

— Climate & Development Strategy 2017-2022



AFD was one of the first international donors to integrate the fight against climate change into its practices. This approach, initiated more than a decade ago, is based both on the principle that the fight against climate change is inextricably linked to the trajectory and development policies of countries in terms of opportunities and threats, and on the involvement of economic, institutional and civil society actors. The new international momentum transcribed in the SDGs and the Paris Agreement means that AFD has to support fundamental and rapid changes in the development models of countries and economic actors even more ambitiously, and also strengthen the dialogue on corresponding public policies. At a time when France is expressing its will through its Climate Plan to speed up implementation of the Paris Agreement in France, the European Union and internationally, AFD needs to continue to transform the methods and instruments that it launched as part of its previous climate and development strategies.

This Climate and Development Strategy for 2017-2022 aims to give direction to the action of the AFD Group for Climate mainly through commitments, analyses and partnerships, without prescribing definite types of action sector by sector, as the soundness of such actions will by nature largely depend on national contexts.

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EXECUTIVE SUMMARY

The Paris Agreement is the cornerstone of a renewed context for the climate action of development finance institutions:

→ Beyond the collective recognition of its objectives and the recognition that a paradigm shift in development models is necessary, the Agreement entails concrete ownership processes at country level, embodied by the publication of Nationally Determined Contributions, as well as the expected formulation by 2020 of long-term (2050) low greenhouse gas emission development strategies.

→ It also entails strong and renewed expectations vis-à-vis development financiers, placing finance flows (which need to be made consistent with a pathway towards low greenhouse gas emissions and climate-resilient development) at the core of its objectives, and inviting these financiers to finance government-developed policies and strategies.

Three strategic stakes have been identified concerning the role and place of AFD in climate action in the years to come: ensuring that the Group's activities are consistent with the Paris Agreement, in support of low-carbon and climate-resilient development and related public policies; maximising the impact of its actions in this regard, notably in terms of leverage effects; and strengthening AFD's role as a platform for France's international financial commitment to climate and its positioning as a reference on climate and development among international finance institutions.

The Climate and Development Strategy 2017–2022 thus proposes four major commitments: **(i) ensure a 100% Paris Agreement-compatible activity, (ii) increase the volume of climate finance, (iii) contribute to redirecting finance and investment flows, and (iv) co-build solutions and bring influence to bear on standards.**

→ **In terms of perimeter and scope**, the first commitment entails a fundamental evolution of the AFD Group's approach to climate issues. This involves progressing from an approach based mainly on an assessment of the benefits of projects with direct climate co-benefits and on a selectivity policy for highly emissive projects, towards an approach that includes seeking and characterising the **consistency of all interventions with low-carbon and climate-resilient development pathways.**

→ **In terms of the selectivity of operations and related diligence processes**, the Climate and Development Strategy 2017-2022 entails the systematic analysis of interventions according to the afore-mentioned dimension via a specific analysis matrix incorporated into the sustainable development analysis framework currently in use at AFD.

→ **The analysis of and cooperation with countries concerning low-carbon and climate-resilient development pathways** will, in parallel, benefit from a major investment by the Group from 2018 on.

→ **In terms of the volume of climate finance**, as characterised by the methodology tested by the previous Climate Change Strategy and shared internationally, the objective that 50% of commitments relate to projects with climate co-benefits is being extended to the entire AFD Group and will lead to an absolute increase in the volume of such commitments, with a special funding effort for **adaptation and the African continent.**

→ The AFD Group will continue to report on its portfolio of projects with climate co-benefits and on their impacts, and **will extend this accountability, with increasing precision, to the objective of ensuring the coherence of all its interventions with low-carbon and climate-resilient development pathways.**

→ Finally, a **progress report on the implementation of the climate strategy will be proposed to the AFD Board by 2020.**

I. THE POSITIONING OF FRANCE AND AFD ON CLIMATE

1. The effects of climate change pose a major risk to the dynamics of poverty reduction and the prosperity of societies. There is an urgent need to act to promote low-carbon and climate-resilient development, to make every effort to stabilise the global average temperature and to adapt economies and societies to the effects of climate change. In the latest IPCC report, the scientific community reminds us that stabilising the increase in global temperature means balancing anthropogenic emissions and removals of greenhouse gases, an objective taken up by the Paris Agreement. This implies that all sectors in all countries must aim for long-term zero net greenhouse gas emissions, although the rate of decline in emissions will vary across countries and sectors. The scientific community also points out that emission reductions, as well as adaptation to climate change, are complex processes with multiple interrelated determinants (environmental, social, economic, institutional). Due to the inertia and nature of climatic and economic systems, climate action must take place as early as possible, as quickly as possible, and in an inclusive manner.

2. In line with its national positioning and involvement in ecological and climate diplomacy, France has devoted a large part of its official development assistance to climate finance, and AFD is one of the first donors to have taken up the subject. The AFD Group has thus thoroughly reviewed its strategy and activity, committing over EUR 24 billion of financing since 2005 to projects and programmes with climate co-benefits.

3. The Group's climate strategy has thus become a strong marker of AFD's identity through three pillars: (i) the systematic measuring of the carbon footprint of funded operations and the assessment of their potential benefits in terms of adaptation to the effects of climate change; (ii) the objective that 50% of financing be committed for projects with climate co-benefits in foreign countries; and (iii) the selectivity of projects according to their impact on climate, taking into account the level of development of the countries concerned (for example, leading

to the non-financing of highly emissive projects in emerging countries). This strategy has profoundly transformed AFD's portfolio as well as its methods far beyond the purely operational sphere, and has also shaped its partnership strategy.

4. This strong positioning has contributed to the AFD Group's significant participation and leadership on climate issues at both national and international level, where it is actively involved in most major initiatives undertaken with its peers and civil society actors, particularly on issues concerning the accounting and deployment of climate finance, impact metrics, approaches to climate risks, economic modelling, and financial actors' strategic mainstreaming of climate considerations.

5. It has also enabled AFD to be particularly present on the occasion of COP21, alongside the French presidency of the conference, to show France's commitment to climate issues through actions in the field to support "solutions" implemented in all economic sectors, and to assist developing countries in establishing their nationally determined contributions.

6. France wishes to accelerate the implementation of the Paris Agreement not only on its own territory, but also in Europe, and internationally. The Climate Plan published by the French government on July 6, 2017, provides AFD with a framework that enhances its mandate by affirming that the French Development Agency will become the first bilateral development bank with an explicit mandate to implement the Paris Agreement and its goal of keeping climate change below 1.5°C/2°C and strengthen the resilience of economies and populations across its entire activities portfolio.

II. A RENEWED CONTEXT FOR AFD'S CLIMATE ACTION

A structuring global agreement

7. Historically, the Paris Agreement marks the recognition by countries in the global North and South of the need to change current development models. Three long-term objectives have been set: hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial

levels, recognising that this would significantly reduce the risks and impacts of climate change; increase the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

8. The achievement of these objectives concerns all Parties and, even in a context of differentiated responsibilities, a sharp inflexion of emissions will be required in many AFD intervention countries. At the same time, many countries in which AFD operates are still some of the most vulnerable to the effects of climate change. It is important to note the place given by the Paris Agreement to adaptation, and the ensuing orientations for the deployment of UNFCCC (the United Nations Framework Convention on Climate Change) financial instruments, including the Green Climate Fund.

9. In addition to the Agreement, one of the key results of COP21 is that all countries have published their nationally determined contributions (NDCs) to reduce greenhouse gas emissions and the vulnerabilities to the effects of climate change. While these are indeed very crucial initial national references in terms of emissions targets, it should be noted that:

- The current NDC exercise nonetheless entails a relatively close time horizon (2025 or 2030 in most cases, with an expected revision by 2020) compared to that of the needed balance between anthropogenic emissions and absorption.
- Overall, the targets defined by the current NDCs in terms of emissions (conditional or non-conditional) are not yet in line with a 2°C target (reduction deficit of 15-17 Gt of CO₂-equivalent per year in 2030, which would lead to a warming of 3–3.5°C). Nor are they systematically supported by the description of long term sectoral strategies; in parallel, a number of vulnerable countries are facing the major challenge of refining and operationalising NDCs with respect to their national adaptation strategies.
- The decision of the Paris Agreement also calls on the Parties to the Convention to formulate and communicate their long-term (until 2050) strategies for low-carbon development by 2020.

10. Another key outcome of COP21 is that it structures the role of all actors acting alongside national governments (cities, civil society, the private sector, financial institutions) – a role that is recognised in the climate action agenda. International initiatives on many technical or institutional subjects have been put in place and are being led by new coalitions of state, economic and institutional actors following a new approach to governance (especially concerning finance, with the International Development Finance Club [IDFC] and the Multilateral Development Banks [MDBs], but also on the themes of cities, buildings, transport, energy, soil).

Strong expectations vis-à-vis development funders

11. The role of funding actors in supporting low-carbon and climate-resilient development is also at the heart of the Paris Agreement, whose Article 2 describing its overall objective focuses on finance flows (making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development). The Agreement (Article 9) and the accompanying decision also confirm expectations in terms of mobilising financial resources for developing countries to support policies, strategies, regulations, action plans and measures against climate change. The collective objective for developed countries to mobilise an annual USD 100 billion will be maintained until 2025. This amount should nonetheless

be seen in conjunction with the volume of overall investment needs, especially for infrastructure financing, which has been estimated to require the equivalent of USD 4,000 billion annually between 2015 and 2030 for developing and emerging countries. This figure gives a clearer picture not only of the extent of the challenge but also the necessarily catalytic role of donors in this context.

An underlying momentum and economic opportunities

12. In parallel with the decisive progress in the global political and diplomatic arena, economic and institutional actors, especially banks, are now taking climate issues on board at a deeper level, either to mitigate the risk of asset impairment or to secure or acquire competitive positions in a “greener” market. These developments are signalled by the Climate Action in Financial Institutions Initiative, launched in 2015 and supported by more than 30 public and private financial institutions from the global North and South and the international level, representing over USD 11 trillion of assets. The involvement of regulators is also underway as evidenced by the international working groups led by the Financial Stability Board (FSB) and the G20 on the systemic financial risk of climate change, or the first initiatives of central banks in emerging countries.

13. Finally, in terms of technologies and methods, the last few years have seen major innovations, some of which have already been implemented on a large scale. The most emblematic case is that of renewable energies, which demonstrates both technically and financially that countries’ energy policies can indeed be radically modified. Innovations are continuing to emerge, and their impact will be crucial, particularly in the areas of energy consumption, agriculture or the sequestration of greenhouse gases.

III. THE THIRD STRATEGY ON “CLIMATE & DEVELOPMENT” 2017–2022

14. In a setting marked by the Paris Agreement’s high expectations from donors, by country ownership of related objectives via national policies, and by a necessarily catalytic role for development finance, the strategic stakes identified for the AFD Group are the following:

→ **Ensuring the consistency of the Group’s activities with the Paris Agreement, in support of low-carbon and climate-resilient development and related public policies,**

→ **Maximizing the impact of its actions in this regard, notably in terms of leverage effects both in terms of finance, public policies and the mobilisation of actors,**

→ **Strengthening AFD’s role as a platform for France’s international financial commitment to climate, as well as its positioning among international finance institutions as a reference on climate and development.**

15. To meet these challenges, the AFD Group is making four commitments in its Climate and Development Strategy for 2017–2022: (i) ensure a 100% Paris Agreement-compatible activity, (ii) increase the volume of climate finance, (iii) contribute to redirecting finance and investment flows, and (iv) co-build solutions and bring influence to bear on standards.

Commitment I: ensure a “100% Paris Agreement-compatible” activity: make all interventions consistent with low-carbon and climate-resilient development and support countries in their formulation of low-carbon and climate-resilient development trajectories

16. Responding as a donor to countries’ transition challenges and to the expectations of the Paris Agreement requires that AFD enhance its approach to the climate-development nexus. This means progressing from an approach based essentially on the direct impacts of projects towards an approach that also actively seeks and characterises the consistency of all interventions with low-carbon and climate-resilient development pathways.

17. With regards to operational diligence processes, this evolution will be based on the implementation of specific modalities that complement those already deployed within the Group:

→ For all countries, an analysis of their public policies, NDCs, prospects for low-carbon and climate-resilient long-term trajectories, and the inclusion of these analyses in country intervention strategies.

→ A systematic analysis, within the framework of the Group’s sustainable development assessment, of the coherence of interventions with the countries’ low-carbon and resilient transition trajectories, as well as how they play on the redirection of investments, based on a new framework of analysis and specific questions (see below).

18. Country analyses will be deployed in two ways:

→ A general and systematic analysis of low-carbon transition and resilience issues will be conducted for all countries of operation (implementation starting from 2018).

→ More in-depth analyses of long-term transitions will meet the need to work in greater detail on certain countries. However, these will be first and foremost part of multi-year support and cooperation processes with countries in

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order to develop long-term (2050) low-carbon and climate-resilient development strategies. This approach may involve sectoral or macroeconomic analyses and modelling as well as analyses of the demographic and social dimensions of transitions and related policies or reforms. The deployment of the GEMMES macroeconomic model developed by AFD will be proposed when suitable. These analyses call for cooperation and coordination with other actors (donors, think tanks from the global North and South, research institutions) and international initiatives (2050 Pathways Platform, in particular) committed to these issues. AFD plans to deploy, from 2018 on, a specific facility to provide the means for such cooperation (with up to 20 countries).

19. A specific tool for the analysis of project consistency with low-carbon and climate-resilient trajectories will be incorporated into the sustainable development assessment analysis framework in use at AFD. Consistency will be assessed on criteria that include alignment with climate policies, the effects on public policies, mobilisation of financial and private actors, virtuous knock-on effects or, on the contrary, lock-in effects, and the management of uncertainty.

20. In the short term, putting this systematic assessment in place will notably allow the criteria of the current selectivity grid to be refined. A specific analysis framework will also be introduced to appraise interventions in support of public policies (particularly public policy loans), including questions on the coherence between the supported measures and low-carbon and climate-resilient development trajectories, and their effectiveness in terms of political economy.

21. More fundamentally, country and project analysis along these dimensions will permit *de facto* selectivity of operations, in line with the objective that all interventions be consistent with long-term low-carbon and climate-resilient development. However, the system will be all the more robust on this count as countries' situations, strategies and trajectories will have been analysed, and eventually formally established. This means that the analysis framework will serve in the short run as a vigilance and optimisation tool applied to all interventions and that, with time, it will enable increasingly precise accountability with regards to the objective "100% Paris Agreement-compatible".

22. The implementation of this intervention analysis framework is perfectly compatible with the flagship themes (energy, energy efficiency, urban transport, water, agriculture and biodiversity, but also agro-ecological transition/intensification) highlighted so far under the Group's Climate strategy.

23. Given the broad scope of assessment that it opens up, it will also shed light on other themes in terms of their contributions to low-carbon and climate-resilient development, in particular

on operations in the social sectors, where some programmes may have direct co-benefits but, more importantly, are likely to play a key role in the transition process through the benefits they bring to the quality of social ties, the reduction of inequalities, the emergence of new skills, and the transformation of behaviours.

24. In terms of operations, efforts to impact transition dynamics will materialise notably via:

a. interventions such as public policy loans, as well as non-financial interventions, particularly public policy dialogue and support for the countries' development of their low-carbon and climate-resilient long-term development strategies (cf. *supra*),

b. interventions leading to spill-over effects, particularly at the technological (introduction of replicable technology serving low-carbon development), normative (financing of a national authority implementing virtuous norms), and behavioural (education) levels,

c. interventions involving leverage effects in terms of mobilising finance and the private sector (credit lines with replication potential, co-financing, introduction of virtuous practices by major actors in a given sector),

d. the deployment of innovative and diversified financial instruments to maximise the above-mentioned impacts (e.g. guarantee-type instruments in addition to public policy loans),

e. special attention paid in interventions to education, inclusion and participation processes that foster the development of necessary new social compacts.

25. An equivalent approach, revolving around the inclusion of low-carbon and resilient transition dimensions and support for related strategies, will be applied in the French Overseas Territories, where AFD will deploy a revised strategy formalised by a Regional Strategic Framework in 2018. Here, specific approaches should above all encompass support to local public policies and financial incentive mechanisms.

Commitment II: Increase the volume of climate finance

26. Strong growth in commitments for projects with direct climate co-benefits will respond not only to the countries' changing demands, particularly when it comes to implementing their NDCs and the Paris Action Agenda, but also to their growing needs for investment in transition. Special efforts will be devoted to adaptation and to the African continent.

27. The objective that at least 50% of annual commitments in foreign states correspond to the financing of projects with climate co-benefits will be extended to the entire AFD Group. This will lead to the yearly deployment of more than EUR 5 billion of climate finance in foreign states in 2020. Differentiated targets based on geographical areas will be maintained (climate commitments should represent at least 70% of funding for Asia and Latin America, 50% for the Mediterranean and 30% for sub-Saharan Africa).

28. Within this objective, the AFD Group will aim to substantially increase the financing volumes for adaptation in all geographies, with a focus on Africa, LDCs and small island states, in order to triple its funding. Funding for adaptation will reach more than EUR 1.2 billion per year by 2020.

29. This ramp-up implies that AFD will deploy additional capacity-building resources for the most vulnerable countries. This is already the case thanks to the Adapt'Action facility approved in 2017, which targets these countries in particular. The facility makes it possible to provide them with support for establishing a detailed characterisation of the climatic risks to which they are exposed, for identifying and prioritising adaptation options, managing uncertainty and, ultimately, for defining and operationalising action plans and investment programmes that bolster the resilience of their development trajectory.

30. This increase in funding for adaptation will be reflected in all the transitions supported by AFD: ecological (water resources, agriculture, biodiversity), territorial (urban and rural resilience and spatial planning), energy (resilience of energy production systems), demographic (health, social protection and vocational training), and political and social (gender and vulnerable groups). Through the activities that it funds, AFD will aim to further the convergence of the objectives on the agendas for "climate" (Paris Agreement), "disaster risk reduction" (Sendai Framework) and "biodiversity" (Aichi Targets and the Nagoya Protocol).

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31. In Africa, to contribute to developing the continent's low-carbon investment potential, AFD will commit to provide more than EUR 3 billion in financing for renewable energies, particularly through the Africa Renewable Energy Initiative (AREI) over the period 2016–2020.

32. This growth and these orientations will benefit from grant funding expected from the French state, the increasing mobilisation of delegated climate finance and a strategy of alliance and partnership with international and national development banks in order to identify and seize opportunities for operations.

33. The framework defined in the previous Climate Strategy (2011-2016) for characterising the "climate" co-benefits of operations (including carbon foot-printing, vulnerability analysis and technical responses to vulnerability, specific methods for credit lines and budgetary support) will remain unchanged. This framework is in line with practices harmonised among donors, allows expected accountability and the setting of simple operational objectives.

34. A quantitative objective for climate co-benefits financing will likewise be included in the Regional Strategic Framework for the French Overseas Territories.

Commitment III: Contribute to redirecting finance and investment flows

35. In addition to ensuring solidarity with countries that are the most vulnerable and least able to seize the opportunities of the green economy, development banks also have a major role to play in catalysing and redirecting global public and private investment towards investments in line with countries' low-carbon and climate-resilient transitions. This role means that the AFD Group needs to diversify its instruments and action, renew its doctrine on the use of blending instruments and on the assessment of "climate" risks.

36. At the project level, the AFD Group will seek to maximise the leverage effect of its financing in order to redirect private investment. Over the 2013–2015 period, around EUR 8 billion of climate finance from the AFD Group triggered close to EUR 1.9 billion of private finance. AFD mobilises private finance mostly via credit lines to banks, whereas, for Proparco, this leverage is evenly attributed to direct financing and credit lines. The AFD Group will continue to support local financial systems by working with national development banks and deploying climate credit lines with local banks.

37. AFD will support the development of high-volume and high-impact instruments: support and assistance funds, budget loans in support of public policies. Certainly, seeking to redirect finance flows also implies acting via public policies, for example, setting up economic and fiscal, or even voluntary, regulatory, informational, educational instruments.

38. Practices involving blended resources (blending concessional and commercial financing) have made considerable headway. Until recently, minimal and cautious use was made of blending to unblock situations involving non-financial barriers to market entry, but many development banks and international institutions are now actively promoting blending in climate finance. The goal is to accelerate and scale up contributions to key transition solutions by orientating private sector investment. The increasing volumes of financing available for such use (now several billion dollars a year) attest the magnitude of this change.

39. The AFD Group will enrich its practice of mixing national and international climate finance with its own financial instruments. The Group disposes of enhanced capacities in this area thanks to its current accreditations with the Green Climate Fund and the European Union and to its access to other sources of climate

finance (notably the Nama Facility, National Delegated Funds, CAFI). When mobilising these international funds, the Group will adopt programmatic and wide-ranging approaches, promote a robust complementarity between AFD and Proparco instruments, and develop a broader spectrum of rationales for the use of these resources related to the impact on climate transition and the reduction of transition costs, while striving to avoid crowding out long-term investment.

40. Like all banks, the AFD Group will continue to integrate systemic financial risks related to climate change (physical risks and transition risks) into its risk analysis processes. As a development agency, AFD will also disseminate standards and practices in the field of climate finance risk analysis, as this should contribute – via an anticipation effect – to accelerated low-carbon and climate-resilient transition. Lastly, transition risk and physical risk analyses will directly feed into the public policy dialogue led by AFD in its intervention countries.

41. As a regular bond issuer, the AFD Group intends to contribute annually to generating activity for the green emissions market, and, more specifically, climate bonds. The AFD Group will consolidate its expertise in line with best practices (Green Bond Principles, recourse to a second independent opinion on assessment, reporting and governance methods), and support capabilities to develop this market in its intervention countries.

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Commitment IV: Co-build solutions and bring influence to bear on standards

42. AFD will not only act through its operations but also bring its influence to bear in order to spur innovation and jointly build up and capitalise on experience. It will impact practices through its action with coalitions of finance and institutional actors, research institutions and civil society.

Partnership strategy

43. As a financial institution that has developed specific actions and climate finance instruments over the last decade and thereby gained experience, AFD will first strengthen its partnerships with financial actors. In addition to the United Nations and the multilateral and regional development banks, which form the two conventional pillars of development financing, public development banks constitute a third pillar likely to have a truly transformational role.

44. The AFD Group will work actively with the IDFC network (it takes on the roles of IDFC chairperson and secretariat over 2018 and 2019). The network comprises 23 development banks – including 19 from emerging and developing countries – with combined committed assets worth over USD 3,000 billion and yearly commitments of USD 630 billion, and climate finance flows of over USD 100 billion a year.

45. The second target of this partnership strategy includes solution-oriented economic and research actors. AFD will support coalitions of actors, particularly those stemming from the Paris Action Agenda and active on high-stake climate-related areas: cities, agriculture, energy, water, forestry, education, transport. These actors are first and foremost large international and French networks of think tanks and research institutions with a focus on action. AFD will provide support and access to the field, and aim specifically to work more closely with think tanks in its intervention countries on account of their sound knowledge of the local context. All of these actors will in return bring their own networks of partners.

46. Given its mandate and approach in terms of climate, the AFD Group will work actively on the issue of climate finance risks by developing in-depth analyses of certain countries, crafting analytical tools, following, supporting and participating in international forums on standards (FSB TCFD Working Group, Climate Action in Financial Institutions initiative, IDFC, Paris Green Finance Initiative, ISO 14097 Green Finance Standard...).

47. Norms and regulations that reinforce climate safeguards are necessary in order to redirect finance flows. The AFD Group will continue to directly or indirectly support international regulatory institutions as well as civil society actors (NGOs, ad-hoc coalitions of cities' networks, local authorities) active in this domain.

48. AFD will seek to build close relationships with the French actors of development aid and support their efforts to strengthen their contributions to the overall climate action agenda. AFD will develop a close synergy with the French CDC.

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Knowledge production

49. Over the period 2017–2022, AFD's knowledge production will have three objectives related to the climate strategy. First, it will support the deployment of AFD's tools for the analysis of the long-term transitions of countries to shore up the recommended change in approach. Next, knowledge production will serve the public policy dialogue, which will be supported notably through a specific facility (see above) and specific analyses. The third objective will be to work on the long-run implications of ongoing changes. These objectives notably entail work on three main themes:

→ **Low-carbon trajectories:** AFD will continue to gather and develop indicators, criteria and tools designed to project macroeconomic and sectoral low-carbon trajectories. This would be useful particularly for research on public policies and their effects on private actors, individuals and communities.

→ **Resilience of development trajectories:** AFD will continue to co-develop indicators, criteria and tools to analyse the needs and options for strengthening socio-ecological systems in their development trajectories. The mobilisation of climate data, including those from French sources where appropriate, will help to translate science into action and improve uncertainty management in climate modelling. AFD will contribute to international discussions on the modalities of adaptation assessment. The themes of the business case for low-carbon transitions, as well as that of the convergence between resilient and low-carbon transitions, will also be explored.

→ **Redirection of investments and "climate" risks:** the mobilisation effect of public climate finance on private finance is at the heart of international discussions on development finance. The questions to be addressed involve first of all incentive tools geared to the optimal positioning of actors, and the refinement of metrics in order to improve accountability in this regard. Finally, as

presented above, AFD will deploy a proactive programme on financial climate risks. These actions will be driven by the mobilisation of internal services and research and study partners reputed for their expertise. Close coordination with the CDC will be sought.

Reporting and awareness-raising

50. The AFD Group will continue to report on its portfolio of projects with climate co-benefits and their impacts. The AFD Group will strive to comply with the new French and international obligations in this area and to make the relevant data available in order to improve knowledge about actions and impacts and facilitate the production of new solutions.

51. The Group will gradually extend this accountability to its objectives regarding the coherence of its activity with low-carbon and climate-resilient development pathways. In a first phase, AFD will have at its disposal a qualitative vigilance system thanks to its project- and country-specific analyses. These analyses will become increasingly precise as the Climate and Development Strategy is being deployed and will enable robust support for this objective.

52. In drawing up this Strategy, the AFD Group was able to rely on external consultation and advisory groups including donors, think tanks and NGOs. These groupings will be mobilised again during the follow-up of the strategy and more especially during a milestone review by 2020.

53. Climate action is urgent and requires the broadest mobilisation. Along with the Sustainable Development Goals, climate change issues will be at the heart of the awareness-raising actions that AFD will develop and support. A renewed communication strategy will also be implemented, involving notably calls for project ideas and innovation competitions aimed at AFD's partners abroad. Finally, awareness-raising action regarding climate and development issues in France will be intensified.



ABBREVIATIONS

AFD: Agence Française de Développement

AREI: Africa Renewable Energy Initiative

CAFI: Central African Forest Initiative

CDC: Caisse des Dépôts et Consignations

FSB: Financial Stability Board

GEF: Global Environment Facility

GHG: Greenhouse gas

IDFC: International Development Finance Club

IPCC: International Panel on Climate Change

LDCs: Least developed countries

MDBs: Multilateral Development Banks

NDC: Nationally Determined Contribution

NGO: Non-governmental organisation

SDGs: Sustainable Development Goals

TCFD: Task force on Climate related Financial Disclosures

UNFCCC: UN Framework Convention on Climate Change

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