



# Climate

2017 ACTIVITY REPORT

#WorldInCommon



**AFD**

AGENCE FRANÇAISE  
DE DÉVELOPPEMENT

## OUR METHODOLOGY

***Our methodologies for tracking climate financing for mitigation and adaptation are based on the Common Principles agreed on in 2015 by the IDFC members and the multilateral development banks.***

### ***What comes under “adaptation”?***

A project contributes to adaptation when it helps limit or reduce the vulnerability of goods, people, and ecosystems to the consequences of climate change. A project (or a project component) is tracked as coming under “climate adaptation” based on:

- analysis of the circumstances of vulnerability to climate change;
- the way in which the project's documentation expresses the desire to deal with the identified climate risks and climate-change vulnerabilities;
- the demonstration of the positive impacts of actions planned by the project on the challenges of climate-change vulnerabilities identified in the area.

### ***What comes under “mitigation”?***

A project works towards mitigation when it helps reduce greenhouse gas (GHS) emissions compared to a reference situation without the project. A project (or a component) is tracked as coming under “climate mitigation” when:

- the estimation of its carbon footprint shows that it reduces or avoids GHS emissions;
- the financing is dedicated to actions working towards mitigation (studies, capacity building, and credit lines to banks).

### ***And what about public policy financing?***

Tracking of budget support for climate or sectoral policies must report on both the content of political and sectoral dialogue carried out with the counterpart, and the expected climate-related impacts. The extent to which these loans are included as climate financing depends on three possibilities:

- If the budget support is specifically dedicated to climate (climate loans or support for national climate plans), 100% is included.
- For other budget support for specific sectors or for local governments, financing for climate-tracking indicators is taken into account on a prorata basis, in relation to all tracking indicators.
- In the event that there are no indicators to track the public policy, a maximum of 40% of the commitment can be considered (on the condition that the objectives of the planned financing include a cross-cutting climate activity).

# AFD Group's Climate Strategy

Climate issues are now a distinguishing feature of AFD Group. In 2018, this already strong orientation was reinforced by the adoption of a new climate strategy for 2017-2022, which demonstrates AFD's ambition to facilitate the implementation of the Paris Agreement and of low-carbon and resiliency transitions in the developing and emerging countries. AFD has made the following four commitments to reach its goal:

## **1** *Ensure that its activity is "100% Paris Agreement"*

AFD Group wants to make all of its financing consistent with low-carbon and resilient development and to help guide the long-term pathways of the countries in which it operates.

## **2** *Increase climate financing*

AFD Group has set the goal of reaching €5 billion in climate financing annually by 2020 in the countries where it operates, with the exception of Overseas France. Fifty-percent of all its commitments must have climate co-benefits.

## **3** *Redirect financial flows*

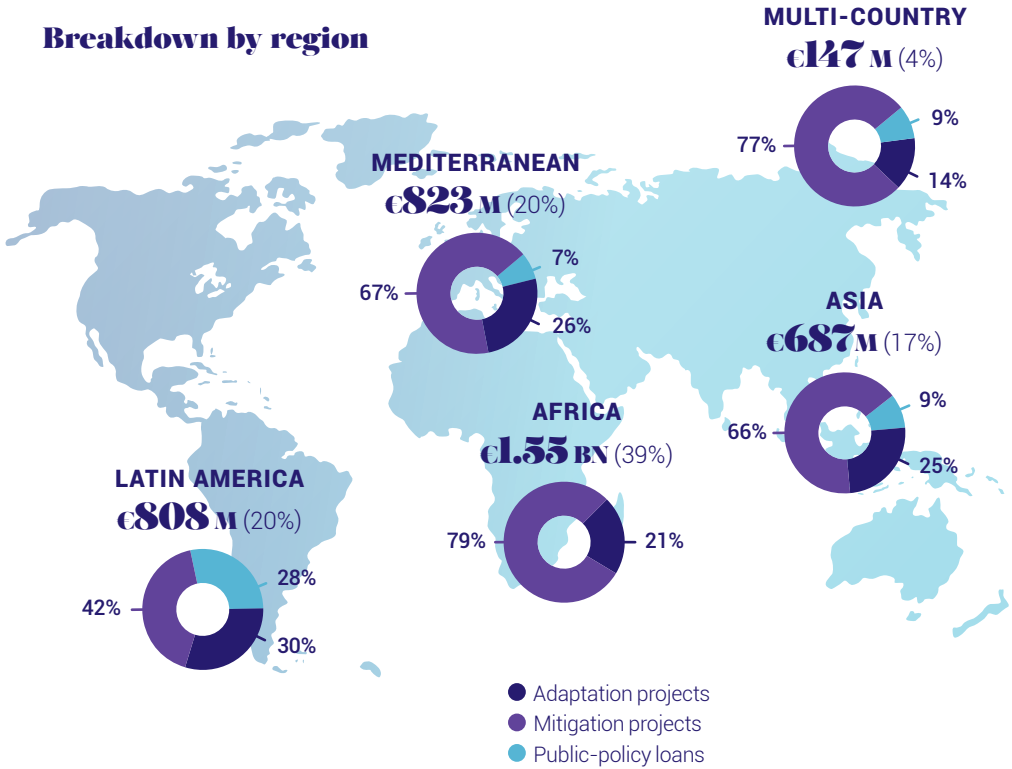
AFD Group seeks to maximize the leverage of its financing on the redirection of private investments. The Group also contributes to coordinating the climate emissions market.

## **4** *Create solutions together*

In addition to its financing, AFD exerts its influence to innovate, create solutions together, and capitalize on good practices. It does so in collaboration with actors from the financial, institutional, research community, and from civil society.

# Our climate activity in 2017

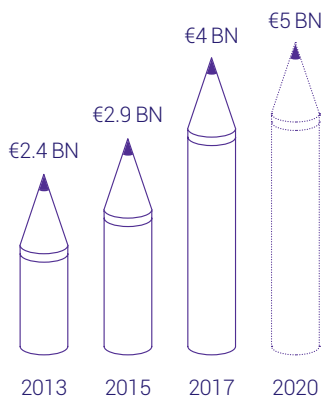
## Breakdown by region



**€4 BN**  
**in commitments**  
**for the climate in 2017**  
 (124 projects)

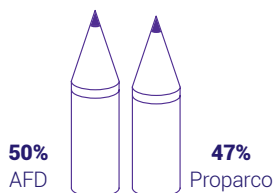
In 2017, despite the rise in its volume of activity (+10%), AFD Group kept up its goal of 50% of commitments either with a co-benefit in adaptation to or mitigation of climate change.

## Evolution since 2013



**€29 BN** Total climate financing since 2005

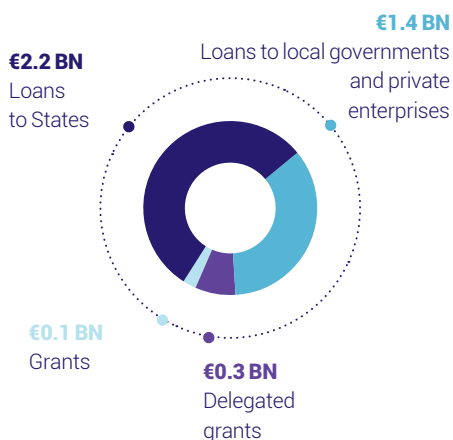
## AFD Proparco climate commitments<sup>1</sup>



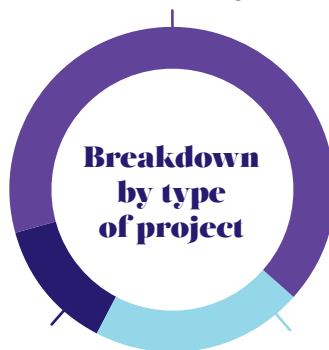
<sup>1</sup>% calculated based on the annual commitments in developing countries, excluding budget support (BS), debt-reduction mechanisms (C2D), ARIZ guarantees, FEXTE, Proparco sub-participation, FFEM projects, and projects in the Overseas France Departments and Territories. In short, €8 BN out of the Group's €10.7 BN in financing.

## Breakdown by tool

Sovereign loans remain the main financial instrument in the Group's climate activity



66% Projects to mitigate impacts of climate change



13% Public-policy loans

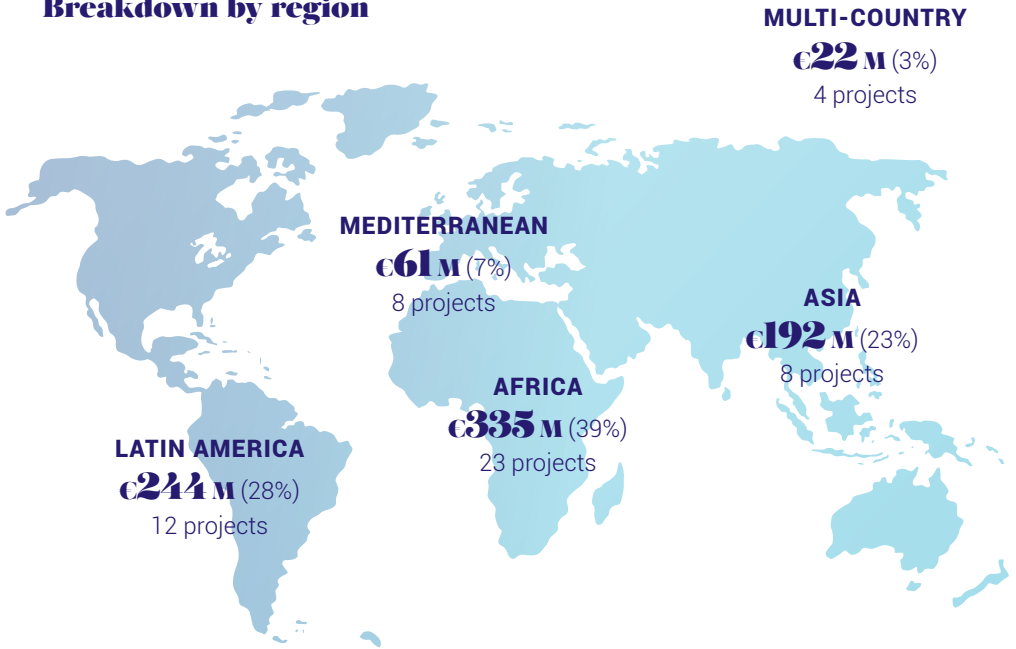
21% Projects to adapt to the effects of climate change

## AFD and the Green Climate Fund

In 2017, AFD became accredited by the Green Climate Fund to act as a financial intermediary in implementing financing from the fund. For example, this new development enabled AFD to mobilize €20 million for cofinancing a development project involving irrigation and adaptation to climate change in southeastern Morocco.

# Adapting to the effects of climate change

## Breakdown by region

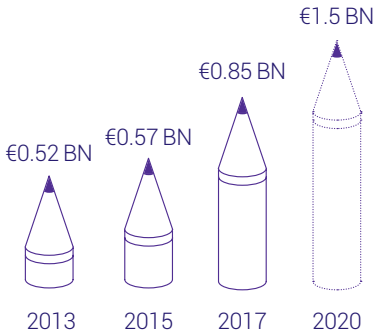


**x2**

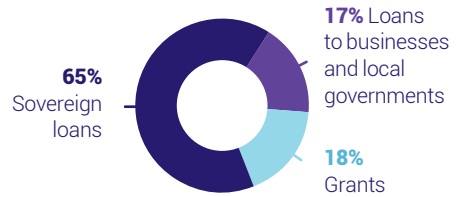
**the number of adaptation projects in sub-Saharan Africa compared to 2016**

In 2017, €850 M was allocated to adaptation projects and €240 M to public-policy loans to promote adaptation, making for a total of €1.1 BN in commitments for adaptation.

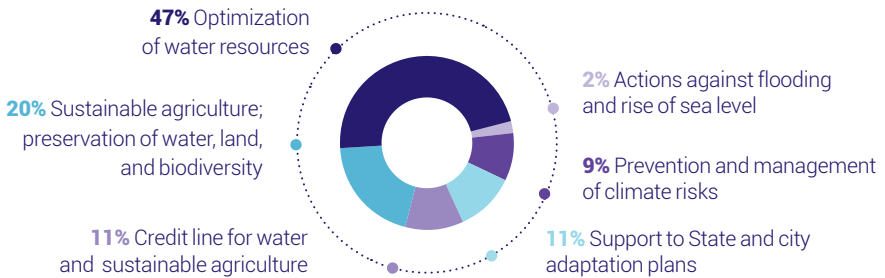
## Evolution since 2013



## Breakdown by tool



## Breakdown by sector



## Adapt'Action

### Supporting the adaptation policies of vulnerable countries

The Adapt'Action facility has been designed to support countries requesting technical support in the institutional, methodological, and operational deployment of their commitments to fight climate change. With an objective of €30 million over four years, Adapt'Action will provide support for 15 countries, with priority given to Africa, the Least Developed Countries (LDCs), and the Small Island Developing States (SIDS).

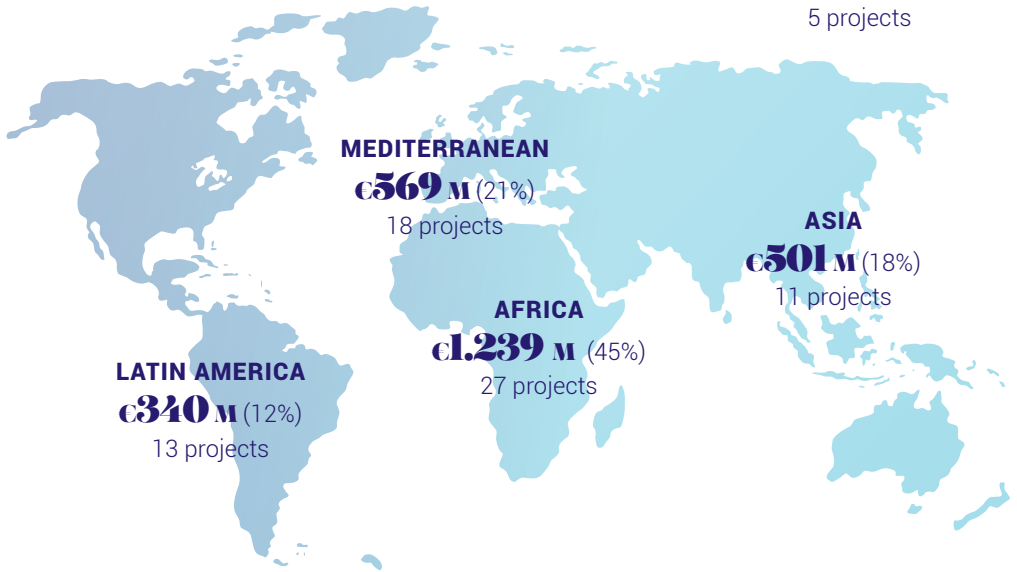
In 2017, five memoranda of understanding were signed, with the Comoros, Niger, Dominican Republic, Tunisia, and Mauritius.

The support will include:

- the strengthening of capacities and of climate governance, for consolidation, implementation and tracking of nationally determined contributions (NDCs);
- better integration of the NDC commitments into public policies;
- help in preparing programs in adaptation to climate change.

# Mitigating the impacts of climate change

## Breakdown by region

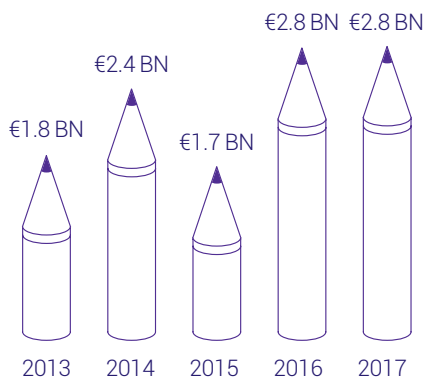


**x2**  
the number of commitments to promote mitigation in sub-Saharan Africa compared to 2016

In 2017, €2.8 M was allocated to mitigation projects and €370 M to public-policy loans to promote mitigation, making for a total of €3.1 BN in commitments for mitigation.



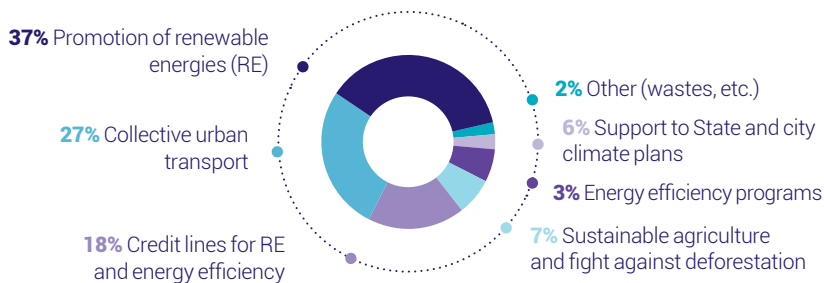
## Evolution since 2013



**4.8 million**  
**CO<sub>2</sub> equivalent tons saved**  
**each year**

throughout the life of projects financed in 2017. AFD calculates its emissions using an internal tool and methodologies compatible with the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting.

## Breakdown by sector

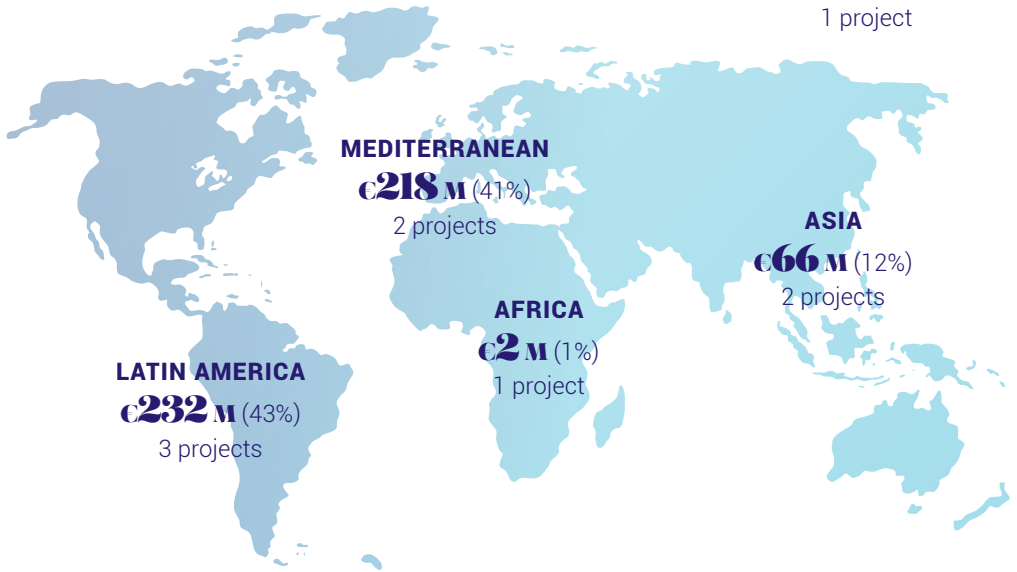


## Banking intermediation at the service of climate

In 2017, €540 million in financing was mobilized through credit lines to promote renewable energy (RE), energy efficiency (EE), the fight against deforestation, and waste management. This represents an increase of 22% compared to 2016. Today, more than half of financing operations for mitigation projects are related to RE and EE.

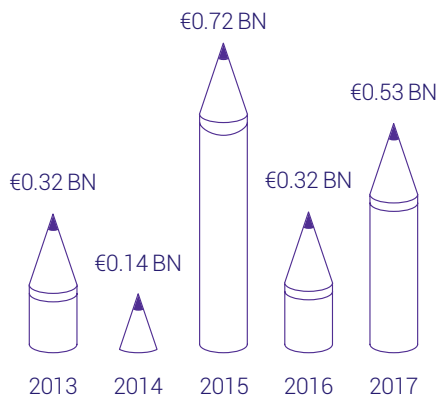
# Supporting public policies for climate

## Breakdown by region

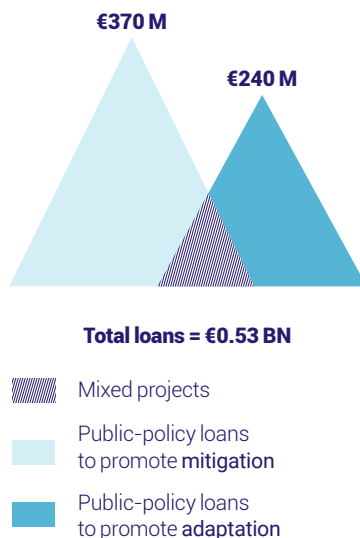


In 2017, AFD Group's loans to support public policies for the climate reached **€533 million**, of which 84% **targeted Latin America and the Mediterranean**. These loans come in the form of budget or sectoral support. They are an essential component for making AFD Group's actions coherent with low-carbon development pathways.

## Evolution since 2013



## Adaptation/mitigation breakdown



international  
development  
finance club

Since October 2017, AFD has been the chair of the **International Development Finance Club (IDFC)**, a unique network of 23 national and regional development banks, created in 2011 at the initiative of KfW. The members of IDFC work to redirect financial flows towards development pathways that are sustainable, low-carbon, and resilient to the effects of climate change. In 2017, IDFC financed US \$159 billion in activities helping to fight climate change and its effects. It is the largest provider of green public financing in the world.

### Mainstreaming: including climate in the strategies of financial institutions

It is crucial for public and private financial institutions to be involved in the implementation of the Paris Agreement. The Mainstreaming Climate Action in Financial Institutions Initiative works towards peer exchange in good practices and knowledge in order to include climate financing in financial institution activities. This initiative brings together around 40 organizations representing €11 trillion in assets.

AFD is an inclusive public financial institution and the main actor in France's development policy. It makes commitments to projects that genuinely improve the everyday lives of people, in developing and emerging countries and in the French overseas territories. AFD works in many sectors – energy, health, biodiversity, water, digital technologies, training – and supports the transition to a safer, more equitable and more sustainable world: a world in common. Its action is fully in line with the Sustainable Development Goals (SDGs). Through its network of 85 agencies, AFD operates in 109 countries and is currently supporting over 3,500 development projects. In 2017, it earmarked €10.4 BN to finance these projects.



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