



Financing adaptation through development activities



**Side event « Progress in Adaptation to Climate
Change – Approaches and Examples of Innovative
Adaptation Finance »**

Monday, 21 May, 2012

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Outline

- Main figures
- AFD activities on adaptation
- Examples of innovative tools to finance adaptation projects



Carbon Disclosure Project

AFD – Who are we ?

■ French ODA Agency: Public Company & Bank

- AfD
- PROPARCO : financing of the private sector
- French GEF secretariat



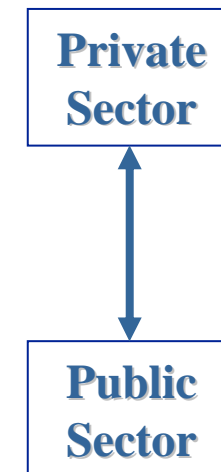
■ Present in 80+ countries

■ EUR 7 bn committed in 2011

- Climate change agenda ~ 40%

■ Wide range of financing tools

- Equity financing
- Private sector loans
- Partial risk guarantees / Loan guarantees
- Guarantees on loans in local currency
- Non sovereign loans / Credit lines to intermediaries (concessional or market conditions)
- Sovereign loans at Project/Sector/Budget levels (from very concessional to market conditions)
- Grants (projects, study funds)



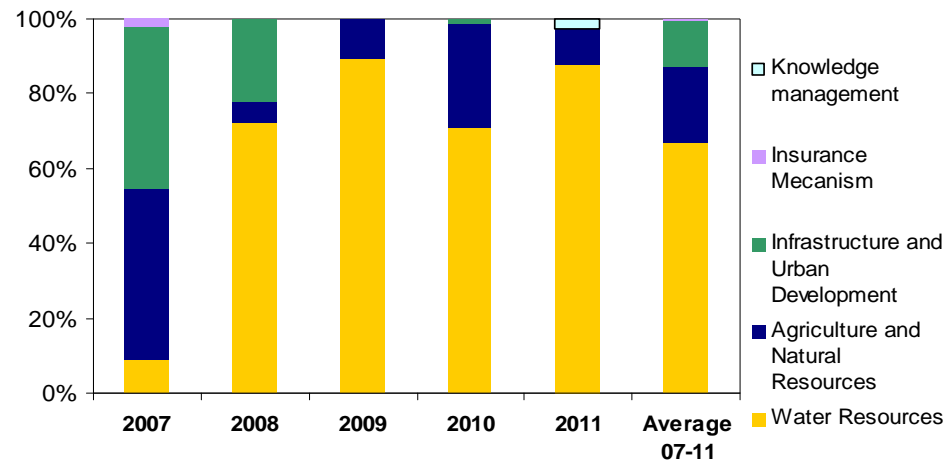
■ Untied aid

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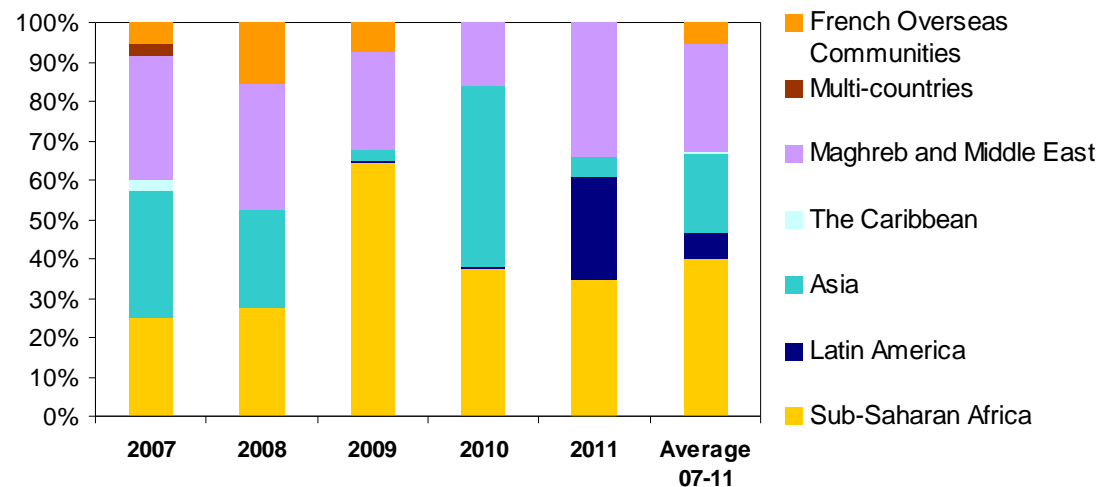
Operations on Adaptation : Main figures

- AFD has committed more than € 1.6 billion on adaptation over the last five years (15% of the Group's climate commitments)



Focus on water sector...

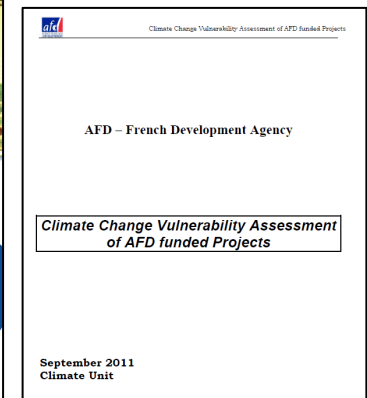
and Sub-Saharan Africa



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Methodological Work (in progress)

- Definition of adaptation and classification of interventions
- Setting up procedures and tools for Climate Proofing
- **Objective:** Reduce projects' vulnerability to CC by assessing climate risks on projects. The idea is not to be exhaustive but focus on the most significant projects, with a **Prescreening Tool / Matrix**.
- Matrix lists most vulnerable projects/programs regarding CC (sector approach).
- Matrix also includes 3-level risk classification according to countries' vulnerabilities to CC (geographic approach)
 - Significant / Uncertain / Unsignificant
- Only “significant” projects trigger further diligences, e.g. : recommendations to be included in the feasibility study





Examples of Innovative Tools (1/3)

Climate Change

Development Policy Operations (DPOs)

- **Budget support** based on design and implementation of a climate change action plan
 - Non earmarked « thematic » budgetary loans
 - Announced for several years
 - Based on a « policy matrix » established between Government and developments partners, high level dialogue targeted
 - Annual result indicators
- **+ Technical assistance program focusing on public policy bottlenecks and/or emblematic projects**
- **Dynamic, interactive and iterative dialogue, with following objectives**
 - Support design and implementation of operational climate change action plans / Contribute to the evolution of related public policies (LT impact)
 - Facilitate cross-sector and inter-ministerial dialogue to enhance CC considerations in political, budgetary, technical decision making
 - Facilitate country-led coordination of development partners and reinforce coherence of activities
 - Complement sector and project level interventions – coherence of policies and between national/local levels
 - Link with international climate change negotiations / paradigm shift / direct access



Current Climate Change Development Policy Operations @ AFD

Country	Topic	Co-financiers	Signed commitments
Indonesia	Climate Change	JICA, WB, ADB	3 operations : USD 800 M TA : € 1,64 M AFD
Mexico	Climate Change	WB, IDB	2 operations : € 485 M TA : € 0,65 M AFD + USD 0,275 M UNEP + € 2 M EC (LAIF)
Mauritius	« Maurice Ile Durable »	EC	1 operation : € 125 M TA : € 2,2 M (AFD + French GEF/FFEM)
Vietnam	Climate Change	JICA, CIDA, WB + Korean Exim, AusAid	2 operations : € 40 M TA : € 0,6 M AFD

Climate Change DPO in Vietnam

National Target Program to Respond to CC

National Steering Committee

Chairman: Prime Minister
Vice-Chairman: MONRE's minister
Vice-Chairman: MPI and MOF's ministers
Members: MARD minister, MOFA minister

Executive Board

Chairman : MONRE Minister
Vice-chairman: vice-minister of MPI, vice-minister of MOF
Members: MONRE, MARD, MOFA, MOIT, MOLISA, MOT, MOC, MOIC, MOET, MOHA, MOH, MOST, MOCST, MOD, MOPS

MONRE NTP-RCC Standing Office

Special Program-RCC set-up

Role:

- approve the matrix (in addition to the annual approval by the Prime Minister)
- monitor and supervise SP-RCC's implementation
- Guarantee the interministerial dialogue

Role:

- be the focal point for the matrix' elaboration and the coordination set-up
- monitor the implementation of the matrix' actions and elaborate monitoring reports on the program

MONRE
Program Coordination Unit

Ministry
-Dept. A
-Dept. B

Ministry
-Dept. D
-Institut

Ministry
-Dept. C
-Agence

Donors
(JICA,
AFD)



Climate Change DPOs

First Lessons from Experience

■ Based on

- Cross-capitalization work lead by AFD Evaluation Unit + Consultants
- Ex-post evaluation of Indonesia CC DPOs with JICA (underway)

■ Main questions raised

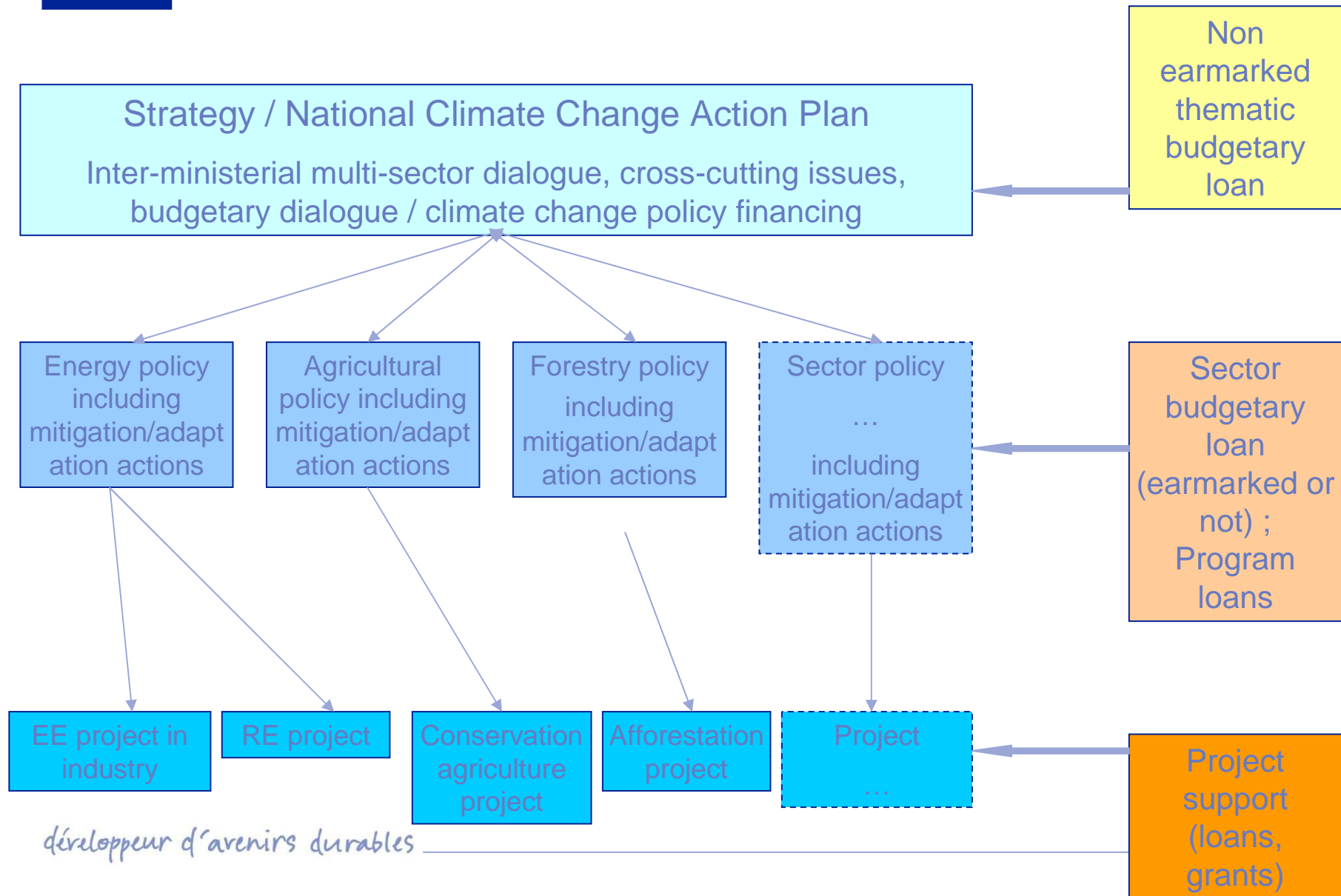
■ Issues traditionally linked with sector budgetary operations

- Ownership, with whom should the policy dialogue be organized, budget allocation process, typology and number of indicators to be used for the policy dialogue, strength of the conditionality attached to the financial support, etc.

■ Climate change DPO specific issues

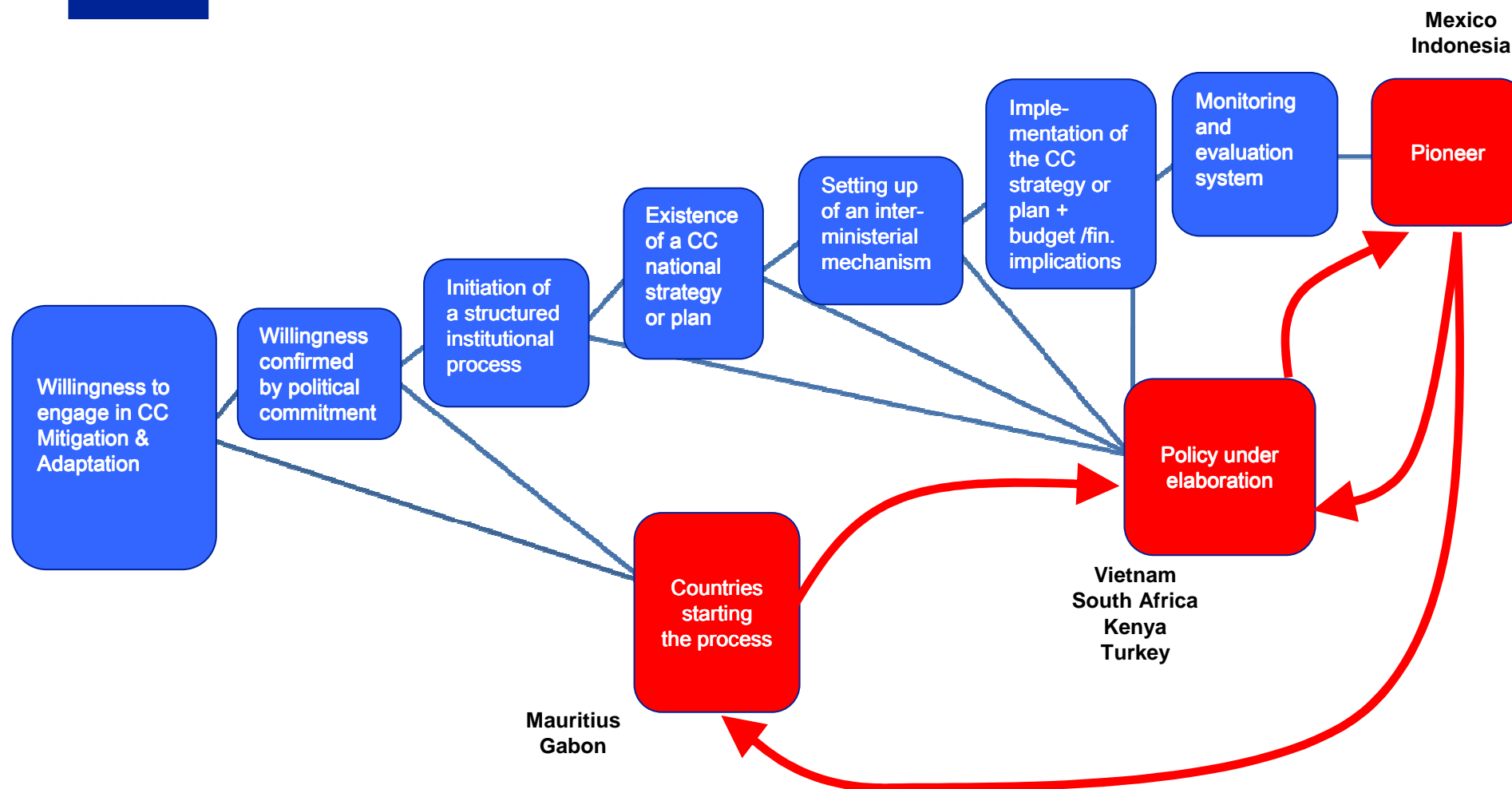
- Institutional set up : inter-ministerial by nature
- Analytical work required for CC DPO design : aggregation of sector priorities ? Comprehensive approach ?
- Results framework / monitoring and evaluation :
what you get is what you measure... but can we measure it all ?
- Complementarity with other CC financing tools and approaches ? Entry and exit strategies ?

Complementarity with Other Financing Tools?





Diversity of Situations



Examples of Innovative Tools (2/3)

Blending Facilities

Principles

- Bring complementary financing resources (through grants) to relevant financing actors in order to allow them to better answer the countries' demands
- Ensure effectiveness and efficiency
- Leverage the intervention capacity of financial institutions;

Example:

Blending loans with grants from the Neighbourhood Investment Facility (NIF)

- Drinking water efficiency programme in Morocco to decrease losses in water production and distribution (AFD, KfW)



Examples of innovative tools (3/3)

French Fund for Global Environment (FFEM or French-GEF)

Principles

- F-GEF : bilateral public fund promoting environment protection in developing countries
- Grants to support practical action involving a learning process and testing innovative or exemplary approaches

Example:

Project to reduce the vulnerability of agriculture in Morocco and Tunisia

- Improve and disseminate knowledge on the impacts of CC on crops in three regions in North Morocco
- Dissemination of adaptation practices into agriculture projects (agroecology, efficient irrigation...)
- Develop and test index-based insurance tool to mitigate climate risks





Thank you for your attention!

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