Estimating Private Climate Finance mobilised by France’s Climate Finance Interventions

Final Report

Vincent Abeille (CES)
Hans Bolscher (Trinomics)
Jacquelin Ligot (CES)
Midori Million (Artelia)
Elske Veenstra (Trinomics)

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Executive Summary

Aim and Context of the Study

In addressing the challenges of ‘climate change’, substantial investments in mitigation (renewable energy production, energy efficiency measures, etc) and adaptation (coastal protection, changing weather impact on agriculture, etc) are required in the decades to come. The financial flows related to these investments (and related ‘softer’ interventions such as technical assistance) are all together called ‘climate finance’. At the COP 15 in Copenhagen, the developed countries committed to a goal of “mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries”\(^1\).

The European Union and other developed countries (cf. Joint statement\(^2\)) understand the USD 100 billion as mentioned in the Copenhagen commitment as originating from both public (national or multilateral) or private sources, when the latter is mobilised by public intervention\(^3\). In this report we have for the first time tried to estimate and analyse the mobilisation of private climate finance as a result of bilateral French public interventions over the period 2013-2014.

This study was commissioned not only to get better insight into the figures but also to better understand the (rather complex) methodological issues that are involved in these calculations. As such, the study has contributed to the work of the OECD-hosted Research Collaborative on Tracking Private Climate Finance. In addition, we hope that the results will give better insight into the impact and effectiveness of the different French instruments in mobilising private climate finance.

A Methodology to calculate mobilised private climate finance

There is no internationally agreed methodology for measuring and reporting mobilised private climate finance yet. The OECD-hosted Research Collaborative on Tracking Private Climate Finance has developed a decision framework for developing such a methodology\(^4\) and only very recently most OECD countries have adopted a common understanding as a basis for going forward (cf. Joint Statement).

The question of ‘how to measure’ is quite relevant as it can have substantial impact on the total outcome, and as achieving or not the $100 billion mentioned above is part of the political context of the upcoming COP 21, changes in outcomes are directly having their impact on the negotiations. The most important choices that have to be made are about:

- Which projects and what part of these project is exactly considered as ‘climate finance’,
- How do we value the different financial instruments (grants, loans, guarantees, etc.)

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\(^1\) Conference Of the Parties, Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009, http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf#page=4

\(^2\) Joint Statement on Tracking Progress Towards the $100 billion Goal Paris, France, 6 September 2015

\(^3\) ECOFIN Council Meeting 7 November 2014

How can we attribute the amounts to the different actors, as often many actors (public and private) from many origins (Annex 1 and non Annex 1) are involved in financing projects.

In section 3.6 an overview of all methodological choices as used in our calculations is presented.

It should be noted that among the few countries where pilot studies have been conducted to date under the aegis of the Research Collaborative project data was generally more available and easier to collect in France. This is primarily due to the fact that public climate finance channelled by the AFD Group represents the bulk of French public climate finance and AFD Group has had a tracking system in place since 2007.

It is also noteworthy that in France the use of ‘credit lines’ for development and climate finance is significant. This instrument is supporting local banks with ‘wholesale finance’ so that they in turn can give out smaller loans to local SMEs. Credit lines are growing in importance and we had to develop a special methodology to estimate the mobilisation through these credit lines (see section 3.7). This methodology is based on ratios provided by the institutions as substitute or proxy for unavailable data at sub-project level. We have not been able to analyse these underlying ratios in depth. As they mobilised a substantial part of all private finance, we also tested the methodology for some alternative assumptions to see the impact on the final outcome.

Not all climate finance is directly going into projects or ‘investments’. We have made a distinction between different kinds of public support to climate goals:

1. Public support (grants or TA) for developing policy & regulatory frameworks
2. Public support (grants or TA) for project preparation work
3. Public finance (all possible financial instruments) for project implementation

All three are relevant and can be counted as public climate finance. All three have an impact on mobilisation of private climate finance, but only for the last type of flows (direct project finance), there is a direct link between the public finance and the private finance. In order to investigate the contribution of the first two types of flows as well we have included a case study to give a sense of their impact.

The Process of Data Collection

As the scope of the research was limited to the bilateral support we did not look at French support via multilateral channels such as MDBs, the EU or the Green Climate Fund.

The French institutions included in our study are:

- AFD (around 85% of French public climate finance)
- Proparco (around 10% of French public climate finance)
- FFEM (less than 1% of French public climate finance)
- FASEP - RPE\(^5\) (around 4% of French public climate finance)

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\(^5\) This report uses the abbreviation RPE for the loans of the ex-“Réserve Pays Emergents” of the French Treasury, now renamed as Treasury Loans (“Prêts du Trésor”) starting in 2015.
We also analysed the financial support via Coface — France’s export credit agency — but concluded that not enough relevant information was available and likely not enough climate relevant projects were included so they were not further investigated.

Overall the institutions had good data availability on the public support delivered to climate projects. However, the existing data information systems did not include easily accessible relevant information needed to calculate the mobilisation of private finance. As a consequence, we had to dig deep in the original project documentation to get the required data and even then, not always all data required for a correct calculation could be found. But with the strong support of all parties involved we managed to collect enough sound data to make decent estimates of the total amounts involved.

The results

After applying the methodology on the available data we concluded that French public climate finance instruments from the 4 institutions have mobilised a total of EUR 1.28 billion of private climate finance over the years 2013 and 2014:

<table>
<thead>
<tr>
<th>Public and Private finance (in EUR)</th>
<th>2013</th>
<th>2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public climate finance</td>
<td>2,483,851,730</td>
<td>3,280,618,474</td>
<td>5,764,470,204</td>
</tr>
<tr>
<td>Mobilised private climate finance</td>
<td>595,844,346</td>
<td>681,027,475</td>
<td>1,276,871,821</td>
</tr>
</tbody>
</table>

As already mentioned, a substantial part of the mobilisation is the result of credit lines. In total EUR 880 million was mobilised via this instrument, or almost 70% of the total mobilised private finance. As this is more than for other instruments based on assumptions and ratios, caution is in order for the interpretation of the overall outcome.

We have tested the credit lines for some alternative assumptions, especially on the classification of local banks’ loans as public or private flows (which in reality is not always very clear). This influenced the final results on mobilised private finance by a margin of 4-17% overall, which is significant.

We also analysed the results per financial instrument, per region and whether it was aimed at mitigation or adaptation to get a better insight into the overall mobilisation:

<table>
<thead>
<tr>
<th>Total mobilised private climate finance by France (in EUR)</th>
<th>2013</th>
<th>2014</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobilised private climate finance by France</td>
<td>595,844,346</td>
<td>681,027,475</td>
<td>1,276,871,821</td>
</tr>
<tr>
<td>Public climate finance</td>
<td>2,483,851,730</td>
<td>2,820,618,474</td>
<td>5,304,470,204</td>
</tr>
<tr>
<td>Mobilisation by credit lines</td>
<td>490,473,585</td>
<td>390,262,407</td>
<td>880,735,993</td>
</tr>
<tr>
<td>Mobilisation by financial instrument</td>
<td>3,920,823</td>
<td>16,190,925</td>
<td>20,111,748</td>
</tr>
<tr>
<td>Sovereign loans*</td>
<td>218,177,577</td>
<td>33,457,170</td>
<td>251,634,747</td>
</tr>
<tr>
<td>Non sovereign loans*</td>
<td>365,542,977</td>
<td>611,019,380</td>
<td>976,562,356</td>
</tr>
<tr>
<td>Equity</td>
<td>0</td>
<td>20,360,000</td>
<td>20,360,000</td>
</tr>
<tr>
<td>Funds (Proparco)</td>
<td>8,202,969</td>
<td>0</td>
<td>8,202,969</td>
</tr>
<tr>
<td>Mobilisation by region</td>
<td>4,507,749,604</td>
<td>390,262,407</td>
<td>856,529,413</td>
</tr>
<tr>
<td>Sovereign loans*</td>
<td>567,563,000</td>
<td>33,457,170</td>
<td>404,966,961</td>
</tr>
<tr>
<td>Non sovereign loans*</td>
<td>18,245,000</td>
<td>611,019,380</td>
<td>15,375,448</td>
</tr>
<tr>
<td>Equity</td>
<td>210,912,600</td>
<td>20,360,000</td>
<td>210,912,600</td>
</tr>
<tr>
<td>Funds (Proparco)</td>
<td>404,966,961</td>
<td>0</td>
<td>404,966,961</td>
</tr>
<tr>
<td>Mobilisation by region</td>
<td>856,529,413</td>
<td>33,457,170</td>
<td>856,529,413</td>
</tr>
</tbody>
</table>
Africa 188,466,829 113,278,273 301,745,103
Asia 247,795,252 129,514,628 377,309,880
Latin America / Caribbean 69,417,092 349,158,965 418,576,057
Mediterranean Region 90,165,174 68,594,749 158,759,923
Multiregional 0 20,480,859 20,480,859

Mobilisation: mitigation or adaptation
Mitigation 563,222,610 622,104,266 1,185,326,876
Adaptation 487,450 58,923,209 59,410,659
Mixed 32,134,286 0 32,134,286

ODA - OOF (eligible flows)
ODA 350,398,400 201,865,223 552,263,623
OOF 245,445,946 479,162,252 724,608,198

* Credit lines are included under both sovereign (1/3) and non sovereign loans (2/3)

We emphasise again that for reasons owing to both data quality and impact of all different methodological assumptions, we prefer to regard these results as estimates.

Conclusions and Recommendations

The results do not represent the full contribution of the French government and institutions. Due to the limited scope (with exclusion in particular of French contributions to multilateral development banks and funds) the actual total contribution is substantially higher. We recommend including in a next study all flows to produce a better overview.

The methodology to calculate the mobilisation is not set in stone yet. The different choices have a major impact on the outcome. Also within the different institutions different systems are used today. Especially the impact of the definition of climate finance and the valuation of the different instruments require further research and harmonisation. Also how to value and include the role of policy support and project preparation support needs further thinking.

Climate finance is getting more and more intertwined with development finance and we think it would be logic and practical to see if we can find synergies by streamlining data collection and reporting on both streams of finance.

The credit lines are a successful instrument and show a high level of mobilisation. Being so relevant for the total outcome we advise to better underpin the estimated ratios or to go from ratios to real project data to make the outcomes more robust.

The data collection process was challenging as the required data were not easy to extract from the existing information systems. We strongly advise to update the information systems as soon as possible to facilitate the collection of relevant data and to reduce the administrative burden for next reportings. Also a harmonisation between all institutions is needed to increase the comparability of the results in future reportings.

In contributing to enhanced transparency on climate finance reporting, this report with all its limitations will also contribute —or so is its authors’ dearest wish— to building trust in ongoing climate negotiations.
1 Introduction

The role of ‘climate finance’ in the international climate negotiations has increased markedly over the last years, and this culminated in a decision during the COP 15 (Conference of Parties) in Copenhagen in 2009; the so-called ‘Copenhagen accord’ specifically states:

‘In the context of meaningful mitigation actions and transparency on implementation, developed countries commit to a goal of mobilising jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries. This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance’.

This COP decision has led in the years thereafter to intensive discussions on how to measure the progress towards the USD 100 billion goal. This ongoing discussion has concentrated in the first years on the definition of ‘what is climate finance’ and on ‘how can we measure the public contributions’. But in the last years the focus has been extended also towards the measurement of the private climate finance, especially the private climate finance mobilised by public actions. This is not only a reflection of the budget restrictions in many of the donating countries but also a recognition of the importance of the role of the private sector in solving the climate change related problems. Both the know how of private companies as well as their financial strength are strongly needed to come to impactful solutions and deploy climate finance at scale.

It is against this backdrop that the French government has commissioned this study to get a better insight into the French public contribution to ‘Mobilised Private Climate Finance’ (MPCF). This study aims to quantify the mobilisation of private climate finance by French public interventions during the period 2013-2014.

The results also aim to contribute to the ongoing methodological discussions on this issue within the OECD-hosted Research Collaborative on Tracking Private Climate Finance and complement the few existing national studies that have been conducted on this specific topic so far. It aims to contribute to the refinement of methods for quantifying the public-private leverage ratio and to identify useful lessons that can be learned on how to improve this leverage and thus the efficiency of international public interventions to mobilise climate finance for developing countries.

These national and international discussions and studies are needed to establish a sound methodological basis for the measurement, reporting and verification (MRV) of the commitment made in Copenhagen. Without a good MRV in place it is difficult to follow the progress made towards the USD 100 billion pledge made in 2009.

In chapter 2 of this study we describe the main instruments used by the French Government for climate finance goals. This report is limited to some institutions and bilateral instruments of the French Government, knowing that France is also contributing via multilateral channels like the Multilateral Development Banks (MDBs) such as the World Bank or EBRD, via the EU budget or via specific climate funds like the Green Climate Fund (GCF), which are not included in this study. In chapter 3 we elaborate on the methodological choices that have to be made in order to arrive at robust and transparent results. We have used the original OECD-

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6 http://www.oecd.org/env/researchcollaborative/
hosted Research Collaborative framework\(^7\) as guideline, in order to ease the comparison of the chosen methodology with other national studies. Special attention is given to the methodology to calculate the impact of the ‘credit lines’ as this has become a major instrument for the French climate (and development) finance.

Data collection for such a new topic is never easy, as this has not yet been properly institutionalised. The challenges around data collection are therefore treated in a more elaborate manner than usual for such a study in chapter 4. Results and amounts are presented in chapter 5. We have presented the outcomes not only per institution, but also per instrument and per region in order to be able to learn as much as possible from these results. The preliminary conclusions and recommendations are presented in chapter 6.

It is important to note that this kind of research is relatively new ground and that we are in the middle of an international learning process. The outcomes and the conclusions should be seen in that light. It is definitely not yet waterproof accounting, nor are the conclusions set in stone. But the authors of this study have tried to gain as much insight as possible and to present results in coherent and transparent way, in the hope that it will contribute to the ongoing international discussions.

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**Disclaimer:**

The opinions and the amounts presented in this report are the result of thorough research by the authors. But due to the many uncertainties and some lack of data they should be treated rather as estimations. Although commissioned by the French Government, the opinions and the results are the sole responsibility of the authors and do not reflect the opinion of the French Government.

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2 French Public Climate Finance Channels and Instruments

This study only covers French public climate finance interventions provided through some French public financial institutions and bilateral flows to developing countries. Therefore, the study does not consider multilateral channels such as French contributions to MDBs, the EU budget or funds such as the GEF or the GCF.

French public climate finance is mostly provided through the following institutions:

- AFD (around 85% of French public climate finance)
- Proparco (around 10% of French public climate finance)
- FFEM (less than 1% of French public climate finance)
- FASEP - RPE (around 4% of French public climate finance)
- Coface (after consultation not included, see below)

2.1 AFD: French Development Agency

Agence Française de Développement (AFD) is a Development Finance Institution and the main implementing agency for France’s official development assistance to developing countries and French overseas territories. It is a member of the IDFC (International Development Finance Club\(^8\)) and EDFI (Association of European Development Finance Institutions\(^9\)).

AFD deploys a wide range of financing tools to meet the financing needs of developing countries:

- Grants: grants and subsidies are destined for projects being carried out in Least Developed Countries of France’s Priority Aid Solidarity Zone (16 Sub-Saharan countries).
- Loans: AFD loans can be extended to a State or a public entity benefiting from a State guarantee (“sovereign loan”), or a (primarily public\(^{10}\)) entity that does not benefit from such a guarantee (“non-sovereign loan”). AFD provides both market-rate loans (“non-concessional loans”) and subsidised loans (“concessional loans”).
  - Sovereign loans: taken out or guaranteed by States and destined for countries with low levels of debt that are in a position to borrow and countries whose indebtedness has returned to a low level following a program to alleviate their debt.
  - Non-sovereign loans: destined for State-owned companies, local authorities, public entities or NGOs. AFD has increased its capacity to allocate non-sovereign loans at its own risk.

Non-sovereign loans can be provided to local banks (credit lines) allowing these to on-lend the funds to small and medium-sized companies or projects, which are too small for AFD direct financing. Several AFD credit lines are climate-related. A detailed description of credit lines is included in section 3.2: ‘AFD credit lines to local banks: proposed methodology’.

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\(^8\) https://www.idfc.org
\(^9\) http://www.edfi.be
\(^{10}\) AFD can also lend to private banks, but its main focus is the public sector.
• Partial credit guarantees: AFD can provide guarantees to local banks whereby AFD bears part (typically 50%) of the risk of default of some loan transactions either on an individual or portfolio basis (ARIZ, for Accompagnement du Risque d’Investissement dans la zone d’intervention de l’AFD). ARIZ has been used in connection with climate-related transactions, but no systematic quantification has been undertaken, as the climate ‘tagging’ of these transactions is not yet currently done.

Other financial instruments provided by AFD (budgetary aid, debt reduction development contracts or ’C2D’\(^\text{11}\)) are not used for climate-related projects in the period under review and are thus not included in this report.

AFD’s total climate-related financing for the years 2013-2014 is shown in Table 1. AFD uses its own methodology to classify and quantify climate-related projects (see section 3.2.1).

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2013+2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non sovereign loan</td>
<td>347,398,496</td>
<td>975,130,962</td>
<td>1,322,529,458</td>
</tr>
<tr>
<td>Sovereign loan</td>
<td>1,738,852,544</td>
<td>1,371,426,502</td>
<td>3,110,279,046</td>
</tr>
<tr>
<td>Grants</td>
<td>34,525,440</td>
<td>40,415,659</td>
<td>74,941,100</td>
</tr>
<tr>
<td>Total AFD</td>
<td>2,120,776,480</td>
<td>2,386,973,124</td>
<td>4,507,749,604</td>
</tr>
</tbody>
</table>

Source: AFD

2.2 Proparco: AFD’ subsidiary dedicated to the private sector

Proparco is a subsidiary (67%) of the AFD, dedicated to private sector operations. It operates in 73 countries in Africa, Asia, Latin America and the Middle East and helps finance and supports financial institutions and corporate private-sector projects. Proparco focuses on the key development areas, including climate-related sectors such as renewable energy-based infrastructure, agribusiness, water, etc.

Proparco has a wide range of financial instruments to meet the specific needs of private investors in developing countries (loans, equity, guarantees and financial engineering):

• Loans: senior loans, junior loans, mezzanine debt, subordinated loans. Proparco offers loans in several forms:
  • Loans proposed directly to companies (balance sheet loans),
  • Project loans that are in most cases co-financed with other financial institutions,
  • Loans to financial institutions,
  • Credit lines

• Equity: Equity and quasi-equity transactions in all forms permitted by company law and regulations (shareholder current accounts, convertible bonds/notes, participating loans, subordinated loans).

• Investment funds: subscription of shares (typically as Limited Partner) in national and regional investment funds that specialise in equity and quasi-equity financing of private companies. These funds may be based on a single country or a larger region, and may or may not be multi-sectoral.

\(^\text{11}\) Contrat de Désendettement et Développement, debt for development swap.

\(^\text{12}\) The table excludes financing on resources provided to AFD by other donors such as EU facilities or DFID.
• Guarantees: no guarantee was found in Proparco’s climate-related activity.

Proparco’s total climate-related financing for the years 2013-2014 is shown in Table 2. Proparco, as part of the AFD Group, uses the same methodology as its parent company to classify and quantify climate-related projects (see section 3.2.1).

<table>
<thead>
<tr>
<th>Table 2: Proparco’s climate financing in 2013 &amp; 2014 per instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Dedicated loans to FI</td>
</tr>
<tr>
<td>Equity</td>
</tr>
<tr>
<td>Funds</td>
</tr>
<tr>
<td>Senior loan</td>
</tr>
<tr>
<td>Total Proparco</td>
</tr>
</tbody>
</table>

NB: there are some minor differences between figures in the table above and previous reportings made by Proparco (e.g. to the UNFCCC), mainly due to different scopes of reporting and different moments of measurement.

2.3 FFEM: French Fund for the Global Environment

The FFEM (Fonds français pour l’environnement mondial) is a bilateral public fund initiated by the French Government in 1994. It has no legal personality. The FFEM secretariat and its financial management are entrusted to the AFD under an agreement with the State. Mirroring the GEF’s mandate and focal areas, FFEM co-finances projects that support the protection of the global environment in developing countries. The FFEM is an influential strategic instrument for the French policy on Official Development Assistance (ODA) regarding global environmental protection. Its activities focus on the topics of biodiversity, international waters, climate change, land degradation and desertification, persistent organic pollutants and the stratospheric ozone layer.

FFEM mostly finances broadly defined Technical Assistance projects\(^{13}\) and its contribution is normally capped at 50% of total project costs.

Its co-financing is almost exclusively done in the form of grants, except one equity investment in 2014 in the Energy Access Fund (EAF).

FFEM’s total climate-related financing for the years 2013-2014 is shown in Table 3. FFEM uses its own methodology to classify and quantify climate-related projects (see section 3.2.1).

<table>
<thead>
<tr>
<th>Table 3: FFEM’s climate financing in 2013 &amp; 2014 per instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Grants</td>
</tr>
<tr>
<td>Equity</td>
</tr>
<tr>
<td>Total FFEM</td>
</tr>
</tbody>
</table>

\(^{13}\) FFEM can also now co-finance capital expenditure through grants and contingent loans (grants that must be repaid if the project is successful), e.g. FISP Climat.

2.4 FASEP and RPE: General Directorate of the Treasury

The General Directorate of the Treasury (DGT) provides two instruments (both classified as ODA):

FASEP (Fonds d’études et d’aide au secteur privé): Private Sector Aid and Studies Fund.

FASEP assists developing countries in the form of grants (and possibly reimbursable advances) for services carried out by French companies (feasibility studies, technical assistance, pilot projects) linked to infrastructure projects.

Sixty countries are eligible. Since 2000, €327 million in grants have supported 508 studies by French companies in 84 countries.

RPE (Réserve pays émergents): Emerging Countries Reserve, dedicated to a priority set of developing countries.

RPE grants concessional loans to twenty emerging countries for infrastructure projects; these loans are tied to the supply of French goods and services. Since 2000, RPE has supported 70 projects for a total amount of €3.2 billion. Since early 2015, RPE also provides non-concessional loans, although no such operation has occurred so far.

FASEP and RPE’s total climate-related financing for the years 2013-2014 is shown in Table 4. FASEP and RPE use their own methodology to classify and quantify climate-related projects (see section 3.2.1).

Table 4: FASEP and RPE’s climate financing in 2013 & 2014

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2013+2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants (FASEP)</td>
<td>1,795,000</td>
<td>2,637,600</td>
<td>4,432,600</td>
</tr>
<tr>
<td>Concessional loans (RPE)</td>
<td>98,400,000</td>
<td>108,080,000</td>
<td>206,480,000</td>
</tr>
<tr>
<td>Total FASEP RPE</td>
<td>100,195,000</td>
<td>110,717,600</td>
<td>210,912,600</td>
</tr>
</tbody>
</table>

2.5 Coface: Export credits - state guarantees

Since 1946, Coface (Compagnie française d’assurance pour le commerce extérieur) has managed public export guarantees on behalf of, and with the guarantee of, the French State. These guarantees aim at promoting, supporting and securing French exports and investments abroad.

Within this framework, Coface offers a wide range of insurance products to cover risks that cannot be covered by the private sector. They benefit French companies that carry out markets surveys, have products or services to export or invest abroad.

After consultation with Coface it was concluded that they do not systematically classify their projects as climate-related as their primary focus was the support of French companies. In this context, two key elements are needed in order to integrate Coface within the scope of the estimations on mobilised private climate finance in the upcoming years:

1) A Coface-specific methodology to track climate-related activities;

2) A more detailed assessment and substantiation of how export credit actually mobilise private finance in developing countries.
2.6 Policy-based public climate support

Part of the French public climate interventions listed above consists of technical assistance. Technical assistance can be for policy support (creating a favourable framework for climate finance), for project preparation or for project implementation. Although it is commonly agreed that this kind of technical support is very relevant and has a real impact on mobilised private climate finance, it is difficult to estimate the exact mobilisation of private climate finance induced by these technical assistance and policy instruments. Indeed in the Joint Statement\textsuperscript{14} from donating countries, it is noted that: "current data and methodological limitations prevent us from accounting for the full range of flows that we are mobilising towards the $100 billion goal at this time, in particular those mobilised through public policy interventions."

The actual calculations for the impact (mobilisation) on private finance is challenging and still a point being debated at the international level.

In some cases, however, when it is project-related as in the case of FFEM, the private finance leveraged from this public intervention could be estimated in the present study (as FFEM supports discrete projects and for up to 50% of the total funding).

We present in section 3.9 a case study to describe the possible impact of technical assistance/policy instruments on the mobilisation of private climate finance, but no figures have been included in the final data of our report pending the resolution of the methodological challenges associated to this type of public interventions.

2.7 General comments

This study does not provide an evaluation of the public instruments that the French government is using for climate finance as described above. However there are some general comments we would like to make:

- The focus being on bilateral flows only, there is a major part of public French climate finance and connected private finance that is not included. It would be advisable to try in future reporting to include and analyse these flows in more depth as well.
- We have focused on the largest public funds; we do not exclude the possibility that smaller flows from other public entities (e.g. local and regional government authorities) also could be included in the future. However, given the large amounts originating from the central government, this would only make a minor difference in the total figures.
- Coface and AFD guarantees (ARIZ) are not included in the report due to the paucity of climate specific data. In the future reporting these instruments should be further investigated for their ‘private climate finance mobilisation’ impact.

\textsuperscript{14} Joint Statement on Tracking Progress Towards the $100 billion Goal - Paris, France, 6 September 2015 (http://www.news.admin.ch/NSBSuscribe/message/attachments/40866.pdf)
3 Methodology

There is no internationally agreed methodology for measuring and reporting mobilised private climate finance yet. The OECD-hosted Research Collaborative on Tracking Private Climate Finance has developed a decision framework for developing such a methodology. The options that are mentioned in this framework are explained and discussed in this methodology chapter. The numbers of the decision points (A1-A11, D1-D9) are mentioned throughout chapter 3 for easy reference to the original OECD-World Resources Institute (WRI) paper. We describe and explain the choices made for this methodology with some additional text for clear understanding; at the top of each section we provide a short ‘instruction like’ text in a box that can be used as guidance for future internal use. At the end of the chapter we give an overview of the chosen methodology.

NB: Only very recently, most OECD countries have adopted a common understanding (Joint Statement) as basis for going forward. This has been developed at the very end of this project and it has been a source of methodological guidelines and options, and we tried to take into account this work as much as we could.

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15 See above
16 Joint Statement on Tracking Progress Towards the $100 billion Goal Paris, France, 6 September 2015
3.1 Methodological options: an overview

The study is based on the 4-stage framework developed under the OECD-hosted Research Collaborative on Tracking Private Climate Finance. Figure 1 gives an overview of this four stage framework.

Figure 1: Overview of the Research Collaborative four stage framework[^17]

<table>
<thead>
<tr>
<th>1</th>
<th>Defining core concepts</th>
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<td>Definition of climate-relevancy</td>
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<td>Definition of public and private finance</td>
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<td>Classification of developed and developing countries</td>
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<td>Origin of private finance</td>
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<table>
<thead>
<tr>
<th>2</th>
<th>Identify public interventions</th>
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<tbody>
<tr>
<td>Types of public interventions</td>
<td></td>
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<td>Specific instruments</td>
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<table>
<thead>
<tr>
<th>3</th>
<th>Valuing public interventions and total private finance involved</th>
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<tr>
<td>Conversion of currency</td>
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<td>Valuing public interventions</td>
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<td></td>
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<tr>
<td>Data or proxies</td>
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<table>
<thead>
<tr>
<th>4</th>
<th>Estimating private finance mobilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causality</td>
<td></td>
</tr>
<tr>
<td>Attribution of private finance</td>
<td></td>
</tr>
</tbody>
</table>

The next sections provide more information on public interventions and mobilised private finance: section 3.2 discusses the definitions for climate finance (stage 1), section 3.3 the role and impact of public interventions more in-depth (stage 2), section 3.4 discusses the options for valuing and estimating mobilised private finance in detail (stage 3) and finally in section 3.5 we turn to the issues of causality and attribution (stage 4).

Table 5 in the end of the chapter summarises the overall decisions that have been made, in order to enable the required quantification presented in chapter 5.

3.2 Defining core concepts

3.2.1 Definition of climate-relevance (D1, D2)

Public Climate Finance is defined in different ways in the French administration. We have used whatever method was already used within the institutions; most important was the method also used by the MDBs-IDFC, based on a restrictive list of activities for mitigation.

Most of the French public climate finance flows are tracked using the same method, as the AFD Group’s flows represent 95% of the flows examined in this report. The AFD/Proparco methodology has been used since 2007 and offers a robust and conservative approach by applying a ‘carbon footprint’ method for mitigation projects and a ‘component’ based method for adaptation projects (see Annex 1). Those methods are strictly compatible with the recently harmonized IDFC-MDBs methods for tracking climate finance, released in April (mitigation) and July (adaptation) 2015. Other French agencies use lists of climate-relevant activities, which are quite similar to MDBs’ and IDFC’s methodologies (see Annex 2). When French agencies need to report on their climate activities, for instance to the UNFCCC or to the OECD, they adapt their data to fit the format upon which they are asked to base their reporting. Two major different methods are used internationally:

- **The methodologies developed by the MDBs and the IDFC**, which are based on a list of eligible activities. These methodologies are a good reference for mitigation activities, however for adaptation activities this is not yet as well developed.

- **The ‘Rio markers’ methodology**, which consists in flagging projects (committed according to the OECD DAC definition), which take into account the climate issue (mitigation, adaptation) directly (as a principal objective, 100%) or less directly (as a significant objective, 50/40%).

Although both methods are recognized under the Joint Statement we think the IDFC-MDB’s one gives probably a more accurate estimate.

3.2.2 Definition of public and private finance (D3, D4, D5)

Public entities: At least 50% of the capital is owned by public shareholders

The division between public and private entities is not set in stone. The OECD-WRI report19 comes with the following options:

1. Based on shareholders (>50% public → entity considered as public)
2. Based on amount of control
3. Based on amount of risk carried
4. Pre-agreed set of actors

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18 The AFD Climate classification methodology is available in « Bilan Carbone projets AFD - Guide méthodologique et manuel d’utilisation », Version: 7 avril 2011

The OECD DAC has the following definition for public finance (“official flows”): “Official transactions are those undertaken by central, state or local government agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector. This includes transactions by public corporations i.e. corporations over which the government secures control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders’ voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors.”

For most entities, it is clear whether they are public or private. We followed the OECD DAC’s definition (also adhered to by the Joint Statement), which is guided by the shareholder structure as a basic rule: if more than 50% of the shareholders are public, the entity is considered public.

Some specific situations, however, are not well addressed through this simple division. For instance, finance from French state-owned enterprises, which operate according to commercial principles within a competitive market, cannot be considered as public finance and therefore in agreement with DGT we did not classify these flows as French public climate finance.

Similarly, in the case of AFD Group credit lines, while many of the banks that receive them are publicly owned, most of them operate in the market as regular commercial banks. We did not classify these flows as private finance however as their owners (Governments in recipient countries) may want to treat them as public finance, but carried out a sensitivity analysis, and looked at the impact of using alternative approaches for defining these banks’ loans as public or private (see section 3.7).

3.2.3 Public and private capitalisation of funds

When a fund or entity is partly owned by private actors (like Proparco) but the majority owner is public and through its mandate it pursues a clear public goal we consider the full contribution of such a fund or entity as a public intervention.

Some countries (like Denmark) use another approach and consider the private contributions to an entity’s capital (e.g. Proparco 37% from varied sources) as mobilised private finance. Then later all projects from the fund are divided pro rata over the public and private suppliers of capital to the fund.

3.2.4 Classification of developed and developing countries (D6)

Developed countries = Annex I countries
Developing countries = Non-Annex I countries
(Where possible we differentiate between LDC, other OECD DAC ODA recipients, and non-ODA recipients)

20 OECD, “Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire”, 11 June 2013, p. 7
21 EU bodies use the term “Prudent investor operating in a market economy”.
In accordance with the UNFCCC definitions, developed countries are Annex I (including Annex II\textsuperscript{22}) countries, and developing countries are Non-Annex I countries. An alternative that is sometimes discussed is to use the OECD DAC list of ODA recipients; this list is updated more regularly. However, as the discussions on the USD 100 billion take place within the UNFCCC context, this study relies on the Annex 1 and Non-annex 1 division.

\textbf{3.2.5 Geographical origin of private finance (D7, D8, D9)}

\begin{align*}
\text{Total private climate finance} &= \\
\text{Private finance from Annex I countries} + \text{Private finance from non-Annex I countries} \\
\text{(where possible disaggregation in order to highlight South-South flows)}
\end{align*}

Private climate finance can be mobilised from developed and developing countries. The question is whether developed countries should only include private finance from developed countries in their mobilisation. Developing countries are strongly interested in the mobilisation of domestic private finance, as witnessed in the present emphasis of the Private Sector Facility of the GCF on support to SMEs and FIs in developing countries. From the point of view of mobilising finance for climate change, it is the total mobilised finance – international and domestic, that is most relevant.

However, in the discussion on the USD 100 billion, one could argue that the private finance should originate from Annex 1 countries, even though it is debatable whether private money is bound by national boundaries at all. On top of this there is very little data available on private climate finance, let alone data on the geographical origin of it. But for the French credit lines we have significant evidence that by far the biggest part is originating from domestic sources (local banks' loans and equity from local investors). So from a practical perspective, it is more logic to include private finance from all sources. But from the political point of view it is reasonable to make a distinction (when possible) between domestic and foreign (Annex I) private finance. There is no right or wrong in either options but it has a major impact on the outcome; we elaborate a bit more on this as part of the discussion on credit lines (3.7).

\textbf{3.3 Identify public interventions}

\begin{itemize}
\item All public interventions leading to mobilising private climate finance are relevant but…
\item We can only calculate the public finance for project implementation
\end{itemize}

In order to be included in this study, private climate finance should be mobilised by the public intervention in accordance with the EU’s common understanding of ‘\textit{mobilised private climate finance}’, which specifies that these financial flows are: 1) mobilised by public finance, or by a public intervention, including in the sphere of policy and regulatory reform, and 2) climate relevant in accordance with criteria used by relevant international organisations such as the OECD and Multilateral Development Banks (cf. ECOFIN Council Conclusions, November 2014).

\textsuperscript{22} The list is available at: \url{https://unfccc.int/essential_background/convention/background/items/1348.php}
We distinguish between three categories of public interventions that can mobilise private climate finance:

1. Public support (grants or TA) for developing policy & regulatory frameworks
2. Public support (grants or TA) for project preparation work
3. Public finance (all possible financial instruments) for project implémentation (capital expenditures for the most part)

For all three types of interventions, different instruments can be chosen. For the first two, most often grants or Technical Assistance\(^{23}\) instruments are used; for the last category we speak often about ‘project finance’ and here all possible financial instruments (grants, equity, loans, guarantees, etc.) can be used.

The third category is where private participation in climate projects usually is mobilised. However it is obvious that also the first and second categories are important in mobilising private climate finance and therefore, ideally, should be taken into account. From a practical perspective, it is very difficult to ascribe private finance to interventions in support of policy development and project preparatory interventions. The link is less clear than with direct co-investment in specific climate projects and the risk of double counting is big. So we have not included these in the calculations (except for FFEM, see above) but this does by no means indicate that they are not important in mobilising private climate finance.

If mobilisation is only measured for public finance for direct project implementation, this leads to an overestimation of the mobilisation effect of the analysed instruments, and undervaluation of the mobilisation effect of policy and preparatory instruments. This could ultimately lead to fewer incentives for the public sector to invest in policy and regulatory support and project preparation, even if these create the enabling environment and the foundation that are so necessary to generate bankable climate projects.

**3.4 Valuing public interventions and total private finance involved**

**3.4.1 Conversion of currency (A1, A2, A3)**

It was decided, in line with international OECD DAC reporting, to measure in USD and convert according to current methods.\(^{24}\) This is the most practical and straightforward method.

**3.4.2 Point of measurement (A4)**

<table>
<thead>
<tr>
<th>Measurement of Mobilised Private climate Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>= as used per institution</td>
</tr>
<tr>
<td>= mostly at board approval</td>
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</tbody>
</table>

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\(^{23}\) TA is a sub-type of grants, although some TA can be reimbursable in some schemes if a project is successful.

In an ideal world one could measure at all points and calculate the most realistic contribution based on actual disbursements. It is well known that there is a gradual decline in volume between initial project approval and the later disbursements. This decline can be due to many reasons; ultimately the decrease can be up to 100% of the approved amount if a project is cancelled at a later stage.

In line with current OECD DAC logic one could also decrease the disbursements by calculating the repayments on loans (although this method of calculation will change in 2019, according to the last OECD agreement (DAC high level meeting final communique, December 2014)\textsuperscript{25} on concessionality into a system of so called ‘grant equivalent’ calculation).

But in practice this is more complicated. Especially the amount of mobilised private co-finance is by far best described and measured at the time of board approval (when a project is presented for decision including all the other (public and private) co-finance) or signing of a financing agreement (‘commitment’ in banks’ jargon). All AFD and Proparco reporting is based on the moment of ‘board approval’ but some other agencies also have supplied data on disbursements. We follow the existing method per institution, predominantly the moment of board approval (for AFD, Proparco and FFEM) and signing of loan agreement or notification of grant award (for RPE and FASEP respectively).

3.4.3 Valuing different public interventions (A5, A6)

Valuation of public interventions is a challenge, where few decisions are black or white. Thus far, countries usually report on their climate finance for all grants, loans and equity finance at face value. This is a simple and transparent method, but it does not take into account different risk profiles or concessionality levels. It can therefore create undesirable incentives for the public sector. A grant involves a net transfer of resources to the recipient country; a loan leads to a future reflow to the donor (although if the project is successful, the recipient benefits). At face value, the reflow is not taken into account. A subordinated debt instrument with a grant element of 35% is more risky and costly for the provider than a non-concessional senior debt instrument of same amount. But this is not apparent from the face value perspective. Instruments with a higher risk level and higher grant element are not rewarded. It can thus become attractive for the provider to use the instrument with the lowest risk, lowest cost and highest face value (e.g. senior secured non-concessional loans).

In order to stay in line with the methods used by MDBs and others DFIs we propose to calculate all contributions at face value.

\textsuperscript{25} http://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf
In 2014, the OECD DAC High Level Meeting (HLM) members have agreed to change ODA measurement of loans from net flows (face value) to grant equivalents\textsuperscript{26}. It has also given DAC the mandate to develop a new statistical measure to complement the ODA: the TOSSD (Total Official Support for Sustainable Development) which “potentially covers the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources”\textsuperscript{27}. In the new DAC system, the TOSSD could therefore include climate finance flows. In addition, today’s reported climate finance is not limited to flows qualifying as ODA but also includes significant amounts qualifying as Other Official Flows (OOFs).

### 3.4.4 Boundaries and value of total private finance involved (A7, A8, A9)

All private is attributed to the French intervention, but only at the moment of board approval and not in later years.

In order to avoid double counting and in line with the principles of the Joint Statement, when other public donors are involved this has been attributed pro rata.

The boundaries and value of private finance relate to the questions revolving around causality and attribution. Did the public intervention mobilise the entire private finance for a project, or only part of it?

Another issue is the time dimension: for how long after the public intervention are new private investments still considered as mobilised? Options are:

1. Only private co-finance at the moment of the public intervention
2. All private finance during the project lifetime (e.g. over 10 or 20 years)

The second option is at the moment not possible because of data limitations. We therefore use the first option.

### 3.5 Estimating private finance mobilisation\textsuperscript{28}

#### 3.5.1 Causality

Ideally, one should examine the causal relation between the public intervention and the private finance flows. In this way, only private finance that is truly mobilised by the public sector is included. In practice, this is only possible if we know how much would have been financed by the private sector, had the public intervention not taken place. This is very difficult to know exactly, and very labour intensive to estimate. Still, some methods exist.


\textsuperscript{27} HLM press release of December 2014.

\textsuperscript{28} While using a specific methodology for credit lines (detailed in point 3.7 below), this report takes the same approach as the OECD-CPI report (“Climate Finance in 2013-14 and the USD 100 billion goal”): “due to data and methodological constraints, estimates of mobilised private finance presented in this report are based on private co-financing directly associated with public climate finance (at the project-, activity- or fund-level) as best-available evidence for mobilization”.
that attempt to make this estimation. The UK’s International Climate Fund uses a method that estimates a Business as usual scenario and subtracts this from what is accounted as mobilised private finance. If the private sector already had plans to invest, prior to the public intervention, it is not accounted. This leads to a smaller but more accurate amount of mobilised private finance.

Such estimations of causality can only be made if a business as usual scenario is included and is tracked from the beginning of the public intervention. This involves an elaborate process. Even if such a method is used, it remains an estimate: it is impossible to know what would have actually happened without the public intervention. Therefore we assume a 100% causal relationship between the public intervention and private finance. This probably leads to some overestimation of the total mobilisation impact.

3.5.2 Attribution of mobilised private finance to public interventions

The final step of the methodology is to determine whether and how to attribute private finance among public actors (in multilateral projects). The Research Collaborative framework mentions many different attribution methods, of which the first three are related to the discussions on the valuation of public interventions: volume-based attribution, risk-based attribution, and concessionality-based attribution. Other options are: time-based attribution (based on the point of entry), role-based attribution (based on the actors’ roles, e.g. lead arranger), or full attribution (everyone accounts all associated private finance). The last option leads to systematic double counting, which goes against the principles expressed in the Joint Statement and was therefore rejected.

As discussed, valuing public interventions at face value can create the incentive to use instruments with low risk exposure or concessionality. But instruments with higher risk exposure and grant elements usually have a higher capacity to make a project ready and acceptable for private investment.

In sum, the concessionality level and risk profile of the public interventions have a significant impact on the mobilisation of private climate finance and should therefore, ideally, be taken into account in the valuation as well.

In this report, we have decided to apply a volume-based attribution (in line with the donors’ input to the OECD-CPI report29).

3.6 Methodology: key decision points

Table 5: Key decision points of the methodology.

<table>
<thead>
<tr>
<th>Defining climate change activities</th>
<th>D1: 4 institutions included in the scope of the study:</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1: which projects qualify?</td>
<td>• AFD Group (AFD, Proparco);</td>
</tr>
<tr>
<td></td>
<td>• FFEM;</td>
</tr>
<tr>
<td></td>
<td>• Trésor (RPE, FASEP);</td>
</tr>
<tr>
<td></td>
<td>• Coface (later excluded, see below)</td>
</tr>
<tr>
<td>D2: only part of a project?</td>
<td>D2: Institutions use different methodologies to classify a project as climate project:</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Defining public and private finance</th>
<th>D3: Which criteria for categorising actors as public or private?</th>
<th>D3: Based on &gt;50% public ownership according to OECD regulations and the list of institutions included in the scope provided by DGT</th>
</tr>
</thead>
<tbody>
<tr>
<td>D4: Which public finance is included as mobilising private finance?</td>
<td>D4: 100% of finance deployed by these institutions (also for Proparco)</td>
<td></td>
</tr>
<tr>
<td>D5: How to handle actors with both public and private capitalisation or origin of funds?</td>
<td>D5: No apportioning - 100% of the finance provided by the entity recorded as public or private (based on principles under D3)</td>
<td></td>
</tr>
<tr>
<td>Classifying developed and developing countries</td>
<td>D6: How to classify countries as developed or developing?</td>
<td>D6: Use existing UNFCCC Annex I, non-Annex I, Annex II</td>
</tr>
<tr>
<td>Assigning a geographical origin to finance</td>
<td>D7: How to assign finance to a country of origin?</td>
<td>D7: Geographical origin is assigned using the concept of “residence” based on the transactor’s centre of economic interest (rather than nationality or legal criteria), as defined in the OECD work on FDIs (Foreign Direct Investments).</td>
</tr>
<tr>
<td>D8: How to handle multiple country ownership/funding?</td>
<td>D8: Pro rata</td>
<td></td>
</tr>
<tr>
<td>D9: Which private finance (geographical origin) can count as being mobilised?</td>
<td>D9: All private climate finance flows (incl. domestic), but distinguish that originating from Annex I countries</td>
<td></td>
</tr>
<tr>
<td>Types of public interventions</td>
<td>Identifying relevant public interventions that can be credited for mobilising private finance</td>
<td>We distinguish between policy, project preparation and project support. Only the project support (project finance) is included in the calculations</td>
</tr>
<tr>
<td>Specific instruments</td>
<td>Credit lines: a dedicated methodology is developed for credit lines based on assumptions (see 3.7). Impact of TA or grants for policy support of project preparation are analysed in a case study (see 3.9) Also a case study to describe the impact of guarantees is included (see 3.8)</td>
<td></td>
</tr>
<tr>
<td>Currency and conversion</td>
<td>A1, A2, A3</td>
<td>USD – OECD conversion rate methodology</td>
</tr>
<tr>
<td>Point of measurement</td>
<td>A4: Which point of measurement and reporting to use?</td>
<td>Different points of measurement: AFD and Proparco: board approval FFEM: board approval and disbursement RPE-FASEP: board approval and disbursement</td>
</tr>
<tr>
<td>Value of public interventions</td>
<td>A5: How to account for different characteristics of public finance instruments?</td>
<td>All instruments are calculated at face value.</td>
</tr>
<tr>
<td>A6: How to account for the value of public policy interventions?</td>
<td>Idem</td>
<td></td>
</tr>
<tr>
<td>Boundaries and value of total private finance</td>
<td>A7, A8, 19</td>
<td>Include all private finance within the scope of a particular project (and apply pro-rata)</td>
</tr>
</tbody>
</table>
Data Availability

A 10, A11

Collect data at project-level. For credit lines proxies are used

Review period: 2013-2014. Review period was limited due to data collection constraints

Causality:

100% causality is assumed

Attribution³⁰:

When other public donors are involved, it is attributed pro-rata.

3.7 AFD credit lines to local banks: proposed methodology

AFD Group’s credit lines to local banks to finance small energy efficiency and/or renewable energy projects (branded ‘SUNREF’ for Sustainable Use of Natural Resources and Energy Finance) have become a major component of French public climate finance flows.

Background

To calculate the amount of private finance mobilised through this instrument, it is important to first correctly understand how the ‘credit line’ instrument operates.

AFD makes first a market analysis of the potential demand for financing, and of the main hurdles to overcome in a country (or sometimes a region): what kind of support do the local companies need to implement more low carbon projects and how can AFD best support this? One of the main hurdles found is that the loan offering of local banks (interest rates, tenors, security) is unsuitable. If there is enough potential demand and interest on the part of local banks, AFD offers a credit line to one or several of them. AFD charges its standard rates or, if circumstances require, provides a concessional loan.

Beneficiary banks of AFD credit lines are local public and private banks while for Proparco credit lines all beneficiary banks are local private banks. The local public banks can be divided in public development banks and public banks operating as commercial ventures. As mentioned under 3.2.2 there are several options on how to include the local banks in these calculations — see Box below.

Box: Three options to classify local banks’ (top up) loans as public or private finance

a) To follow the OECD definition, based on majority ownership and treat all the loans from banks with over 50% public ownership as public finance.

³⁰ Option 1: Under the approach of assuming blanket causality, all private finance identified in Stage 3 is assumed to have been mobilised by the public intervention. It can then either be attributed between public actors who have intervened or be reported collectively. In the short term, collective reporting would be a more feasible option for producing initial, standardised estimates as it does not require the additional information and analysis needed for attributing mobilisation to specific actors. Collective reporting would also contribute to reducing risks of double counting. On the other hand, it may lower the incentive to increase public financing by not recognising different levels of ambition and participation by individual public actors. Full attribution to each actor would not produce accurate estimates as it would lead to systematic double counting. The risk and potential scale of such double counting increases if boundaries defined under Stage 3 are expanded. Attribution options that take into consideration a public actor’s relative risk position, role in leading or co-ordinating joint initiatives, volume of finance provided, or point of entry into the activity would mitigate against double counting and thus produce more accurate estimates. However, the risk-, time-, and role-based attribution options require additional information that is typically not readily available. Thus, the most feasible options in the short-term are either no-attribution (collective reporting which could be limited to the private finance mobilised) or attributing on a pro rata basis using the different volumes of finance provided, which is more practical but may be less accurate than risk-, role- or time-based attribution.
b) As most or all of these local banks (whether public or not, development bank or not) operate under strict commercial rules similar to private banks, to classify all their loans as private finance.

c) To make a difference between local public development banks and other public banks and only treat public development loans as public finance because of these banks’ explicit public development goal.

AFD experts analysed each bank in the credit line program and labelled them as development banks or as other local banks. This analysis was based on different factors: membership of the IDFC, mandate of the bank, etc. From the 21 credit lines in our research, 12 are involving private banks, 6 developing banks and 3 other public banks.

The outcome of the choice for the above will impact strongly the total outcome of our investigations. The calculations in chapter 5 are based on option a) (in line with the Joint Statement) but we also calculated the impact of using option b) or c).

In most credit line agreements it is stipulated that the concessional terms of the credit line, if any, have to be passed on to the final borrower. The end-borrowers are local companies in the vast majority of cases.

The key to get the projects off the ground is a combination of educating and supporting local banks on the financing of climate projects, making funds available at a reasonable cost, and providing technical assistance to local companies to facilitate the development of the climate projects (e.g. feasibility studies). Only when the local bank has lined up enough bankable projects the credit line to the bank is disbursed. For the larger sub-loans the AFD has to give their approval as well. If the targeted market segment is perceived to be too risky, AFD can offer ARIZ guarantees, a risk-sharing tool designed for financial institutions to partially cover their “SME risk” either on an individual project or on a portfolio basis (partial credit guarantee). Contrary to AFD, Proparco has not mobilised technical assistance (TA) alongside its credit lines in recent years.

Although the credit line instrument follows a general ‘approach’ it can be customised to local circumstances.

A. Leveraging impact of AFD and Proparco credit lines:

1. The AFD credit line to the local bank(s) is denominated in hard currency. The loan from the local bank to the projects can be either in hard currency or in local currency (mostly for EE projects). AFD estimates that in general, local banks lend 20% more to projects than is refinanced from the credit line. This is a rather conservative estimate as AFD is in general financing investments excluding local taxes (which all in represents around 20% in VAT, custom taxes, etc.)

When banks operate as commercial ventures and not as agents of the government their (sub-)loans and top-up of 20% could be classified as private finance. This assumption is confirmed by AFD (See box on 3 options, above).

Proparco has no data on top up loans by local banks and no clear indications regarding additional financing mobilised by local banks. Therefore, Proparco estimates there is no top up by local banks in addition to credit lines.

2. The tenor of the AFD credit line to a local bank is in general 10-12 years. The tenor of the sub-loans from the local bank to the projects is estimated in average to 5-6
years (the maturity of most EE sub-loans is 3-4 years and 7-10 years for renewable energy). Allowing the banks to use the AFD funds twice would double the leverage of AFD funding during the lifespan of the credit line. For Proparco, this multiplier effect is estimated at 1.25 on account of the shorter maturity of Proparco credit lines.

3. For almost every sub-loan the project proponent has to put in its own equity as well, in OECD countries this is typically around 20% (or more since the financial crisis) of total project costs (assuming a project finance structure where the local bank sub-loan is extended to a special purpose company/vehicle). In the AFD countries of operations it was said to be 30% on average (source: AFD and Proparco), even when loans are extended on a balance sheet basis. There is no required minimum for the proportion of equity in the contract per credit lines. This minimum is decided internally by each local bank, based on the risk assessment of the project and on their internal policy.

B. Next to these direct and measurable mobilising impacts, there are other positive impacts that are more difficult to quantify.

4. AFD intends that their loans will enhance awareness of and knowledge about, and generate better acceptance of climate investments by the local banks. So that also after the AFD credit line is disbursed, the impact will continue. We consider this a very good intention and desirable outcome. However we lack hindsight and have no facts to support this assumption or to link it to mobilised private climate investments. In line with other more indirect projects (policy support or project preparation) we did not calculate a leverage factor for this.

C. Some relevant technical issues for the calculation:

Moment of measurement:

In line with the AFD internal system we will use the moment of Board Approval for measurement. We do note that normally there is erosion between Board Approval and financial closure and ultimately the disbursements for a specific credit line. However, contrary to World Bank/FMO estimates (minus 20-50%) the erosion for AFD credit lines is reported to us to be much less; we therefore use the moment of Board Approval without any correction for erosion.

For public climate finance in general we have, in our methodology, followed the logic that we only start measuring when the actual climate relevant projects are being financed (and not when funds are transferred to a fund or bank as general financing of such a fund or bank). However, for the AFD credit lines we calculate flows on the basis of the AFD financing. The reason is that a hard link is built in between the AFD disbursements and the local banks financing the already prepared climate projects.

Other French public support embedded in or associated with the credit line:

The interest rate charged by AFD to local banks on its credit lines is based on the cost of capital for AFD plus a mark up for internal expenses and a mark up for (local) risk. However, AFD can extend concessional loans in certain cases, made possible through support from the state budget to AFD.

31 In three cases, AFD credit lines were extended to banks financing municipal projects: we excluded these three projects from the calculations on private finance (no private equity mobilised by project proponents).
Technical Assistance: part of the success of the AFD credit lines is due to the simultaneous support via TA to the Banks and to the project proponents alike. The amount of TA varies depending on the need of the local banking and the local business sector. Typically this is 0-3% in emerging economies and 5-10% for credit lines in LDC countries (source AFD, oral information). We thus included the associated TA effort—when identifiable—as part of the credit line amount that is mobilising the private flows. Proparco does not provide any technical assistance in support of its credit lines.

Estimating the climate relevant part of a credit line:

AFD is not using its ‘ex ante carbon footprint method’ to classify its credit lines as climate-related. Credit lines are evaluated through the MDBs-IDFC climate tracking method. Conducted ex ante, this evaluation compares the objectives and criteria of each credit line against the MDBs-IDFC list of climate activities. Most green credit lines are classified 100% climate (aimed mainly at energy efficiency or sustainable energy production). Some other credit lines have a lower climate relevant percentage, when they finance a mix of climate and non-climate projects (for instance a credit line dedicated to housing, which finances both social housing and green housing). This method could also apply to adaptation projects, although no credit line so far has targeted adaptation projects.

Other donors/attribution:

Most AFD credits lines are extended to local banks without co-financing from other public or private sources. For very large climate related projects (calling on the support of a credit line) other financial support is required at the project level as the AFD contribution is around €7-10 million per project. There is little information in the system available on ‘other financiers’. Among all the EE/RE credit lines granted in 2013/2014, only one in Morocco has been co-financed with other donors (namely KFW, EIB & EBRD). Over the past years, there has been little mobilisation of co-finance with other public finance, in addition to AFD credit lines.32

D: Formula for calculation:

To calculate the mobilised private finance by the AFD Group credit lines we suggest using the following formula:

I. Public: Estimating French public finance in connection with AFD credit lines

A: Total credit lines, climate relevant, board approval in year X
   (NB: we use gross numbers without repayments; this may lead to discrepancies with ODA reporting but this exercise has a different purpose)
   +

B: Total French TA to support climate relevant credit lines in year X (only for AFD)

FPCF = total French Public Climate Finance linked to credit lines year X = A + B

II. Mobilised: Estimating private climate finance mobilised by AFD Group credit lines

32 This situation may evolve in 2015, with more public co-financing in perspective.
For AFD, based on the information we received we have assumed the following ‘typical’ or ‘average’ parameters:
- AFD funds are on-lent twice by local banks, hence a multiple of 2 is applied to calculate leverage (see formula below)
- The AFD-refinanced loan represents on average 55% of the average sub-project financing plan (see box next page)
- Local banks top-up their AFD-refinanced loans: this top-up represents on average 10% of the sub-project financing plan
- A 30% equity participation from private finance per sub-project
- An average of 5% for other (non French) public support per sub-project

NB All these figures are best estimates based on information and experiences over the years from AFD and Proparco.

The average financing plan at sub-project level would thus look as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFD loan (on-lent by the local bank)</td>
<td>55%</td>
</tr>
<tr>
<td>Top-up loans by local banks</td>
<td>10%</td>
</tr>
<tr>
<td>Equity</td>
<td>30%</td>
</tr>
<tr>
<td>Other public support</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Local bank is public bank:**

PCF-1 = Total Private Climate Finance in projects supported via credit lines =

\[
A \times 2 \times 0.55 = A \times 1.10
\]

**Local bank is private bank**

PCF-2 = Total Private Climate Finance in projects supported via credit lines =

\[
A \times 2 \times (0.18+0.55) = A \times 1.46
\]

For Proparco, the average financing plan looks as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proparco loan (on-lent by the local bank)</td>
<td>70%</td>
</tr>
<tr>
<td>Top-up loans by local banks</td>
<td>0%</td>
</tr>
<tr>
<td>Equity</td>
<td>30%</td>
</tr>
<tr>
<td>Other public support</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

PCF = A \times 1.25 \times 0.43 = 0.54

III. Attribution Ratio: Estimating the private climate finance mobilised that can be attributed to the French public intervention

To calculate the attribution we calculate the share of French public contribution of the total public climate finance for a project.
For AFD, the attribution ratio is then the French public finance (55%) divided by the total public climate finance (French 55% + other public support 5%).

Case of public bank
Under the given assumptions that would result in an attribution ratio (AR-1) = 55% / (55% + 10%+5%) = 0.79

Case of private bank
Under the given assumptions that would result in an attribution ratio (AR-2) = 55% / (55% + 5%) = 0.92

NB: one could also use the total FPCF (including the French TA as well) instead of just the total of the credit lines (A) here. But we think that for the attribution it is more correct to look at the direct loan flow as also other public support (e.g. FFEM or EU grants) is not considered in the attribution rate.

For Proparco, the attribution ratio is 100% since there is no other public support at sub-project level.

Total mobilised private climate finance as result of French support via credit lines (MPCF)

MPCF = PCF * AR

IV. Calculating the leverage factor

Leverage factor = Total mobilised private finance (MPCF) divided by total French support linked to credit lines (FPCF)

V. Some examples

1) AFD loan of EUR 100 M:
Case of private bank
French Public Climate Finance (FPCF): 100
Private Climate Finance (PCF): 2*100 * (0.18+0.55)=146

Attribution Ratio (AR-2) at project level= 100 / (100 + 0.09*100)= 0.92

Mobilised Private Climate Finance (MPCF):
PCF*AR=146*0.92= 133

Leverage Ratio for AFD = MPCF/FPCF=133/100= 1.33

Case of public bank
French Public Climate Finance (FPCF): 100
Private Climate Finance (PCF2): 2*100 * 0.55=110

Attribution Ratio (AR-1) at project level= 100 / (100 + 0.09*100+0.18*100)= 0.79

Mobilised Private Climate Finance (MPCF):
PCF*AR=110*0.79= 86

Leverage Ratio for AFD = MPCF/FPCF=86/100= 0.86
2) Proparco loan of EUR 100 M:

French Public Climate Finance (FPCF) =100  
Private climate Finance (PCF): $1.25 \times 100 \times 0.43 = 54$

Attribution Ratio (AR) at *project* level = 100%

Mobilised Private Climate Finance (MPCF):
$PCF \times AR = 54 \times 100\% = 54$

**Leverage Ratio for Proparco = MPCF/FPCF=54/100= 0.54**

**Overview: methodological decisions on credit lines:**

<table>
<thead>
<tr>
<th><strong>A4: point of measurement</strong></th>
<th>Board approval (despite the fact that CLs are disbursed over 2-3 years)</th>
</tr>
</thead>
</table>
| **Amount of public finance** | Full value of AFD or Proparco credit  
Associated TA (part of it may originate from a different donor, e.g. EU)  
Additional subsidies (e.g. EU)  
Additional loans (see discussion below) |
| **Rotations of loans during the tenor of the credit line:** | The banks to use the AFD funds twice (or 1.25 for Proparco), thus increasing the leverage over time |
| **Additional loans** (provided by the bank in addition to the loan channeled through the credit line): | 18% of AFD credit line (0% for Proparco) |
| **Equity mobilised by the project proponent** | 30% (private finance) |
| **Identifying public vs private banks** | The > 50% bank ownership is the basis for defining entities as public or private (OECD). Two other options are calculated to see impact: a) all banks are considered as private finance since they operate under commercial rules b) banks are divided in development banks (public finance) and other banks (private finance) |

**An alternative: KfW methodology on credit lines**

The German development bank KfW has also done some early work on estimating the impact of credit lines. KfW bases its methodology on the assumption of 2.6 loans rotation. The first loan generation is considered public finance, while the following loans are treated
as private finance. No other private sector flows (e.g. project sponsors’s equity) are taken into account in this calculation.33

### 3.8 Analysis of AFD guarantees

#### Overview of AFD guarantees
Among the public agencies included in the scope of the study, only AFD has guarantees in its portfolio. AFD offers ARIZ guarantees to local banks providing loans to SMEs, thus limiting their risks. This instrument aims to facilitate SMEs’ access to long term financing. Guarantees can either be individual guarantees or portfolio guarantees. In 2013 and 2014, guarantees accounted for €115.7M and €145.9M.34

Yet AFD does not integrate guarantees in its climate finance tracking and making assumptions on the proportion of climate-related guarantees is challenging. Most guarantees are managed directly by each regional AFD office. Moreover, portfolio guarantees are managed directly by the beneficiary banks, on a large number of small size projects.

#### Methodological options
One main source of methodological guidelines is the OECD DAC work on measuring amounts mobilised from the private sector by official development finance interventions.35 Although not dedicated to climate finance, this work provides valuable inputs for the study.

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>OECD DAC option</th>
<th>Other options:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount mobilised defined as:</td>
<td>Full nominal value of the instrument to which the guarantee relates</td>
<td>Value covered by the guarantee – percentage of cover (e.g. fraction of the loan for a loan guarantee).</td>
</tr>
<tr>
<td>Scope</td>
<td>Guarantees- extended with a development motive- on private loans or investments from the private sector</td>
<td>All guarantees, development-driven or not.</td>
</tr>
<tr>
<td>Causality</td>
<td>Assumption that the private sector would not have invested without the official guarantee.</td>
<td>Partial causality (e.g. guarantee enable the private sector to invest in 50% of the cases).</td>
</tr>
<tr>
<td>Attribution</td>
<td>To the official guarantor (pro-rata if co-guarantors).</td>
<td>To all public financiers, based on a pro-rata of their financial contribution or financial risk.</td>
</tr>
</tbody>
</table>

#### Case study: an example of the use and impact of a guarantee

AFD approved on July 2014 a guarantee of 571,684 € (750 million CFA francs) on a loan, financing equipment for a local company (SME) in Cameroon. This equipment was to enable the SME to produce biofuels from waste wood.

Key financial features are:

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33 Methodology explained by KfW at the OECD-hosted Research Collaborative, October 9th 2015, Paris
34 AFD, Annual Report 2014
35 DAC Working Party on Development Finance Statistics (Julia Benn, Cécile Sangaré), Methodologies to measure amounts mobilized from the private sector by official development finance interventions, WP-STAT Informal Meeting, 2-3 March 2015 OECD Conference Centre, Paris
- Loan (local private bank): 1,143,368 €
- Percentage of cover: 50% (571,684 €)
- Equity: 600,649 €
- Other public or private finance: none
- Co guarantees: none

Based on the OECD DAC methodology, private climate finance mobilised by France would be calculated as follows:

Mobilised private finance by France = 100% * guaranteed Loan = 1,143,368 €

**General comments on guarantees:**
- In the future guarantees should be integrated into the overall climate reporting of AFD in order to build more comprehensive estimations. Yet it is important to take into account the specific issues related to reporting on guarantees:
  - Individual guarantees are managed directly by AFD local offices;
  - Portfolio guarantees are managed by local banks;
  - Portfolio guarantees cover very high number of small size projects (ca. 50 k€);
- These issues have prevented the AFD climate-team from including guarantees in its reporting so far. A possible if partial solution would consist in conducting an in-depth review of the portfolio of individual guarantees, in order to determine what proportion of projects could be considered as climate-relevant. Based on this review, assumptions could be made so as to build an overall estimate of climate finance linked to guarantees.
- In terms of methodology, the OECD DAC methodology offers an approach to estimate mobilised private finance from guarantees. However the results seem to overestimate the actual contribution from the donor country as well as the actual mobilisation effect of guarantees. This methodology may also lead to double counting. Additional work is needed to arrive at a more robust methodology to better quantify the (undeniable) contribution of public guarantees to mobilisation of private climate finance flows.

Calculating the mobilisation achieved via guarantees is still posing many questions; especially the amounts to be reported on the public side as long as the issue of attribution and double counting (with other financial instruments) are not yet fully resolved.

**3.9 Case study on policy support technical assistance**

This report provides an estimate of private finance mobilised by all French public interventions, but we have concluded in section 3.3 that we can to date only measure the mobilisation by public finance for project implementation (the financing of capital expenditures). In this section we try to illustrate in a case study the other possible lines of support such as policy support and project preparation most often executed via technical assistance, capacity building, and grants and only indirectly resulting in the mobilisation of private finance.

Policy support and project preparation support can have a significant impact in mobilising climate finance indirectly as they ‘prepare the ground’ for viable, investable climate-related projects. Therefore, they are a pre-requisite for private finance mobilisation and other public interventions. For example, renewable energy (RE) projects can be developed if the
receiving country has enacted adequate regulations and has adapted electricity infrastructure to integrate additional RE capacity.

Problems for estimating the private finance that is indirectly mobilised are:

- There is no information on direct mobilisation of private finance in the French policy support and preparation project documentation (except for FFEM, see above). So we cannot link the public spending to private finance mobilised. There is no reporting framework for these flows.
- French public spending on TA could lead to German public spending in project implementation that is ultimately mobilising private finance. This makes the discussion on attribution very complicated. Other donors may also intervene with TA in adjacent fields to make attribution even more complicated.
- The risk for double-counting is very high.
- Methodologies for estimating policy support mobilisation effect are not available to date. Only in Germany a first attempt is on the way based on literature study and very rough estimates, but the authors mentioned that much more research is required to arrive at a better methodology\textsuperscript{36} and so far have no answers for double counting nor for attribution.

**Case study: Budget aid - energy sector in Jordan**

In 2012, AFD extended a loan to the Hashemite Kingdom of Jordan of 150 M EUR (of which 105 M EUR was reported as climate finance) to support the government in the formulation of a new energy policy.

This energy policy had set the following short-term and long-term objectives:

- Short-term: review electricity tariffs, reduce subventions to motor fuels.
- Long-term: energy supply, increase renewable energy and energy efficiency, and improve the situation of the public power transmission company.

This loan was expected to result in the following outcomes, inter alia:

- New tariffs for electricity allowing a sustainable increase of the National Electric Power Company (NEPCo)’s revenues
- Decrease in transport fuels subsidies
- Publication of an Energy Efficiency and Renewable Energy law in 2012
- Government decision to create the Jordan Renewable Energy and Energy Efficiency Fund (JREEF)

This budget support was followed by other projects co-financed by the AFD group:

A. A Proparco loan 49.3 M USD for the construction of 3 solar power plants (approved in 2014)
   - Total project cost: 131.7 M USD
     - Proparco loan: 49.3 M USD (50% of total loans)
     - EBRD loan: 49.3 M USD
     - Local sponsors equity: 33.1 M USD

\textsuperscript{36} Options for estimating mobilised private climate finance - A preliminary update, presentation by Ulf Moslener OECD RC, Paris, 9 Sept. 2015
In this case, 16.55 M USD of private finance is mobilised by Proparco (50% of 33.1). If (partly) attributed to AFD budget support, then there is double counting. And the AFD budget support will probably also have an impact on other power sector projects making attribution very unclear.

B. An AFD loan of 55 M USD for the reinforcement of the “Green corridor” (High voltage transmission line in South Jordan) in order to integrate additional renewable power plants up to 800 MW (approved in 2015).

a. Total project cost: 159.7 M USD (beneficiary: NEPCo)
   i. EIB loan: 72 M USD
   ii. AFD loan: 55 M USD
   iii. NIF grant: 20.1 M USD
   iv. NEPCo’s own funds: 12.6 M USD

b. In this case, there is no private finance mobilised directly by the French public intervention as NEPCo is a public utility.

c. Private finance is mobilised indirectly via investments to be undertaken following the realisation of the Green Corridor, especially renewable projects (up to 800 MW until 2025, of which 320 MW were awarded and under development in 2015).

This transmission infrastructure also contributes to the development of interconnections in the Mediterranean region (together with other large infrastructure projects: EIJLLPST (Egypt Irak, Jordan, Lebanon, Libya, Palestine, Syria, Turkey – this one being postponed due to the political situation), MEDRING and the Pan Arab Electrical Interconnection) and aim at integrating large scale renewable energy projects in this region.

In this case, the mobilisation of climate finance by policy support cannot be quantified. However, policy supported contributed to the creation of an environment enabling the development of renewable energy investments.

Other examples that illustrate the role and diversity of French policy-support interventions are:

- Africa4Climate project implemented by Expertise France: 3 M EUR, financed by AFD and FFEM, 2012-2015. Africa4Climate aims at the drafting and implementation of low-carbon development strategies, resilient to climate change in Africa.

- INDC support facility implemented by Expertise France: 3.5 M EUR, financed by AFD, 2015. This facility supported 23 countries (Africa and SIDS) in the elaboration of their Intended Nationally Determined Contributions submitted to the UNFCCC.
4 Data collection: Method(s) and Issues

4.1 Overview of availability of data

Overall, public agencies managing the main instruments of the French public climate finance displayed a good level of awareness on the topic of the study. However, initial data we received was too scarce (mainly on the French public expenditure), as most institutions did not have easily the required level of information coming from their information system. This data was drawn from previous reportings, none of them including information on private finance, and rarely on other public finance. Consequently, a data collection process was put in place in order to obtain the necessary data.

The manner in which institutions track climate-related projects is specific to each entity:

Agence Française de Développement:
- AFD uses an Information System (Système d’Information Opérationnel- SIOP), which does not currently allow the tracking of climate-related flows. Therefore, climate projects are recorded by the Climate Change Division through Excel spreadsheets. This Excel database is an extraction from the SIOP, which ensures coherency and only climate specific classification and relevant information is added.
- In order to conduct the study, all climate-related projects had to be analyzed on a case-by-case basis, to identify who the public and private co-financiers were, what financial instruments they used, what the total costs of project were, etc.
- Due to time constraints and the high number of projects, data collection was limited to the years 2013 and 2014.

Proparco:
- Proparco: uses the same Information System as AFD’s and tracks climate project on a separate database. As with AFD, all climate-related projects had to be analyzed on a case-by-case basis.
- The research scope was therefore also limited to years 2013 and 2014.

Fonds Français pour l’Environnement Mondial:
- FFEM: uses the same IS as AFD and records projects through its own dedicated database.
- Role of FFEM is (partly) to support climate projects, which may explain why the FFEM secretariat was able to provide us diligently with extensive information on climate-related topics.
- FFEM was able to provide us with detailed information for several years back.

DG Trésor (for FASEP and RPE) - Project Assistance Division:
- Databases had little content on climate-related topics, because it was not considered high priority till now;
- The Project Assistance Division is currently working on a new method to save data on climate-related projects, with a larger scope and enhanced details.
- Climate-related projects had to be reviewed on a case-by-case basis, for the years 2013 and 2014.

4.2 Conducting data collection

After a first round of interviews and a review of initial data, a specific data collection template was sent to targeted public institutions. Data collection tables were organized along three main topics:

- Project information: identifying the project and its main features;
- Public finance: collecting data both on the financing instruments used for the project, and on other public financiers;
- Private finance: identifying precisely who the private financiers were, what kind of financing they provided, etc.

4.3 Quality of data collected

Overall, data collected was satisfactory and public institutions put dedication into this work, especially when they had to reopen former projects one by one. Although time-consuming, this work was useful to substantiate the estimation of private climate finance mobilised by French public climate finance. It helped that the key French institutions in this area are relatively concentrated so we only had to seek input from 4 institutions.

Main weaknesses in the tables we collected were:

- Incomplete financing plans: there were some gaps between total costs of projects and sum of public and private finance: sometimes because of exchange rate conversion mistakes, errors in the databases, etc.
- Difficulties to clearly identify the private co-financiers and their instruments (informations were sometimes inaccurate, name of cofinanciers was unclear and their country of origin was hard to determine, etc.). Overall, it can be challenging to reopen project files years after board approval.

- Discrepancies between databases: sometimes, data uploaded in the information system differed from data saved in the separate climate-related database, notably because changes to the project had been registered in one database but not in the other.

It was clear from the process that data collection on private mobilised finance and other public co-finance so far has not been thoroughly included into the administrative systems. But with (political) attention increasingly turning to the topic of the mobilisation of private climate finance this will have to change in the near future.
5  Mobilised Private Climate Finance

5.1 Overview of mobilised private climate finance by France

Tables 6a, 6b and 6c give an overview of how much private climate finance France has mobilised in the years 2013-2014 in both EUR and USD.

Table 6a: Mobilised private climate finance (in EUR)

<table>
<thead>
<tr>
<th></th>
<th>Public climate finance</th>
<th>Mobilised private climate finance</th>
<th>Total</th>
<th>Public climate finance</th>
<th>Mobilised private climate finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFD</td>
<td>2,120,776,480</td>
<td>446,828,103</td>
<td>4,507,749,604</td>
<td>856,529,413</td>
<td></td>
</tr>
<tr>
<td>Proparco</td>
<td>254,450,250</td>
<td>146,595,946</td>
<td>567,563,000</td>
<td>404,966,961</td>
<td></td>
</tr>
<tr>
<td>FFEM</td>
<td>8,430,000</td>
<td>2,420,297</td>
<td>12,955,151</td>
<td>15,375,448</td>
<td></td>
</tr>
<tr>
<td>RPE-FASEP</td>
<td>100,195,000</td>
<td>0</td>
<td>210,912,600</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,483,851,730</td>
<td>595,844,346</td>
<td>5,079,696,076</td>
<td>1,276,871,821</td>
<td></td>
</tr>
</tbody>
</table>

Table 6b: Mobilised private climate finance (in USD)

<table>
<thead>
<tr>
<th></th>
<th>Public climate finance</th>
<th>Mobilised private climate finance</th>
<th>Total</th>
<th>Public climate finance</th>
<th>Mobilised private climate finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFD</td>
<td>2,815,688,369</td>
<td>593,239,648</td>
<td>3,409,928,017</td>
<td>1,136,826,367</td>
<td></td>
</tr>
<tr>
<td>Proparco</td>
<td>337,825,611</td>
<td>194,630,837</td>
<td>532,456,448</td>
<td>537,434,359</td>
<td></td>
</tr>
<tr>
<td>FFEM</td>
<td>11,192,246</td>
<td>3,213,353</td>
<td>14,405,599</td>
<td>20,402,089</td>
<td></td>
</tr>
<tr>
<td>RPE-FASEP</td>
<td>133,025,757</td>
<td>0</td>
<td>279,924,523</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,297,731,983</td>
<td>791,083,837</td>
<td>4,088,815,819</td>
<td>1,694,662,814</td>
<td></td>
</tr>
</tbody>
</table>

From all the data we have collected, key findings are as follows:

Public finance by France and public finance by other public actors that has mobilised private finance. In 2013-2014, AFD, Proparco, DG Trésor (RPE-FASEP) and FFEM have provided EUR 5.3 billion in climate finance. Other public actors have provided co-finance related to these projects totalling EUR 18.8 billion in climate finance (EUR 24.1 billion in total.)

Mobilised private climate finance. It was possible to measure private climate finance for the public interventions of AFD, Proparco and FFEM. Based on data collected on RPE-FASEP, it was not possible to measure private mobilisation by these instruments. For the credit lines of the AFD and Proparco, there was no data on actual figures, but it was possible to make an estimate (see methodological discussion, above).

Finance per year. For all entities, figures were given for 2013 and 2014.

Mobilised finance per financial instrument. In 2013-2014, AFD, Proparco and FFEM have mobilised EUR 1.28 billion in private climate finance. This gives an overall leverage factor of 0.25 (private mobilised by France / public finance by France), or 0.24 if public finance from RPE-FASEP is included as well. Most of this was mobilised by the credit lines (EUR 0.88 billion, or 70%).
It was not always possible to make a distinction between private finance originating from Annex I countries and Non-Annex I countries. It was possible for the projects of FFEM and AFD, excluding the credit lines. The majority of the mobilised private finance by AFD originated from developing countries, whereas most finance mobilised by FFEM came from developed countries.

Countries that received climate finance. We have categorised them in four regions: Africa, Asia, Latin America and the Caribbean, and the Mediterranean region. In a few cases, projects were recorded in the databases as “multi-country” (for instance targeting both Mediterranean and African countries): these projects were allocated to a Multiregional category. As can be seen, most mobilised private finance was allocated to Latin America and the Caribbean.

Finance allocated to mitigation and adaptation, or mixed. The large majority, about 95%, of mobilised private finance went to mitigation actions.

Official Development Aid or Other Official Flows: there was slightly more private climate finance mobilised by OOF flows than by ODA flows.

Table 6c: Total mobilised private climate finance by France (in EUR37)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobilised private climate finance by France</td>
<td>595,844,346</td>
<td>681,027,475</td>
<td>1,276,871,821</td>
</tr>
<tr>
<td>Public climate finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public climate finance by France</td>
<td>2,483,851,730</td>
<td>2,820,618,474</td>
<td>5,304,470,204</td>
</tr>
<tr>
<td>Total climate public finance (incl. France)</td>
<td>9,850,506,138</td>
<td>14,257,715,128</td>
<td>24,108,221,266</td>
</tr>
<tr>
<td>Mobilisation by credit lines</td>
<td>490,473,585</td>
<td>390,262,407</td>
<td>880,735,993</td>
</tr>
<tr>
<td>Mobilisation by financial instrument</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>3,920,823</td>
<td>16,190,925</td>
<td>20,111,748</td>
</tr>
<tr>
<td>Sovereign loans*</td>
<td>218,177,577</td>
<td>33,457,170</td>
<td>251,634,747</td>
</tr>
<tr>
<td>Non sovereign loans*</td>
<td>365,542,977</td>
<td>611,019,380</td>
<td>976,562,356</td>
</tr>
<tr>
<td>Equity</td>
<td>0</td>
<td>20,360,000</td>
<td>20,360,000</td>
</tr>
<tr>
<td>Funds (Proparco)</td>
<td>8,202,969</td>
<td>0</td>
<td>8,202,969</td>
</tr>
<tr>
<td>Mobilisation by region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>188,466,829</td>
<td>113,278,273</td>
<td>301,745,103</td>
</tr>
<tr>
<td>Asia</td>
<td>247,795,252</td>
<td>129,514,628</td>
<td>377,309,880</td>
</tr>
<tr>
<td>Latin America / Caribbean</td>
<td>69,417,092</td>
<td>349,158,965</td>
<td>418,576,057</td>
</tr>
<tr>
<td>Mediterranean Region</td>
<td>90,165,174</td>
<td>68,594,749</td>
<td>158,759,923</td>
</tr>
<tr>
<td>Multiregional</td>
<td>0</td>
<td>20,480,859</td>
<td>20,480,859</td>
</tr>
<tr>
<td>Mobilisation : mitigation or adaptation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitigation</td>
<td>563,222,610</td>
<td>622,104,266</td>
<td>1,185,326,876</td>
</tr>
<tr>
<td>Adaptation</td>
<td>487,450</td>
<td>58,923,209</td>
<td>59,410,659</td>
</tr>
<tr>
<td>Mixed</td>
<td>32,134,286</td>
<td>0</td>
<td>32,134,286</td>
</tr>
<tr>
<td>ODA - OOF (eligible flows)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODA</td>
<td>350,398,400</td>
<td>201,865,223</td>
<td>552,263,623</td>
</tr>
<tr>
<td>OOF</td>
<td>245,445,946</td>
<td>479,162,252</td>
<td>724,608,198</td>
</tr>
</tbody>
</table>

* Credit lines are included under both sovereign (1/3) and non sovereign loans (2/3)

37 All underlying data are made available to DGT in the form of Excel sheets. As they contain partly confidential information on private finance they are not included in the report.
5.2 Overview of mobilised private climate finance per French institution

Agence française de développement (AFD)
AFD has mobilised an estimated EUR 857 million in private climate finance in 2013-2014 (see Table 7). This accounts for 67% of total mobilised private finance by France. The majority is mobilised by the credit lines (Please keep in mind that this is based on best estimates of ratios given to us by AFD so the totals are a rather ‘rough’ estimation of mobilised private finance).

All the credit lines were directed at mitigation actions, with one targeting mixed mitigation-adaptation objectives. Other instruments by the AFD (aimed at either mitigation, adaptation or mixed objectives) also show that the majority of mobilised private finance is focused on mitigation. The regional spread fluctuates strongly per year. Therefore two years do not seem enough to conclude anything on the geographical spread of private finance.

We did not receive data enabling us to differentiate between private finance from developed and developing countries for the credit lines. However based on information from AFD and our own experiences we estimate that the vast majority of the private finance mobilised by the credit lines originates from local sources (in the developing country): most projects companies are locally incorporated and owned by local investors; most beneficiary banks are not subsidiaries of parent companies headquartered in Annex I countries. Also for some of the other instruments, the majority of private finance seems (based on names and titles in the data) to come from developing countries.
Table 7 – Private climate finance mobilised by AFD, 2013-2014 (in EUR)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobilised private climate finance by AFD</td>
<td>446,828,103</td>
<td>409,701,310</td>
<td>856,529,413</td>
</tr>
<tr>
<td><strong>Public climate finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public climate finance by France</td>
<td>2,120,776,480</td>
<td>2,386,973,124</td>
<td>4,507,749,604</td>
</tr>
<tr>
<td>Total climate public finance</td>
<td>8,661,819,581</td>
<td>13,325,731,669</td>
<td>21,987,551,249</td>
</tr>
<tr>
<td><strong>Mobilisation by credit lines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit lines</td>
<td>445,127,490</td>
<td>323,943,738</td>
<td>769,071,229</td>
</tr>
<tr>
<td>Other instruments</td>
<td>1,700,612</td>
<td>85,757,572</td>
<td>87,458,184</td>
</tr>
<tr>
<td>... of which mobilised from developed countries (excl. credit lines)</td>
<td>881,111</td>
<td>23,774,632</td>
<td>24,655,743</td>
</tr>
<tr>
<td><strong>By financial instrument</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>1,500,526</td>
<td>3,235,775</td>
<td>4,736,300</td>
</tr>
<tr>
<td>Sovereign loans*</td>
<td>218,177,577</td>
<td>33,457,170</td>
<td>251,634,747</td>
</tr>
<tr>
<td>Non sovereign loans*</td>
<td>227,150,000</td>
<td>373,008,365</td>
<td>600,158,365</td>
</tr>
<tr>
<td><strong>By region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>163,331,057</td>
<td>79,060,551</td>
<td>242,391,609</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>31,907,387</td>
<td>218,701,170</td>
<td>250,608,557</td>
</tr>
<tr>
<td>Asia</td>
<td>186,850,782</td>
<td>56,037,603</td>
<td>242,888,385</td>
</tr>
<tr>
<td>Mediterranean Region</td>
<td>64,738,876</td>
<td>55,781,127</td>
<td>120,520,004</td>
</tr>
<tr>
<td>Multiregional</td>
<td>0</td>
<td>120,859</td>
<td>120,859</td>
</tr>
<tr>
<td><strong>Mitigation or adaptation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitigation</td>
<td>414,206,367</td>
<td>408,001,310</td>
<td>822,207,677</td>
</tr>
<tr>
<td>Adaptation</td>
<td>487,450</td>
<td>1,700,000</td>
<td>2,187,450</td>
</tr>
<tr>
<td>Mixed</td>
<td>32,134,286</td>
<td>0</td>
<td>32,134,286</td>
</tr>
<tr>
<td><strong>ODA - OOF (APD - non APD)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODA</td>
<td>347,978,103</td>
<td>188,910,072</td>
<td>536,888,175</td>
</tr>
<tr>
<td>OOF</td>
<td>98,850,000</td>
<td>220,791,238</td>
<td>319,641,238</td>
</tr>
</tbody>
</table>

* Credit lines are included under both sovereign (1/3) and non sovereign loans (2/3)

When using other methodological options for public/private banks in credit lines:

Table 7 above is based on the assumptions as described under section 3.7.

We have also analysed the impact of using alternative definitions for the classification as public or private finance of the top up loans extended by beneficiary banks under the credit line methodology. This gives the following results (Table 8):

**Alternative option 1:**
In this scenario, only development banks are classified as public banks and all other banks as private banks (even though some are majority owned by public shareholders). This scenario is somehow similar to the reference scenario based on public ownership of the bank: Table 8 shows a 4% increase in terms of total mobilised private finance between the reference scenario and Alternative 1.

**Alternative option 2:**
In this option all banks benefiting from credit lines are considered as operating as private banks notwithstanding the fact that most of them are publicly owned. The impact of this option is quite large: private finance mobilised by AFD increases by 26% and overall, this represents a 17% increase compared to the reference scenario.
Table 8: Impact of different methodological options on private finance mobilised by credit lines

<table>
<thead>
<tr>
<th></th>
<th>Total Private Climate Finance mobilised by French public interventions (in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td><strong>AFD - Reference scenario on Credit Lines</strong></td>
<td>446,828,103</td>
</tr>
<tr>
<td>Total (AFD+ other French Institutions)</td>
<td>595,844,346</td>
</tr>
<tr>
<td><strong>AFD- 1st alternative methodology on credit lines</strong></td>
<td>468,918,103</td>
</tr>
<tr>
<td>Total (AFD+ other French Institutions)</td>
<td>617,934,346</td>
</tr>
<tr>
<td><strong>AFD- 2nd alternative methodology on credit lines</strong></td>
<td>539,418,103</td>
</tr>
<tr>
<td>Total (AFD+ other French Institutions)</td>
<td>688,434,346</td>
</tr>
</tbody>
</table>

Proparco

Proparco accounts for the second largest share of mobilised private finance (32%), after AFD (Table 9). Again, a large part is mobilised by credit lines, but an even bigger share is mobilised by senior loans. The mobilised private finance has an even stronger focus on mitigation actions than with AFD. The regional focus seems similar to that of AFD. Here too, the private finance directed at Latin America and the Mediterranean region fluctuates strongly between the two years.


<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mobilised private climate finance by Proparco</td>
<td>146,595,946</td>
<td>258,371,014</td>
<td>404,966,961</td>
</tr>
<tr>
<td><strong>Public climate finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public climate finance by France</td>
<td>254,450,250</td>
<td>313,112,750</td>
<td>567,563,000</td>
</tr>
<tr>
<td>Total climate public finance</td>
<td>1,047,064,428</td>
<td>894,335,848</td>
<td>1,941,400,276</td>
</tr>
<tr>
<td>By public financial instrument</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>dedicated loan to FI (credit line)</td>
<td>45,346,095</td>
<td>66,318,669</td>
<td>111,664,764</td>
</tr>
<tr>
<td>equity</td>
<td>0</td>
<td>20,360,000</td>
<td>20,360,000</td>
</tr>
<tr>
<td>senior loan</td>
<td>93,046,882</td>
<td>171,692,345</td>
<td>264,739,227</td>
</tr>
<tr>
<td>funds</td>
<td>8,202,969</td>
<td>0</td>
<td>8,202,969</td>
</tr>
<tr>
<td>By region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>24,841,772</td>
<td>25,832,571</td>
<td>50,674,343</td>
</tr>
<tr>
<td>Latin America</td>
<td>37,509,705</td>
<td>130,457,795</td>
<td>167,967,500</td>
</tr>
<tr>
<td>Asia</td>
<td>60,944,469</td>
<td>68,907,026</td>
<td>129,851,495</td>
</tr>
<tr>
<td>Mediterranean region</td>
<td>23,300,000</td>
<td>12,813,622</td>
<td>36,113,622</td>
</tr>
<tr>
<td>Multiregional</td>
<td>0</td>
<td>20,360,000</td>
<td>20,360,000</td>
</tr>
<tr>
<td>Mitigation or adaptation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitigation</td>
<td>146,595,946</td>
<td>201,147,805</td>
<td>347,743,752</td>
</tr>
<tr>
<td>Adaptation</td>
<td>0</td>
<td>57,223,209</td>
<td>57,223,209</td>
</tr>
</tbody>
</table>
Fonds Français pour l’Environnement Mondial (FFEM)

FFEM only provides grants, mostly for TA, and compared to AFD and Proparco, operates with very high levels of public co-finance, and lower levels of private co-finance. Still, mobilised private finance by France is significant, at EUR 15.3 million over 2013-2014 (Table 10). Again, a substantial amount of private finance is mobilised from developing countries. Contrary to AFD’s instruments (excluding credit lines) however, most private finance originates from developed countries. Similar to AFD and Proparco, most private finance was mobilised for mitigation actions.

Table 10: Private climate finance mobilised by FFEM 2013-2014 (in EUR)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total mobilised private climate finance by FFEM</strong></td>
<td>2,420,297</td>
<td>12,955,151</td>
<td>15,375,448</td>
</tr>
<tr>
<td><strong>Public climate finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public climate finance by France</td>
<td>8,430,000</td>
<td>9,815,000</td>
<td><strong>18,245,000</strong></td>
</tr>
<tr>
<td>Total climate public finance</td>
<td>141,622,129</td>
<td>37,647,612</td>
<td><strong>179,269,741</strong></td>
</tr>
<tr>
<td><strong>Origin of private finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed countries</td>
<td>603,572</td>
<td>12,608,378</td>
<td><strong>13,211,950</strong></td>
</tr>
<tr>
<td>Developing countries</td>
<td>1,816,725</td>
<td>346,772</td>
<td><strong>2,163,497</strong></td>
</tr>
<tr>
<td><strong>By region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>294,000</td>
<td>8,385,151</td>
<td><strong>8,679,151</strong></td>
</tr>
<tr>
<td>Asia</td>
<td>0</td>
<td>4,570,000</td>
<td><strong>4,570,000</strong></td>
</tr>
<tr>
<td>Latin America / Caribbean</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mediterranean Region</td>
<td>2,126,297</td>
<td>0</td>
<td><strong>2,126,297</strong></td>
</tr>
<tr>
<td>Multiregional</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Mitigation or adaptation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitigation</td>
<td>2,420,297</td>
<td>12,955,151</td>
<td><strong>15,375,448</strong></td>
</tr>
<tr>
<td>Adaptation</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
6 Conclusions and Recommendations

6.1 Conclusions:

It has proven possible to estimate the mobilisation of private climate finance as a result of the French public climate finance interventions. However we would like to repeat the most relevant limitations to the results:

- **Limited scope**
  Only the bilateral flows from the major central government (State) instruments are included in this research; correspondingly significant amounts flowing through multinational channels or going into international funds are not included in the results. And the leverage of some bilateral instruments, which we suspect most likely have an impact on mobilisation of private climate finance, could not be calculated due to a lack of data (notably ‘ARIZ’, AFD’s guarantee instrument).

- **Methodology 1**
  There is no internationally agreed methodology for calculating the mobilisation of private climate finance. There is however the beginning of a consensus between donor countries (the Joint Statement). The methodological choices we made follow roughly the Joint Statement. There are still many open questions or areas for interpretation that need to be clarified. In order to execute the actual calculations, many assumptions or choices had to be made.

- **Methodology 2**
  Especially the very basis of all calculations, the calculation of the climate relevance (which projects and for how much can they be classified as climate-related) for a project is not enough harmonised and not specific enough, creating room for errors. The differences within France’s government agencies are limited (could be improved however) but the differences internationally make different reports very hard to compare.

- **ODA /OOF**
  Climate finance reporting is not regulated at the international level yet. Part of the climate finance consists of ODA and part of OOF. Reporting on these flows is regulated by the OECD DAC, but these reporting requirements differ substantially from the methodology used for climate finance reporting. Therefore the amounts are not automatically comparable.

- **Credit lines 1**
  ‘Wholesale finance’ in the form of credit lines represents an important part of the public climate finance (21% in 2013-2014) and an even much bigger part of the mobilised private finance (69%). The amounts for the public part of the credit lines is clear and well recorded. But the mobilised private finance as a result of the credit lines is based on ‘in house’ best assumptions from AFD. We have not been able to check the underlying actual figures (because of lack of data at sub-project level) and have used the ratios as provided. This makes the total outcome of the calculations quite sensitive for these estimates.
- **Credit lines 2**
  We followed the OECD DAC definition (also referred to by the Joint Statement) for the distinction public-private for the recipient banks under the credit lines (majority ownership). Realising that the classification of all public bank lending as public finance was far from obvious when banks operate as pure commercial ventures and that this might be a point for discussion with developing countries on their contribution (either public or private), we have included two other variants in our analysis based on different assumptions on this issue. As expected the choice in methodology has a major impact on the total outcome.

- **Guarantees**
  We have not included any amounts for the guarantee instruments as used by the French Government and institutions. This was mainly due to the lack of data on the climate relevance of these instruments. But from the included case study we learned that there are still many methodological issues to be solved on how the guarantee instrument can be calculated, both on the public side as well as on the mobilised private side. Also the eminent risk of double counting when attributing public finance is not yet solved.

- **Technical assistance, policy support and project preparation support**
  We have generally not attributed any mobilisation effect on private finance to French support for policy or framework development nor for project preparation support. This is by no means a judgement on the relevance or the impact of these forms of support, but a lack of agreed methodology on the causality and attribution of these instruments. On the contrary, we could see the high relevance of combining the financial instruments with technical assistance to ‘prepare the ground’ or to help identify and develop viable projects suitable for investment finance. There are two exceptions: First, as far as AFD credit lines are concerned, technical assistance is lumped with credit lines for the calculation of mobilized private finance (see part 3.7). Second, in the case of FFEM, which mostly provides TA and only finances 50% of TA project costs, we were able to measure the mobilized private finance (itself consisting of TA).

- **Adaptation vs mitigation**
  The vast majority (93%) of the mobilised private climate finance is aimed at mitigation. This shows that it is relevant to address the issue of adaptation finance separately but also that the role for private finance in adaptation is likely to be less than for mitigation due to the very nature of the activities.

- **Destination of climate finance**
  We have analysed the geographical destination in this study only by continent. Based on very rough indications and other research, we have indications that it would be worthwhile to look more in depth to this issue. We expect to see that the absorption capacity for climate finance is substantially higher in higher-income economies and even more so for private climate finance. This knowledge would be helpful for France and other donors in deciding on where it is most relevant to support climate related projects and where private climate finance can be better mobilised.

- **Impact of various instruments on mobilising private climate finance**
  Not all financial instruments have similar mobilisation impact on private climate finance. In general the instrument ‘closer to market conditions’ (e.g. non-
concessional loans) have a higher leverage ratio than the instruments that are more aimed at projects with lower commercial readiness (like grants or TA). But the instrument does not create by itself the mobilisation. Mobilisation works best with private sector projects, because private equity investments (sponsors; funds) and commercial co-financing are more likely to be larger. This does not mean less concessional instruments are less relevant or less impactful in terms of promoting mitigation or climate resilience. They remain needed in some countries to bridge the gap before projects can reach bankability and be attractive to the private sector and private finance. When the gap is still very big, the public sector instruments will have to make a higher contribution (e.g. grants or concessional loans) to close the gap and to make it possible for private finance to participate in the project.

6.2 Recommendations

6.2.1 Recommendations on methodology

General

Substantially more work needs to be done to arrive at an internationally agreed comprehensive methodology for mobilised private climate finance. From very general issues like a clear and unambiguous definition for climate finance and how to deal with the origin of private finance flows, to much more technical and detailed issues as time of measurement and valuing the different instruments, more robust answers need to be developed and agreed upon.

Based on the methodological options we followed in this pilot study, it seems important to adopt the following guidelines for future reports on mobilised private climate finance:

- A strict pro-rata approach, so as to avoid double counting and over-estimations, which can lead to controversy;
- Record data on a project basis (or sub-project basis for investments funded from credit lines or equity funds), in order to avoid assumptions and proxies;
- Cover all instruments, including guarantees or technical assistance, in order to give an exhaustive view of the scope of interventions that possibly mobilised private climate finance.

On credit lines

For the credit lines we recommend undertaking an independent study to verify the estimated ratios as were used in our research. We have no indications that the ratios are not correct, however as this is such a major part of the mobilised private finance in France, better underpinning of the ratios would make the overall outcomes more robust. For the sake of international comparability closer cooperation should be sought with other development banks (like KfW) in order to arrive at an internationally comparable methodology and comparable results.

On guarantees

Guarantees are an effective and attractive instrument to support private climate finance. However the existing tools to report on guarantees fall short at several points. We recommend continuing the current research on a suitable methodology to include guarantees in future reports.
On technical assistance and policy support

In the international arena, no suitable answer seems to exist on how to attribute mobilisation of private finance to TA and policy support in contrast to instruments that finance capital expenditures. In the OECD-hosted Research Collaborative, first ideas have been launched but no conclusive answers have been reached so far. Some more research would be warranted to progress on this issue, especially focusing on the problem of double counting (and attribution in general). Although a possible outcome could be that it cannot be estimated in an acceptable way, even that would be an important conclusion that needs further underpinning.

On public vs private

This issue is highly sensitive within the political context of the $100 billion discussion that itself is a major topic of the upcoming COP 21. When a local bank is over 50% publicly owned but is regulated and operates as any commercial bank should its cofinancing of a climate relevant project be classified as local public finance or private finance as mobilised by the French credit lines? Does it matter if the private finance is mainly originating from local sources? There are no clear-cut answers here as the different options are part of political negotiations rather than neutral methodological discussions.

6.2.2 Recommendation on data collection

Extend the scope of the public finance channels surveyed

A future report should include all French climate finance and integrate both bilateral and multilateral flows. The MDBs have not yet managed to present a workable methodology that will exclude double counting. A strong signal should be given to the MDBs to speed up their reporting efforts on mobilised private climate finance and to include better the co-financing efforts from other (non-MDB) public sources.

Rationalise data collection

a) By integrating climate finance data in existing information systems

Make sure that the key data (as described above) are included in the regular information system (or project database) of every institution.

The exercise whereby we had to mine the data from all underlying project documents (sometimes from years ago) should better not be repeated. Considering the amount of information already recorded within the Information System (financial informations, processes, project documentation, etc.), adding additional features for climate-specific data seems achievable at a reasonable cost.

b) By collecting data at sub-project level in the case of credit lines and other wholesale finance instruments.

To remedy the lack of such data we had to use ratios or proxies. Improved reporting by beneficiary financial institutions (or investment funds) in particular as to the financing plan of sub-projects also seems achievable without undue burden. A less onerous alternative would be to conduct regular research to check and update the ratios underpinning the current methodology.

Provide all institutions with a harmonised methodological framework
Provide institutions (AFD, FFEM, Proparco, DGT, etc.) with a common methodology regarding registering and reporting of climate-related projects. This entails mobilising all institutions to adopt a joint reporting framework, and making sure this framework is consistent with other reporting requirements, for instance to the EU, OECD or UNFCCC. Adopting such a common framework would also help to better compare the results and impacts of the various French instruments. The data collection structure we used to collect the data for this pilot study could be a basis for discussion on what to include in future reportings. In an ideal world this would be in line with an internationally agreed methodology; as we think this might take at least a few years, we suggest to start with ‘no regret’ elements that are most likely required anyhow:

- A common method for calculating the ‘climate relevance’ of a project. The ongoing joint initiative of the group of MDBs and the IDFC represents a sound basis towards a common methodology to track climate finance (see annex 2).
- Clear registration of all public (including geographic origin) and private (including geographic origin) co-finance (including the kind of instruments used) in any project supported by a multilateral or bilateral government agency or DFI to be able to calculate the mobilisation of private climate finance and the correct attribution under different methodologies. This registration of co-financiers would help avoid double counting between co-financiers.
- Harmonise the point of measurement. AFD, as the biggest climate funder to date in France, is only working with ‘board approval’ as moment for measurement, unlike some other MDBs or DFIs such as EBRD or KfW. There can be discrepancies between amounts measured at board approval, commitment, or disbursement. That is why more information on disbursements and repayments would increase the accuracy of future reporting and make the system prepared for various possible demands from the international community.

**Align with OECD DAC reporting**

Climate finance and development finance are rapidly becoming more intertwined. However the reporting is so far mostly separated. More thinking needs to take place on whether and if so, how, these two reporting streams can be better integrated.
Annex 1: AFD and Proparco’s definition of climate activities
Source: AFD, “Afd Group’s Climate Activity in 2014”

Accounting method

The monitoring of AFD Group’s “climate” activity is based on a systematic review, at appraisal stage, of the climate impacts of each project financed by AFD and Proparco. AFD defines a “climate” project as a development project with one or more of the following three types of co-benefits with regard to climate issues.

### Mitigation of greenhouse gas (GHG) emissions or carbon sequestration

A project contributes to mitigation when it reduces GHG emissions during its lifespan compared with a baseline without project. A project is recognized as a “climate/mitigation” project when: (1) either the estimation of its carbon footprint shows that it reduces or avoids (for renewable energy projects) GHG emissions; (2) or, if the carbon footprint cannot be estimated when the commitment is approved, this financing is devoted to actions which contribute to mitigation (studies, capacity building and intermediated bank credit lines for renewable energy and energy efficiency projects).

### Adaptation to climate change

Projects (or project components) which limit the vulnerability of goods, persons and ecosystems to the consequences of climate change are considered as contributing to adaptation. For a project to be recognized as a “climate/adaptation” project, the analysis must demonstrate that it potentially contributes to reducing the vulnerability to climate change identified in the project area. A comparative analysis is conducted for this, including (i) a study of the vulnerabilities to climate change in the project’s geographical area with (ii) an analysis of the activities planned by the project in light of a positive list of actions that can contribute to reducing vulnerability or to strengthening the resilience of communities, goods or ecosystems to climate change.

### Support for the implementation of climate policies

There are three possibilities for the recognition of budget support and sector-specific aid: (1) budget support specifically for the climate (climate loans or support for national climate plans) is 100% recognized; (2) for the other budget support or for the support for local authorities, the methodology used aims to reflect the content of the political and sector-specific dialogue with the counterpart (joint monitoring of indicators) and the impacts on the fight against climate change from the integrated approach that this promotes. This method is based on a proportional accounting of the climate monitoring indicators compared to all the indicators in the monitoring matrix for the public policies implemented. It is backed up by a positive list of actions which, by their nature, are considered to have a climate co-benefit; (3) in the absence of standardized indicators shared with the counterpart to monitor its public policies, there is the possibility to take into account up to 40% of the financing provided if there is a cross-cutting “climate” activity that allows the dynamics underlying the action of the local authority or government to be apprehended.
Annex 2: MDBs – IDFC methodology

The Group of MDBs and the International Development Finance Club (IDFC) have agreed on a common set of principles to track financial commitments on climate-related activities. In 2015, two agreements were reached through this initiative:

A. Common Principles for Climate Mitigation Finance Tracking
Version 2 – 15th June 2015

The purpose of these Common Principles for Climate Mitigation Finance Tracking (or the Principles) is to set out agreed climate change mitigation finance tracking principles for development finance. The Principles have been developed by the joint climate finance group of multilateral development banks (MDBs) 38 and the International Development Finance Club (IDFC) 39 based on their experience on the topic and with the intention to be shared with other institutions that are looking for common approaches for tracking and reporting. The principles consist of a set of common Definitions and Guidelines including the list of activities, but do not cover aspects related to their implementation, including quality control procedures which remain the sole responsibility of each institution and/or group. The Principles reflect the approach that both groups (MDBs and IDFC) have been following for tracking climate change mitigation activities for the past 4 years, and are based on the application of harmonized terms.

Purpose
The MDBs and the IDFC commit to the Principles in their respective, group-based climate mitigation finance reporting. MDBs and IDFC invite other institutions to adopt the Principles and therewith further increase transparency and credibility of mitigation finance reporting.

As an inherent and important part of improving mitigation climate finance tracking, the Principles will be subject to further revision by MDBs and IDFC jointly, based on amassed experience, and also, as a future step, should address comparability of reporting processes. In this respect, MDBs and IDFC are committed to maintaining an open and transparent exchange of information around institutional experience and learning, as well as to jointly discuss potential proposals to improve the Principles. To the extent possible, parties will strive to reach consensus around proposed changes or additions to the Principles. In case differences arise, the parties commit to communicating these in full when reporting on climate mitigation finance.

Definitions

38 The African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), and the International Finance Corporation (IFC), World Bank (IDA/IBRD) from the World Bank Group (WBG)
39 see www.idfc.org
- An activity will be classified as related to climate change mitigation if it promotes “efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration”\(^{40}\)
- Reporting according to the Principles does not imply evidence of climate change impacts and any inclusion of climate change impacts is not a substitute for project-specific theoretical and/or quantitative evidence of GHG emission mitigation; projects seeking to demonstrate climate change impacts should do so through project-specific data

**Guidelines:**
- Where data is unavailable, any uncertainty is to be overcome following the principle of conservativeness where climate finance is preferred to be under-reported rather than over-reported
- The Principles are activity-based as they focus on the type of activity to be executed, and not on its purpose, the origin of the financial resources, or its actual results. The list of activities eligible under these principles are illustrated in Table 1
- Project reporting is ex-ante project implementation at board approval or financial commitment
- Climate finance tracking is independent of GHG accounting reporting in the absence of a joint GHG methodology.
- The Principles require mitigation activities\(^{41}\) to be disaggregated from non-mitigation activities as far as reasonably possible. If such disaggregation is needed and not possible using project specific data, a more qualitative/experience based assessment can be used to identify the proportion of the project that covers climate mitigation activities, consistent with the conservativeness principle. This is applicable to all categories, but of particular significance for energy efficiency projects.
- Mitigation activities or projects can consist of a stand-alone project\(^{42}\), multiple stand-alone projects under a larger program, a component of a stand-alone project\(^{43}\), or a program financed through a financial intermediary\(^{44}\).
- In fossil fuel combustion sectors (transport, and energy production and use), the methodology recognizes the importance of long-term structural changes, such as the energy production shift to renewable energy technologies, and the modal shift to low-carbon modes of transport. Consequently, for renewable energy and transport projects ensuring modal shift, both new and retrofit projects are included. In energy efficiency, however, the methodology acknowledges that drawing the boundary between increasing production and reducing emissions per unit of output is difficult. Consequently, greenfield energy efficiency investments are included only in few cases when they enable preventing a long-term lock-in in high carbon infrastructure, and, for the case of energy efficiency investments in existing facilities, it is required that old technologies are replaced well before the end of their lifetime, and new technologies are substantially more efficient than the replaced technologies.

\(^{40}\) OECD/DAC Climate Markers (September 2011)
\(^{41}\) See Table 1 for specific project type disaggregation issues.
\(^{42}\) For example, in a case of a stand-alone energy efficient street lighting project, 100% of the investment will be counted.
\(^{43}\) A USD 100 million industrial project that includes production increase may have a USD 40 million documented component for energy efficiency improvements—in this case only the USD 40 million would be reported.
\(^{44}\) For example, in the case of a USD 100 million credit line to a financial intermediary for renewable energy and pollution control investments, where it is foreseen that at least 60% of the resources will flow into renewable energy investments, only USD 60 million would be reported.
Alternatively, it is required that new technologies or processes are substantially more efficient than those normally used in greenfield projects.
- The methodology assumes that care will be taken to identify cases when projects do not mitigate emissions due to their specific circumstances.

The list of activities eligible for classification as climate mitigation finance is as follows (Source: MDBs, IDFC: “Common Principles for Climate Mitigation Finance Tracking”, June 2015):

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-category</th>
<th>Example</th>
</tr>
</thead>
</table>
| 1. Renewable Energy              | 1.1 Electricity Generation                        | Wind power  
Geothermal power (only if net emission reductions can be demonstrated)  
Solar power (concentrated solar power, photovoltaic power)  
Biomass or biogas power that does not decrease biomass and soil carbon pools (only if net emission reductions can be demonstrated)  
Ocean power (wave, tidal, ocean currents, salt gradient, etc.)  
Hydropower plants (only if net emission reductions can be demonstrated) |
|                                  | 1.2 Heat Production or other renewable energy application | Solar water heating and other thermal applications of solar power in all sectors  
Thermal applications of geothermal power in all sectors  
Wind-driven pumping systems or similar  
Thermal applications of sustainably/produced bioenergy in all sectors, incl. efficient, improved biomass stoves |
| 1.3 Transmission systems, greenfield | 1.3 Transmission systems, greenfield           | New transmission systems (lines, substations) or new systems (e.g., new information and communication technology, storage facility, etc.) and mini-grid to facilitate the integration of renewable energy sources into the grid  
Renewable energy power plant retrofits  
Improving existing systems to facilitate the integration of renewable energy sources into grid |
| 2. Lower-carbon and efficient energy generation | 2.1 Transmission and distribution systems | Retrofit of transmission lines or substations and/or distribution systems to reduce energy use and/or technical losses, excluding capacity expansion  
Thermal power plant retrofit to fuel switch from a more GHG-intensive fuel to a different, less GHG-intensive fuel type  
Conversion of existing fossil-fuel based power plant to co-generation technologies that generate electricity in addition to providing heating/cooling  
Waste heat recovery improvements.  
Energy-efficiency improvement in existing thermal power plant, |
<p>|                                  | 2.2 Power Plants | |</p>
<table>
<thead>
<tr>
<th>3. Energy efficiency</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Brownfield energy efficiency in industry</td>
<td>Industrial energy-efficiency improvements through the installation of more efficient equipment, changes in processes, reduction of heat losses and/or increased waste heat recovery</td>
</tr>
<tr>
<td></td>
<td>Installation of co/generation plants that generate electricity in addition to providing heating/cooling</td>
</tr>
<tr>
<td></td>
<td>More efficient facility replacement of an older facility (old facility retired)</td>
</tr>
<tr>
<td>3.2 Brownfield energy efficiency in commercial, public and residential sectors (buildings)</td>
<td>Energy-efficiency improvement in lighting, appliances and equipment</td>
</tr>
<tr>
<td></td>
<td>Substitution of existing heating/cooling systems for buildings by co/generation plants that generate electricity in addition to providing heating/cooling</td>
</tr>
<tr>
<td></td>
<td>Retrofit of existing buildings: Architectural or building changes that enable reduction of energy consumption</td>
</tr>
<tr>
<td>3.3 Brownfield energy efficiency in public services</td>
<td>Energy-efficiency improvement in utilities and public services through the installation of more efficient lighting or equipment</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation of district heating systems</td>
</tr>
<tr>
<td></td>
<td>Utility heat loss reduction and/or increased waste heat recovery</td>
</tr>
<tr>
<td></td>
<td>Improvement in utility scale energy efficiency through efficient energy use, and loss reduction</td>
</tr>
<tr>
<td>3.4 Vehicle energy efficiency fleet retrofit</td>
<td>Existing vehicles, rail or boat fleet retrofit or replacement (including the use of lower-carbon fuels, electric or hydrogen technologies, etc.)</td>
</tr>
<tr>
<td>3.5 Greenfield energy efficiency in commercial and residential sectors (buildings)</td>
<td>Use of highly efficient architectural designs, energy efficiency appliances and equipment, and building techniques that reduce building energy consumption, exceeding available standards and complying with high energy efficiency certification or rating schemes</td>
</tr>
<tr>
<td>3.6 Energy audits</td>
<td>Energy audits to energy end-users, including industries, buildings, and transport systems</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>4. Agriculture, forestry and land-use</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Agriculture</td>
<td>Reduction in energy use in traction (e.g. efficient tillage), irrigation, and other agriculture processes</td>
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<tr>
<td></td>
<td>Agriculture projects that do not deplete and/or improve existing carbon pools (Reduction in fertilizer use, rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, low tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, etc.)</td>
</tr>
<tr>
<td>4.2 Afforestation and reforestation, and biosphere conservation</td>
<td>Afforestation (plantations) on non-forested land</td>
</tr>
<tr>
<td></td>
<td>Reforestation on previously forested land</td>
</tr>
<tr>
<td></td>
<td>Sustainable forest management activities that increase carbon stocks or reduce the impact of forestry activities</td>
</tr>
<tr>
<td>5. Non-energy GHG reductions</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td>5.1 Fugitive emissions</td>
<td>Reduction of gas flaring or methane fugitive emissions in the oil and gas industry</td>
</tr>
<tr>
<td>5.2 Carbon capture and storage</td>
<td>Projects for carbon capture and storage technology that intend to prevent release of large quantities of CO₂ into the atmosphere from fossil fuel use in power generation, and process emissions in other industries</td>
</tr>
<tr>
<td>5.3 Air conditioning and refrigeration</td>
<td>Retrofit of existing industrial, commercial and residential infrastructure to switch to cooling agent with lower global warming potential</td>
</tr>
<tr>
<td>5.4 Industrial processes</td>
<td>Reduction in GHG emissions resulting from industrial process improvements and cleaner production (e.g. cement, chemical), excluding carbon capture and storage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Waste and wastewater</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Treatment of wastewater if not a compliance requirement (e.g. performance standard or safeguard) as part of a larger project that reduce methane emissions (only if net emission reductions can be demonstrated)</td>
<td></td>
</tr>
<tr>
<td>Waste management and waste-to-energy projects that reduce methane emissions and generate energy (e.g. incineration of waste, landfill gas capture, and landfill gas combustion)</td>
<td></td>
</tr>
<tr>
<td>Waste-recycling projects that recover or reuse materials and waste as inputs into new products or as a resource (only if net emission reductions can be demonstrated).</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Transport</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 Urban transport modal change</td>
<td>Urban mass transit</td>
</tr>
<tr>
<td>Non-motorized transport (bicycles and pedestrian mobility)</td>
<td></td>
</tr>
<tr>
<td>Integration of transport and urban development planning (dense development, multiple land-use, walking communities, transit connectivity, etc.), leading to a reduction in the use of passenger cars</td>
<td></td>
</tr>
<tr>
<td>7.2 Transport oriented urban development</td>
<td>Transport demand management measures to reduce GHG emissions (e.g., speed limits, high-occupancy vehicle lanes, congestion charging/road pricing, parking management, restriction or auctioning of license plates, car-free city areas, low-emission zones)</td>
</tr>
<tr>
<td>7.3 Inter-urban transport</td>
<td>Railway transport ensuring a modal shift of freight and/or passenger transport from road to rail (improvement of existing lines or construction of new lines)</td>
</tr>
</tbody>
</table>
B. Common Principles for Climate Change Adaptation Finance Tracking

Source: MDBs, IDFC: Common Principles for Climate Change Adaptation Finance Tracking, July 2015

Preamble

On 31st March 2015, the group of Multilateral Development Banks (MDBs)45, who jointly report on Climate Finance, and the International Development Finance Club (IDFC)46 announced that they had agreed to work jointly towards improved understanding of definitions of the different approaches and principles for climate change adaptation finance tracking. Considering adaptation as a crosscutting development issue, both groups confirmed their intent to collaborate and develop Common Principles for Climate Change Adaptation Finance Tracking, and would aim to reach reasonable progress on this process by June 2015.

In order to demonstrate the significant progress made to date, MDBs and IDFC have agreed some outline principles as an essential and important first step. These define the context of adaptation finance in development and lay the base for further joint work that includes addressing comparability of the reporting process and relevant process-based concepts and guidelines.

45 The African Development Bank (AfDB); the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD); the European Investment Bank (EIB); the Inter-American Development Bank (IDB); and the International Finance Corporation (IFC) and World Bank (IDA/IBRD) from the World Bank Group (WBG)
46 see www.idfc.org
Introduction

MDBs and the IDFC are fully committed to promoting and supporting climate resilient development, as an essential element of the sustainability of their investments, by integrating climate resilience and adaptation into their investments, operations and initiatives. This may include support at the national, territorial, local or project level to prepare and respond to the impacts of climate change, while capitalizing on the diversity of adaptation strategies and investments to further improve the quality of their contribution to climate resilient development pathways. This includes, among other steps, integrating project vulnerability assessments into their financing procedures and processes.

Climate resilience and adaptation are intrinsically linked to development. This may make it challenging to identify what can be defined solely as adaptation finance, and has resulted in different approaches and methods for tracking and reporting. Recognizing the challenges and the need for comparable approaches, MDBs and IDFC are committing to the development of appropriate initiatives and transparent reporting of methodologies, data and information related to adaptation finance. Therefore, the purpose of the Common Principles for Climate Change Adaptation Finance Tracking is to set out an agreed approach and next steps for tracking adaptation finance.

The Common Principles, intended to be primarily applied in development finance, consist of a set of initial principles related to tracking commitments in adaptation finance. They are a voluntary joint MDB and IDFC initiative and as such do not preclude any international mandatory standards under the UNFCCC. Recognizing institutional differences, including mandates and capacities, at this stage they do not cover aspects related to their operationalization, including quality control procedures.

Purpose

The MDBs and the IDFC commit to developing common principles and guidelines based on their respective, groupbased climate change adaptation finance tracking and reporting. MDBs and IDFC invite other institutions to adopt the Common Principles and therewith further increase transparency and credibility of adaptation finance reporting.

As an inherent and important part of improving climate change adaptation finance tracking, the Common Principles will be subject to further revision by MDBs and IDFC jointly, based on amassed experience and following the identified next steps. In this respect, MDBs and IDFC are committed to work together, maintaining an open and transparent exchange of information around institutional experience and learning, as well as to jointly discuss potential proposals to improve the Common Principles. To the extent possible, parties will strive to reach consensus around proposed changes or additions. Alignment requires a process that improves common understanding and facilitates convergence of different approaches. In case of differences in defining or tracking climate change adaptation finance, the parties commit to communicating these in full when reporting.

Principles
• Adaptation finance tracking relates to tracking the finance for activities that address current and expected effects of climate change, where such effects are material for the context of those activities.\textsuperscript{47}

• Adaptation finance tracking may relate to activities consisting of stand-alone projects, multiple projects under larger programs, or project components, sub-components or elements, including those financed through financial intermediaries.

• Adaptation finance tracking process consists of the following key steps:
  - Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change;
  - Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation;
  - Demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the financed activities.

• Adaptation finance tracking requires adaptation activities to be disaggregated from non-adaptation activities as far as reasonably possible. If disaggregation is not possible using project specific data, a more qualitative or experience-based assessment can be used to identify the proportion of the project that covers climate change adaptation activities. In consistence with the principle of conservativeness, climate finance is underreported rather than over-reported in this case.

**Next Steps**

• Discuss the alignment of adaptation tracking processes where possible, by sharing and exchanging MDBs’ and IDFC’s experience, thereby increasing capacity and knowledge on the topic. This shared knowledge will inform and improve further versions of the Common Principles.

• Advance our understanding and work on the main areas of difference identified, taking note of user needs, with the aim of providing increased transparency on areas where differences in tracking approaches continue to exist: in particular on further refinement of definitions for adaptation activities in the context of adaptation finance tracking; on the tracking process of disaggregation in adaptation finance; and on tracking options for climate resilience. Include improved explanation and clear terminology of the various tracking concepts in updated versions of the Principles.

• Develop and collate good practice on topics that will add clarity and substance, for example in guidelines on the key steps for adaptation tracking; good practice in climate vulnerability assessments; avoidance of maladaptation; adaptation decision pathways; and the importance of non-financial adaptation.

\textsuperscript{47} The purpose of this Principle is to frame the space of activities that can be classified as adaptation finance tracking in the context of MDB and IDFC developmental work. As such, it recognizes the existence of differing scientific and institutional definitions of adaptation to climate change and does not attempt to define adaptation to climate change in a wider global context e.g. whether to include adaptation to current climate variability or not. However, as a next step the joint MDB and IDFC group will work on further refinement of definitions for adaptation activities in the context of adaptation finance tracking.
Annex 3: ‘Rio Markers’ methodology

Climate change mitigation marker:

<table>
<thead>
<tr>
<th>AID TARGETING THE OBJECTIVES OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change mitigation</td>
</tr>
</tbody>
</table>

**DEFINITION**
An activity should be classified as climate-change mitigation related (score Principal or Significant) if:

It contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

**CRITERIA FOR ELIGIBILITY**
The activity contributes to:

- a) the mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; or
- b) the protection and/or enhancement of GHG sinks and reservoirs; or
- c) the integration of climate change concerns with the recipient countries’ development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or
- d) developing countries’ efforts to meet their obligations under the Convention.

The activity will score “principal objective” if it directly and explicitly aims to achieve one or more of the above four criteria.

**EXAMPLES OF TYPICAL ACTIVITIES**

1. Typical activities take place in the sectors of:
   - Water and sanitation
   - Transport
   - Energy
   - Agriculture
   - Forestry
   - Industry

   - GHG emission reductions or stabilisation in the energy, transport, industry and agricultural sectors through application of new and renewable forms of energy, measures to improve the energy efficiency of existing generators, machines and equipment, or demand side management.
   - Methane emission reductions through waste management or sewage treatment.
   - Development, transfer and promotion of technologies and know-how as well as building of capacities that control, reduce or prevent anthropogenic emissions of GHGs, in particular in waste management, transport, energy, agriculture and industry.
   - Protection and enhancement of sinks and reservoirs of GHGs through sustainable forest management, afforestation and reforestation, rehabilitation of areas affected by drought and desertification.

2. Typical non-sector specific activities are:
   - Environmental policy and administrative management
   - Biosphere protection
   - Biodiversity
   - Env. education/training
   - Environmental research

   - Protection and enhancement of sinks and reservoirs through sustainable management and conservation of oceans and other marine and coastal ecosystems, wetlands, wilderness areas and other ecosystems.
   - Preparation of national inventories of greenhouse gases (emissions by sources and removals by sinks); climate change related policy and economic analysis and instruments, including national plans to mitigate climate change; development of climate-change-related legislation; climate technology needs surveys and assessments; institutional capacity building.
   - Education, training and public awareness related to climate change.
   - Climate-change-mitigation related research and monitoring.
   - Oceanographic and atmospheric research and monitoring.
## Climate change adaptation marker:

<p>| AID TARGETING THE OBJECTIVES OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE |</p>
<table>
<thead>
<tr>
<th>Climate Change Adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEFINITION</strong></td>
</tr>
<tr>
<td>An activity should be classified as adaptation-related (score Principal or Significant) if:</td>
</tr>
<tr>
<td>It intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.</td>
</tr>
<tr>
<td>This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.</td>
</tr>
</tbody>
</table>

| **CRITERIA FOR ELIGIBILITY** |
| An activity is eligible for the climate change adaptation marker if: |
| a) the climate change adaptation objective is explicitly indicated in the activity documentation; and |
| b) the activity contains specific measures targeting the definition above. |
| Carrying out a climate change adaptation analysis, either separately or as an integral part of agencies’ standard procedures, facilitates this approach. |

### EXAMPLES OF TYPICAL ACTIVITIES

| 1. Examples of typical enabling activities for adaptation |
| Environmental policy and administrative management (sector 41010) |
| Environmental education / training (sector 41081) |
| Environmental research (sector 41082) |

| 2. Examples of typical sectoral activities |
| Health (Sector 120) |
| Water and sanitation (Sector 140) |
| Agriculture (Sector 311) |
| Forestry (Sector 312) |
| Fishing (Sector 313) |
| Flood prevention/control (Sector 41050 under Gen. env. protection) |
| Disaster prevention and preparedness (Sector 740) |

The list is not exhaustive. The activities may be scored against the objective only if the above criteria for eligibility are fulfilled.

- Supporting the integration of climate change adaptation into national and international policy, plans and programmes.
- Improving regulations and legislation to provide incentives to adapt.
- Education, training and public awareness raising related to the causes and impacts of climate change and the role of adaptation.
- Adaptation-related climate research including meteorological and hydrological observation and forecasting, impact and vulnerability assessments, early warning systems, etc.

- Implementing measures to control malaria in areas threatened by increased incidence of diseases due to climate change.
- Promoting water conservation in areas where enhanced water stress due to climate change is anticipated.
- Promoting heat and drought resistant crops and water saving irrigation methods to withstand climate change.
- Promoting a diverse mix of forest management practices and species to provide a buffer against uncertainties of climate change.
- Promoting changes in fishing practices to adapt to changes in stocks and target species. Introducing flexibility in the gear that is used, the species that are fished, the fishing areas to be managed, and the allocations that are harvested.
- Implementing measures for flood prevention and management such as watershed management, reforestation or wetland restoration.
- Developing emergency prevention and preparedness measures including insurance schemes to cope with potential climatic disasters.
- Implementing measures to respond to glacial lake outburst flood risk, such as the creation or improvement of early warning systems and widening or deepening of glacial lake outlet channels.

See page 13 for more examples.
The scoring system for climate markers

Data collection on the climate markers is based on a scoring system with three values:

- principal objective (2);
- significant objective (1);
- not targeted to the policy objective (0).

Q1. What objectives are stated in the project/programme document?

Q2. Do any of the stated objectives match “Criteria for eligibility” of climate markers?

Yes

Q3. Would the activity have been undertaken without this objective?

No

2 Principal

Yes

1 Significant

0 Not targeted

Principal (primary) policy objectives are those which can be identified as being fundamental in the design of the activity and which are an explicit objective of the activity. They may be selected by answering the question “would the activity have been undertaken (or designed that way) without this objective?”

Significant (secondary) policy objectives are those which, although important, are not one of the principal reasons for undertaking the activity.

The score not targeted means that the activity has been screened against, but was found not to be targeted to, the policy objective.

An activity can have more than one principal or significant policy objective. To qualify for a score “principal” or “significant”, the objective has to be explicitly promoted in project documentation. Avoiding negative impact is not a sufficient criterion.
Abbreviations and Acronyms

ADB  Asian Development Bank
AFD  Agence Française de Développement
AfDB African Development Bank
AR  Attribution Ratio
ARIZ  Accompagnement du Risque de financement de l’Investissement privé en Zone d’intervention de l’AFD
CFA  Communauté Financière d’Afrique – Financial Community of Africa
CIF  Climate Investment Fund
CIV Collective investment Vehicle
CO2 Carbon Dioxide
COP Conference of Parties
DAC Development Assistance Committee
DG Directorate General
DGT General Directorate of the Treasury
EADB East African Development Bank
EAF Energy Access Fund
EBRD European Bank for Reconstruction and Development
ECOFIN Economic and Financial Affairs Council
EDFI Association of European Development Finance Institutions
EE Energy Efficiency
EIA Environmental Impact Assessment
EIB European Investment Bank
EJLLPST Egypt, Irak, Jordan, Lebanon, Libya, Palestine, Syria, Turkey
EU European Union
EUR Euro
FASEP Fonds d’études et d’aide au secteur privé – Private Sector Aid and Studies Fund
FCPF Forest Carbon Partnership Facility
FDIs Foreign Direct Investments
FFEM Fonds français pour l’environnement mondial - French Facility for Global Environment
FI Financial Institution
FIP Forest Investment Programme
FIs Financial institutions
FMO Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden – Netherlands Development Finance Company
FPCF French Public Climate Finance
GCF Green Climate Fund
GCPF Global Climate Partnership Fund
GEF Global Environment Facility
GGGI Global Green Growth Institute
GHG Greenhouse gas
GW Gigawatt
GWP Global Water Partnership
HLM High Level Meeting
IDFC International Development Finance Club
IEA International Energy Agency
IFC International Finance Corporation
IFI International Finance Institution
IIED International Institute for Environment and Development
INDC Intended Nationally Determined Contributions
IISD International Institute of Sustainable Development
IUCN International Union for Conservation of Nature
KfW Kreditanstalt für Wiederaufbau
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCF</td>
<td>Least Developed Countries Fund</td>
</tr>
<tr>
<td>LDCs</td>
<td>Least Developed Countries</td>
</tr>
<tr>
<td>LED</td>
<td>Light Emitting Diode</td>
</tr>
<tr>
<td>M</td>
<td>Million</td>
</tr>
<tr>
<td>MDB</td>
<td>Multilateral Development Bank</td>
</tr>
<tr>
<td>MEDRING</td>
<td>Mediterranean Electric Ring</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
</tr>
<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MPCF</td>
<td>Mobilised Private Climate Finance</td>
</tr>
<tr>
<td>MRV</td>
<td>Measurement, Reporting and Verification</td>
</tr>
<tr>
<td>NAMAs</td>
<td>Nationally Appropriate Mitigation Actions</td>
</tr>
<tr>
<td>NAPAs</td>
<td>National Adaptation Programmes of Action</td>
</tr>
<tr>
<td>NEPCo</td>
<td>National Electric Power Company</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>OCR</td>
<td>Ordinary Capital Resources</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OOF</td>
<td>Other Official flows</td>
</tr>
<tr>
<td>OPIC</td>
<td>Overseas Private Investment Corporation</td>
</tr>
<tr>
<td>PCF</td>
<td>Public Climate Finance</td>
</tr>
<tr>
<td>PMR</td>
<td>Programme for Market Readiness</td>
</tr>
<tr>
<td>PPA</td>
<td>Purchasing Power Agreement</td>
</tr>
<tr>
<td>PV</td>
<td>Photovoltaic</td>
</tr>
<tr>
<td>RE</td>
<td>Renewable Energy</td>
</tr>
<tr>
<td>RoR</td>
<td>Rate of Return</td>
</tr>
<tr>
<td>RPE</td>
<td>Réserve Pays Emergents – Emerging Countries Reserve</td>
</tr>
<tr>
<td>SCCF</td>
<td>Special Climate Change Fund</td>
</tr>
<tr>
<td>SIDS</td>
<td>Small Island Developing States</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
</tr>
<tr>
<td>SREP</td>
<td>Scaling Up Renewable Energy in Low Income Countries Program</td>
</tr>
<tr>
<td>SUNREF</td>
<td>Sustainable Use of Natural Resources and Energy Finance</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TOSSD</td>
<td>Total Official Support for Sustainable Development</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
</tr>
<tr>
<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WRI</td>
<td>World Resources Institute</td>
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