

# In-Country Institutional Arrangements for Climate Finance

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## Experience from a Development Finance Institution

Alexis Bonnel  
Deputy to the Director of Sector Operations  
Agence Française de Développement  
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# Who are we ? AFD Group

## ❑ French ODA Agency: Public Company & Bank

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

## ❑ Present in **80+ countries**

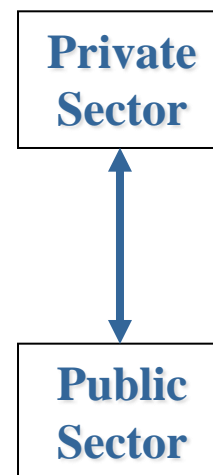
## ❑ **EUR 6.8 bn committed in 2010**

- Climate change agenda ~ 40%

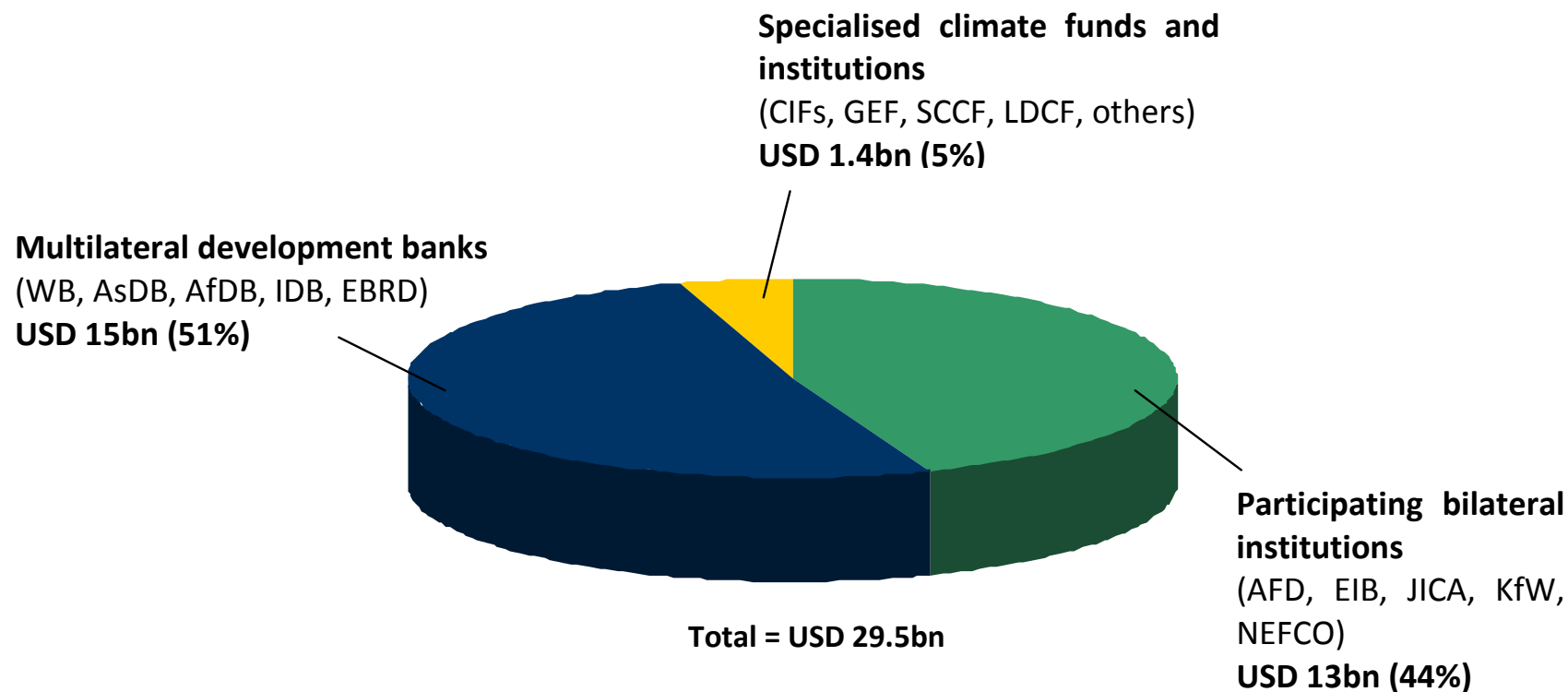
## ❑ **Wide range of financing tools**

- 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**



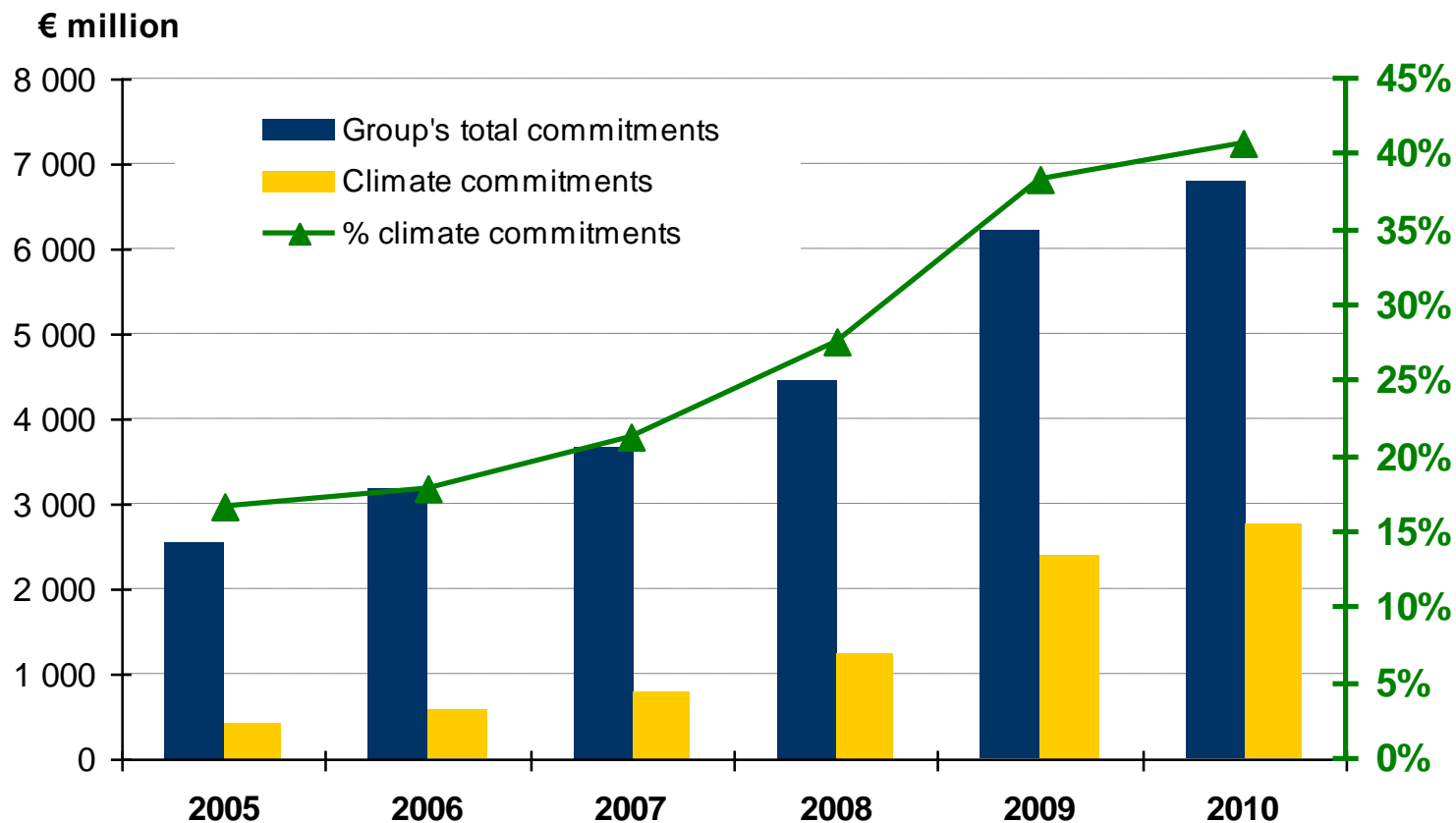
# International public funding for climate



*Distribution of the main international public funding sources for climate*

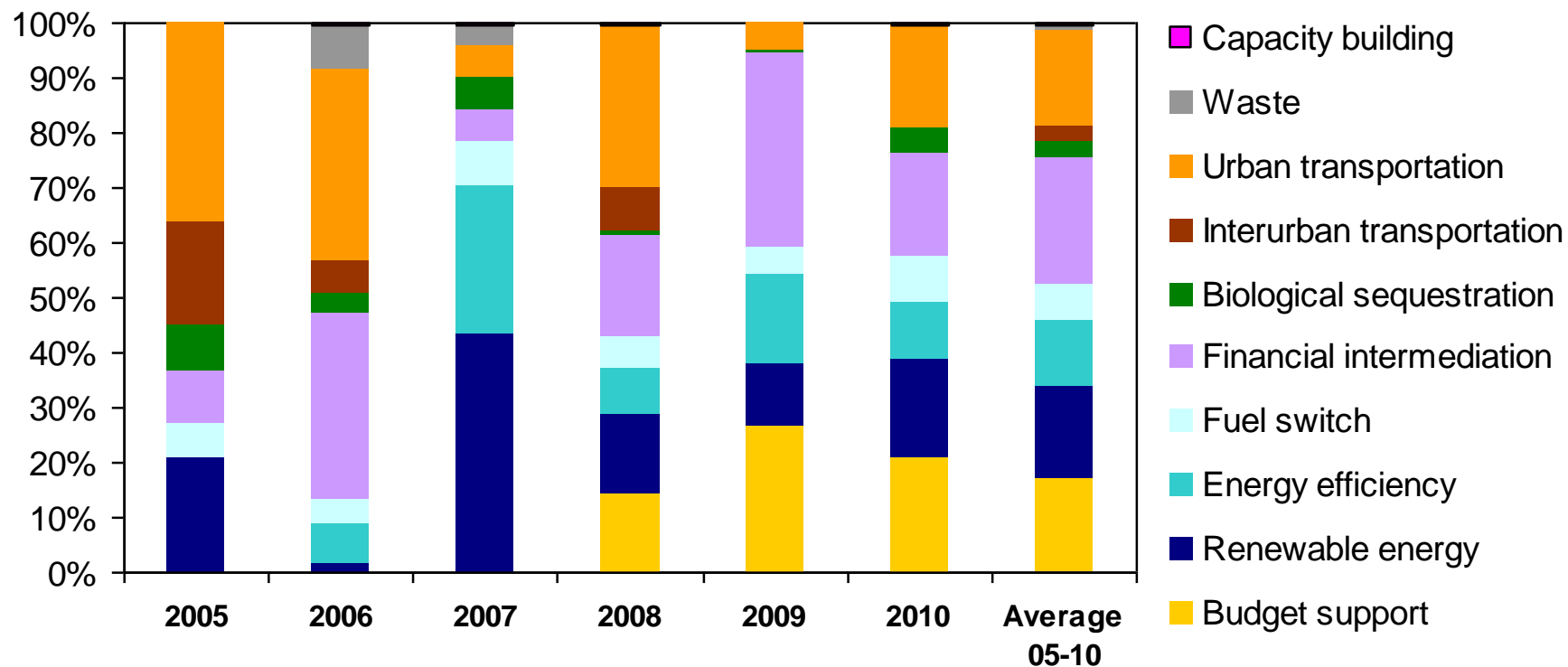
Source : UNEP/SEI Mapping of 2009 Climate Financial Flows to Developing Countries

# AFD Group « Climate » Commitments



- 265 climate-related projects committed between 2005 and 2010
- 209 signed (8 canceled)
- EUR 2.2 billion disbursed as of March 1, 2011 out of the 8.1 billion committed
- EUR 285 million via Private Sector window (Proparco)

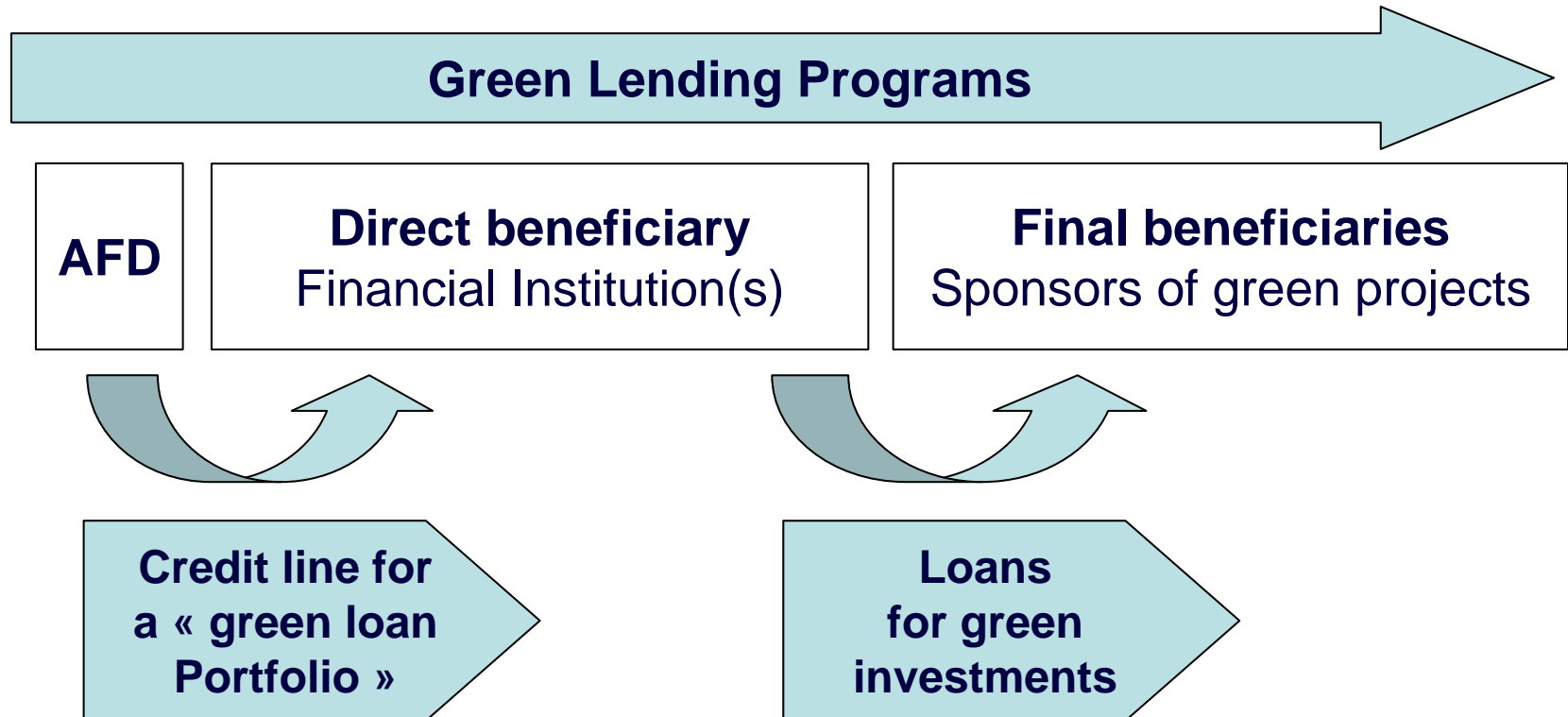
# AFD Group Mitigation Portfolio

















*Sector distribution of mitigation projects (by amounts) during the 2005-2010 period*

# AFD Green Credit Line programs

*Long term credit facility granted to Financial Institutions and transferred ultimately to sponsors of green projects:*



# Current Credit Line portfolio

Country	Amount	Target	Partners
Turkey	150 M €	EE/RE (SME focus)	  TEB
China	180 M €	EE in industry, RE	 SHANGHAI PUDONG DEVELOPMENT BANK  HUA XIA BANK 华夏银行  招商银行 CHINA MERCHANTS BANK
Tunisia	40 M €	EE/RE & pollution abatement	  البنك التونسي BANQUE DE TUNISIE  UBCI Groupe BNP PARIBAS
Egypt	40 M €	Pollution abatement	  NSGB
Thailand	40 M €	EE buildings	 SOA GH BANK กรมส่งเสริมการค้าระหว่างประเทศ กระทรวงพาณิชย์ Government Housing Bank
Brazil	15 M \$	RE	 BANCO PINE
India	120 M€	RE / EE	 SIDBI SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA  IREDA IS/ISO 9001 : 2000 Certified

# Climate policy funding : main features

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- ❑ **Budget support** based on development and implementation of a climate change action plan
  - Disbursement in 1 or 2 tranches
  - Based on a CC policy matrix elaborated by Government
- ❑ **Technical cooperation** focusing on public policy bottlenecks and/or emblematic projects
- ❑ **Dynamic, interactive and iterative dialogue**
- ❑ **Objectives :**
  - Help authorities transform political will into an operational climate change action plans
  - Facilitate cross-sector and inter-ministerial dialogue to enhance CC considerations in political, budgetary, technical decision making
  - Contribute to the evolution of public policies (LT impact)



# AFD and climate change policy funding

## ☐ Indonesia

- Partnership with JICA, 3 annual commitments based on performance matrix (US\$ 200 – 300 M each)
- Mitigation, adaptation, cross-sector (support to [interministerial](#) process)
- TA focusing on 4 issues: voluntary market for CO2 in forestry, land use planning, EE in industry, marginal abatement cost curves

## ☐ Mexico

- Financing of the National Climate Change Plan 2009-2012 (€ 185 M)
- WB and BID also involved
- Technical cooperation in spatial planning, forestry, [methodology](#) (monitoring & evaluation; elaboration of next climate change plan)

## ☐ Mauritius

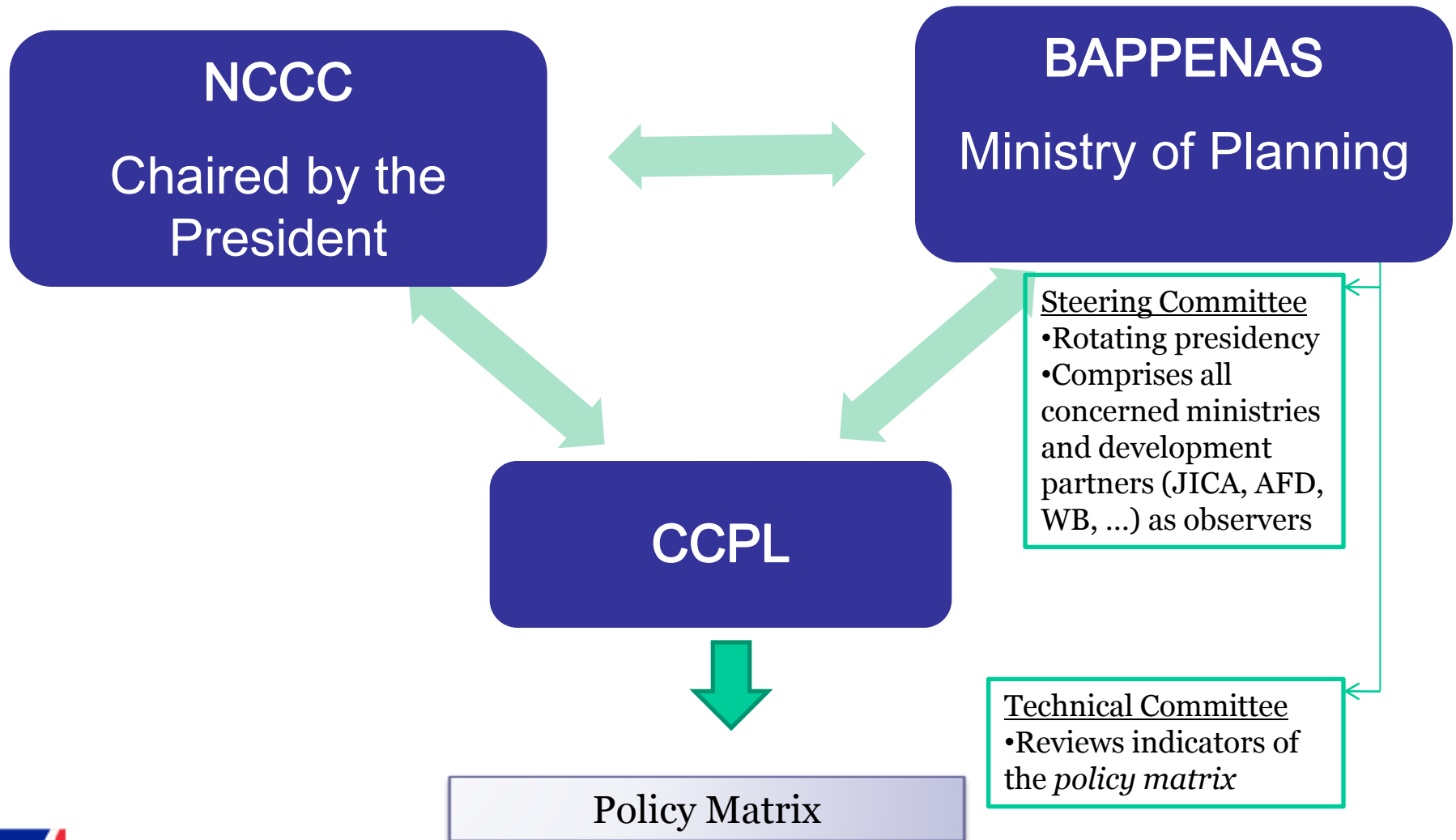
- Environment sector loan, 125 M€ in 2 disbursements  
Climate change mitigation & adaptation, biodiversity
- TA: support of the [interministerial](#) process + at sector level
- Leadership: AFD + French GEF

## ☐ Vietnam

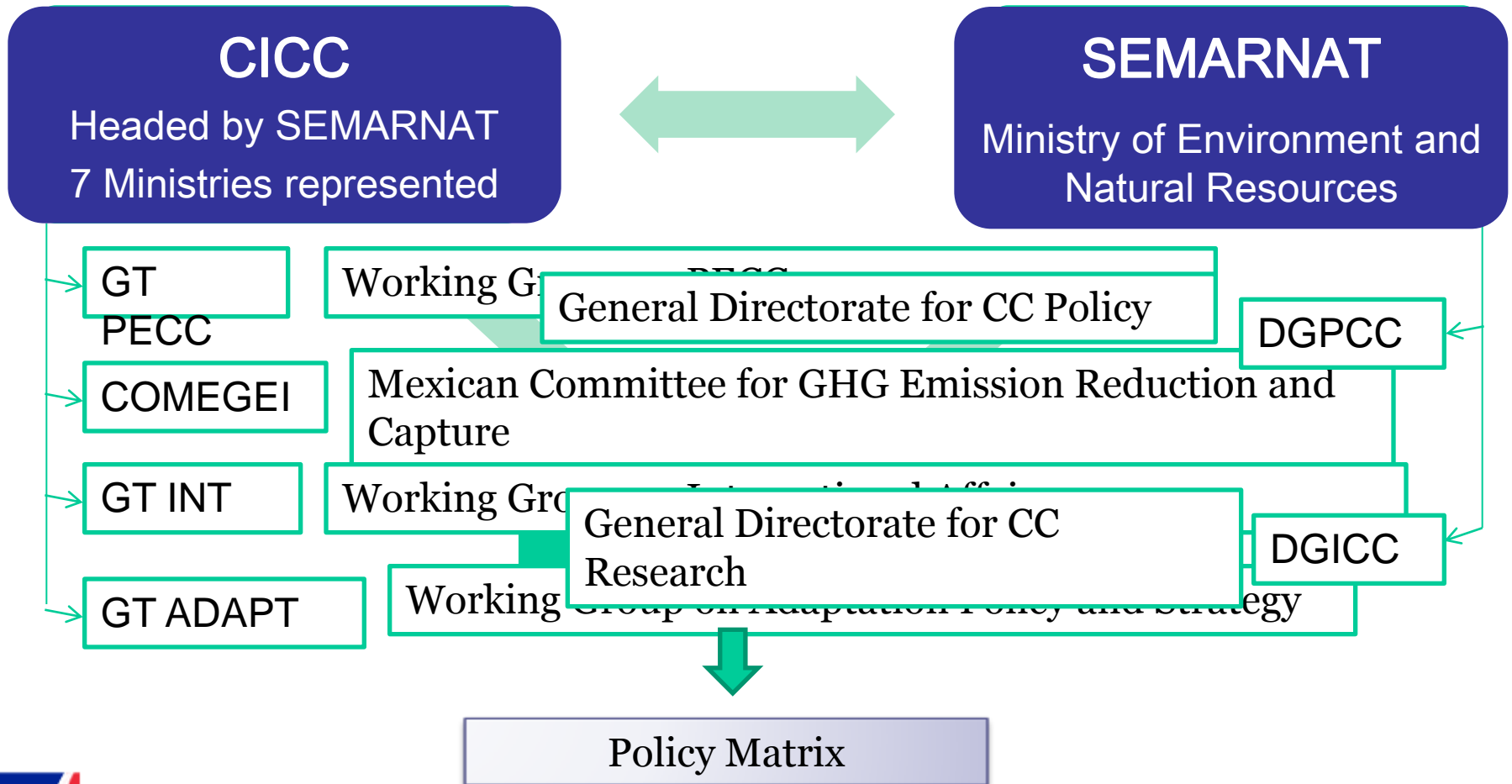
## ☐ Climate change policy lending for [local authorities](#)

- (Durban, Bangkok, Rio de Janeiro)

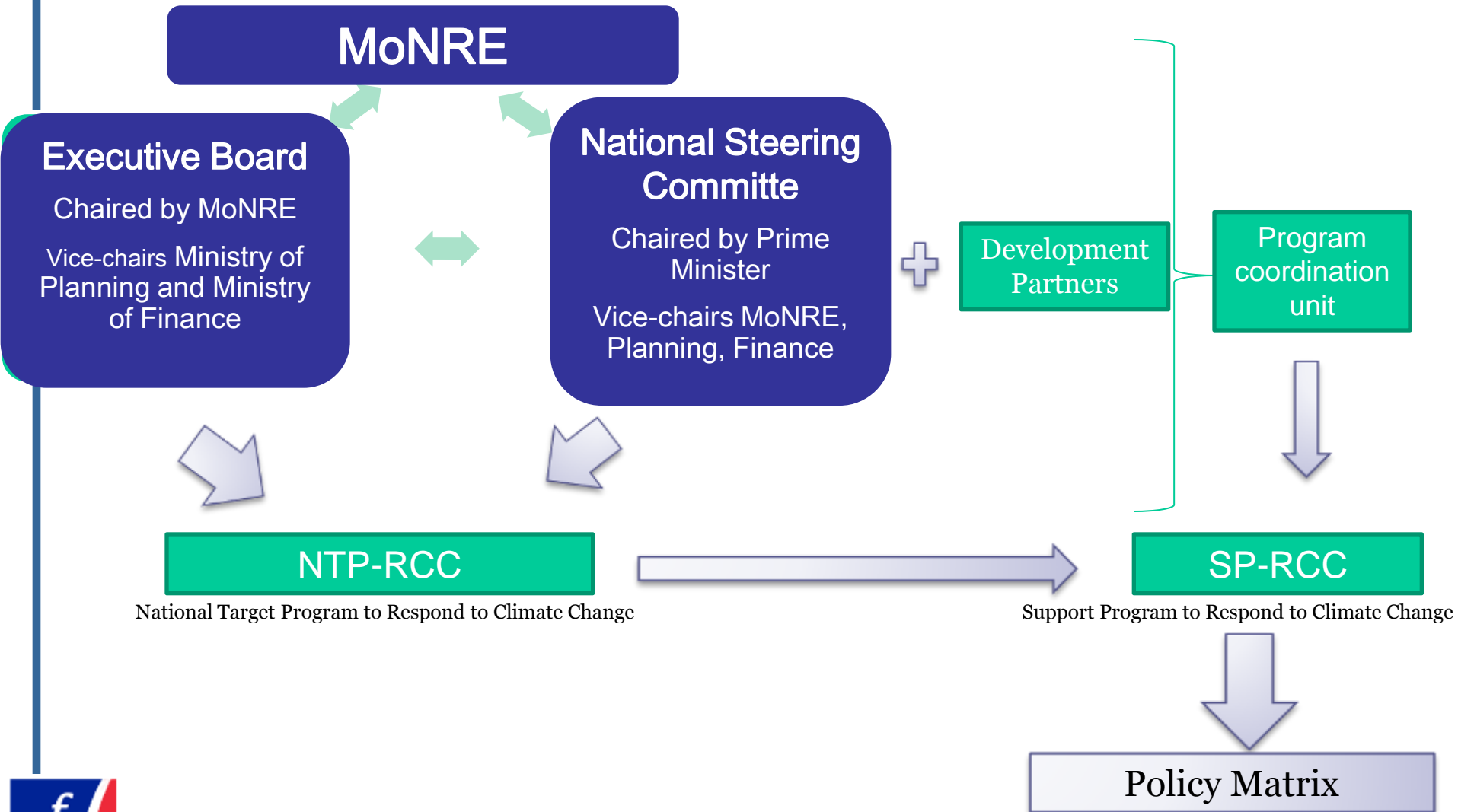
# Indonesia



# Mexico

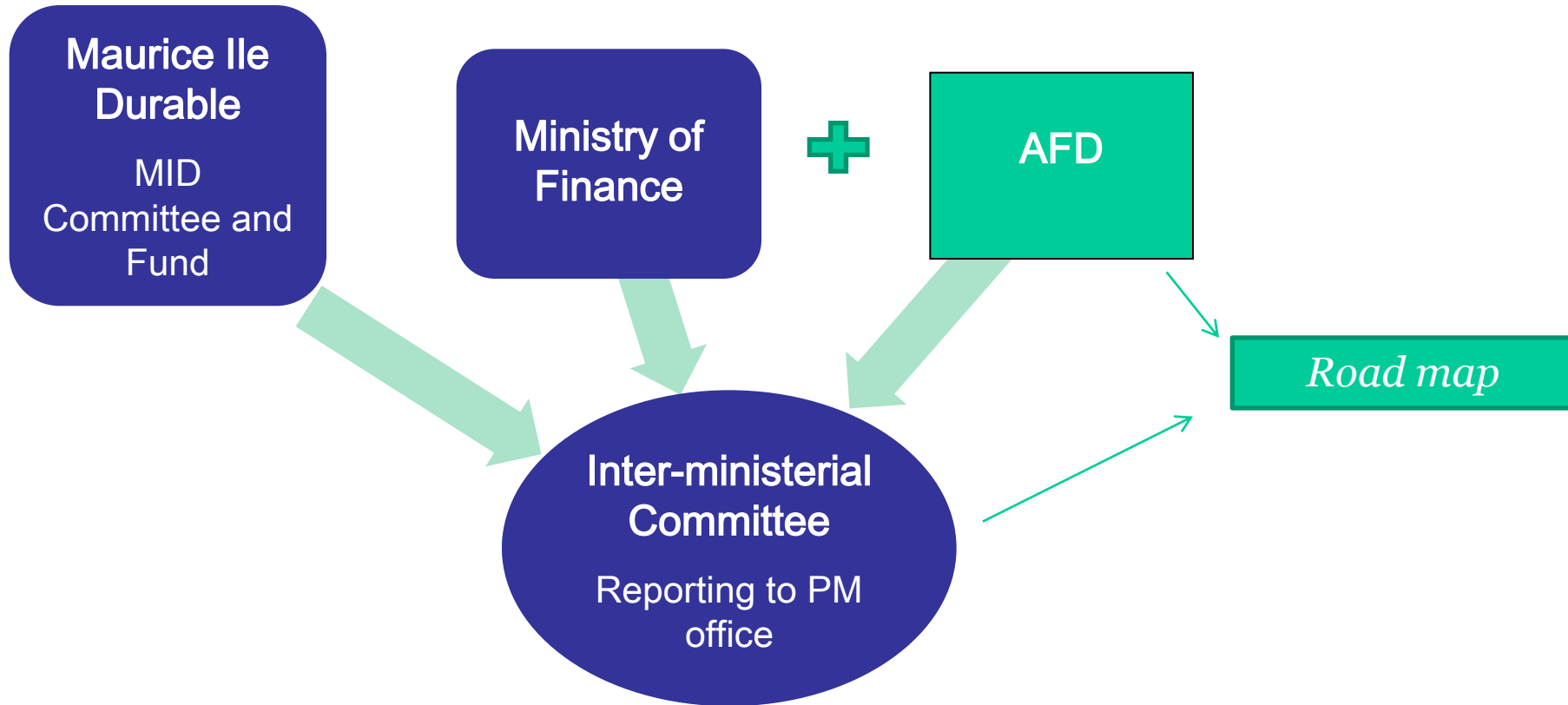


# Vietnam

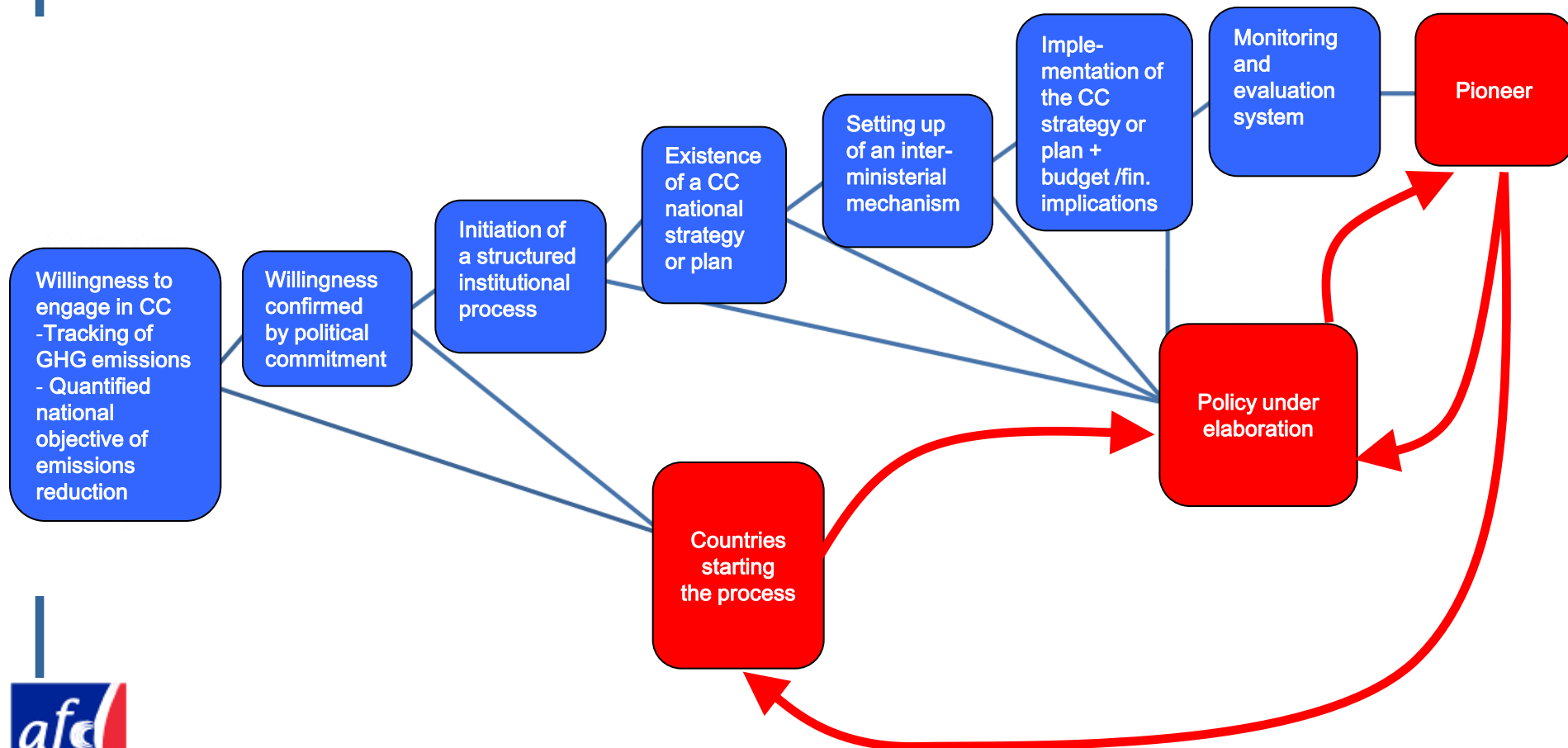


# Mauritius

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# Getting there



# The role of institutional arrangements

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## ❑ A **critical** role, as CC action is a bottom-up and a top-down process

- At local, regional and national levels
- Often neglected aspect of the problem
- One that resists efforts to reform due to a variety of bureaucratic and parochial interests, and the lack of political system support

## ❑ Factors of **resistance** to reform

- Institutional reform (like organization reforms within companies) carry short term costs/resistance while benefits are only medium to long term and somewhat uncertain
- How to monitor and evaluate such reforms ?
- “What you measure is what you get” but then “you never get what you cannot measure”...
- Simple and concrete, vs. more complex and conceptual interventions, which way to go for development/climate finance institutions ?

# Ensuring continuity of the institutional set up

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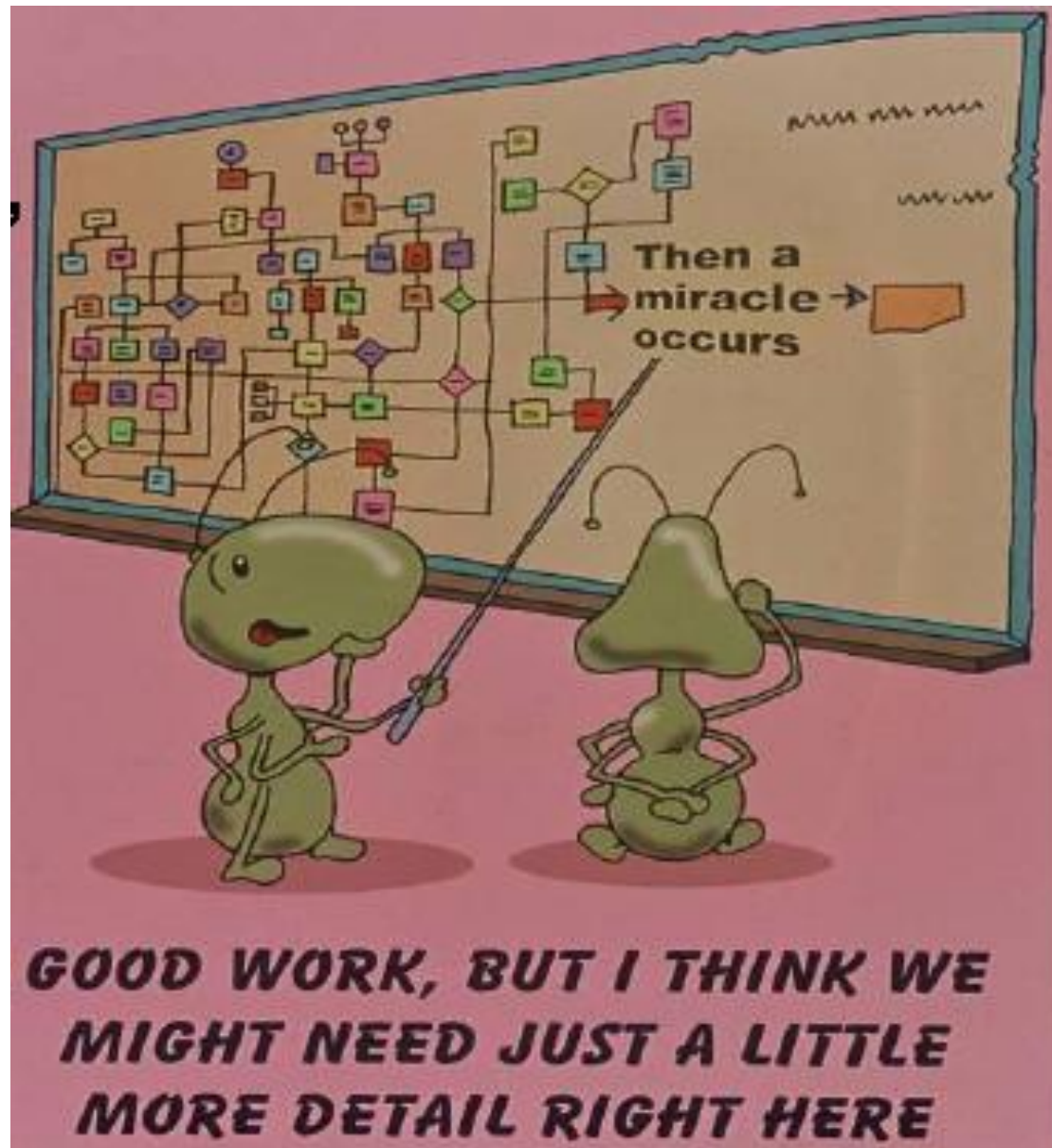
## ❑ Going **beyond** evolving political commitments

- Institutional arrangements often based on decrees

## ❑ Building **robustness** : three possible options

- A **dynamic** process : periodic consultations
  - Civil society, private sector, international peer reviews
- Engaging **academia** and the **research** community
  - Long term partnerships with Universities, Think Tanks
  - Training / raising awareness for the decision makers of tomorrow
- Linking national and **sub-national** policies
  - Engages more stakeholders
  - Interdependence contributes to robustness of strategies/policies
  - Different election timings





# Thank you ...

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