Sustainable Development Project Analysis and Assessment Mechanism

The ADDS Mechanism enables AFD to incorporate the SDGs directly into the evaluation and approval of its operations by assessing ex ante their impacts across six environmental, social, economic, and governance dimensions.



For development finance institutions, sustainability poses a challenge that goes beyond identifying whether an operation contributes to one or more Sustainable Development Goals (SDGs). The central question is how to incorporate these considerations into the process through which projects are identified, structured, and approved. In practice, this means moving from using the SDGs primarily as a classification or reporting tool to using them as an effective criterion for improving the quality of financing decisions.

For more than a decade, Agence Française de Développement (AFD) has developed experience in this area through its Sustainable Development Project Analysis and Assessment Mechanism (ADDS). Implemented since 2014, the mechanism systematically assesses the expected impacts of operations before approval and incorporates them into the financing cycle itself. Its purpose is threefold: to avoid significant negative impacts, increase projects' positive contributions, and promote synergies across the different dimensions of sustainable development.

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This approach is particularly relevant given the scale of the institution's operations. In 2024, AFD recorded €13.7 billion in activity, a consolidated balance sheet of €72.3 billion, and

around 4,000 projects financed. It has operated in Latin America and the Caribbean since 2009. Between 2021 and 2025, it financed nearly 200 projects totaling more than €8.1 billion. In 2025, 71.3% of its financing in LAC included climate co-benefits.

WHAT DOES THE MECHANISM ENTAIL AND WHAT ARE ITS OBJECTIVES?

ADDS systematically examines the expected ex ante impacts of an operation on sustainable development across three pillars and six dimensions:

- Biodiversity conservation and natural resource management.
- Climate change, both in terms of supporting a low-carbon pathway (mitigation) and strengthening climate resilience (adaptation).
- Social cohesion and the reduction of inequalities.
- Gender equality.
- A sustainable and resilient economy.
- Democratic and inclusive governance.

The assessment has three objectives:

- "Do no harm" by avoiding the financing of operations that could have a significant negative impact on any of the SDGs.
- Optimize the positive impact of operations to increase their contribution to the SDGs.
- Promote synergies and interactions among the dimensions of sustainable development (the interdependence of the SDGs).

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In each sustainable development dimension, projects' expected impacts are assessed according to their scope

PILLARS	Dimensions	SDGs	Objectives
PLANET	BIODIVERSITY		• Improve ecosystem condition and conservation. • Develop or consolidate a biodiversity-friendly policy, regulatory, and governance framework that takes local communities into account.
	CLIMATE CHANGE a. Mitigation		• Ensure the project is consistent with the Paris Agreement and low-carbon climate challenges in the territory, supporting the partner on a long-term decarbonization pathway.
	b. Adaptation		• Contribute to adaptation of the territory or sector in which the project operates, particularly by strengthening capacities and integrating climate uncertainty.
PEOPLE	SOCIAL		• Strengthen social cohesion by reducing multidimensional inequalities and promoting inclusion. • Address vulnerabilities to crises and social tensions. • Integrate a human-rights-based approach into projects.
	GENDER		• Promote gender equality by removing barriers that prevent women from equitable, sustainable, and effective access to quality basic goods and services. • Contribute to structural changes in society toward greater women's empowerment and equal representation in decision-making spaces.
ECONOMY & GOVERNANCE	ECONOMY		• Promote a sustainable and resilient economy that uses fewer natural resources and respects planetary boundaries.
	GOVERNANCE		• Support the organizational structure according to its needs to ensure the sustainability of project impacts. • Promote decision-making procedures based on consultation and participation. • Enhance governance projects in key sectors such as justice and taxation.

on a scale from -2 to +3, following a progressive impact sequence:

- Negative impacts: significant (-2) or residual (-1);
- Neutral impacts (0);
- Positive impacts: moderate (+1), significant (+2), or transformative (+3).

AN ANALYSIS INTEGRATED INTO THE PROJECT CYCLE

ADDS is carried out in two complementary stages. First, the sustainable development analysis begins during project identification and is deepened during appraisal using feasibility studies, logical frameworks, environmental and social assessments, and dialogue with the client. The teams responsible for the project participate alongside sectoral and thematic specialists.

A sustainable development opinion is then issued by a team within the strategy department that is separate from the operational areas. This separation introduces an independent review before the final financing decision. The opinion may be favorable, favorable with recommendations, reserved, or negative, depending on the project's alignment with sustainability objectives and the risks identified.

The process is not limited to issuing an assessment at the end of the review. Project teams and the team responsible for the opinion interact throughout appraisal. A project initially considered reserved may ultimately receive a favorable opinion if it incorporates the recommendations made and improves its design before reaching the Board of Directors.

This dynamic makes ADDS a tool for project improvement, not merely project selection. For a development finance institution, the distinction is important: the objective is not only to exclude operations that are incompatible with its mandate, but also to use the evaluation process to increase the additionality and expected impacts of the operations that are ultimately financed.

