



French Development Agency (AFD) Climate-Development strategy

Overview of the Strategy and Tools

With focus on AFD Climate operations 2006-2012 in Vietnam

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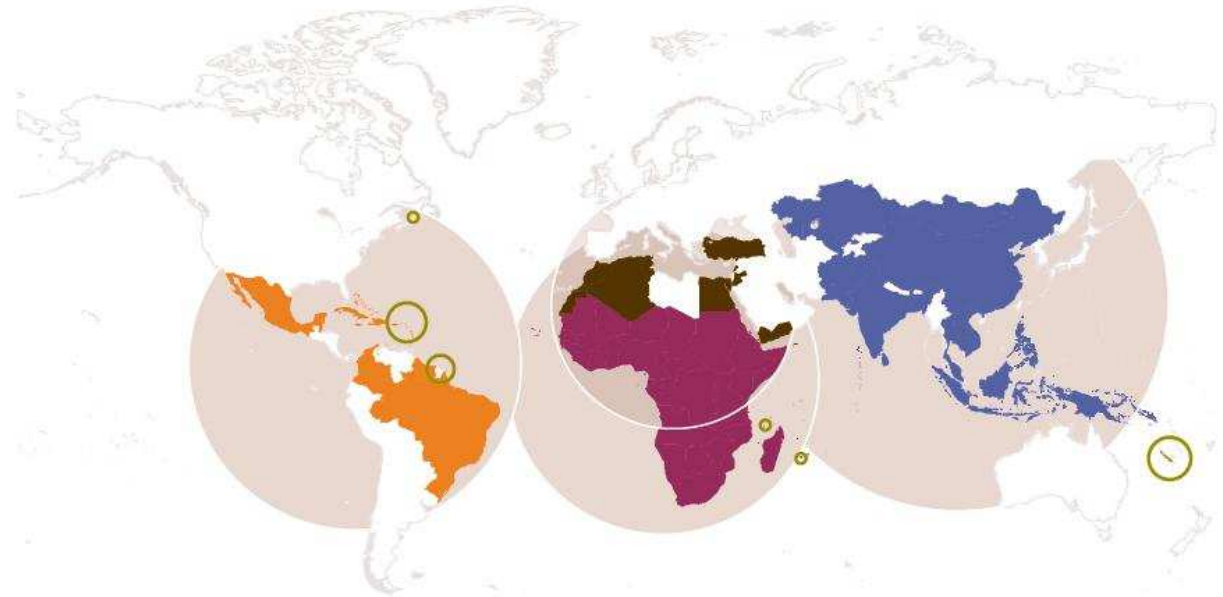
développeur d'avenirs durables

- A variety of flexible tools: grants, concessional loans, technical assistance, equity financing, guarantees, credit lines to intermediaries, budget support...

- 4 structural pillars :

- Economic growth
- Reducing poverty
- Green and inclusive growth
- French Overseas

↘ Present in **70 countries**, on 3 continents



- Twin commitments :

- Finance development
- Leverage countries' development strategies

- €7 billion committed in 2012

- Activity in climate and energy in increase:
x10 between 2002 and 2008, 30% Group's activity in 2012 (> €2 billion)

« Climate » projects are development projects with « climate » co-benefits

■ Mitigation (emissions reduction or carbon sequestration)

« A development project contributes to GHG emissions reduction when the emissions reduction it generates are greater than emissions produced during its lifetime »

Tracking methodology: based on **ex-ante project carbon footprint calculation** (should be <0)

■ Adaptation (to climate change impacts)

« An adaptation project is a development project that reduces goods, people or ecosystems vulnerability to climate risks »

Tracking methodology: based on characteristic of the project and local vulnerability to CC

■ Support to national and territorial climate strategies and action plans

(budgetary support or technical assistance dedicated to develop national strategies, NAMAs, local climate plans...)

Tracking methodology: based on Development Policy Loan's triggers (prorata)

Need for Measuring and monitoring impacts

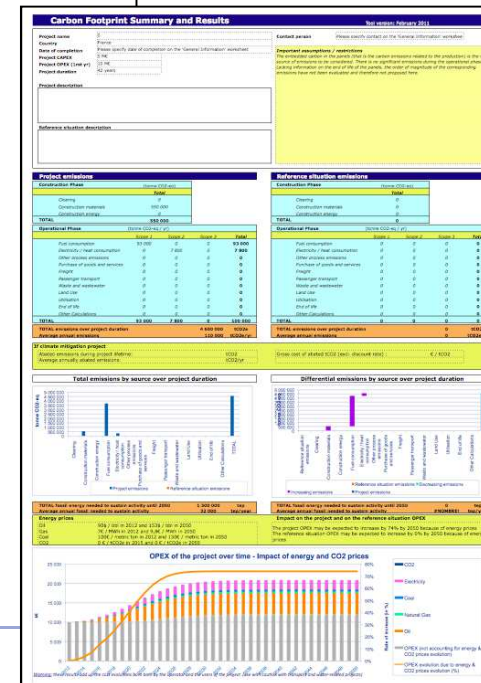
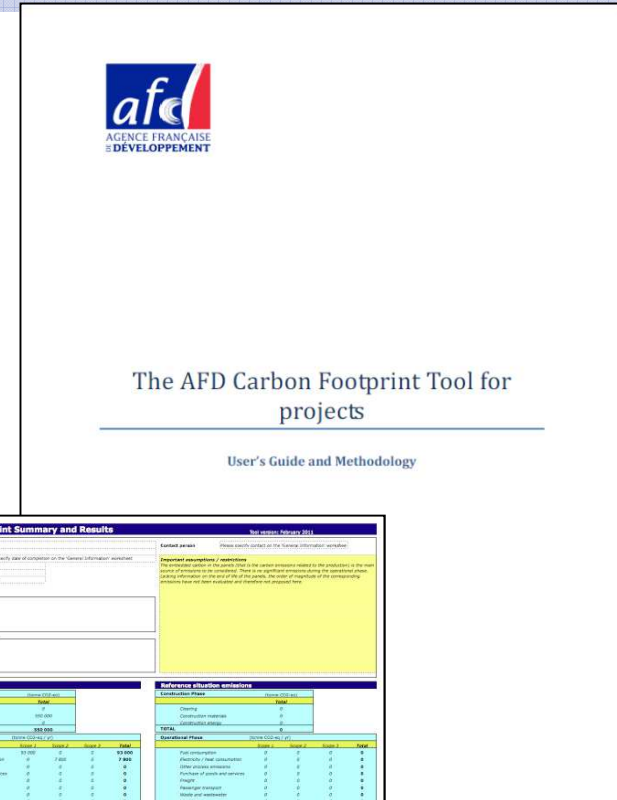
- **Since 2007, systematic carbon footprint calculation** of all projects directly financed by AFD
 - « Climate » projects (emissions reductions)
 - Emissive projects (> 10 ktCO₂/year)
 - Strongly emissive projects (> 1 MtCO₂/year)

- **A robust methodology for quantifying GHG emissions**, in line with international standards

- **A carbon footprint tool** for 27 pre-defined types of projects

- **AFD is leading the effort to harmonize carbon-footprint measurement approaches with several other international donors** (IFC, EBRD, IDB...)

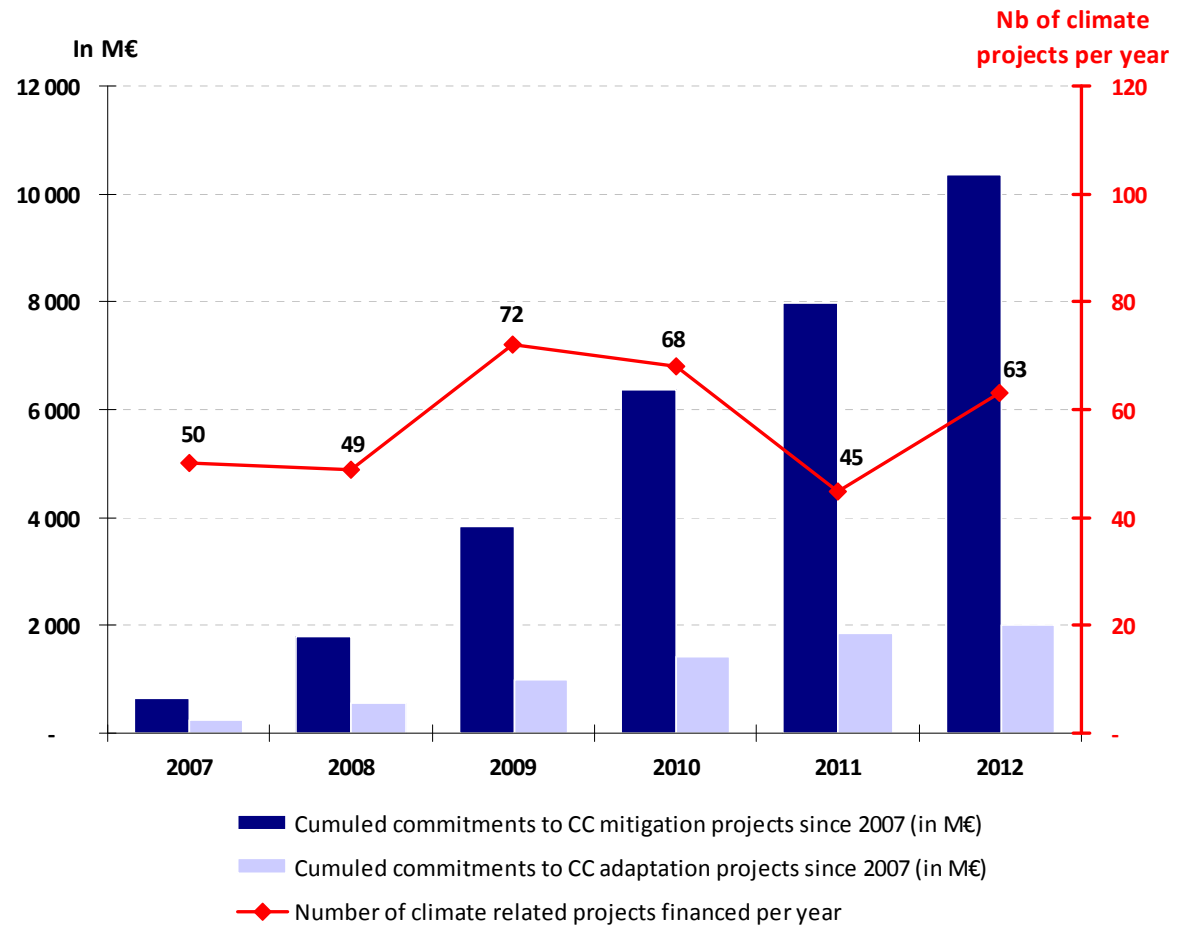
- **AFD is experimenting with a practical tool** aimed at estimating its funded projects' vulnerability to climate change effects.



AFD Group is one of the global leading players on climate action

- More than **11,6 billion euros** since 2007 in **financing climate related projects** (mitigation and/or adaptation)
- **14 M.tons CO2Eq /year** saved for mitigation projects
- On average over the period 2009-2012, **50% of AFD's annual commitments** in developing countries are climate related projects
- AFD Group represent around **10% of international public funding on climate change action**

AFD Group's cumulated climate related commitments since 2007



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 (debt funds ...)
 - 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

2012-2016 Climate action plan: « An international climate identity »

- **Objective 1** : AFD wishes to position itself as the central operator for implementing French commitments to fight climate change:
 - Mobilisation on climate in line with its development mandate, differentiated by region
 - Access to additional resources to develop our commitments

- **Objective 2** : AFD aims to become a full-fledged actor to implement European and international climate-related resources, in particular from the Green Climate Fund

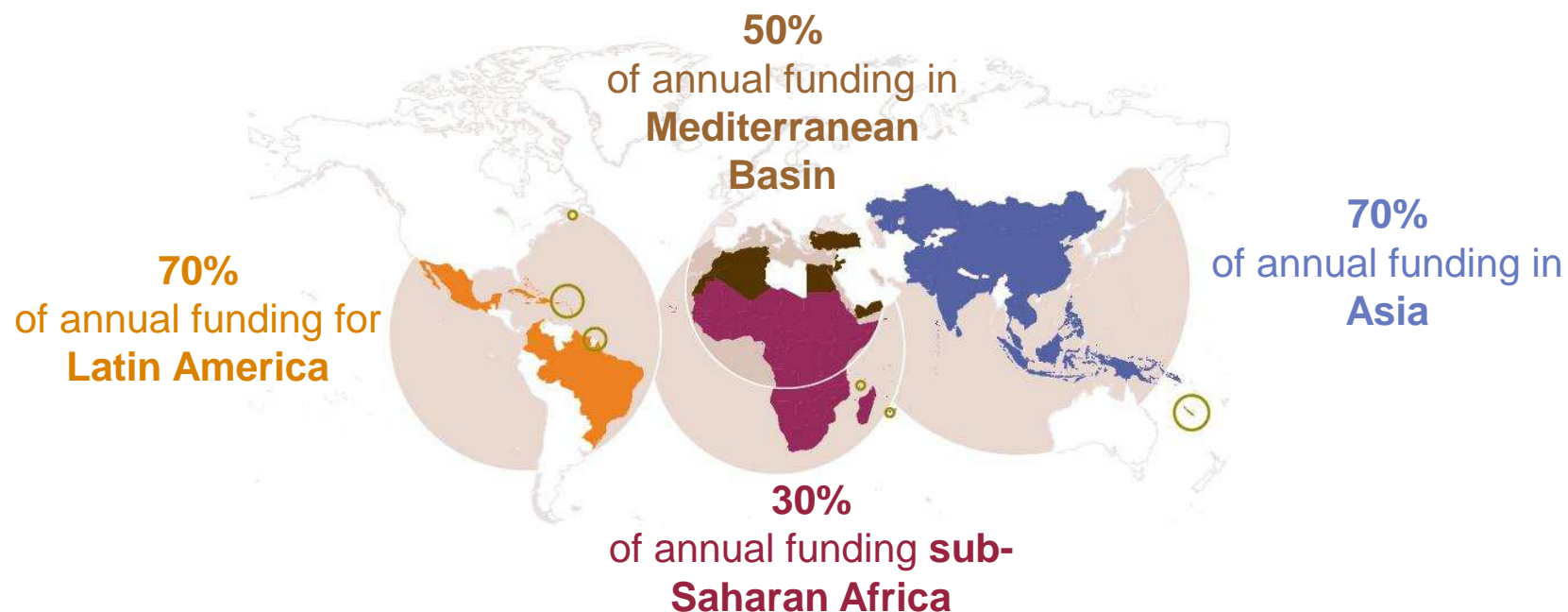
➤ 2012 – 2016 AFD's Climate Action Plan du Groupe AFD grounds on 3 structural pillars:

1. **A sustained and ambitious climate-related funding objective**
2. **Measuring and monitoring impacts**
3. **A policy of selecting projects according to their climate impacts**

2012-2016 Climate Action Plan

A sustained and ambitious climate-related funding objective

■ 50% of AFD's foreign-aid funding



■ 30% of Proparco's foreign-aid funding

- **Objective:** to promote enhance climate related consideration during project appraisal
- Consolidate and manage the group's image in accordance with its mandates and its primary role in support of economic and social development of poorest countries
 - Selectivity that focuses on highly emissive projects
 - Selectivity adapted to AFD Group's mandates and to the countries capacity
 - Selectivity that provides more flexibility for countries already engaged in considering climate issue in their public policies

	Category 1 (SSA, LDCs, priority and poor countries in crisis)	Category 2 (Middle Income Countries)	Category 3 (Countries with Green and Inclusive Growth mandate)
MITIGATION projects & projects with NEGLIGIBLE climate impact (between $-10\text{kt}_{\text{eq}}\text{CO}_2/\text{year}$ and $10\text{kt}_{\text{eq}}\text{CO}_2/\text{year}$)	YES	YES	YES
EMISSIVE project (between $10\text{t}_{\text{eq}}\text{CO}_2/\text{year}$ and $1\text{Mt}_{\text{eq}}\text{CO}_2/\text{year}$)	YES	YES	YES if the loan is not concessional. In case of concessional loan, OUI only if the country has an acceptable climat policy
HIGHLY EMISSIVE projects (more than $1\text{Mt}_{\text{eq}}\text{CO}_2/\text{year}$)	YES with conditions on lending concessionaly unless the country has an acceptable climate policy	NO unless the country has an acceptable climate policy	NO

AFD “Climate” operations in Vietnam 2006-2012

Climate Change is a challenge for Vietnam

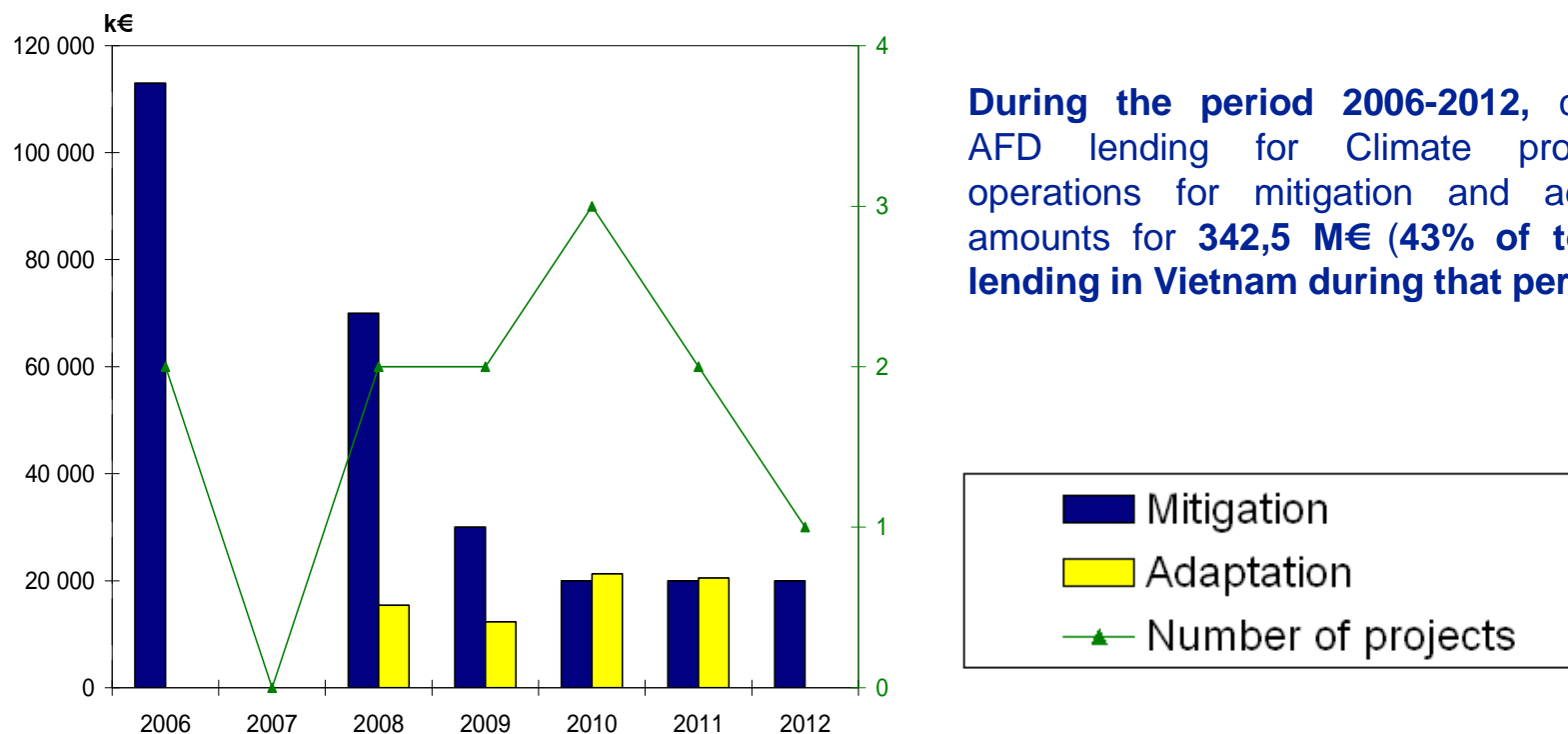
- **Vietnam is one of the most vulnerable countries in the world to various adverse consequences of climate change.** According to a recent study(*), a sea level rise of 1 m would affect nearly 5% of the country’s land area, 11% of its population, 7% of farmland and would pull the GDP down by some 10%.

- **Vietnam is nowadays a country considered to be low on the emission scale:** one Vietnamese person emits on the average a little over 2 tCO₂eq per year, while the global average is about 6.7 tCO₂eq/year/inhabitant. Globally, Vietnam accounts for 1.3% of the population and for 0.4% of emissions in the world. But emissions are **growing very significantly**: projections thus show that **between 2010 and 2030, Vietnam’s emissions could multiply by 3**, notably due to emissions caused by energy consumption

- Aware of these challenges, GoV is establishing a medium-long term **strategic framework in response to Climate Change**. With an initial focus on adaptation, Vietnamese authorities have recently announced **first targets of GHG emissions reductions** (ex : aiming notably at a 8-10% reduction in CO₂/GDP by 2020, below 2010 level, reducing 10 to 20% emissions on power production).
 - December 2008 : National Target Program to Respond to Climate Change (NTP-RCC)
 - December 2011 : National Strategy on Climate Change
 - September 2012 : Vietnam National Green Growth Strategy

AFD “Climate” operations in Vietnam 2006-2012

Commitments and concrete results



During the period 2006-2012, cumulated AFD lending for Climate projets (12 operations for mitigation and adaptation) amounts for **342,5 M€ (43% of total AFD lending in Vietnam during that period)**

- For mitigation, 1,18 M tons per year of GHG emissions were saved through the AFD ‘climate projects in transport and energy sectors.
- For adaptation, AFD lending focused on agriculture and water resources management (irrigation development, flood protection and control)

AFD “Climate” operations in Vietnam 2006-2012

Commitments and concrete results

	Main AFD funded “climate” projects	Loans			Grants		
		Budget Support (1)	Programme aid	Project aid	Studies and TA	Project aid	FFEM ⁽²⁾
Mitigation	Hanoi Metro Line N° 3			110 M€		0,5 M€	1,27 M €
	Yien Vien-Lao Cai Railway rehabilitation			32 M€			
	Huoi Quang Hydropower plant			100 M\$			
	Power transmission 500kV Pleiku-Cau Bong			75 M€		0,5 M€	
Mixed	CC DPO - SP-RCC ⁽¹⁾	60 M€			0,4 M€		
	Conservation agriculture in Northern Vietnam					1 M€	
	Small-scale rubber plantations in Central Vietnam			14,8 M€			
Adaptation	Saigon River Flood Protection			11,4 M€		0,35 M€	
	Ninh Thuan irrigation and rural infrastructure			22,8 M€			
	Bac Hung Hai Hydraulic system			20 M€		0,8 M€	
	Phuoc Hoa Water Resources management			20 M€		0,5 M€	
	Mekong Delta water supply		30 M€			2 M€	

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(1) SP-RCC : Support Program to Respond to Climate Change

(2) FFEM : French GEF (Global Environment Facility)

AFD “Climate” operations in Vietnam 2006-2012

Mitigation projects



Huoi Quang Hydropower plant

520 MW to be completed by 2015

Reduction GHG emissions: **1 120 000 tCO₂ per year**



Yen Vien – Lao Cai Railway rehabilitation

will take nearly 550 million tonnes-km off the road (by 2020)

Reduction GHG emissions: **40 000 tCO₂ per year**



Construction of Hanoi Metro Line n° 3

Expected ridership 400 000 persons per day by 2020

Reduction GHG emissions: **20 000 tCO₂ per year**



AFD “Climate” operations in Vietnam 2006-2012

Adaptation projects



Water resources management and irrigation improvements

Project « Bac Hinh Hai irrigation scheme»

Project « Ninh Thuan »

Project « Phuoc Hoa »

Flood protection

Central Regions Urban Environment Improvement Project

Saigon River» Flood Protection

Water supply

Small and Medium towns in the Mekong Delta



AFD “Climate” operations in Vietnam 2006-2012

SP-RCC: an innovative approach to support Vietnam CC Policy

- In 2009, AFD partnered with the Japan International Cooperation Agency (JICA) to develop a comprehensive approach to support the government of Vietnam in its CC Policy development and implementation. The approach is known as **the Support Program in Response to Climate Change (SP-RCC)**. Since then, the donors have been joined by the World Bank, Canada, Australia and Korea, and other parties have expressed interest in the process.
- Through SPRCC, donors provides **annual budget support** subject to **satisfactory implementation of Climate Change Policy Matrix**. The Matrix is the support for dialogue between the donor community and the Vietnamese ministries. All line ministries are contributing to this policy dialogue. It covers both mitigation (energy efficiency, renewable energies, transport, construction, waste, etc.) and adaptation (water resources management, agriculture, forestry).
- This innovative approach thus makes it possible to hold regular dialogue sessions on all sectors affected by climate change, to prioritize initiatives and to articulate the government’s needs in terms of technical support from donors. Vietnam is the only middle-income country where such an approach has been developed (the other countries are Indonesia, Mexico and Mauritius).
- In particular, AFD is **lead donor in Renewable Energy** theme, contributes to discussions on the **setting-up of a Financial Mechanism** (for allocation of Budget to Climate Priority Projects)
- In addition to budget support (20 M.€ per year), AFD provides TA : to Danang city for the **development of the Danag city CC Roadmap** and to Ministry of Industry to the establishment of a **Roadmap for Energy Efficiency in the Steel Sector**.

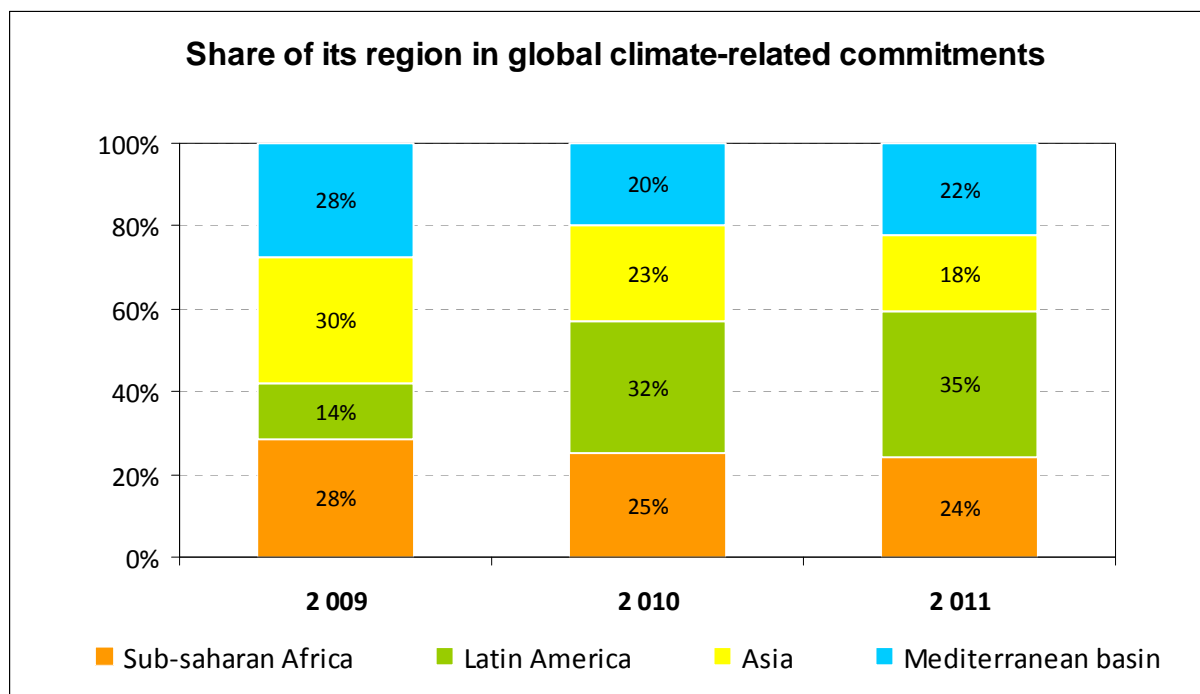


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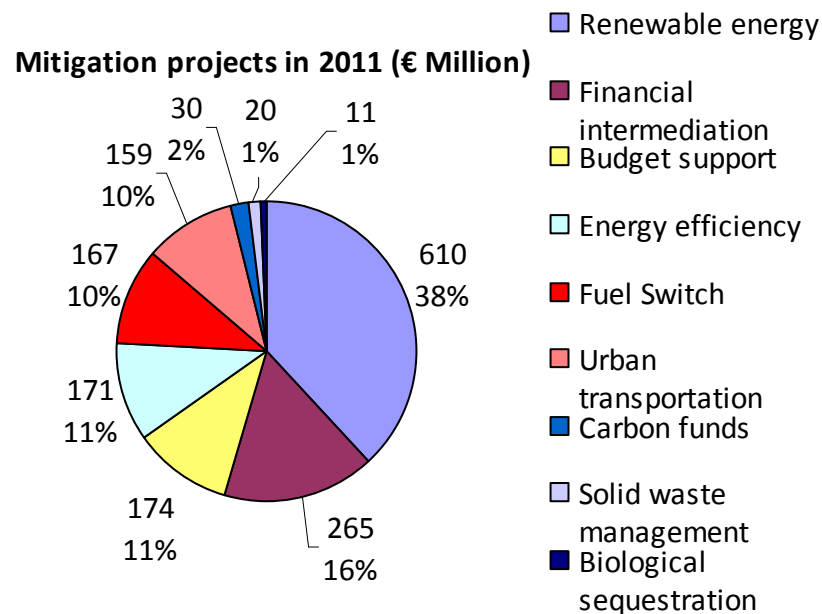
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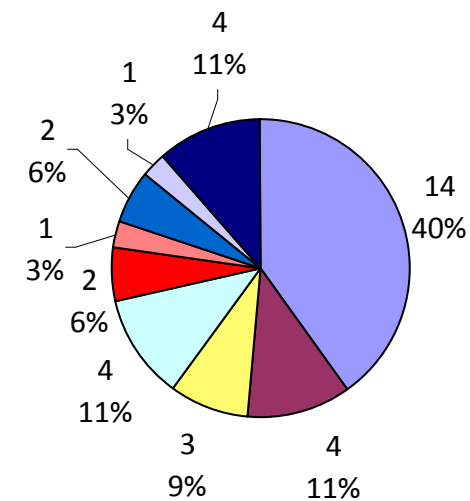
Share of AFD's climate commitments by region



Sectoral distribution of mitigation projects

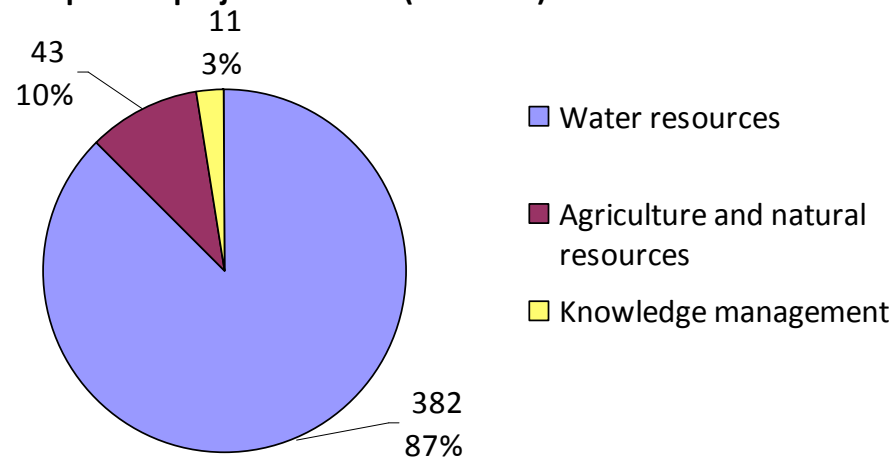


Mitigation projects in 2011 by number



Sectoral distribution of adaptation projects

Adaptation projects in 2011 (€ Million)



Adaptation projects in 2011 by number

