	44.8	0.5		1,149.3	1,353.0	3.0	0.0
ASIA & THE PACIFIC														
Afghanistan	32.6	28.7									32.6	28.7		
Cambodia	1.5	0.4	12.4				3.8				17.7	0.4		
China		1.0	128.7	103.0				6.0			128.7	110.0		
India	0.1	0.4	175.3	154.5	0.2		7.0	8.1			182.3	163.2		
Indonesia			333.3	272.7							333.3	272.7		
Laos	6.2	0.4	29.4								35.6	0.4	8.9	
Maldives	1.5										1.5			
Mongolia				1.9								1.9		
Pakistan	1.0	0.4	66.1	68.0							67.1	68.4		
Philippines			150.0								150.0	0.0		
Sri Lanka	0.2		10.0	35.0							10.2	35.0		
Thailand				30.0							0.0	30.0		
Vanuatu	0.4										0.4			
Vietnam	0.5	5.9	78.3	200.2							78.8	206.1		
MULTI-COUNTRY PROGRAMS	4.7	5.6	0.5	0.0			7.5	1.9			12.7	7.5		
TOTAL	48.6	42.8	984.0	865.2	0.2		18.3	15.9	0.0		1,050.9	924.2	8.9	

Continued >>>

Continued >>>

AFD GROUP 2010
APPROVED PROJECT FUNDING

	GRANTS & SUBSIDIES		LOANS		GUARANTEES		EQUITY		HIPC & BUDGETARY AID		TOTAL		CO-FUNDING WITH OTHER DONORS	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
LATIN AMERICA & THE CARIBBEAN														
Brazil		1.6	192.1	216.7		0.2		5.5			192.1	224.0		
Colombia			100.0	296.2							100.0	296.2		
Dominican Republic	0.9		67.8	40.3	0.3	0.5					69.0	40.8		
Guatemala			9.9								9.9			
Haiti	22.1	27.0				0.7			2.0	20.0	24.1	47.7	4.4	
Jamaica			33.8	22.5			1.7				35.5	22.5		23.1
Mexico			185.0	325.8							185.0	325.8		
Nicaragua				15.4								15.4		
Paraguay				26.5								26.5		11.3
Peru		0.3		18.9								19.1		
MULTI-COUNTRY PROGRAMS	1.7	2.0	0.0	268.4			0.0	18.3	0.0		1.7	288.7		
TOTAL	24.7	30.9	588.6	1,230.6	0.3	1.5	1.7	23.7	2.0	20.0	617.4	1,306.7	4.4	34.4
NON COUNTRY-SPECIFIC PROGRAMS	26.2	38.5	203	100			21	2			250.2	140.5		
TOTAL DEVELOPING & EMERGING COUNTRIES	304.1	287.8	4,481.9	5,046.6	104.2	157.7	194.7	201.6	44.6	190.5	5,129.5	5,884.2	26	73.6
FRENCH OVERSEAS PROVINCES														
French Guiana			38.1	47.2							38.1	47.2		
French Polynesia			60.5	113.1							60.5	113.1		
Guadeloupe			39.0	63.5			1.0				40.0	63.5		
Martinique			44.6	76.6							44.6	76.6		
Mayotte			22.8	28.3							22.8	28.3		
New Caledonia			159.4	123.3							159.4	123.3		
Reunion			97.2	48.8							97.2	48.8		
Saint Pierre & Miquelon			2.7	3.0							2.7	3.0		
Shared by several departments								3.5				3.5		
Shared by several communities			6.0								6.0			
TOTAL LOANS & GRANTS			470.3	503.9			1.0	3.5			471.3	507.3		
SME GUARANTEES & FINANCING			322.0	284.3	180.0	165.6					502.0	449.9		
TOTAL FRENCH OVERSEAS PROVINCES			792.3	788.2	180.0	165.6	1.0	3.5			973.3	957.2		
TOTAL EXCLUDING EXCEPTIONAL OPERATIONS	304.1	287.8	5,274.2	5,834.8	284.2	323.3	195.7	205	44.6	190.5	6,102.8	6,841.4	26	73.6
Exceptional Operations									97.5		97.5			
TOTAL	304.1	287.8	5,274.2	5,834.8	284.2	323.3	195.7	205	142.1	190.5	6,200.3	6,841.4	26	73.6

IN 2010 AFD APPROVED FUNDING THAT WILL HELP:

Developing and emerging countries:

Improve drinking water access for 33 million people

*Build and renovate transportation systems
that will be used by 85.8 million passengers annually*

*Increase energy efficiency to
abate nearly 5 million tons of CO₂ emissions per year*

Connect 8.2 million people to the telecommunications network

Connect 3 million people to traditional or renewable electricity systems

Provide primary schooling for 13.4 million children

Grant €428 million in microloans benefiting more than 700,000 people

Improve trash collection and waste management for 2.4 million people

Support agricultural and irrigation projects benefitting 1.4 million people

The French Overseas Provinces:

Improve sanitation systems for 255,000 citizens

Develop more than 900,000 m² of commercial and industrial areas

*Build more than 6,000 social-housing units benefitting more
than 18,000 people*

Treat more than 330,000 tons of trash per year

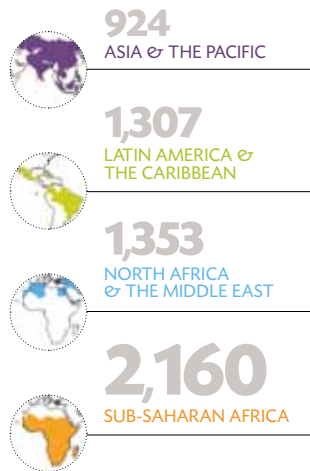
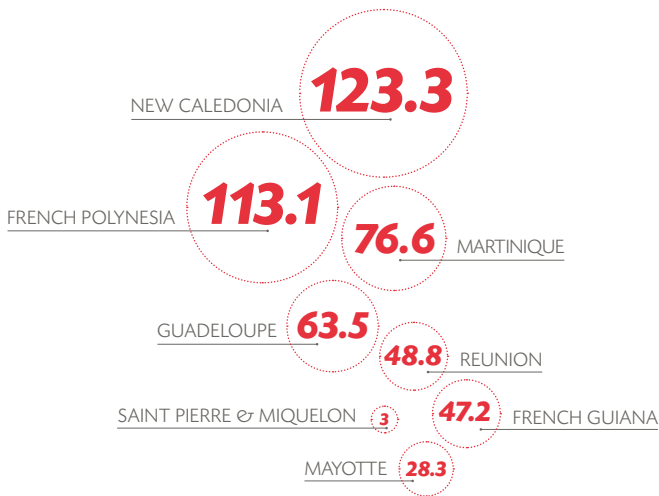
METHODOLOGY

These indicators reflect the expected outcomes for projects and activities AFD approved financing for in 2010. They are based on AFD's ex ante analyses (conducted prior to funding approval) that take into account the impact of AFD's direct as well as leveraged contributions to these development efforts.

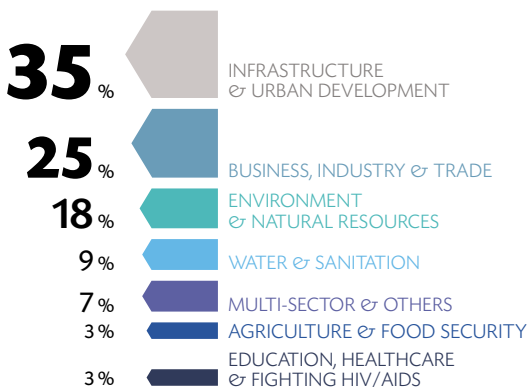
2010 KEY NUMBERS

FIELD OFFICES AND BUREAUS WORLDWIDE, INCLUDING 9 IN THE FRENCH OVERSEAS PROVINCES

1,715 EMPLOYEES, INCLUDING 681 IN FIELD OFFICES



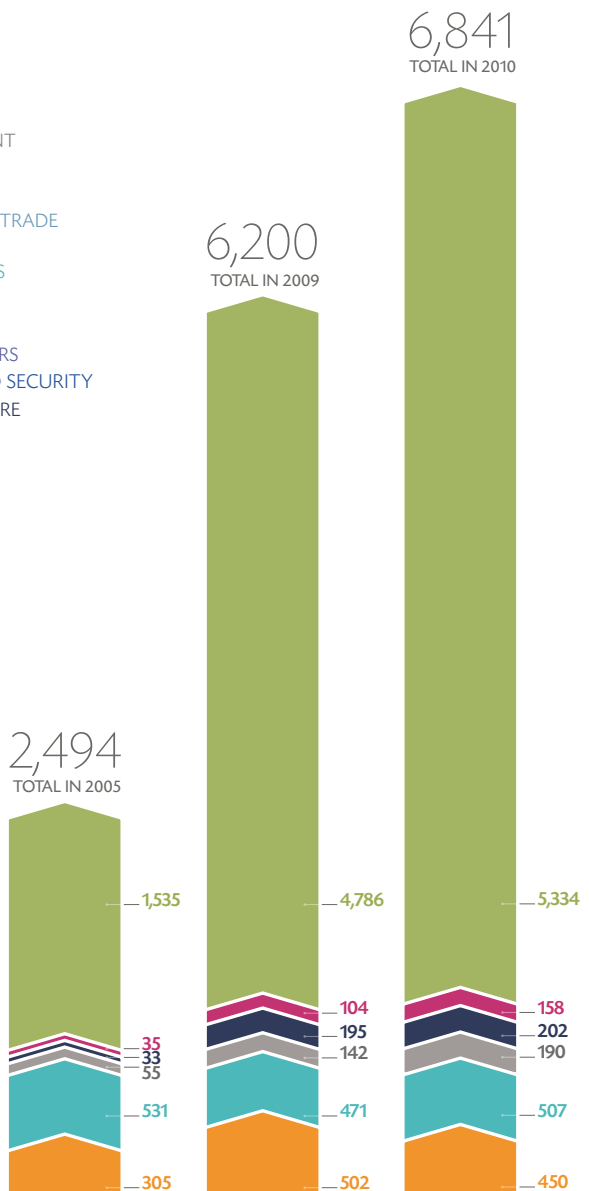
BREAKDOWN OF FUNDING APPROVALS FOR THE FRENCH OVERSEAS PROVINCES (€ MILLION)



BREAKDOWN OF FUNDING APPROVALS BY SECTOR OF ACTIVITY

BREAKDOWN OF FUNDING APPROVALS BY TYPE (€ MILLION)

- ▶▶ LOANS, GRANTS & SUBSIDIES FOR DEVELOPING & EMERGING COUNTRIES
- ▶▶ GUARANTEES FOR DEVELOPING & EMERGING COUNTRIES
- ▶▶ EQUITY PARTICIPATIONS IN DEVELOPING & EMERGING COUNTRIES
- ▶▶ GLOBAL BUDGETARY AID FOR DEVELOPING COUNTRIES
- ▶▶ LOANS & GRANTS FOR THE FRENCH OVERSEAS PROVINCES
- ▶▶ GUARANTEES & FINANCING FOR SMES IN THE FRENCH OVERSEAS PROVINCES



CREDITS

COORDINATION AFD - Vincent Joguet, Guillaume de Saint Phalle, Jean-Benoît Perrot-Minnot

DESIGN CONCEPT AND PRODUCTION **NOISE** 28, rue du Faubourg Poissonnière 75010 Paris – www.noise.fr - Production coordination: Lionel Bluteau. Assistant: Jeanne Sophie Camuset. Art direction: Dorothee Thomassin. Lay-out: Julien Desperiere. Pre-press: RVB Editions. Printing: Vision Prod'

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5, RUE ROLAND BARTHES - 75598 PARIS CEDEX 12 - FRANCE
TEL: +33 1 53 44 31 31 - FAX: +33 1 44 87 99 39

Shaping sustainable futures

