Financing NAMAs
Role of Development Banks

CCAP Global NAMA Financing Summit
Copenhagen, May 15-16, 2013
AFD Group: An important player in climate finance

- **EUR 11.6 billion** of climate finance committed since 2007 (mitigation and adaptation)

- On average since 2009, **50% of AFD’s annual commitments** in developing countries are climate related

- AFD Group represents around **10%** of international public funding on climate change
Breakdown of climate projects in 2011 (adaptation and mitigation) by sector and geographical area

Mitigation projects in 2011 (in EUR M)

- Waste management (1%)
- Carbon funds (2%)
- Urban transport (10%)
- Fuel Switch (10%)
- Energy efficiency (11%)
- Budget support (11%)
- Biological sequestration (1%)
- Renewable energy (38%)
- Financial intermediation (16%)

- French Overseas (1%)
- Mediterranean (34%)
- Asia (25%)
- Latin America (37%)
- Sub-Saharan Africa (19%)

Adaptation projects in 2011 (in EUR M)

- Agriculture and natural resources (10%)
- Knowledge management (3%)
- Water resources (87%)

- Mediterranean (34%)
- Asia (5%)
- Latin America (36%)
- Sub-Saharan Africa (35%)
A wide range of financial instruments mobilized by AFD Group on climate action

- A wide range of tools for project funding:
  - Grants, concessional loans, loans at market conditions, investment funds own or mezzanine funds, securities and other structured instruments

- Innovative financial instruments with high impact on national / regional climate related public policy and the implementation of CC action plans (NAMA, NAPs):
  - Budget support to national, multi-sectoral, sectoral or territorial investment and capacity building programs

- Innovative financial instruments with high leverage on private funding:
  - “Green" credit lines and support to local banks and SMEs
  - Guarantees and risk sharing mechanisms
  - Mobilization of EU blending instruments or of the French Global Environment Fund (FFEM)

- Subsidiary dedicated to financing the private sector: Proparco
  - Debt or equity financing of projects or companies particularly in the areas of renewable energy, energy efficiency and environmental services
AFD 2012-2016 Climate Action Plan: 3 Pillars
1 A FIRM COMMITMENT TO THE FIGHT AGAINST CLIMATE CHANGE

For the period 2012-2016, AFD has committed to the target of allocating funding to the fight against climate change

50% of AFD’s annual allocations in the developing countries where it operates

30% of the annual allocations of Proparco, its private sector financing arm

2 A SYSTEMATIC MEASUREMENT OF THE IMPACT OF FUNDING ON CLIMATE CHANGE

For the period 2012-2016, AFD pledges to systematically measure the "climate" impact of the projects it finances
A POLICY OF SELECTING PROJECTS ACCORDING TO THEIR CLIMATE IMPACTS

For the period 2012-2016, AFD pledges to consider the impacts that projects have on climate change in its funding appraisal and evaluation criteria.

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Least Developed or Crisis Countries</th>
<th>Middle-income Countries</th>
<th>Emerging Countries</th>
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</thead>
<tbody>
<tr>
<td><strong>Mitigation project</strong> (&lt; -10ktCO₂e p.a.)** or project with low impact** (between -10ktCO₂e p.a. and 10ktCO₂e p.a.)</td>
<td>AFD Group funding possible.</td>
<td>AFD Group funding possible.</td>
<td>AFD Group funding possible.</td>
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<tr>
<td><strong>Emissive project</strong> (between 10ktCO₂e p.a. and 1MtCO₂e p.a.)</td>
<td>AFD Group funding possible.</td>
<td>AFD Group funding possible.</td>
<td>Possible if not concessional funding. <strong>Concessional funding possible if, and only if, the country has a climate policy.</strong></td>
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<tr>
<td><strong>Strongly emissive project</strong> (&gt;1MtCO₂e p.a.)</td>
<td>Funding possible. <strong>If the funding is concessional the country must have a climate policy</strong></td>
<td>No funding <strong>unless the country has a climate policy.</strong></td>
<td>No AFD Group funding.</td>
</tr>
</tbody>
</table>
NAMA compatibility

- AFD projects are financed at the request of the beneficiary

- Systematic carbon footprint measurement of projects funded by AFD
  - Which triggers the classification in mitigation project: « A development project contributes to GHG emissions reduction when the emissions reduction it generates are greater than emissions produced during its lifetime »
  - Which allows for some MRV set-up

⇒ Most AFD funded mitigation projects are NAMA compatible!

⇒ Which approaches should be fostered?
  - Allocation criteria - Transformational impact
  - Operating modalities - Channeling of funds
**Level of Ambition / Transformational impact**

Function of cross-sector and long term integration, and importance given to policies & strategies, institutional, governance and organisational issues, coordination and participatory approaches, and related TA and capacity building.

- **Static approach**
  - Sector approaches / Credit lines

- **Dynamic approach**
  - Resilience to uncertainty / evolutive contexts
  - Systemic approaches (e.g. budget support at national/city level, CC DPOs)

- **Effective replicability**
  - “Isolated” project investments

- **Likelihood of realisation**
  - Depends on implementation risks and measurability of impact
An increasing knowledge gap?

Knowledge & Complexity

Required knowledge

Uncertainty

Available Knowledge

Time

développeur d’avenirs durables
Measuring Transformational Change...
développeur d'avenirs durables
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Financing for mitigation actions is already available
It is however poorly coordinated

Climate finance is very complicated on the ground.....

- Donor “climate related” commitments since 2003 > R20bn to South Africa
- Poor alignment with national development priorities
- Deeply fragmented, difficult to track impact & achieve scale
- High transaction costs due to duplication
GCF Business Model
Possible Option: Financing facility

Contributions
Grants

Green Climate Fund
Secretariat / Board / Trustee

Funding Windows
Grants

Private Sector Facility
Grants

Funding Proposals
Recommended by National Designated Authorities

Direct Access
Subnational, National, Regional Implementing Entities
Financial institutions (e.g. Development Banks)
Financial intermediation and/or Cofinancing possible
Grants, Concessional Loans, Other instruments

Non-Financial Institutions
Cofinancing possible

International Access
UN agencies, MDBs, IFIs, Regional institutions
Financial institutions (e.g. Development Banks)
Financial intermediation and/or Cofinancing possible
Grants, Concessional Loans, Other instruments

Non-Financial Institutions
Cofinancing possible

Other co-financiers
Public & private

Non objection procedure
Country driven coordination mechanism to ensure complementarity & coherence

Activities
projects, programs, policies, plans, NAMAs, NAPs, NAPAs, technical assistance & capacity building, etc, undertaken by executing entities
Thank you for your attention

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