



RÉPUBLIQUE  
FRANÇAISE

*Liberté  
Égalité  
Fraternité*



## AFD Group AND **Financial Systems**



© Oriane Zerah for Proparco

**+300**  
operations conducted  
since 2018

**€10.5 Bn**  
committed between  
2018 and 2021

**+200**  
partner financial  
institutions since 2018

Financial actors play a major role in the achievement of the Sustainable Development Goals (SDGs). Their actions contribute to building economic, social and environmental trajectories that are sustainable over the long term.

AFD Group works with these actors to build inclusive, sustainable and responsible financial systems.

**#WorldInCommon**

# Financial systems: a pillar of sustainable development

The contribution of financial systems to development trajectories has been a key issue since the 2008 financial crisis. When financial activity is disrupted by underlying weaknesses, a crisis can have devastating effects. Conversely, when the financial system takes action to finance the Sustainable Development Goals (SDGs), it can have a decisive effect on development. In this spirit, the 2030 Agenda and Paris Agreement call on financial actors to take action, by supporting sustainable low-carbon investments in both the North and South.

## Promoting the transition of financial systems

AFD Group assists the transformation of financial systems. In countries where financial inclusion is low or uneven, the Group supports access to financial services adapted to vulnerable and excluded people in order to reduce social and gender inequalities. AFD also assists financial actors with their transition. It helps them deploy green finance tools, seize the opportunities offered by digital technologies and finance entrepreneurship. In addition, AFD contributes towards improvements in the regulation of financial activities in order to prevent crises and strengthen financial systems.

## Flagship initiatives

Within the AFD Group, financial systems activity amounts to some €3 billion a year. It actively contributes to the objectives of combating climate change and reducing gender inequality. In recent years, AFD Group has made substantial investments in sustainable development through flagship initiatives such as Choose Africa, 2X Challenge, SUNREF and AGREENFI. The public development banks gathered in the Finance in Common coalition also play a leading role in this mobilization. AFD devotes an average of €1.1 billion a year to key actors in the financial system, such as the public development banks that gathered in the Finance in Common coalition, and which play a leading role in mobilizing resources to foster sustainable development.



**Mobilization for the 2030 Agenda to achieve the Sustainable Development Goals**



**A renewed paradigm for financing low-carbon and resilient trajectories**



**A central role for public development banks in financing a more equitable and more sustainable economy**



**Financial regulators, major actors in the resilience of financial systems and protection against financial risks from climate change**



**\$100 billion**

Funding target of Northern countries to send to the South to combat climate change



**1.7 billion**

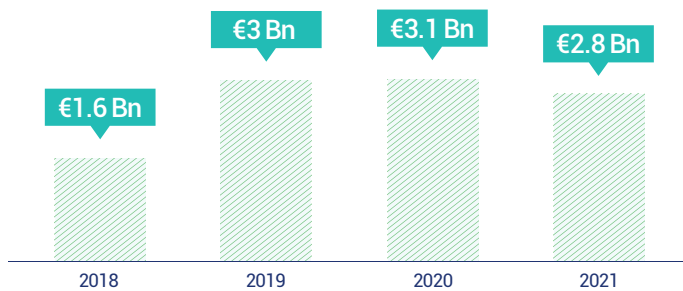
adults around the world did not have access to a bank account in 2017



**59%**

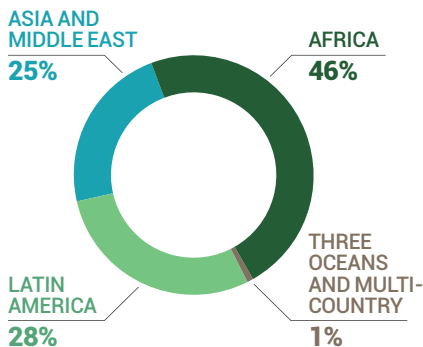
of women had an account in developing countries compared to **67%** for men in 2017

## A sustained level of commitment for AFD Group

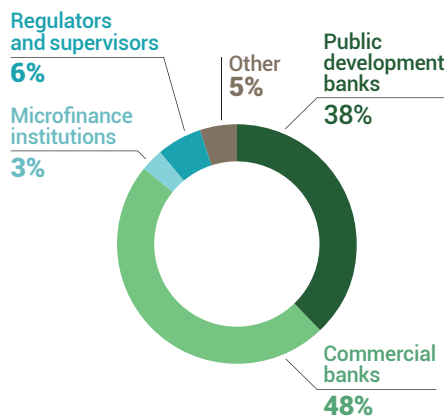


**20%**  
of AFD Group's  
commitments between 2018  
and 2021 were for financial  
systems activity

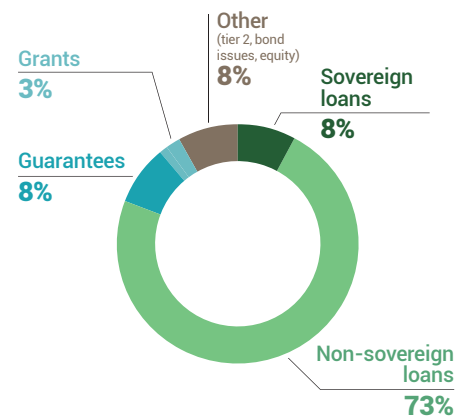
### An African priority



### Our beneficiaries



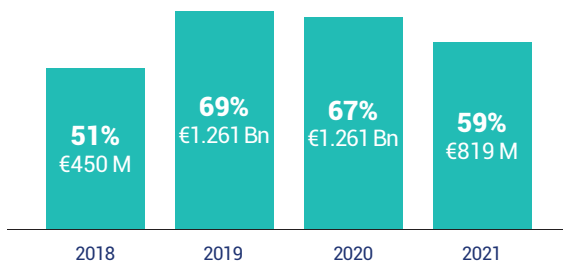
### Our financial tools



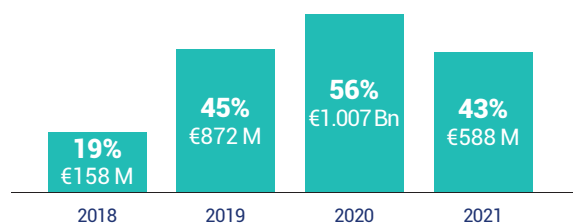
Volume of AFD Group's financial systems commitments by geographical area, beneficiary and financial tool for 2018-2021.

## Increased contribution to the climate and gender

### Amount and share of climate commitments in AFD's financial systems projects within the public sector



### Amount and share of AFD's financial systems projects within the public sector with a gender objective



## Strengthening the economic role of women

Launched in 2018 by five Development Finance Institutions and Proparco, AFD Group's private sector arm, the **2X Challenge initiative** has already mobilized \$4.1 billion to strengthen the economic role of women around the world.

Proparco has contributed \$492 million, with 80% through financial institutions. The quality and provision of goods and services for women are key criteria for this program. The projects supported promote women's entrepreneurship, leadership and employment.

# A strategy and projects aligned with the Sustainable Development Goals

*AFD Group's financial systems strategy supports actors in the sector in order to address the challenges of sustainable development. It is based on three areas and aims to build inclusive, sustainable and responsible financial systems.*

## #1 / ACCESS



### Promote access to financial systems

The objective is to promote access to financial services tailored to the needs of people and companies that request them.

The range of financing on offer ensures equitable, permanent and sustainable conditions of access for the various categories of clients.



#### HAITI

##### FINANCING VULNERABLE PEOPLE WITH THE MICROFINANCE INSTITUTION ACME

**€3 million** non-sovereign loan in Haitian gourdes (local currency)

This project is contributing to the development of the loan portfolio of the microfinance institution ACME in order to promote the financial inclusion of vulnerable people in Haiti. It is part of the 2X Challenge initiative.

## #2 / TRANSITION



### Help build a sustainable finance model

AFD Group assists the transformation of financial systems so that they contribute to financing a more sustainable economy.

The Group actively supports the fight against climate change, the reduction of social and gender inequalities and the digital transition.



#### COSTA RICA

##### SUPPORTING THE NATIONAL BANK OF COSTA RICA (BNCR) THROUGH CLIMATE FINANCE

**€41 million** non-sovereign loan  
**€12 million** tier 2

Support for the structuring of BNCR, the country's leading bank, for climate finance. The aim is to stimulate investment in activities that contribute to the achievement of the objectives for decarbonization and adaptation to the effects of climate change.

## #3 / CONSOLIDATION



### Strengthen the architecture of the financial system to ensure its stability

This area supports the development of financial actors, while strengthening the foundations of the institutional and regulatory framework in which they operate.

The aim is to ensure the implementation of an appropriate regulation, secure financing operations and protect clients.



#### BRAZIL

##### SUPPORTING FINANCING FOR THE SUSTAINABLE RECOVERY IN THE STATE OF MINAS GERAIS

**€70 million** non-sovereign loan  
**€1 million** grant

Backing the strategy of the Minas Gerais Development Bank (BDMG) in support of the Sustainable Development Goals by financing the recovery of the local economy.



**EGYPT****SUPPORTING THE EGYPTIAN SME DEVELOPMENT AGENCY (MSMEDA)**

€50 million sovereign loan  
€1 million grant

This project is increasing the financial inclusion of women entrepreneurs by assisting the implementation of MSMEDA's gender strategy. It is supporting the development of a range of financing and assistance tailored to micro, small and medium-sized enterprises managed or owned by women.

**PHILIPPINES****SUPPORTING THE DEVELOPMENT OF FINANCIAL INCLUSION**

€100 million sovereign loan  
€1,5 million grant

This policy-based loan to the Philippine Government, co-financed with the Asian Development Bank (AsDB), is facilitating financial inclusion for vulnerable people, especially women and people in rural areas.

**VIETNAM****SUPPORTING FINANCING FOR RENEWABLE ENERGIES WITH HD BANK**

\$50 million non-sovereign loan

This project is contributing to renewable energy development in Vietnam by financing the diversification of HD Bank's portfolio of solar power generation projects. It is focusing on ground-mounted solar farms and rooftop solar projects.

**MULTI-COUNTRY AFRICA****SUPPORTING THE CENTRAL BANK OF WEST AFRICAN STATES (BCEAO)**

€3 million grant

This initiative is assisting the BCEAO with the implementation of its regional financial inclusion strategy in the West African Economic and Monetary Union (WAEMU). It is helping to strengthen the regulatory framework and supervision of microfinance.

**SOUTH AFRICA****GREEN BOND ISSUE BY THE DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)**

€200 million subscription to a bond issue

This project is assisting DBSA with the diversification of its sources of financing and its structuring on the climate issue through the implementation of a certified bond issue framework, in line with the Green Bond Principles.

# Three markers of AFD Group financial systems activity

*Since 2018, financial inclusion, climate finance and support for public development banks have been a major focus of AFD Group's financial systems activity.*

## Facilitating access to financial services

AFD Group has taken ambitious steps to support the development of a range of financing for groups historically excluded from financial services, such as women and rural residents, as well as micro, small and medium-sized enterprises (MSMEs). To do so, the Group has used new approaches such as the 2X Challenge initiative for women and AGREENFI which is assisting actors in the agriculture sector, with support from the European Union. Another example is the Choose Africa initiative, which aims to accelerate the growth of MSMEs in Africa.

## Supporting a low-carbon and resilient economy

In line with the Paris Agreement, AFD Group supports financial actors that wish to contribute to building low-carbon and resilient economies. For example, AFD Group participates in financing asset portfolios with climate co-benefits. To help further reallocate available financial resources, the Group also seeks to promote the transformation of the practices of financial actors (such as in matters of governance and strategy), and to assist financial authorities with the definition and implementation of public policies promoting the transition.



### L'AFD works with... the Alliance for Financial Inclusion (AFI)

A leading institution in the ecosystem of financial inclusion, AFI is a network of central banks and financial regulators based on regional and thematic platforms (digital finance, inclusive green finance, gender, SME finance). Since 2019, AFD has been financing AFI for the deployment of capacity building activities and support to member regulators. These regulators enable the adoption of policies and standards promoting access to financial services for all.



### AFD Group and... the Green Climate Fund

AFD and the Green Climate Fund have launched the "Transforming Financial Systems for Climate" (TFSC) initiative. This program worth over €650 million is supporting the transformation of local financial systems to fight against climate change and its effects. To do so, the TFSC program provides countries with concessional resources to finance and give technical support for investments in renewable energies, energy efficiency, sustainable natural resources management and climate-smart agriculture.



## Tools tailored to public development banks

Public development banks (PDBs) are now identified as key actors in facilitating the transition towards sustainable development trajectories. AFD has structured a dedicated operational and partnership-based approach to make them important allies in the transformation of financial systems. To do so, AFD deploys a wide range of instruments including debt, quasi-equity (which carries lower risk than common equity), and technical assistance grants, and plays a leading role in networking PDBs.

 **€3.7 billion**  
committed to support PDBs  
(2018-2021)

## AFD and... the networks of public development banks

Since 2017, AFD has chaired the International Development Finance Club (IDFC), a network of 26 public development banks (PDBs), which works to promote and facilitate sustainable development investments around the world. AFD also plays a leading role in structuring the Finance in Common (FiCS) coalition to facilitate exchanges, the sharing of experiences and the mounting of operational responses. At the same time, it develops partnerships with regional PDB networks in Africa, Asia and Latin America.

# Prospects for a renewed ambition

*To further the transition of financial systems, the Group has set three new operational objectives.*

1

## Make financial actors allies in the reduction of inequalities

To tackle the increase in inequalities, AFD encourages actors in financial systems to continue to target the most vulnerable people and to adapt their approaches to work in fragile contexts. To address the challenges of a fair transition, AFD seeks to support projects that reconcile the reduction of inequalities and the fight against climate change.

2

## Seek a knock-on effect by assisting the transformation of financial actors

AFD works alongside financial actors to change their investment strategies and practices in order to contribute to the achievement of the Sustainable Development Goals (SDGs). The Group has stepped up its technical and financial support through a partnership approach integrating change management processes.

3

## Develop public policies

Financial regulation is a powerful and structural tool to transform the development trajectories of a country. AFD supports governments and regulators in this sense. This approach makes it possible to adapt standards and incentive mechanisms to promote sustainable financial practices that contribute to the achievement of the Sustainable Development Goals.

AFD Group contributes to the implementation of France's development and international solidarity policy. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and Expertise France, the technical cooperation agency. It funds, supports and accelerates the transitions to a fairer and more sustainable world.

With our partners, we are building shared solutions with and for populations in developing and emerging countries. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries, and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). To create a world in common.

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