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ANNEX REPLACING ANNEX 3

to the Commission Decision C(2018)8738 of 10.12.2018 on the financing of the Annual Action Programme 2018 Part 4 in favour of intra-ACP cooperation

Action Document for Upscaling interventions in favour of sustainable cities

1. Title/basic act/ CRIS number	Upscaling interventions in favour of sustainable cities CRIS number: ACP/2018/040-923 financed under the 11 th European Development Fund (EDF)	
2. Zone benefiting from the action/location	All African, Caribbean and Pacific (ACP) countries The action shall be carried out at the following location: all ACP countries	
3. Programming document	Intra-ACP Cooperation – 11 th European Development Fund – Strategy Paper and Indicative Programme 2014-2020	
4. Sector of concentration/ thematic area	Sector: "Climate change, resilience building and the environment" Sub-sector: "Resilience building" Objective 2.6: "Contribute to making human settlements inclusive, safe, resilient and sustainable"	DEV. Aid: YES ¹
5. Amounts concerned	Total estimated cost: EUR 17 000 000 Total amount of EDF contribution EUR 17 000 000 This action will be co-financed by entities participating under the EU blending framework.	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management	
7 a) DAC code(s)	43030 - Urban development and management	
b) Main Delivery Channel	40000 – Multilateral organisations	

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			
10. Sustainable Development Goals (SDGs)	Main SDG: SDG 11 Sustainable Cities and Communities Secondary SDGs: SDG 6 Clean Water and Sanitation SDG 13 Climate Action SDG 5 Gender Equality			

SUMMARY

The urbanisation of developing countries continues unabated: by 2050, an additional 2 billion people could live in cities, 90 % of this increase will take place in Africa and Asia.

This rapid urbanisation will continue creating massive investment needs in urban infrastructure to provide adequate and sustainable basic services to the population, which is more and more vulnerable to the impacts of climate change, and to harness the potential of urbanisation. Taking into account the various existing infrastructure backlog, the annual investment needs far exceed the currently identified / traditional sources of funding. Many structural impediments for mobilising capital however remain.

Setting an adequate institutional framework for sustainable urban development interventions remains a challenge given the number of sectoral areas covered (water, sanitation, environment, housing, renewable energy, energy efficiency, etc.) and the different levels of government involved. Clarity over laws and regulations is often lacking (for technical aspects as well as financial ones –such as subnational lending). Last capacities of the actors involved often need strengthening (for the design of bankable projects and financial management in general). Blending grants with lending would be one way to seek to overcome such barriers

and demonstrate that viable financing models can be put in place. One crucial element of the proposed action would therefore be to draw lessons in support of all ACP countries.

The intervention contributes to Pillar 1 (European Fund for Sustainable Development - EFSD) of the European External Investment Plan (EIP) and would be very complementary to the guarantee tools under the Sustainable Cities window of the EFSD that seek to further advance urban investment which could be instrumental in further scaling up the proposed action. The proposed action would also complement a wide range of facilities (including EU-funded) that have assisted cities to prepare plans and projects, by providing incentives and assistance to implement them.

The **overall objective** of the programme is improve access to basic services, including primary public services such as health and education, for the population of beneficiary ACP countries.

The **specific objective** of the programme is increased access to finance at city level.

The action will be implemented in the context of the EDF Blending framework and through Administrative Agreement with the World Bank. Projects will be assessed and implemented within the relevant EU Facilities.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

The urbanisation of developing countries continues unabated: by 2050, an additional 2 billion people could live in cities, 90 % of this increase will take place in Africa and Asia.

Sub-Saharan Africa is expected to move from a 37 % urbanisation rate in 2014 to 55 % in 2050, given the population increase, which represents a tripling of city dwellers during this period, from 345 million to 1,136 million. In 2021, was estimated that 487 million people, or 42% of the population, in Sub-Saharan Africa lived in Urban areas.² All Asia and Pacific sub-regions are experiencing urban growth at higher rates than overall population growth. In 2018, half of the Asia and Pacific population is now living in the region's towns and cities. By 2050, urban areas will account for nearly two out of three people. In Latin America and the Caribbean, almost 80 % of the population already lives in cities³. Many of these have however struggled to cope with this transformation because of the speed of urbanisation marked by climate change and increase of disasters, deterioration of the environment and, above all, deep social inequality.

This rapid urbanisation will create (and already creates) massive investment needs in sustainable urban infrastructure. Taking into account the various existing infrastructure backlog, the annual investment needs far exceed the currently identified / traditional sources of funding.

Meeting these crucial needs is a major challenge that goes beyond the simple framework of urban development and cities expansion, as the latter are increasingly recognised as essential actors to achieve the various Sustainable Development Goals (SDGs), in particular SDG 11 "Make cities inclusive, safe, resilient and sustainable".

² <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZG>

³ All data adjusted from "World urbanization prospects: the 2014 revision", UN DESA.

Cities account for more than 80 % of global GDP (88 % by 2025). Supporting municipal investments in adequate infrastructure is therefore essential for economic growth and poverty reduction. In addition, while cities cover a minor part of the world, their physical and ecological footprints are much larger (70 % of energy consumed and 80 % of greenhouse gas emissions). The challenge of reducing greenhouse gas emissions is therefore crucial. Cities need to adapt to climate change as well, as they are particularly vulnerable. 70 % of cities are already dealing with the effects of climate change, and all cities face some type of climate risk. Over 90 % of all urban areas are coastal, putting most cities at risk of flooding from rising sea levels and powerful storms. Finally, most cities in partner countries need to increase their currently limited capacity to access sufficient long-term financing and credit.

1.1.1 Public Policy Assessment and EU Policy Framework

Sustainable urban development received a clear boost from the adoption of the New Urban Agenda⁴, an agreement reached by global leaders at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), in 2016, by the United Nations Human Settlement Programme (UN-Habitat). The New Urban Agenda outlines a new global framework for sustainable and inclusive urban development. This global framework promotes public services, urban resilience, accommodation, and job opportunities in urban settings.

The New Urban Agenda highlights the importance of good urban governance and more specifically, good urban planning as important for the creation of cities that are inclusive, safe, green, resilient, prosperous and innovative. The New Urban Agenda also recognises the importance of cross-sector cooperation, knowledge exchange among cities, the promotion of human rights, and women's empowerment to achieve these goals. Besides, it places great importance in the availability of cultural activities and quality public space in cities.

Last, resort to international public finance, including official development assistance, among other things, to catalyse additional resource mobilisation from all available sources, public and private, for sustainable urban and territorial development is encouraged (in line with the transformational objective of the Paris Agreement to make financial flows consistent with a pathway to low-emissions climate-resilient development). This may include the mitigation of risks for potential investors, in recognition of the fact that international public finance plays an important role in complementing the efforts of countries to mobilise public resources domestically, especially in the poorest and most vulnerable countries with limited domestic resources.

The European Commission adopted in May 2018 a staff working document⁵ on "European Union (EU) cooperation with cities and local authorities in third countries" which sets out, concerning the four areas described below, ways to further consolidate EU engagement with cities and local authorities through strengthening the integrated and territorial approach to urban development:

- Promoting good urban governance ("Partnerships") by strengthening governance at various levels of administration (local, regional, national) and between different actors

⁴ Adopted by the UN General Assembly on 23 December 2016, Resolution 71/256.

⁵ Commission Staff Working Document SWD(2018) 269 final (18.5.2018), European Union (EU) cooperation with cities and local authorities in third countries

(elected officials, civil servants, citizens' groups etc.). This may foster civic engagement and inclusive participation in integrated planning and public finance management.

- Promoting the social dimension of urban development ("People") through inclusive and safe cities ("Peace") in order to better address urban poverty, food insecurity, malnutrition, forced displacement, migration and social exclusion.
- Promoting green and resilient cities ("Planet") through the protection of natural capital and the sustainable use of natural resources (e.g. energy efficiency and biodiversity in cities), and the transition towards a low-carbon, climate resilient and circular economy. This may contribute to reducing the risk of and vulnerability to natural disasters, as well as the economic, ecologic and health impacts of pollution. Cities have a crucial role to play in addressing the climate change challenge and delivering the Paris Agreement on climate change.
- Promoting prosperous and innovative cities ("Prosperity") with a focus on growth and decent job creation. This should foster a responsible business environment and make it attractive to invest in "green economy" and clean technology.

The Council of the European Union conclusions on EU cooperation with cities and local authorities in third countries⁶ endorses the 4 axis of interventions outlined in the Staff Working Document, and encourages the European Commission to support, whenever possible, local capacities and efforts to attract private capital investment, notably by using blending facilities and further exploring innovative financing models and partnerships, including those developed by Member States' local authorities.

The proposed action would seek to encourage beneficiary countries to design/complement public policies at local and national level in the field of sustainable urban development (such as national urban policies, housing policies, tariff setting, etc.) to facilitate investment in resilient municipal infrastructure⁷.

The proposed action is also expected to contribute to the EU Strategy on Adaptation to Climate Change. Adopted in 2021, the strategy aims to make climate adaptation faster, smarter, more systemic, and with increased international adaptation action in EU Partner Countries with a particular focus on Least Developed Countries and Small Island Developing States.

1.1.2 Stakeholder analysis

Sustainable urban development policies often seek to address a range of issues – from managing urban expansion and congestion to fostering competitiveness, innovation, social inclusion and environmental sustainability. A wide range of stakeholders are therefore often involved in urban development interventions, and will be associated, to a certain extent, in the proposed action:

- **National governments:** Academics⁸ and donors⁹ agree that effective urban governance depends not only on local institutions and actors but also on the framework set by national

⁶ 10319/18 - EU cooperation with cities and local authorities in third countries - Council conclusions (25 June 2018)

⁷ Also refer to the technical guidance on the climate proofing of infrastructure in the period 2021-2027 <https://op.europa.eu/en/publication-detail/-/publication/23a24b21-16d0-11ec-b4fe-01aa75ed71a1/language-en>

⁸ Moir et al, 2014; Parnell & Simon, 2014

governments that establishes a connection between the city and broader regional and national development. Only when national policies foster favourable policy environments can city-level initiatives be effective. National governments intervene in almost all the policy domains that affect cities, but explicit "urban policies" are often narrowly framed at national level (as coordination between the different ministries involved in urban matters remains a challenge in almost all countries). While spatial structure and economic development are two sectors most extensively covered, areas such as climate change resilience and environmental sustainability have for instance received less attention. National institutions remain important in the governance of cities, holding crucial fiscal and regulatory powers, as well as normative and political legitimacy. Large scale interventions in secondary cities, which are often less capacitated and less endowed with financial resources, are often steered by national governments.

- **Cities and local authorities:** Although their mandates vary from country to country, they play a central role in key urban functions of urban planning, green infrastructure development, land management, waste and water management, energy efficiency in buildings, climate resilience and low-carbon transition, and public finance (especially in the design and implementation of fiscal policies for municipal finance and revenue generation). Cities will be the **target group** of the action, as envisioned urban intervention would have to originate from cities' needs assessment¹⁰.
- **Civil society and local population/city residents:** Civil society participation and population's involvement in the urban development process (including internally displaced persons and refugees) are essential. Evidence shows that participatory processes foster greater acceptance of decisions. Civil society also plays a key role in raising awareness about climate change and environmental problems, sanitation issues, good governance, urban planning, and social and economic cohesion among citizens. Last, civil society organisations can also play a support role in the provision of basic services and/or maintenance of light municipal infrastructure. Women's association are also key promoters of livelihoods sustainability as central issues in urban policy, and therefore play a major role in urban renewal interventions.
- **Private sector:** The private sector is a key stakeholder in both urban and economic development, being a major contributor to national income and the principal job creator and employment. Private sector participation is often targeted to finance municipal infrastructure (although ACP commercial banks potential for that particular purpose is not yet fully tapped). However, to secure commitment to a broader vision for the city that goes beyond short-term interests, relations with local and foreign private sector interests need to be built by involving associations and companies in city-wide strategic planning processes. This might also involve a formalised partnership with organised business (e.g. Public Private Partnerships) based on the city's strategic vision. Other innovative collaborations include private sector provision of managerial and technical training and support to help municipalities improve the strategic management of urban areas.
- **Also in private sector** – sustainable urban development can be targeted through supporting and empowering partners (employers and workers), for example through supporting strong worker representation, and promoting social dialogue within and

⁹ World Bank, 2009; OECD, 2015; UN-Habitat, 2015d

¹⁰ The EU also supports the climate actions of cities' in ACP countries through the Global Covenant of Mayors for climate and energy initiative, including its regional chapters: Covenant Sub-Saharan Africa, Global Covenant Americas, and Global Covenant Asia.

between businesses and organisations. Facilitating sector initiatives between workers, employers, and government to deliver social protection, safe working conditions, and gender responsive work policies. Support sectors to identify (including through due diligence), mitigate, prevent and remediate cases of labour rights abuses locally and throughout supply chains.

- **International Financial Institutions (IFIs)**: These institutions are responding to the rapid rise in urbanisation by changing their focus to deal with the demands of the increasingly urbanising world. Globally, IFIs now contribute USD 30 billion of lending directly to urban projects each year. 60 % of their total IFIs lending has an impact on cities.

City residents, and in particular women, youth and the most poor and vulnerable will be the **final beneficiaries** of the proposed action, as the latter would seek to improve their living conditions (through improved resilience and access to basic services).

As the proposed action will be a demand driven "facility", to which eligible partner IFIs may apply, cities have not been formally consulted at this stage. Response to needs identified and prioritised at city level, especially to achieve climate objectives, will however be the key requirement for projects selection through the blending framework process.

1.1.3 Priority areas for support/problem analysis

Whilst cities geographically cover a small part of the world, an estimated 55 % of the world's population lives in urban settlements (and projected to reach 65-70 % by 2050) and their physical and ecological footprints are much larger compared to rural populations. Research indicates that they already account for up to 70 % of energy use and 80 % of greenhouse gas (GHG) emissions, as well as being significant sources of local air, water and soil pollution, waste generation and land use change. Cities also concentrate the visible negative impacts of climate change: rising sea levels, storm surges, heat waves, extreme precipitation and flooding, water scarcity and droughts. These negative impacts are set to rise over time as a result of pressure from increasing urbanisation and climate change.

Underinvestment and low maintenance in municipal infrastructure is also common place, with revenue streams affected by losses in/illegal connexions to the technical networks. They are also frequently exacerbated by end user tariffs which are significantly below cost recovery levels. For instance, 24 countries in Sub-Saharan Africa, accounting for 70 % of Africa's GDP, have spent around 2 % of GDP annually between 2009 and 2015 to build, rehabilitate, or improve the existing capacity of infrastructure (in comparison East Asia countries reach levels of public capital spending that exceed 10 % of GDP).

Most cities in ACP countries also need to increase their currently limited capacities to access to sufficient, long-term financing and credit. Many cities depend on central government transfers and there is often a fiscal imbalance between funds available and cities' needs. Own-resource revenue is often low due to fiscal recollection weaknesses. The market for long-term municipal borrowing has nonetheless a relevant growth potential, banks need an enabling financial and economic environment to improve their potential to offer loans matching the economic life of assets and their acceptance to take sub-sovereign risks. At the same time, debt sustainability concerns need to be monitored.

Planning, architecture, engineering, transport, water, energy, commercial and retail development, urban design, community services and more are all often dealt with in relative

isolation. The links between them are only examined as necessary, or as legislatively required. As a result, cities are often the product of ad hoc solutions, fragmented decision-making and competing urban priorities.

All these shortages are exacerbated in small and medium-sized cities where local administrations, following a decentralisation process, have taken over competencies from the national governments, and now need to reinforce their human and financial resources to implement the related public policies. This has become even more challenging following COVID 19 crisis. Migrations and forced displacement can also add pressure on such cities to scale up their basic services offer in a limited period of time.

Taking stock of the above mentioned challenges faced by cities in ACP countries, the proposed action would focus on a limited number of blending operations in up to six countries with the aim to:

- overcome barriers for cities to access finance for a number of concrete investment operations in prioritised sectors at city level, for improving the provision of basic municipal services, including sustainable urban mobility, water and sanitation, solid waste management and improved habitat.
- seek to ensure that such investment operations are identified, articulated and financed in context of wider urban development plans and strategies, strategies (such as Sustainable Energy and Climate Action Plans), and that they are environmentally, socially and financially sustainable.
- create a catalytic impact on climate change adaptation and mitigation by addressing climate and environmental challenges through investments in resilient municipal infrastructure.
- provide incentives to embark on wider policy reforms/materialise policy orientations at national/local level in the urban sector.

The action would promote job creation and inclusive and sustainable economic growth via a multi-sector and multi-dimension integrated approach, thus contributing to the jobs and growth compacts identified at country level in Africa.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Individual grant amount per blending intervention foreseen is too low to trigger changes/leverage additional financial means.	H	Although the amounts available for the action are limited, there is scope for meaningful value addition from the grants, in projects with important social engineering components notably or where informal neighbourhoods are targeted in the framework of wider urban development projects.
Macroeconomic shocks and stresses put public finances under	M	Adequate assessment from the International Finance Institutions of the

pressure.		level of risk of debt distress at national and sub-national level.
Influx of internally displaced persons and refugees put additional pressure on basic service delivery functions of cities.	M	Projects in cities with such high potential are based on city development plans that factor these parameters in (potential camp sites to be set where city extension would be viable) and city governance mechanisms would have to be strengthened as part of the projects.
Resistance from populations and private operators to changes induced by the operations (behaviour, tax and fees payment, etc.).	M	Awareness raising activities to be embedded in the selected operations.
Low commitment from the city to integrate investments in wider urban strategic vision.	M	Investment operations to be identified, articulated and financed in context of wider urban development plans (also based on existing EU funded technical assistance programmes).
Outcomes of urban development operations supported lead to undesirable side effects (speculation on upgraded/better serviced urban areas).	M	Phased city-wide approach to be promoted, to minimise differences in land/property values between areas. Tariff setting/reform to take into account social measures.
Lack of "bankable projects" due to the limited capacity of cities targeted to come up with a realistic pipeline.	L	The proposed action will build on a number of existing initiatives (see also 3.2 <i>Complementarity, synergy and donor coordination</i>) that strengthen cities to come up with such pipelines.
Assumptions		
<p>Beneficiary cities commit to make the proposed interventions viable in the long run (due consideration for environmental impact, financial viability through tariffs/fees and adequate subsidy rate, policy reforms to strengthen institutional frameworks, proper maintenance schemes set-up, etc.).</p> <p>Urban development gets adequate support at national level, through enabling policies and, where needed, dedicated budget lines.</p>		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Several lessons learnt, covering both urban development operations (in line with issues identified in "1.1.3 *Priority areas for support/problem analysis*") and the envisioned modality need to be taken into account.

Key approaches in addressing urban issues and challenges include:

- Stakeholder partnerships are key: cities need to partner with private sector, banks, International Financial Institutions, other cities, and organisations to exchange

information, build capacities, expand resources and enhance revenues, and implement improvements in urban management.

- City development strategies are needed: these strategies, based on long-term visions and an analysis of their strengths, weaknesses, opportunities and threats are often lacking but are essential to reap urbanisation's benefits. There needs to be clear complementarity of national policies and city development strategies. In particular, wherever urban planning documents exist, their translation into multiannual capital investment plans (with prospective financial analysis) is often the weak link.
- While decentralisation process is on-going in many ACP countries, some shortfalls remain. The framework of local governance needs to be consolidated, in particular by strengthening territorial management capacities and support for public contracting authorities. Cities must also increase their financial autonomy to meet urban investment needs. Urban interventions design, especially when involving municipal infrastructure, should therefore combine investments and support to aspects such as governance, public procurement, maintenance, financial management at city level, etc.
- Supporting local authorities (LAs) in the implementation of strategies to encourage environmentally sustainable and low-carbon urban development is challenging because the issue appears secondary, and sometimes contradictory, with regards to social emergencies, with slum upgrading/prevention often featuring high on the political agenda. One of the approaches to respond to this concern could be to target the financing of investment programs with a significant impact on the environment in areas such as urban mobility, recovery of methane or biogas from landfills or adaptation measures for coastal cities for instance; rather than standalone definition of climate strategies at city-level.

As regards the envisioned mechanism, the principle of the blending mechanism is to combine EU grants with loans or equity from public and private financiers. Using blending offers various benefits to different stakeholders: a) leverage to enhance the impact of EU development assistance and improved aid effectiveness through greater donor, beneficiary and lender coordination; b) support to policy reforms; c) a sustainable and affordable way to tap into significant additional financing for national development priorities; d) an increased access to public services, infrastructure and credit to boost socio-economic development; e) mitigation of the risks associated with investing in new markets and sectors.

The European Court of Auditors special report on '*The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies*'¹¹ highlights that in addition to mobilising loans from financial institutions or the private sector, blending offers the grant donor the possibility of being involved in the formulation of policies or of having an impact on the way projects are set up and managed. This may, for instance, be by mitigating the negative externalities of projects, such as detrimental environmental or social effects, or by providing additional funding for specific objectives related to the project, such as administrative or technical capacity development.

The report highlights that blending has been generally effective. However, evidence of a wider impact on policy in the sectors in which support has been provided through blending is often lacking. The proposed action will put a specific emphasis on this aspect, by analysing *ex ante* what policy changes are to be expected from the proposed projects under the blending framework.

¹¹ Special Report no 16/2014

3.2 Complementarity, synergy and donor coordination

The proposed action aims to build on several EU-led initiatives which provide diagnostics, technical assistance and preparatory work, undertaken at city level, to define sustainable investment projects. It will also build upon other donors' interventions in the field of sustainable cities, especially in areas less targeted through EU funds (such as municipal finance for instance).

Two financing decisions adopted in 2017 under the "*Contribute to making human settlements inclusive, safe, resilient and sustainable*" objective of the 11th EDF intra-ACP strategy provide technical assistance to cities in complementary areas. The Participatory Slum Upgrading Programme (PSUP - EUR 10 000 000) aims, among others, to formulate city-wide slum improvement strategies and in particular the financial aspect of these strategies. The Urban Mobility Support Programme (contribution to the Mobilise your city initiative – EUR 3 000 000), which supports urban mobility (transport within cities), allows a limited number of cities to define sustainable urban mobility plans covering, in particular, the question of funding. These two programs therefore provide a solid basis for the development of bankable projects targeting integrated urban development, on which the proposed programme can build.

Other initiatives financed from the European budget (Development Cooperation Instrument) develop a similar approach in areas of intervention that are also complementary. This is particularly true of the Global Covenant of Mayors initiative, including its regional chapters: Covenant of Mayors for Sub-Saharan Africa, Global Covenant Americas, and Global Covenant Asia. This global initiative helps cities to access affordable, reliable, sustainable and modern energy, and will help them to mitigate and to adapt to the effects of climate change, increasing their planning capacity and providing them with a platform where they can share their knowledge and best practices. As part of the Global Covenant initiative, cities develop so called Sustainable Energy and Climate Action Plans (SECAPs).

This is also the case of the Cities and Climate in Africa (CICLIA) programme, which aims to translate local climate strategies into tangible investments for a number of cities, by means of financing feasibility studies amongst others. In the framework of the Global Climate Change Alliance + initiative, the Local Climate Adaptive Living Facility (LoCAL) serves as a mechanism to integrate climate change adaption into local governments' planning and budgeting systems, increase awareness of and response to climate change at the local level, and increase the amount of finance available to local governments for climate change adaptation

The upcoming "*Local Authorities: Partnerships for Sustainable Cities*" programme (approximately EUR 53 000 000), financed under the "Civil Society Organisations and Local Authorities" Thematic Instrument, will seek to strengthen LAs through twinning between LAs from partner countries and LAs from EU Member States. Targeted beneficiary cities will benefit from peer-to-peer activities. The programme will stimulate transfer of expertise and contribute to enhance a specific know-how related to the mandate of LAs in urban territories, with focus on their service delivery one.

Besides centrally managed instruments, several EU delegations in ACP countries are directly intervening in support of sustainable cities such as Guinea (urban development and solid waste management), Kenya (urban mobility), Cameroon (municipal infrastructure upgrading in secondary cities), Senegal, Chad, Togo, Democratic Republic of Congo (water and sanitation), Republic of Congo (water and sanitation, governance and civil society), Uganda (green cities), Haiti (integrated urban development) and the Pacific (solid waste management -

regional). Value added to corresponding programmes, should these countries benefit from the proposed intervention, will be thoroughly examined.

The intervention will directly contribute to the External Investment Plan implementation (and in particular Pillar 1 – European Fund for Sustainable Development - EFSD) for the Sub-Saharan African countries selected. Synergies with the "Sustainable cities" window will also be examined. The first guarantee tool selected, Resilient City Development (RECIDE) a partnership between AECID (Spanish Agency for International Development Cooperation) and the World Bank Group (WBG), will help cities develop public-private partnerships and lower the risks for private investors involved in financing sustainable urban infrastructure in Africa. Synergies will be examined, especially for countries for which operations benefitting from an EFSD guarantee would also require investment grants.

There are many interventions from other donors targeting urban development on which the proposed action could build. Worth mentioning is the City Resilience Programme from the World Bank, which is central to the RECIDE proposal and which seeks to leverage the WBG's broad set of sectoral expertise in designing urban resilience projects and to better connect cities to the necessary financing.

Donor coordination will be mainly ensured through the EU blending framework Technical Assessment and Board Meeting processes, and partnerships with several IFIs favoured.

3.3 Cross-cutting issues

- **Environment:** the proposed action will support cities to implement their local public policies, while stressing the need (and the stakes) of a more sustainable urban development in line with the national climate change plans, including Nationally Determined Contributions (NDCs). Efficient management of waste and sanitation, fight against pollution, preservation of natural areas in the city and in the outskirts, green and blue frames (ecological corridors, reinvestment of the banks) renewable energy and efficient use of energy will be promoted whenever possible.

It is therefore expected that local pollution, waste generation and greenhouse gas levels from targeted municipal activities will be reduced through investments to promote climate change adaptation and mitigation activities and low pollution resource-efficient technologies.

The importance of nature-based solutions in adaptation and disaster-risk reduction, as well as the nexus between biodiversity and climate change will be taken into account by the programme.

- **Gender:** Women and men experience cities differently due to their gender-based roles and responsibilities, including the nature of their participation in the labour market as well as domestic tasks. The lack of basic services and infrastructure affects women more than men in cities because women are the primary collectors, transporters and managers of domestic water and fuel, as well as the promoters of home and community sanitation activities. Women also play a primary role in waste disposal and environmental management. Women in cities depend more heavily on public transport than men and use transport in different ways, such as off-peak travel and trip chaining to multiple destinations. Thus male and female priorities are often not the same for basic services such as urban housing, water and sanitation, solid waste management, and public transport.

Gender inequalities will be addressed whenever possible through the intervention: adequate infrastructure, public spaces (which should be safe, inclusive and accessible), street lighting and transport designs for security aspects, equal access to financing opportunities for self-construction schemes, equal compensation for involuntary displacement and resettlement resulting from land acquisition and slum upgrading, etc.

The Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025 (GAP III) will be used as reference¹².

- **Right-based approach:** an accessible and socially balanced city requires directing public policies in favour of a spatial organisation of the urban territory that takes into account a fair distribution of equipment and basic services, protection of human rights, including labour rights, eg through well-resourced inspectorates, the diversification and improvement of housing supply, the integration and in situ rehabilitation of the most vulnerable neighbourhoods, the development of fluid travel modes, accessible to all its inhabitants and reliable, and the development of public spaces to improve urban connectivity.

Projects under the proposed action will respond to the rights-based approach guiding working principles: a) Participation and access to the decision making process – by giving priority to projects defined in the framework of participatory urban plans, b) Non-discrimination and equal access – especially to basic services, c) Accountability and access to the rule of law – by ensuring that the projects benefits are in line with the objectives identified *ex ante*, d) Transparency and access to information – by promoting adequate activities to report to the wider public on the state of play of the projects

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **overall objective** of the programme is to improve access to basic services for the population of beneficiary ACP countries

The **specific objective** of the programme is increased access to finance at city level.

This programme is relevant for the United Nations 2030 Agenda¹³ for sustainable development. It contributes primarily to the progressive achievement of SDG 11 "*Make cities and human settlements inclusive, safe, resilient and sustainable by 2030*", but also promotes progress towards SDG 6 "*Ensure availability and sustainable management of water and sanitation for all*", SDG 8 "*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*" and SDG 13 "*Take urgent action to combat climate change and its impacts*". This does not imply a commitment by the ACP group of states benefiting from this programme. The programme is also relevant for the implementation of the UN Paris Agreement on climate change.

The main **expected results** are:

R1: Increased capacity of municipal institutions on financial/project management, and to translate policies into viable investment proposals in the sustainable urban development related areas.

¹² https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf

¹³ Transforming our world: The 2030 Agenda for sustainable development, United Nations, 2015

R2: Increased knowledge sharing of best practices in access to finance at city level within ACP countries

4.2 Main activities

A range of priority climate-proof investments falling within the municipal infrastructure sectors of affordable housing and slum upgrading, sustainable and smart urban mobility, water, sanitation, waste management, low-carbon technologies, climate adaptation activities, circular economy, nature-based solutions, air quality, renewable energy services and energy efficiency could be supported.

Support can be provided through various forms, i.e. risk capital and risk-sharing operations, e.g. guarantees, equity, mezzanine finance structures and/or classical loans, direct investment grants and technical assistance.

More specifically, funds provided could indicatively:

- Cater for part of the investment costs: possible for "mature" projects for which the technical and financial aspects are already well identified. The grant awarded would make it possible to finance less "profitable" social infrastructure within an integrated urban development project (such as schools, sports and cultural facilities) or bring the overall cost for projects down.
- For less "mature" projects, provide the technical assistance needed to carry out feasibility studies (if duly justified) or works supervision for example.
- In all the cases, finance the various activities of sensitisation of the populations which are often underestimated in similar projects (introduction of a tariff, awareness of hygiene and sanitation...)

One of the main requirements for projects selected under the proposed action would be that each Lead Financial Institution (see *5.3.1 Contribution to the Blending Facilities*) **provides an overview of lessons learnt (mid-term/project completion) that can be shared within ACP countries (or at continental/sub-region level).**

Key indicative criteria guiding the selection of projects and cities will be:

- Projects should benefit in priority to the urban poor;
- Projects should be identified, articulated and financed in context of wider urban development plans and strategies;
- Environmental, social, cultural and financial sustainability, including with regards to climate risks and to climate proofing of infrastructure;
- Geographical balance within ACP regions;
- Potential for replication within the country of operations;
- Impact in terms of wider policy reforms or implementation of policy orientations induced by the project.

4.3 Intervention logic

Finding solutions to challenges in access to finance for city interventions in the field of urban development is what underpins the proposed action.

Several measures, at different levels and involving different actors, can contribute to progress toward this specific objective:

- Structural strengthening of cities financial resources (state transfers, tax revenues, tariff revenues, etc.). This often has to be linked with strengthening of decentralisation processes.
- Improving cities financial management and project management capacities. Support to design urban plans and translate them into concrete and viable investment proposals is also critical.
- Strengthening public financial institutions dedicated to the financing of cities or private ones willing to engage with a new type of customers to provide access to financing for cities, thus fostering the emergence of domestic commercial bank lending markets for the local public sector.

The proposed action will build on a long range of diagnostics and support work targeting a variety of urban sectors which inter alia have aimed at preparing viable projects at urban level.

The logic of the intervention is to advance viable models for funding of investment at city level, by providing grant funding as part of lending operations as incentives, for a wider policy change in favour of sustainable urban development. A seeding and spill over effect on the domestic banking sector of beneficiary countries is targeted in the longer term, to deepen markets for loans to cities, which can later occur without donor support.

In line with the measures identified above, the grant component could reinforce financial resources at city level, increase creditworthiness of cities through the provision of technical assistance (for technical aspects, financial ones, etc.). Support to the financial sector (public or private) will not be the primary target of the intervention, but could be envisioned in specific areas such as micro/meso/finance schemes for incremental housing.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 120 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and

compliance of the action with EU restrictive measures affecting the respective countries of operation¹⁴.

5.3.1 Contribution to the Blending Facilities

A part of this action may be implemented in the context of the EDF Blending framework. Projects will be assessed and implemented within the relevant EU Investment Facility: Africa Investment Facility, Caribbean Investment Facility, Pacific Investment Facility and Thematic Investment Facility.

This contribution may be implemented under indirect management with the entities identified in Appendix 3 of this action document. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it.

Certain entrusted entities are currently undergoing the ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

Rules of procedure for the EDF Blending Framework, adopted in October 2015, provide further details regarding the decision making process.

5.3.2 Indirect management with a pillar assessed entity

A part of the action will be implemented in indirect management with the World Bank. This implementation entails the provision of technical assistance to local beneficiary governments on urban development policies. The envisaged entity has been selected for its added value and its operational capacity on housing policies.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

¹⁴

https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
5.3.1. – Contribution to the EU Blending Framework	13.790.000	Contributions from the financial institutions to be decided at a later stage ¹⁵
5.3.2 – Indirect Management with World Bank	3.210.000	Contribution from the financial institution to be decided at a later stage
5.8 – Evaluation, 5.9 - Audit	will be covered by another decision	N.A.
5.10 – Communication and visibility	included in 5.3.1	Contributions from the financial institutions to be decided at a later stage.
Totals	17 000 000	Contributions from the financial institutions to be decided at a later stage

5.6 Organisational set-up and responsibilities

The governing structure, rules and procedures of blending are the ones applicable for blending operations. The Boards are chaired by the Commission and include the European External Action Service (EEAS) and the EU Member States as voting members, and Financial Institutions as observers. The aim of the Board is to formulate opinions on project proposals to be submitted by Financial Institutions and to provide guidance on appropriate future financing proposals. The set of criteria for assessing proposals are those applicable under blending, whilst financial institutions need to demonstrate systematic consultation of the EU delegations and Commission services concerned at an early stage of project preparation.

Strategic meetings with the ACP Secretariat will be organised to hold a regular dialogue on the pipeline of blending operations to be supported under the proposed action.

These meetings should particularly allow to:

- discuss the state-of-play of available resources under the proposed action, and the geographical balance;

¹⁵ Based on similar interventions, a total eligible FI leverage ratio of 7 and an investment leverage ratio of 9 are expected

- discuss the relevance of applications to the proposed action.

A Steering Committee could also be set-up with the ACP Secretariat, the mandate and composition of which would be formalised in terms of reference during the inception phase of the proposed action.

5.7 Performance monitoring and reporting

In accordance with Article 40 of Council Regulation (EU) 2015/323 on the financial regulation applicable to the 11th European Development Fund, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the relevant investment facility.

Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. The entrusted entities should provide all the relevant information on the execution of the projects in order to enable the European Commission to carry out the required follow up of the actions. As per the recommendation of the EU platform for blending in external cooperation (EUBEC), the Commission will monitor the performance of the projects based on the expected results described under 4.1 and the minimum set of results indicators listed in Appendix 2, as may be adapted from time to time following the EUBEC Platform discussions and considering the relevant EU Result Framework, or any further indicator agreed. The reporting shall also enable the Commission to report on the performance indicators defined in the EU Results Framework as well as in the context of the different regional and national programmes.

The day-to-day technical and financial monitoring of the implementation of contracts funded under the Facility will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

At the level of the individual operations, evaluation tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project.

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to potential replenishment of the programme, in case of satisfactory results.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the programme would be the first facility set-up specifically to target urban development interventions through blending modalities in ACP States.

The Commission shall inform the implementing partners at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the ACP group of states and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX 1 - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁶

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Increase in the proportion of ACP population that has access to basic services	Proportion of population living in households with access to basic services	To be defined once countries are known	To be defined once countries are known	UNSD indicator C010401	
Specific objective(s): Outcome(s)	Increased access to finance at city level.	Amount of additional investments in EU funded projects contributing to sustainable urban development (in EUR) % of total investments from non-EU and non-IFI sources (in EUR)	0	136 000 000 EUR (by 2028) 15%	Lead Financial Institutions reports	Infrastructure at city level is properly maintained to benefit to the population in the long term
Outputs	Outputs will be defined in the individual projects financed under the proposed action	To be determined at underlying project level	To be determined at underlying project level	To be determined at underlying project level	To be determined at underlying project level	To be determined at underlying project level

¹⁶

Mark indicators aligned with the relevant programming document mark with "*" and indicators aligned to the EU Results Framework with "***".

APPENDIX 2 - STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS¹⁷

Energy

	OUTPUT INDICATORS	UNIT	DEFINITION
1.1	Transmission and distribution lines installed or upgraded	Km	The indicator covers power transmission and distribution lines. It is the measure of the ground distance traversed, in kilometres.
1.2	New connections to affordable, reliable and modern energy	Number of connections	Number of 1) new connections to the grid, 2) inferred new connections and calculation methodology.
1.3	Renewable capacity installed	MW	Renewable capacity installed of a new power plant or refurbishment of an existing plant with the aim of increasing capacity.
1.4	Population benefitting from energy production	Number of households	The number of households which are estimated to benefit from new energy supply from the project.
1.5	Power production	MWh/year	Total net annual average electricity generated by project (as registered by a meter).
1.6	Energy efficiency	GWh/year	Energy savings as a result of project against no project or most likely alternative (e.g. loss reduction in generation, distribution, etc.)
	OUTCOME INDICATORS	UNIT	DEFINITION

¹⁷

Source: guidance note on project application form; version January 2016

1.7	Population benefitting from electricity production	Nr. of households	The number of households which are estimated to benefit from new electricity supply from the project.
1.8	Power production	GWh/year	Total net annual average electricity generated by project, independently of its maximum capacity.
1.9	Power production from renewable sources	GWh/year	Total net annual average electricity generated by project from renewable sources, independently of its maximum capacity.
1.10	Energy efficiencies	GWh/year	Energy savings as a result of project against no project or most likely alternative (e.g. loss reduction in generation, distribution, etc.)

Transport

	OUTPUT INDICATORS	UNIT	DEFINITION
2.1	Length of new or upgraded roads	km	Total length of the road built or upgraded through the project. This indicator will refer to paved roads and in general cover motorways, highways, main or national roads, secondary or regional roads.
2.2	Length of new or upgraded railways	km	Total length of railroad tracks built or upgraded.
2.3	Length of new or upgraded urban transport lanes.	km	Total length of urban transport lanes including bus lane, tramline or metro tracks built or upgraded.
2.4	Port terminal capacity (passenger, container or cargo)	Million passenger per annum "mppa" (passenger); million TEU/year (container); million tons/year (cargo)	The indicator is the future capacity of the container terminal(s). In case of a terminal expansion, it includes the total capacity of the terminal(s) (current terminal(s) + expansion). The baseline is the current capacity of the container terminal(s). Depending on the type of terminal (container, passenger or cargo), the units used will be different.
2.5	Airport terminal capacity	Million Passengers per annum – "mppa" or million tons /year (cargo)	The indicator is the increase in passenger terminal capacity of the airport. It is calculated as the difference between the assessed total passenger terminal capacity of the existing airport prior to the project being implemented and the

			assessed total passenger terminal capacity of the airport after the project has been implemented.
OUTCOME INDICATORS		UNIT	DEFINITION
2.6	Users of new or upgraded roads	Average Annual Daily Traffic "AADT"	Average Annual Daily Traffic. All vehicle will be counted, including those of traffic that existed before upgrading, diverted traffic, traffic generated as a result of road improvement, as well as growth in each of these categories.
2.7	Rail use	Million Passengers /year or tons /year (cargo)	Total of passengers or freight using rail service.
2.8	Urban transport users	Million passenger per annum	Total urban transport passengers indicating those shifted from other transport modes as a result of the project.
2.9	Ports: Terminal(s) user traffic (passenger, container or cargo)	Million passenger per annum "mppa" (passenger); million TEU/year (container); million tons/year (cargo)	Total of passengers, containers or cargo using port services. Depending on the type of terminal (container, passenger or cargo), the units used will be different.
2.10	Airport use	Million Passengers per annum – "mppa" or million tons /year (cargo)	Passenger or freight traffic handled at the airport.

Environment (water and sanitation)

	OUTPUT INDICATORS	UNIT	DEFINITION
3.1	Length of new or rehabilitated water supply pipes	Km	Length of water mains and distribution pipes installed/ upgraded. All sizes of pipes intended to transport water for urban water use expressed in their aggregate length in the network, irrespective of pipe diameter, comprising mains as well as reticulation pipes.
3.2	Length of new or rehabilitated sewer pipes installed	Km	Length of collectors and sewers installed or upgraded. All sizes of sewer pipes expressed in their aggregate length in the network, irrespective of pipe diameter, comprising mains as well as reticulation pipes.
3.3	New connections to water supply	Nr	Number of new connections to the water network. Only new connections resulting from a project are counted; those already connected to the network and receiving improved services through a project are not counted.
3.4	Water treatment capacity	M3/day	Maximum amount of water that the new or improved treatment plant can process.

			This indicator reflects the total new or additional capacity of treatment plant independently of its production during operation.
3.5	Wastewater treatment capacity	M3/day	Maximum amount of waste water that the new or improved treatment plant can process. This indicator reflects the total new or additional capacity of treatment plant independently of its production during operation.
OUTCOME INDICATORS		UNIT	DEFINITION
3.6	Population benefitting from safe drinking water	Nr of households	Urban or rural population using a safe drinking water supply, as defined by international standards.
3.7	Population benefitting from improved sanitation services	Nr of households	Urban or rural population with access to improved sanitation services, as defined by international standards.
3.8	Potable Water Produced	M3/day	Amount of potable water produced, independently of the maximum capacity of the network.
3.9	Wastewater Treated	Population equivalent "p.e."	Amount of wastewater treated, independently of the maximum capacity of the treatment plant.

Private sector development

	OUTPUT INDICATORS	UNIT	DEFINITION
4.1	<i>For direct operations:</i> Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/ at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.2	<i>For direct operations:</i> Access to finance: Amount of outstanding loans to relevant target group	Currency	Amount of outstanding loans/investments at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.3	<i>For indirect operations:</i> New financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	Currency	Volume of credit lines/guarantees / capital investment extended to financial intermediaries for on lending to target groups (target groups being understood as Microfinance/MSME/Agribusiness/Energy Efficiency/Renewable Energy/Student Loans/Housing Finance/Retail Finance/Total Portfolio/Other to be specified in each instance).
	OUTCOME INDICATORS	UNIT	DEFINITION
4.4	<i>For indirect operations:</i> Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.

4.5	<i>For indirect operations:</i> Access to finance: Amount of Outstanding Loans and other sources of financing to relevant target group	Currency	Amount of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.6	<i>For direct operations:</i> Number of micro-small and medium enterprises (MSMEs) reporting increased turnover (as a result of <u>direct</u> support received from the FIs)	Nr.	Number of MSMEs receiving direct assistance from financial institutions that have increased the volume of their turnover.
4.7	<i>For both direct and, where feasible, indirect operations:</i> Number of jobs sustained (resulting from the project)	FTE	Number of full-time equivalent employees at the end of the reporting period. Includes full-time equivalent worked by seasonal, contractual and part time employees. Part-time jobs are converted to full-time equivalent jobs on a prorata basis.

Social (social housing, health and education)

	OUTPUT INDICATORS	UNIT	DEFINITION
5.1	New and/or refurbished habitable floor area	Square meter	Square meters of new and/or refurbished social housing.
5.2	New and/or refurbished health facilities	Nr.	Number of new and/or refurbished health facilities of any type (hospitals, clinics, health centres etc.).
5.3	New and/or refurbished educational facility	Nr.	Number of new and/or refurbished educational facility of any type (schools, universities etc.).
	OUTCOME INDICATORS	UNIT	DEFINITION
5.4	Population benefitting from improved housing conditions	Nr. of households	Number of households benefitting from improved housing conditions.
5.5	Bed occupancy rate	%	Percentage of beds occupied at the hospital.
5.6	Inpatients	Nr. per year	Number of patients per year that are admitted and stay at least one night at the hospital.
5.7	Outpatient Consultations	Nr. per year	Number of patients per year that are diagnosed or treated at but do not stay overnight at the hospital from the project.
5.8	Students benefitting from new and/or refurbished educational facility	Nr. per year	Students per year benefitting from new and/or refurbished educational facility by gender and age group.
5.9	Students enrolled	Nr. per year	Total aggregate of pre-primary, primary, secondary, tertiary, further, vocational as required by gender.

Agriculture, Food and Nutrition Security

	OUTPUT INDICATORS	UNIT	DEFINITION
6.1	Agricultural production	Tons per yr	For the main productions impacted by the project, measured yearly
6.2	Area under cultivation	Ha per yr	For the main productions impacted by the project, measured yearly
6.3	Due diligence report of projects that affect land and property rights	Yes/No	Based on the guidelines developed by the Agence Française de Développement (AFD) and in line with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)
	OUTCOME INDICATORS	UNIT	DEFINITION
6.4	Additional added value created	EUR (constant value) per yr	For the main productions impacted by the project, measured yearly
6.5	Added value going to farmers	EUR (constant value) per yr	For the main productions impacted by the project, measured yearly
6.6	Net employment creation (gender differentiated)	Nr. per yr	Informal and formal jobs, measured yearly
6.7	Minimum Dietary Diversity Score	Score	Minimum number of food groups consumed by an individual over a reference period. Ref.: FAO Manual Minimum Dietary Diversity in Women (in preparation).

Cross sector indicators

	INDICATORS	UNIT	DEFINITION
7.1	Total number of beneficiaries	#	Estimated number of people with improved access to services (financial services, social and economic infrastructure, etc.)
7.2	Number of beneficiaries living below the poverty line	# (and/or %)	Sub-group of total beneficiaries above (if applicable). Reference point used, e.g. national or international definitions of poverty, should be made transparent)
7.3	Relative (net) Greenhouse gas emissions impact ¹⁸	CO ₂ ktons eq / year	Average amount of GHG emissions induced, avoided, reduced or sequestered per year by the project during its lifetime or for a typical year of operation: net balance between gross emissions and emissions that would occur in a baseline scenario.
7.4	Direct employment: Construction phase	# (FTE)	Number of full-time equivalent construction workers employed for the construction of the company or project's hard assets during the reporting period.
7.5	Direct employment: Operations and maintenance	# (FTE)	Number of full-time equivalent employees as per local definition working for the client company or project at the end of the reporting period.

¹⁸ Enter baseline according to point (2), expected value with the project according to gross emissions calculation in point (3) and expected result according to net emissions impact calculation in point (4). Indicate in the comments box the project impact category as outlined in point (1). The indicator should be assessed for a "typical year of operation": there is no need to "indicate the year".

APPENDIX 3 – LIST OF ENTITIES

Acronym	International Organisations (IOs)
ADB	Asian Development Bank
AfDB	The African Development Bank
CDB	Caribbean Development Bank
EIB	European Investment Bank
EIF	European Investment Fund
IADB	Inter-American Development Bank
SPC	The Pacific Community
SPREP	South Pacific Regional Environment Programme
WBG	World Bank Group (IBRD, IDA, IFC, MIGA, ICSID)
Acronym	National Agency, Country
AECID	Agencia Espanola de Cooperacion Internacional al Desarrollo, Spain
AFD	Agence Française de Développement, France
CDP	Cassa depositi e prestiti S.p.A., Italy
COFIDES	Compañía Española de Financiación del Desarrollo, Spain
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, Netherlands
KfW	Kreditanstalt für Wiederaufbau, Germany
PROPARCO	Groupe Agence Française de Développement, France
RVO	Rijksdienst voor Ondernemend Nederland (Netherlands Enterprise Agency), Netherlands
SIMEST	Società Italiana per le Imprese all'Estero, Italy
USAID	United States Agency for International Development, USA