



AFD's Climate-development approach in the Urban sector

LIMA
dec 2014

développeur d'avenirs durables

. **French ODA Institution; Development Bank; AFD group= AFD (Agence Française de Développement) +PROPARCO (private sector subsidiary); houses FFEM Secretariat (French GEF)**

.Wide range of financing tools

- .Sovereign loans (from very concessional to market conditions)
- .Non sovereign loans (concessional or market conditions)
- .Private sector loans
- .Equity
- .Guarantees on loans in EUR, USD and local currencies (“ARIZ”)
- .Grants (projects, study funds, technical assistance)

. **Areas of intervention:** Economic Growth; poverty reduction; preservation of Global Public goods (Climate, biodiversity)-green inclusive growth

. Yearly Financing equivalent to EUR 7.8 Billion

. **Present in 70+ Countries**

Systematic measurement of projects' carbon footprint

(Carbon Footprinting Tool* developed since 2007)

* available at <http://climat.afd.fr>



Selecting projects according to their climate impacts

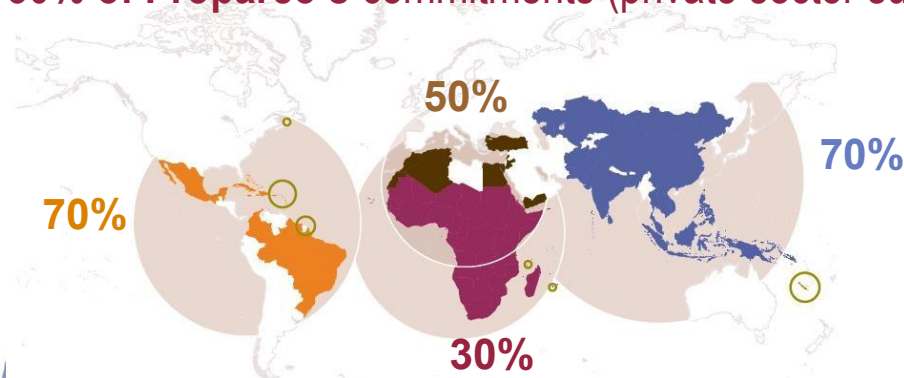
(considering countries' development levels)

	Category 1 (USA, LDCs, priority and poor countries to China)	Category 2 (Middle Income Countries)	Category 3 (Countries with Green and Inclusive Growth strategies)
MITIGATION projects & projects with NEGATIVE climate impacts (between 10t _{CO2} /year and 100t _{CO2} /year)	YES	YES	YES
EMISSIVE projects (between 10t _{CO2} /year and 100t _{CO2} /year)	YES	YES	YES <small>If the loan is not concessional in case of concessional loan, GSB rate if the country has an acceptable climate policy</small>
HIGHLY EMISSIVE projects (more than 100t _{CO2} /year)	YES <small>with conditions on funding concessional unless the country has an acceptable climate policy</small>	NO <small>unless the country has an acceptable climate policy</small>	NO

High level of financing for climate change action

(specified by geographical area)

- 🔗 50% of AFD's annual foreign-aid commitments
- 🔗 30% of Proparco's commitments (private sector subsidiary)



Overall objective

*Promote inclusive,
productive and
resilient cities*

Four strategic targets

Cross-cutting target

Finance and assist local urban stakeholders in their territorial development strategies

Strategic target #1

Promote environmentally friendly and low-carbon cities

Strategic target #2

Encourage social cohesion and cities accessible to all

Strategic target #3

Strengthen local economical dynamics and job creation

- (1) **tailored financing solutions** in support of urban development projects and local governments;
- (2) **policy dialogue and technical cooperation** contributing to the urban climate agenda;
- (3) **knowledge development and partnership-building** to identify and disseminate innovations.

Funding low-carbon, climate-resilient investments through tailored financing solutions

Funding of local governments for low-carbon, climate-resilient infrastructure projects or to support their local climate action plans.

- **Direct lending** with or without state guarantee for project financing;
- **Budget support** to fund local government's climate investment programs
- **On-lent sovereign loans**

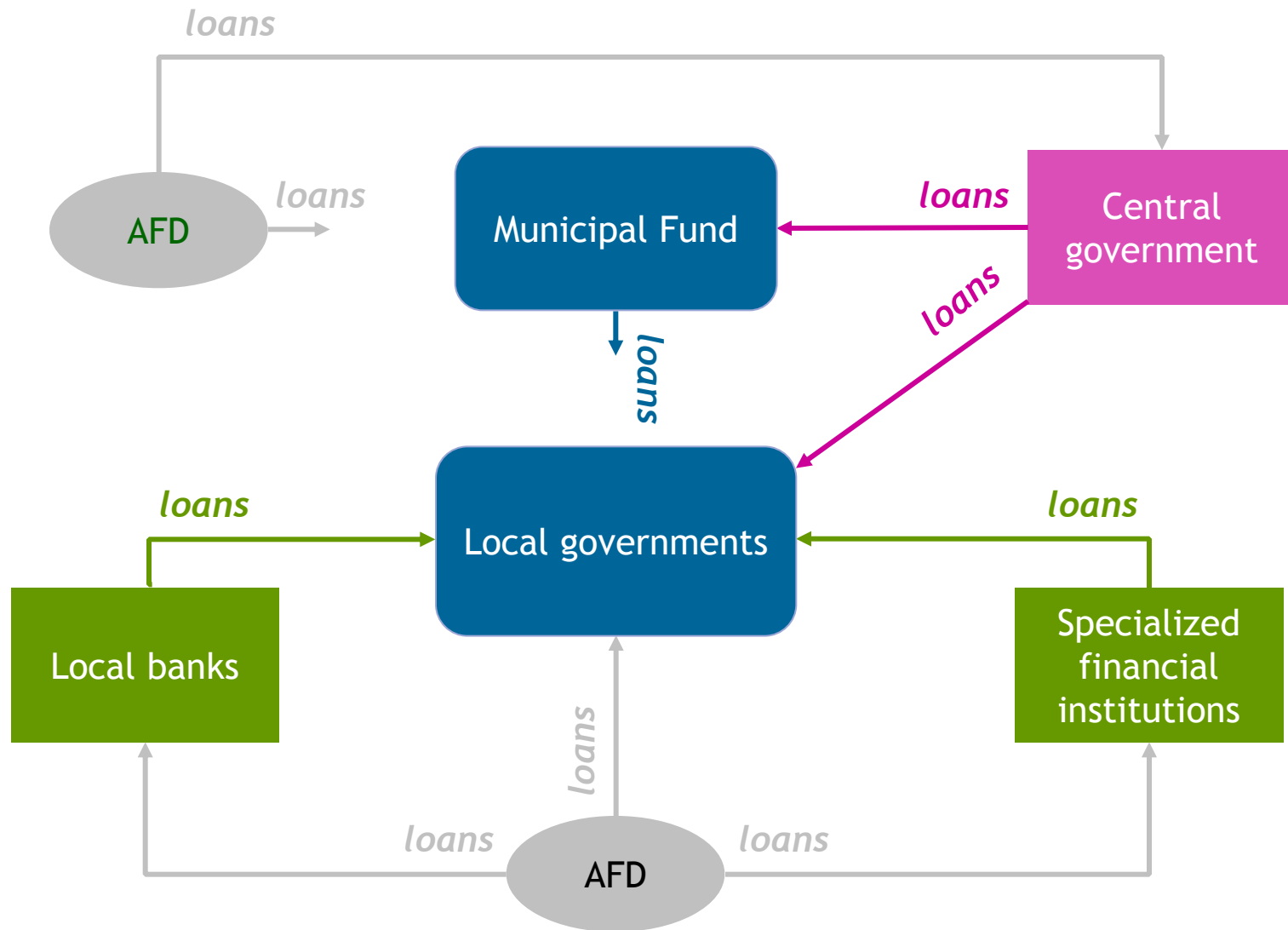
Mitigation: low-carbon, sustainable mobility solutions by financing public transport projects through sovereign loans (e.g: Lagos , Bangalore , Addis-Abeba .

Adaptation: urban drainage projects (Madagascar), broader objective of adapting urban basic services projects to impacts of climate change (proofing).

Mobilizing financial intermediaries

- **Credit lines dedicated to municipal investments** presenting climate co-benefits, for example in Brazil or Vietnam.

Sovereign loan programs contributing to urban climate agenda, implemented through local governments or national agencies (secondary cities)



Tailored financing offer to adress various barriers to urban infrastructure financing

Mobilizing technical cooperation solutions to address barriers to climate investments



AFD's Cities & Climate Change Research Agenda (2014-2015)

Climate-smart planning

- Comparative study of GHG inventory tools
- Comparative study of LCAP methodologies
- Case study analyses of enabling conditions for LCAP implementation & adaptation financing

Policy-development

Scientific program with research labs & universities regarding **indirect policy measures** (regulatory/price-based) necessary to maximize **climate co-benefits of housing & transport policies & investments**

Innovative funding solutions

- Ongoing study on the role & potential of local financial institutions in favour of the urban climate agenda

“Cities & Climate Change” : on the road to COP 21

- Accompanying partner cities to plan for, identify & finance low-carbon, climate-resilient investments
- Understanding barriers & levers to the “cities & climate change” agenda through Research & knowledge-development : climate-smart planning ; policy-development ; innovative funding mechanisms
- Partnership-building : **Cities Climate Finance Leadership Alliance, Compact of Mayors partners, Rockefeller Foundation, IDFC**
- **Contributing to events in run-up to COP21**
 - COP 20 (Lima), Resilient Cities Forum (Bonn - June), Civil Society Major Group Meetings (Lyon - July), Bogota Cumbre (Sept.), Africités Forum (Johannesburg - Dec)