



Climate

2018 ACTIVITY REPORT

#WorldInCommon



AFD

AGENCE FRANÇAISE
DE DÉVELOPPEMENT

AFD Group's climate strategy

The effects of climate disturbances are putting people and ecosystems in peril, especially in the developing countries most vulnerable to climate change. To limit the increase in global temperature by the end of the century, we need to both accelerate the transition to low-carbon societies and strengthen their resilience to the impacts of climate change.

Since the adoption of the Paris Agreement and the Sustainable Development Goals (SDGs), it has become clear that climate change and development are two challenges that must be associated.

As a development finance institution, AFD supports the emergence of more sustainable development models. Its climate actions mirror the objectives of the Paris Agreement: they seek to limit greenhouse gas (GHG) emissions, enable people and ecosystems to adapt to the effects of climate disturbances, and align its financial flows with long-term low-carbon and resilient development.

Since 2015, climate has been a core aspect of the AFD Group identity. This positioning has been strengthened by the adoption of a 2017-2022 climate strategy that reflects the Group's ambition to facilitate the implementation of the Paris Agreement and low-carbon and resilient transitions in the developing and emerging countries. To achieve this goal, AFD has made four commitments:

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.

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.

2

Increase climate financing

AFD Group has set the goal of reaching 5 billion euros in climate financing annually by 2020 in the countries where it operates, excluding Overseas France. Of this amount €1.5 billion is earmarked for adaptation to the impacts of climate change. Climate co-benefits are required from 50% of all its commitments.

4

Create solutions together

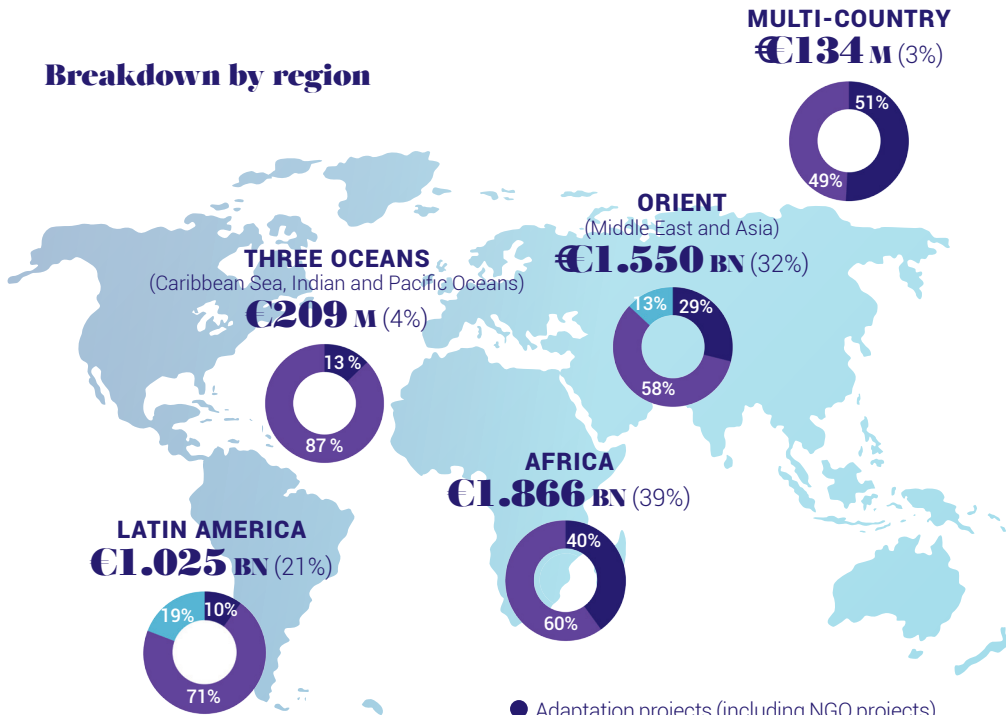
In addition to its financing, AFD exerts its influence to innovate, create solutions together, and capitalize on good practices. It does so in collaboration with actors from the financial, institutional, research, and civil society worlds.



Since October 2017, AFD has been the chair of the International Development Finance Club (IDFC), a unique network of 25 national and regional development banks, created in 2011. The members of IDFC work to redirect financial flows toward development pathways that are sustainable, low-carbon, and resilient to the effects of climate change. IDFC's most recent Green Finance Mapping indicates that, in 2017, it provided financing of 196 billion dollars to activities working to fight climate change, making it the greatest supplier of public green financing in the world.

Our climate activity in 2018

Breakdown by region



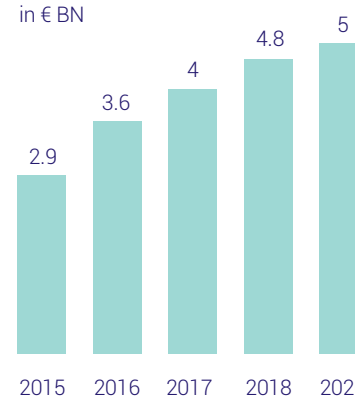
- Adaptation projects (including NGO projects)
- Mitigation projects (including NGO projects)
- Public-policy loans

€4.8 BN

in total commitments (158 projects), of which €612 M earmarked for the least developed countries (39% of the Group's total commitments in these countries)

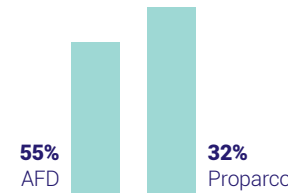
In 2018, despite the increase in its volume of activity (+11%), AFD Group fulfilled its objective of 50% of commitments with a co-benefit in the fight against climate change and its effects.

Trend since 2015



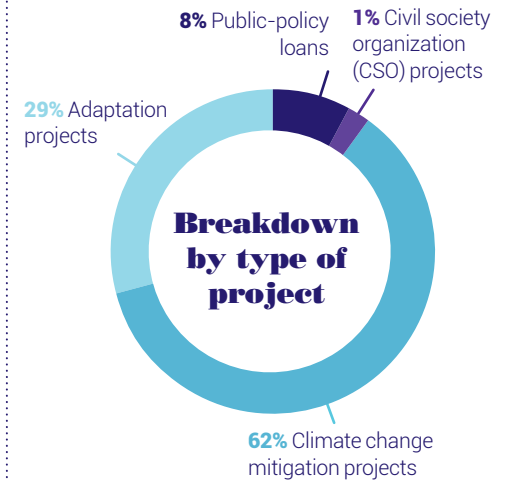
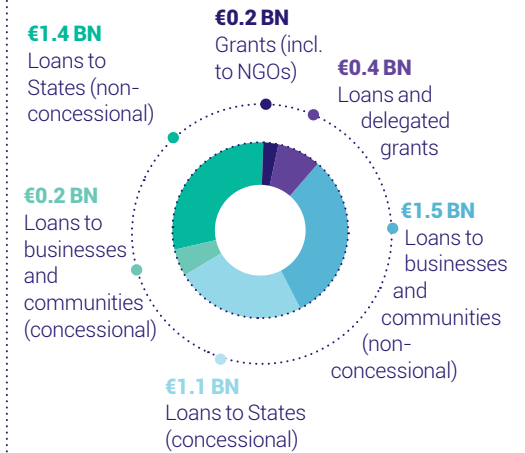
€33.8 BN in total climate financing since 2005

AFD/Proparco climate commitments¹



¹% calculated based on the annual commitments in developing countries, excluding general budget support (GBS), debt-reduction mechanisms (C2D), ARIZ guarantees, FEXTE, Proparco sub-participation, FFEM projects, and projects in the Overseas France Departments and Territories. In short, €9.4 BN out of the Group's €11.9 BN in financing.

Breakdown by tool

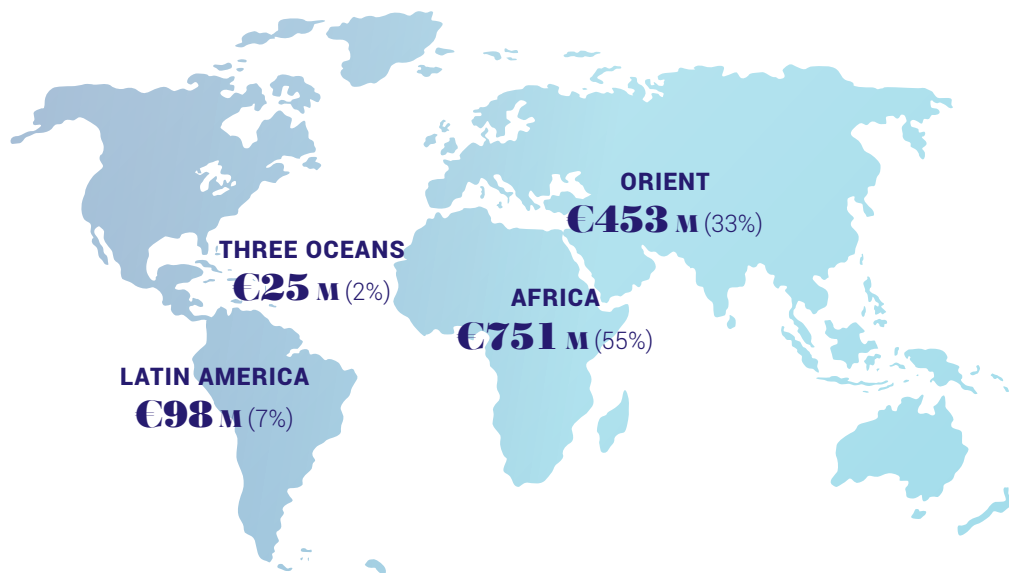


AFD and the Green Climate Fund

The goal of the partnership between AFD Group and the Green Climate Fund is to help redirect financial flows toward low-carbon and resilient development pathways. In 2018, they cofinanced the "Transforming Financial Systems for Climate" (TFSC) program to help transform local financial systems to fight climate change. More than 30 local financial institutions will in this way use the concessional resources of the Green Climate Fund (€240 million) and AFD (€410 million) to finance adaptation and mitigation projects.

Adapting to the effects of climate change

Breakdown by region

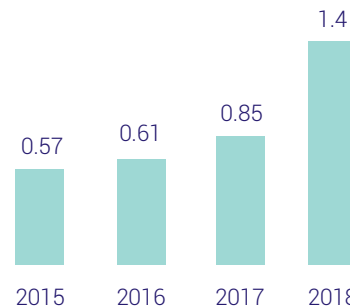


€1.4 BN
in commitments for adaptation,
of which **55% in Africa**

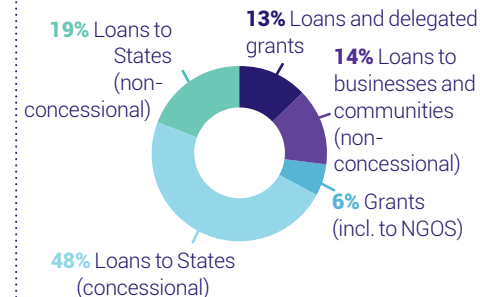
In 2018, €1.4 BN was allocated to adaptation projects and €0.2 BN to public-policy loans to promote adaptation, making for a total of €1.6 BN in commitments for adaptation.

Trend since 2015

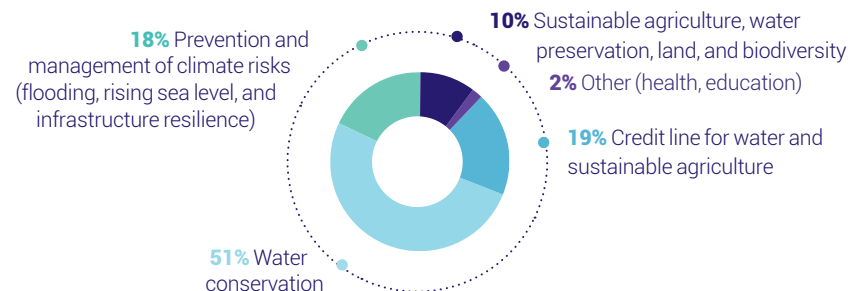
in € BN



Breakdown by tool



Breakdown by sector



Adapt'Action

Supporting the adaptation policies and projects of vulnerable countries

The objectives of the Adapt'Action facility are to provide the most vulnerable countries with tools to ensure them better access to climate finance and to facilitate the emergence of investments toward adaptation to climate change.

Adapt'Action has been endowed with €30 million over four years, to provide support for 15 countries and regional organizations. Priority is given to Africa, the Least Developed Countries (LDCs), and the Small Island Developing States (SIDS). The goals are to:

- consolidate climate governance, for successful

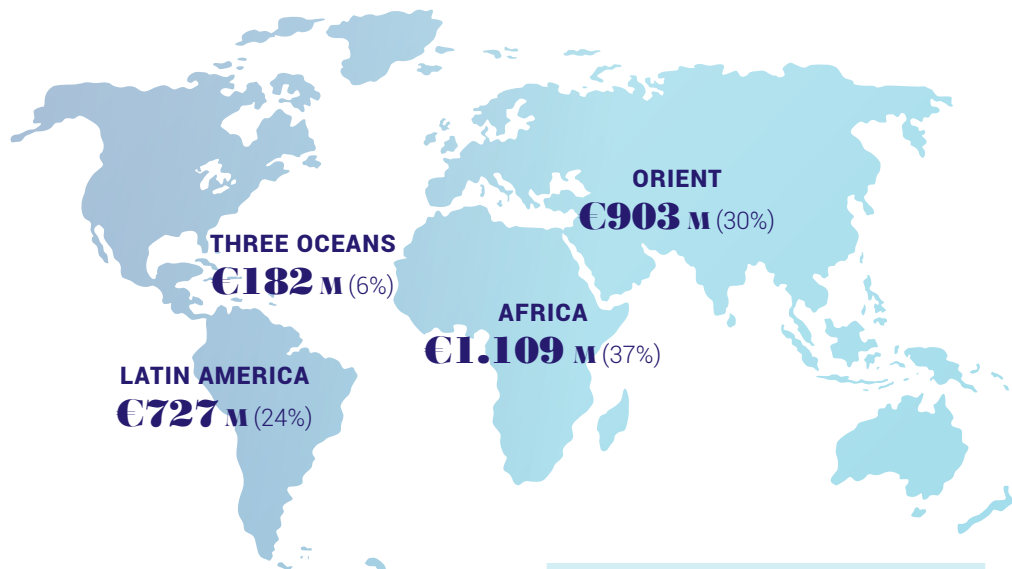
implementation of nationally determined contributions (NDCs);

- transform the NDCs into sector-based public policies and into concrete action plans on the key adaptation sectors (water resources, agriculture and biodiversity, extreme events, etc.);
- design adaptation programs and projects with impacts.

Adapt'Action also has the cross-cutting aim of better understanding climate vulnerabilities linked to gender.

Mitigating the impacts of climate change

Breakdown by region



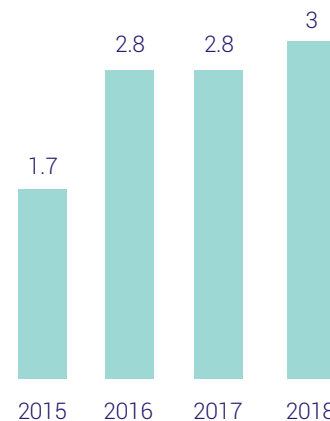
€3 BN
in commitments
for mitigation

10.5 million
CO₂ equivalent tons

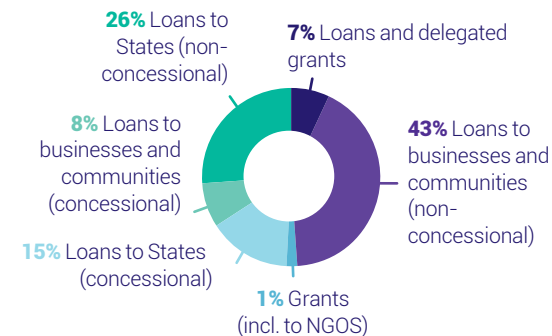
saved each year throughout the life of projects financed in 2018. AFD calculates its emissions using an internal tool and methodologies compatible with the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting.

Trend since 2015

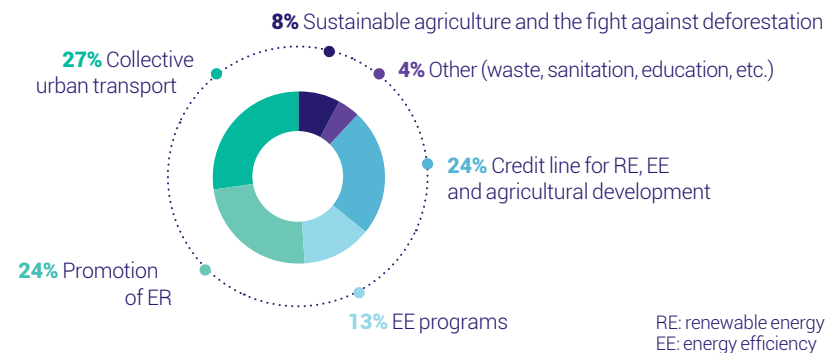
in € BN



Breakdown by tool



Breakdown by sector

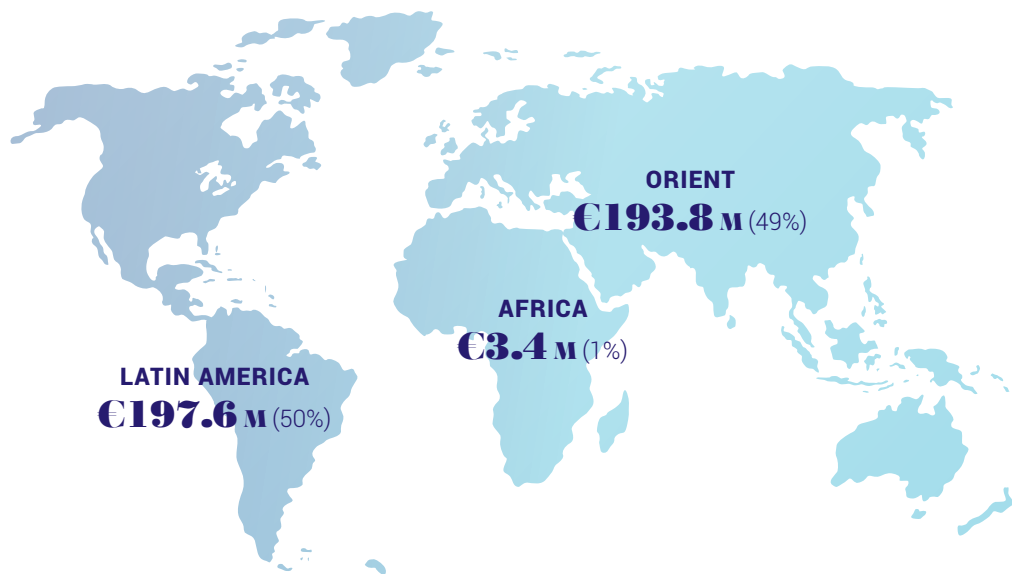


Getting banks to work for the climate

In 2018, €1.1 billion in financing was mobilized through credit lines of public and private banks to promote renewable energy (RE), energy efficiency (EE), the fight against deforestation, and waste management. This represents an increase of 20% compared to 2017. These credit lines also help finance an increasing number of climate-change adaptation projects, such as the “Transforming Financial Systems for Climate” project (see p. 5, “AFD and the Green Climate Fund”).

Supporting public policies for the climate

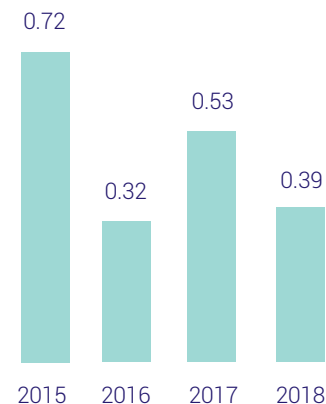
Breakdown by region



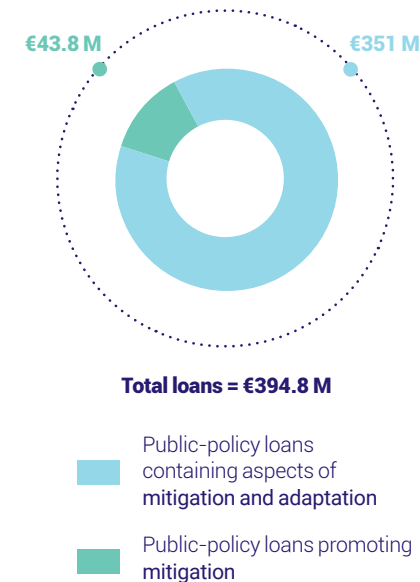
In 2018, AFD Group's loans to support public policies for the climate reached €394.8 million. These loans take the form of budget or sectoral support. They represent a crucial aspect in ensuring that AFD Group's actions are consistent with low-carbon and resilient development pathways.

Trend since 2015

in € BN



Adaptation/mitigation breakdown



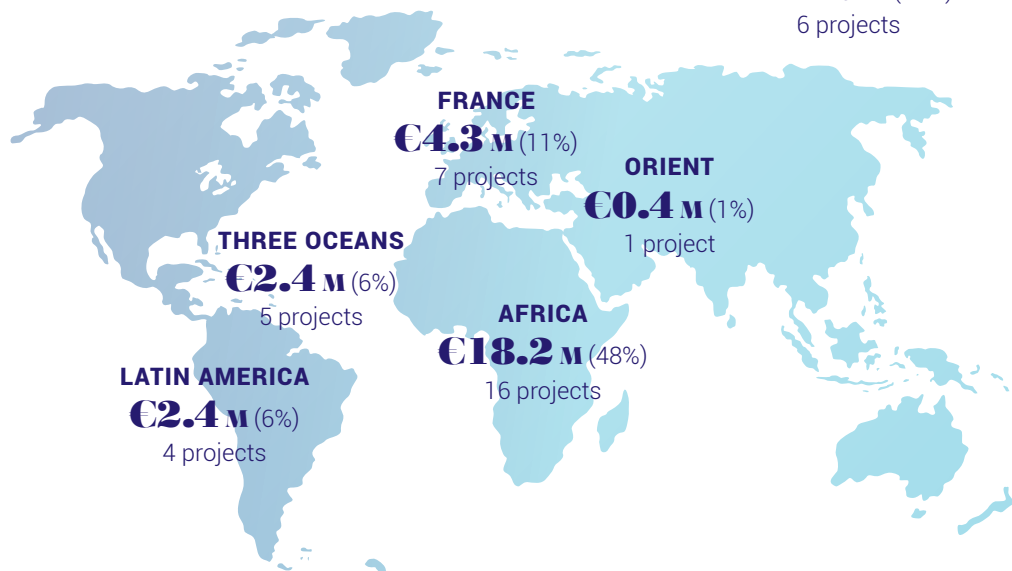
2050 Facility

The Paris Agreement called on countries to submit, by 2020, long-term development strategies characterized by low GHG emissions and resilience to the effects of climate change. But socio-economic, institutional, and technological aspects need to be included in those strategies. The 2050 Facility, which will eventually be endowed with €30 million, will directly support implementation of the Paris Agreement by helping to guide around 20 countries in their transitions.

Support within the context of the Facility is currently being launched in around 10 countries in Africa, Latin America, and Asia. Various issues are covered: analysis of the impacts of climate change, study of the pathways of sectoral transitions and risks of transition, integration of climate issues into national development strategies, capacity building for the monitoring of GHG emissions, taking into account the long-term challenges in the revision of national contributions, and others.

Supporting civil society's work for the climate

Breakdown by region



Double

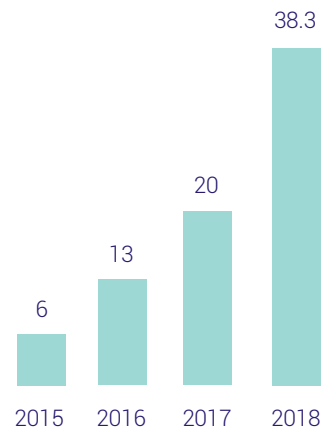
the climate commitments allocated to CSOs compared to 2017

€38.3 M

was allocated to CSOs for climate projects. A total of 39 projects, or 45% of total commitments to civil society organizations.

Trend since 2015

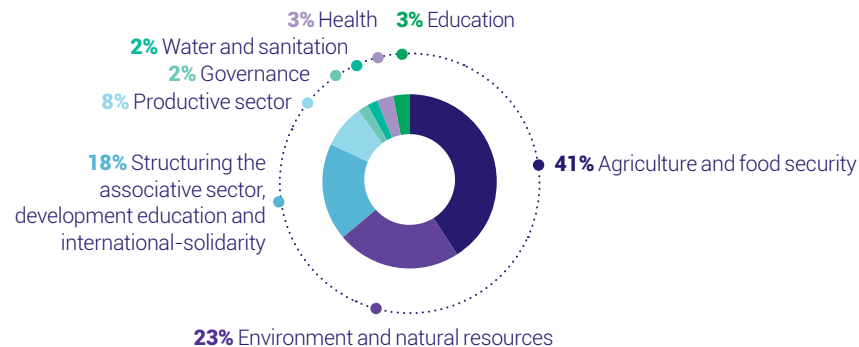
in € M



Adaptation/mitigation breakdown



Breakdown by sector



Capacity building for action by French civil society and its partners in the developing countries

AFD has renewed its support to the Climate and Development Commission of Coordination SUD (30 CSO members), in order to provide capacity building for CSOs in France and in developing countries and to back up their advocacy actions and intellectual production on the climate. This support will help foster the structuring and the cohesion of French CSOs as well as their visibility, particularly via participation in major international meetings such as the UNFCCC conferences of parties.

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 toward mitigation when it helps reduce GHG emissions compared to a benchmark 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 GHG emissions;
- the financing is dedicated to actions working toward mitigation (studies, capacity building, and credit lines to banks).

What about public policy financing?

Tracking of budget support for climate or sectoral policies must report on both the content of political and sectoral dialog 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 pro-rata 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).

What about CSO projects?

French CSOs contribute to AFD Group’s climate activity by developing projects and initiatives that:

- have direct benefits for the climate in terms of emission mitigation or adaptation to climate change;
- influence actors in the public sphere, so that they include climate issues in public policies;
- contribute to structuring CSOs working on climate issues in France as well as in development education and international-solidarity education.

Agence Française de Développement (AFD) is a public institution that implements France's development and international-solidarity policy. It finances, supports, and accelerates transitions to a fairer and sustainable world.

Climate, biodiversity, peace, education, urban planning, health, governance... Our teams are involved in more than 4,000 projects with strong social and environmental impact in Overseas France and in 115 countries. In this way, we contribute to the commitment by France and the French to the Sustainable Development Goals (SDGs).

AFD Group includes AFD and its subsidiary Proparco, dedicated to financing in the private sector. In 2018, the Group's financial commitments amounted to 11.4 billion euros.



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