



# Climate

ACTIVITY REPORT

2021



At a time when our world must deal with the economic and social consequences of an unprecedented health crisis—and now with upheaval in the geopolitical balance due to the war in Ukraine—extreme climate events continue to multiply, threatening life on earth as a whole. Far from being isolated, these issues are all interwoven, as the transition to renewable energies is also becoming a question of sovereignty and security.

If all public and private stakeholders join forces, a low-carbon and resilient development pathway is possible. That is the essence of AFD commitment to be “100% Paris Agreement compatible”. With such wide-ranging examples as the Great Green Wall in Sahel, low-carbon transition in Indonesia, and climate justice in South America, AFD Group spent €6 billion in 2021 on the fight against climate change, including €2 billion on adaptation and €2 billion on biodiversity conservation. We are especially proud that most of this financing also provided benefits for gender equality. Indeed, the Covid-19 pandemic has reminded us that reconciling environmental issues with social and economic issues is crucial for a just transition.

Our mission as a public development bank is to mobilize the entire financial system, both public and private, to scale up financing for sustainable development. We are actively promoting this goal in the IDFC and Finance in Common networks and coalitions, which account for 15% of global investment and as we have seen, can have a snowball effect for the remaining 85% of financial flows. We are faced with the huge challenge of a just transition. AFD Group enjoyed a positive year in 2021, and that should inspire us and encourage us to elevate our ambition collectively, for the climate and for the planet.

**Rémy Rioux**, Chief Executive Officer of AFD Group

# AFD Group's climate strategy

AFD continues to implement its 2017-2022 climate strategy and its five commitments, which were revised upwards in 2020 during the midterm review.

## 1 Ensuring that its activity is “100% Paris Agreement”

AFD continues to make headway in making this pioneering commitment fully operational. To do so, we are developing sectoral approaches (in energy, biomass, and transport), improving our accounting analysis tools (such country climate analyses and climate financial risk assessment) and continuing our support to countries via the AdaptAction and 2050 Facilities.

## 2 Increasing climate finance

One of AFD Group's goals since 2017 has been to dedicate 50% of our annual financing to projects with climate co-benefits. In 2021, we raised our ambitions to help contribute to France's new objective to devote €6 billion per year to climate finance, including €2 billion to help developing countries in their adaptation.

## 3 Redirecting financial flows

AFD Group has stepped up its efforts, both to mobilize the private sector via innovative guarantee and equity products, and to support the greening of financial systems via strategic dialogue with new players such as central banks. Meanwhile, AFD continues to issue climate bonds on markets as we strengthen our partnership with the Green Fund, especially in the Indian Ocean region.

## 4 Creating solutions together

AFD Group has continued to mobilize its partners—not only the International Development Finance Club (IDFC), but, more broadly, public development banks via the Finance in Common Summit held in Rome in 2021. AFD promotes the exchange of best practices on topics such as alignment with the Paris Agreement, convergence of climate and biodiversity finance, and financial risks related to climate and biodiversity.

## 5 Aligning AFD Group's internal practices

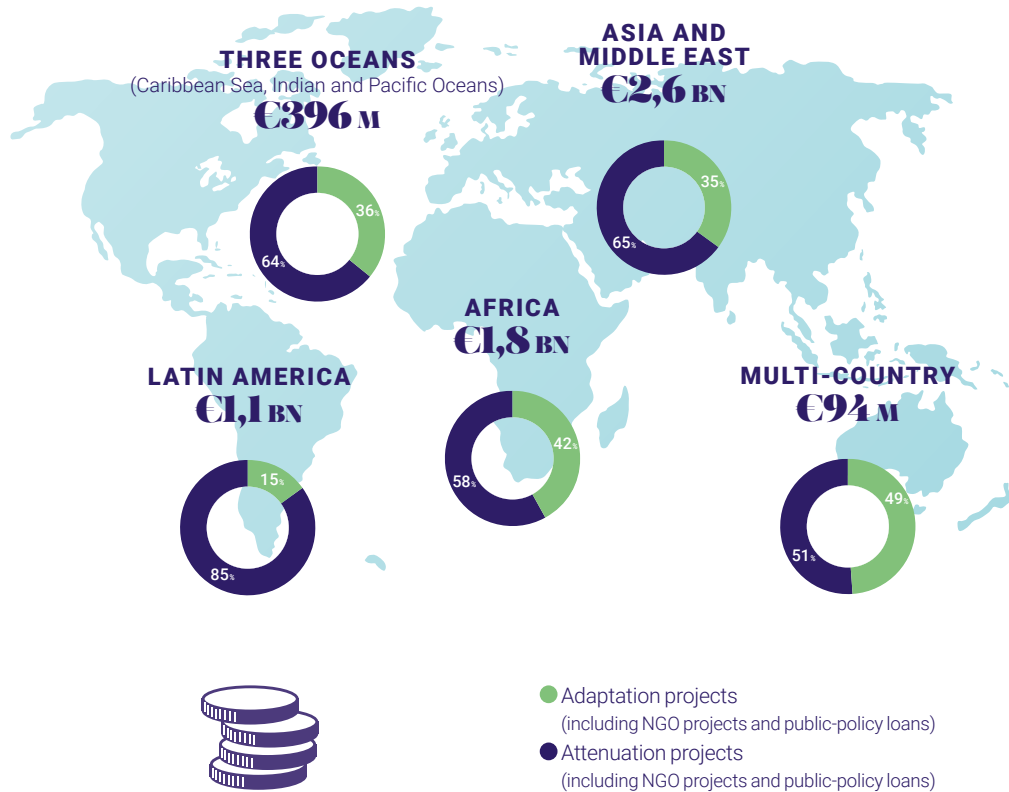
Our new climate strategy commitment made in 2020 means that AFD is further monitoring to control the carbon and ecological footprint of its operations and internal practices.

### Raising ambitions for climate and nature

The AFD Group 2017-2022 climate strategy expires at the end of the year, which is why we are now assessing its implementation over the past five years and identifying priority themes for the 2023-2027 period. The goal is to establish a roadmap that will be more ambitious for climate and nature.

# Our climate activity in 2021

## Breakdown by region



€6 BN

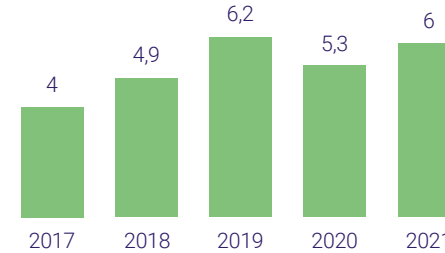
committed by AFD Group to fight climate change and its effects, including €2 BN for adaptation. Of that total, €3.8 BN was directed to developing countries and €234 M to Overseas France.

In 2021, 330 projects were financed, an increase of 128 over the year 2020.

AFD Group's climate commitments in developing countries and in Overseas France saw a decrease in 2020 linked to the impacts of the health crisis, but they went up by 15% in 2021. With €6 billion in climate finance including €2 billion for adaptation, we met our objectives.

## Trends in Group commitments

since 2017, in € BN



€26.4 BN  
total climate finance in developing countries since 2017

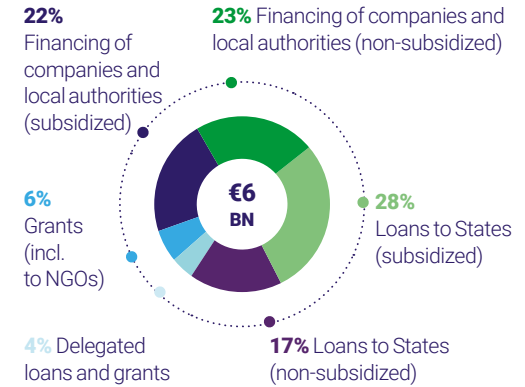
## Share of commitments with climate co-benefits



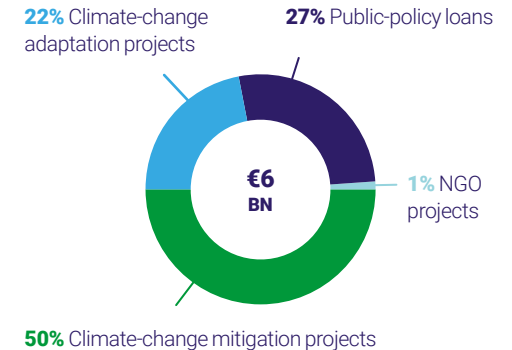
Since 2017, AFD Group has devoted 50% of its annual financing in developing countries to projects with climate co-benefits.

The percentages are calculated based on annual commitments in developing countries, excluding global budget support, debt reduction mechanisms (C2D) and Ariz guarantees.

## Breakdown by tool



## Breakdown by type of operation



## Gender and climate: two closely linked issues

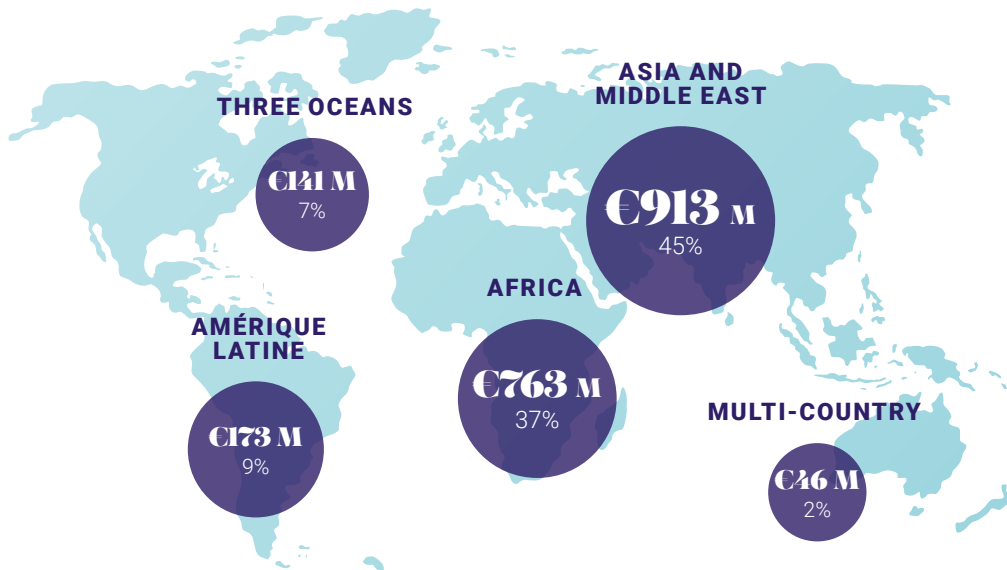


The IPCC reports that compared to men, women suffer the effects of climate change differently and disproportionately. Their empowerment is crucial for building resilience to climate change, and adaptation strategies are more effective when they are inclusive. More than 60% of AFD's climate projects help to reduce gender inequalities. We can improve this figure even more through greater inclusion of gender in climate vulnerability studies. Another way is to identify projects with a dual climate and gender benefit, like those benefiting from the Support Fund for Feminist Organizations (FSOF).

# Adapting to the effects of climate change

Adaptation helps to deal with the current and future impacts of climate change, such as more intense droughts, increased flood risk, and rising sea levels. This adaptation concerns not only development projects themselves, but also their potential impact on their environment. Risk management through adaptation to climate change also affects those working in the value chain of a project, both upstream and downstream.

## Breakdown by region

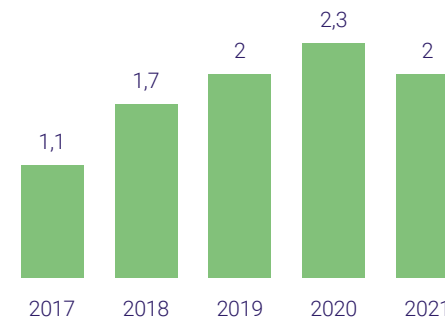


in financing projects for adaptation in developing countries

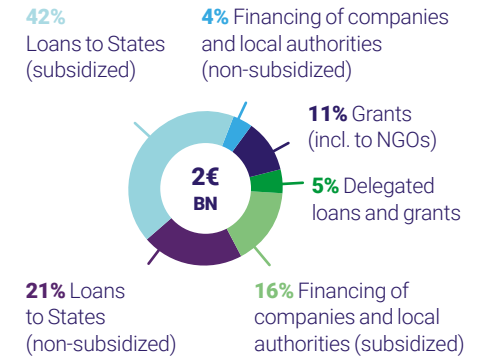
The volume of financing for adaptation remained stable in 2021 and is in line with the Group's commitment to dedicate one third of its climate finance to adaptation. Investments in adaptation increased in the Asia and Middle East region from €599 million in 2020 to €913 million in 2021.

## Trends in Group commitments

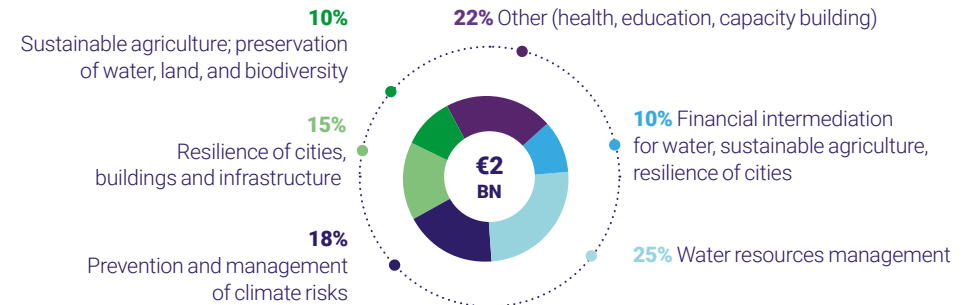
since 2017, in € BN



## Breakdown by tool



## Breakdown by sector



The Green Climate Fund has provided AFD with €370 M in co-financing for six projects since 2016, five of which address adaptation challenges in regions vulnerable to climate change. In 2021, AFD received \$52.8 M in financing from the Green Climate Fund to strengthen meteorological, hydrological, and climate services that will improve climate change resilience in the Indian Ocean region.

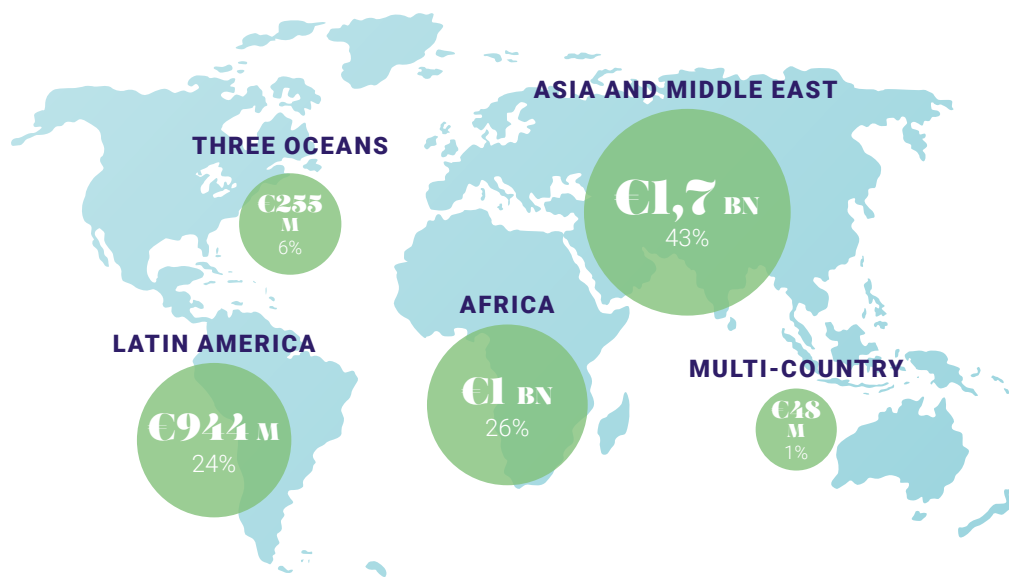


Following an initial phase that produced a leverage effect of more than €595 million for adaptation projects financed by AFD and other donors, the AdaptAction program entered Phase 2, as announced at COP26. This new phase, now boosted by an extra €15 million, will continue to catalyze stakeholders, public policies, and financing that will strengthen capacities to develop and implement resilient and inclusive development trajectories. It is refocused on Africa and will be structured using an "Understanding, Planning, Investing" approach to strengthen the resilience of the populations and ecosystems most vulnerable to the impacts of climate change. The program also supports gender equality, social inclusion, and knowledge sharing.

# Mitigating the impacts of climate change

Mitigation projects seek to reduce and avoid greenhouse gas (GHG) emissions and can also promote carbon storage. The common ways to achieve this are through the deployment of renewable energies or the development of low-carbon cities (e.g., by supporting public transport policies). Other objectives of such projects include energy efficiency, waste treatment and recovery, fighting deforestation, and support for low-carbon agriculture.

## Breakdown by region



**€4 BN**

in commitments for mitigation projects in developing countries.

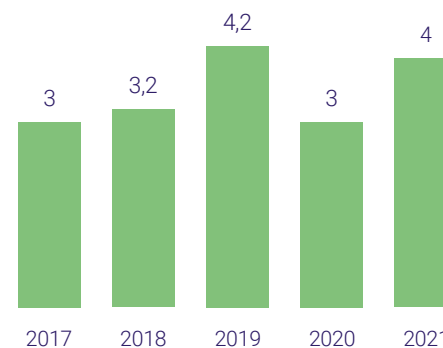
**5,5 million**

**tons of CO<sub>2</sub> equivalent**

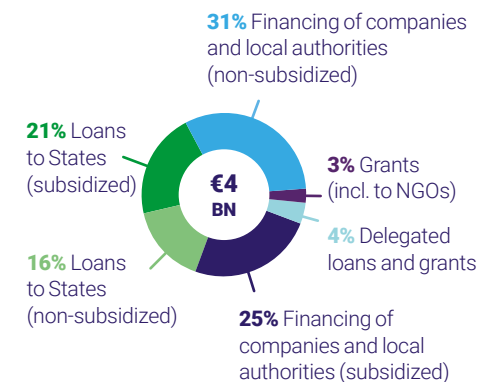
will be saved every year over the lifespan of mitigation projects financed in 2021.

## Trends in commitments

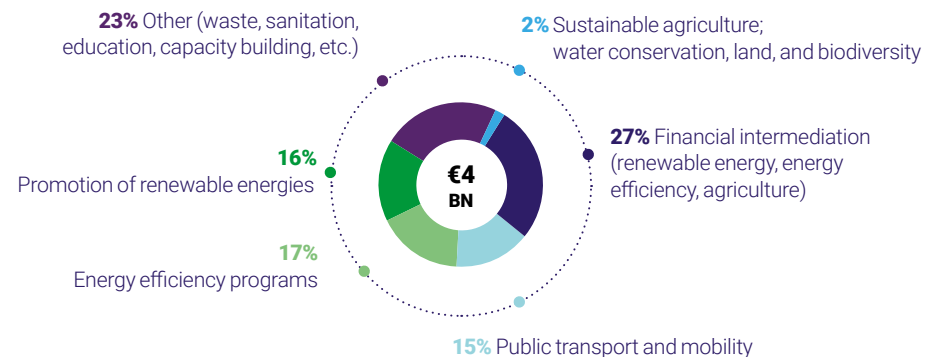
since 2017, in € BN



## Breakdown by tool



## Breakdown by sector



The 2050 Facility supports AFD's partner countries in the development and implementation of their long-term strategies in low-carbon and resilient development. It also funds studies and capacity-building activities in some 20 countries. For example, through a technical cooperation program carried out by Expertise France, the 2050 Facility supported Colombia in developing its climate strategy and in submitting it to the United Nations Framework Convention on Climate Change (UNFCCC) in 2021. It also financed the Gemmes macroeconomic modeling project, which has already helped measure the socio-economic impacts of climate change in Vietnam.

# Supporting public policies for the climate

Budget support for public policy is a crucial tool for supporting the development and implementation of public policies targeting low-carbon and resilient development trajectories. They have three components: budget support, dialogue backed by a matrix of indicators, and technical cooperation. In addition to these loans, AFD Group also provides support through studies, technical assistance, and capacity building.

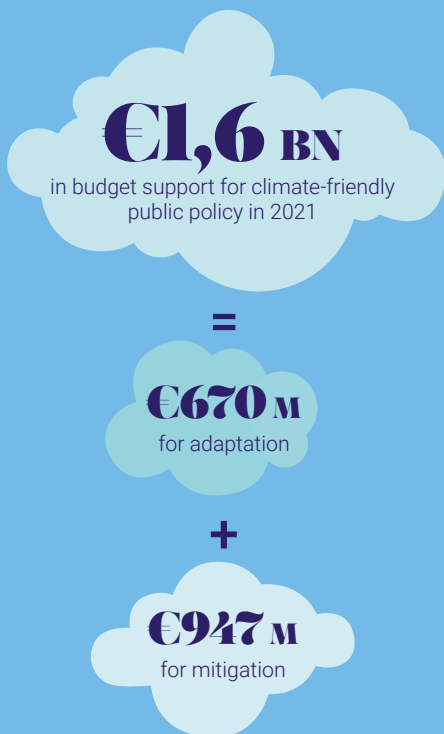
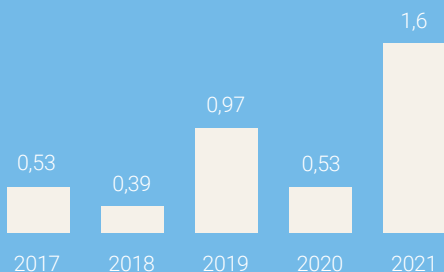
## Breakdown by region

**AFRICA**  
€267 M (16%)

**LATIN AMERICA**  
€367 M (23%)

**ASIA AND MIDDLE EAST**  
€983 M (61%)

## Trends in commitments since 2017, in € BN



In 2021, AFD signed a [€250 M loan](#) to support disaster risk reduction on a local basis, as well as disaster preparedness and response in the Philippines, one of the countries most vulnerable to the impacts of climate change. The aim is to support local authorities in strengthening the resilience of their economies and communities. Such support can also reduce emergency response time after a disaster and make for a more efficient recovery period.

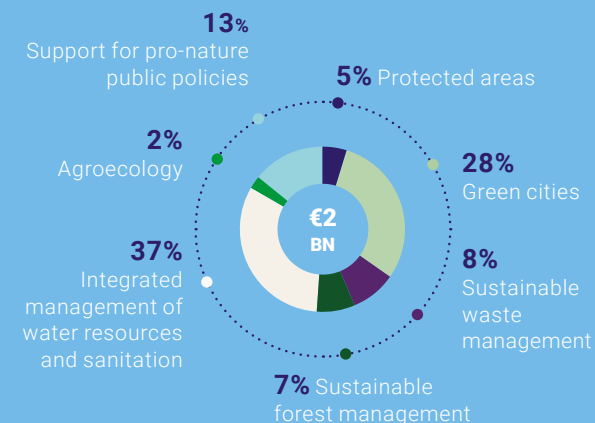
# Nature-friendly climate finance

Forests, oceans, agricultural soils, wetlands, and other ecosystems all play a role in CO<sub>2</sub> absorption. They also help make societies more resilient to the impact of climate change. Inversely, degraded biodiversity reduces nature's ability to counteract the climate crisis and therefore to promote people's well-being and development. Land and sea ecosystems can help reach the 30% GHG reduction needed to achieve the Paris Agreement goals. Similarly, limiting the rise in average temperatures by 2°C or even 1.5°C in 2100 is crucial to preserve the biosphere. That is why AFD made the commitment that 30% of its climate finance also be biodiversity-friendly\* by 2025.



**€2 BN**  
in biodiversity-friendly climate finance, representing 33%.  
We reached our target for 2025 in 2021.

## Breakdown by sector



**Ghabati Hayati:** a €103-million program approved in 2021, supports the sustainable management of forests and national parks in Morocco. It helps work toward Morocco's low-carbon, resilient, and inclusive transition and toward the protection and maintenance of its biodiversity. The program will also aid in setting up the sector's new institutional organization and will facilitate exchanges of experience and expertise with the French Biodiversity Agency (OFB) and ONF International, which are similar French institutions.

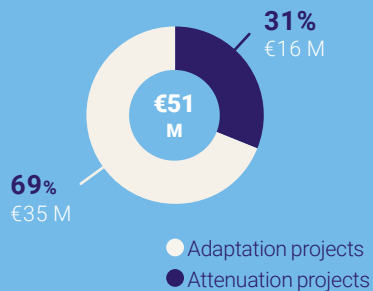
\*DAC 1 or DAC 2 biodiversity markers.

# Supporting civil society's work for the climate

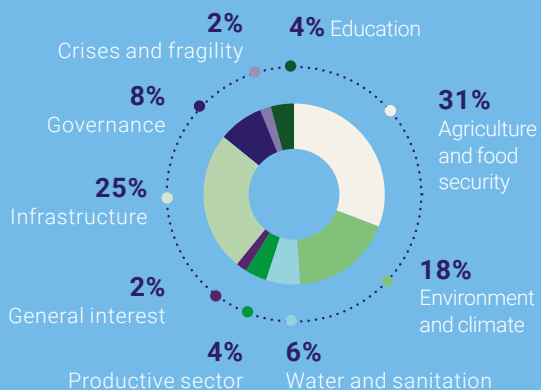
**49 projects**

involving Civil Society Organizations provided €51 M worth of climate benefits in 2021. This represents 44% of our total commitments to civil society.

**Breakdown of commitments**



**Breakdown by sector**



**31 projects**

also had biodiversity co-benefits, thereby helping to preserve ecosystems.

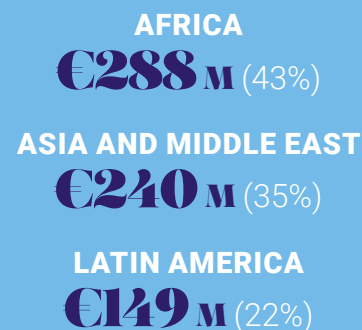


In 2021, AFD supported a project led by the association Agir Ensemble Pour les Droits Humains (Act Together for Human Rights), to promote the fundamental rights and lifestyles of indigenous Pygmy peoples in the Democratic Republic of Congo. This project promotes environmental protection by improving their inclusive participation in the sustainable management of land, territories and natural resources.

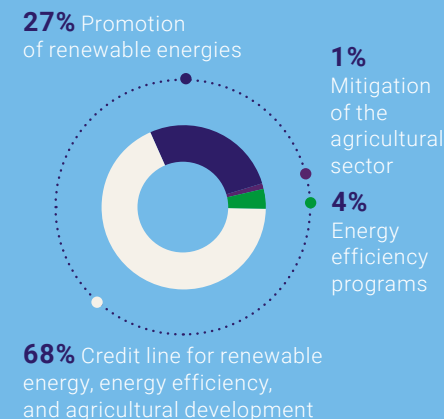
# Mobilizing the private sector for the climate

In 2021, Proparco allocated €677 million in financing with climate co-benefits to 31 projects, of which 10% contribute to climate change adaptation and two are FISEA+ certified. This volume of climate finance represents an increase of 23% compared to 2020. The share of climate finance was 34% of commitments. Proparco has committed a total of €3.1 billion in climate finance since 2017.

**Breakdown by region**



**Breakdown by sector**



## Improving access to solar energy in Kenya, Nigeria, Tanzania, and Uganda

Proparco supports the "d.light" solar energy company. d.light is developing a wide range of products, from portable solar lamps to a household solar energy system. It also offers a pay-as-you-go tool for consumer credit, to make solar products accessible to low-income customers.

## Strengthening farmers' resilience to the effects of climate change

Proparco has invested in the Acumen Resilient Agriculture Fund (AREF), via the FISEA+ program. AREF proposes innovative solutions to improve the climate resilience of smallholder farmers in East and West Africa. Two million smallholder farmers are expected to benefit from the project.

# Mobilizing partners and investors

In 2021, AFD was involved in the main events on the international climate agenda, notably the second edition of the Finance in Common initiative and COP26 in Glasgow.



The [second edition of the Finance in Common Summit \(FICS\)](#), organized by the Cassa Depositi e Prestiti of Italy with support from AFD, brought together 530 public development banks PDBs around the world. This was an occasion for these PDBs to publish their database as well as an overview of the sectoral coalitions launched in 2020 and several reports on the role of these institutions. Declarations on several themes were also made at the Summit, in particular on gender, food systems, water, biodiversity, and alignment with the Paris Agreement. The outcomes and the IDFC's ambitions in green finance were also showcased during the Finance Day of COP26 in Glasgow.



The **International Development Finance Club (IDFC)** brings together 27 national, regional and international development banks. IDFC has been chaired by AFD CEO Rémy Rioux since 2017. In 2021, IDFC published the [Green Finance Mapping Report](#). It also adopted the common accounting standards for climate mitigation finance for use with multilateral banks, and published a framework for aligning with the Paris Agreement. The IDFC Climate Facility continued its activities to strengthen members' capacities and share best practices. IDFC played a key role in the Finance in Common initiative and at COP26 in Glasgow.

## Climate bond issues

AFD has been regularly issuing [climate bonds](#) on the market since 2014, for a total outstanding amount of €3.25 billion. A new milestone was reached in 2020, with the development of a bond framework based on the Sustainable Development Goals. This framework complies with the green bond and social bond principles of the International Capital Market Association (ICMA). In 2021, AFD Group achieved 48% of its issuance program, or €3.5 billion, in the form of sustainable bonds.

## Private finance mobilized for the climate

A total of €1.7 billion in private financing was mobilized by AFD Group's climate projects in 2021, including €690.4 million by Proparco. Of that total, 76% corresponds to credit lines granted to public development banks and commercial banks.

# AFD and IDFC commitments at COP26

COP26, held a year later than planned because of the global pandemic, gave new impetus to the mobilization of the international community for the climate.

## €30 BN

in climate finance since the **Paris Agreement**, including **€7 BN for adaptation**.

## 2022

marks the end of fossil fuel financing, **including for natural gas**.

AFD was active on the main issues of COP26. At the gathering, AFD Group presented its progress on alignment with the Paris Agreement and its actions to promote the pro-nature transition. It also highlighted its far-reaching objectives and results in climate finance and climate/biodiversity convergence. AFD indicated its support for the "Statement on International Public Support for the Clean Energy Transition" by undertaking to stop financing fossil fuel investments, including in natural gas, from 2022.

## AFD supports its partners

At COP26, AFD Group highlighted its support role in drawing up and implementing [Nationally Determined Contributions \(NDCs\)](#) and the long-term trajectories of its partner countries. Examples are [Colombia's 2050 Strategy](#), the publication of the Gemmes study on modeling the socio-economic impacts of climate change in Vietnam, and participation in the historic agreement with [South Africa on a just energy transition](#).

## IDFC at work during COP26

The [International Development Finance Club \(IDFC\)](#) celebrated its [10th anniversary at COP26](#). The event brought together many partners at the IDFC pavilion. IDFC announced on that occasion that it had mobilized \$1 trillion in green financing since the signing of the Paris Agreement, including a four-fold increase in adaptation finance and \$14 BN in biodiversity finance in 2020. It also undertook to terminate, starting from late 2021, the international financing of new coal-fired power plants that do not use carbon capture technology.

## COP26 COMMITMENTS

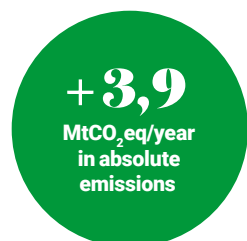
→ **€1 300 trillion in green finance over the 2019-2025 period**

→ **An end to international financing of coal-fired power plants**

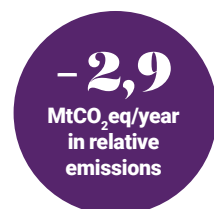


# Carbon accountability of the 2021 portfolio

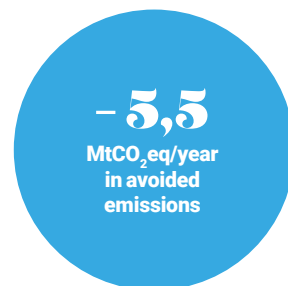
In 2021, AFD Group undertook to report more precisely on the carbon impact of its operations. At the portfolio level, this involves the monitoring of two main indicators: the relative and absolute emissions of the projects allocated during the year.



Absolute emissions released by all projects allocated in 2021, i.e., the GHG emissions of the projects without taking into account their mitigating effect over their lifespan



Relative emissions of all projects (total of carbon footprints)



Relative emissions of mitigation projects financed in 2021 only

The scope of carbon accountability covers sectors with a significant carbon footprint and for which absolute and relative emissions are quantifiable. More specifically, these sectors are agri-food, forestry, industry, transport, energy, water and sanitation, buildings, and waste. The relative emissions calculated using the carbon footprint tool represented -2.9 MtCO<sub>2</sub>eq/year relative to the Group's 2021 portfolio. Absolute emissions were 3.9 MtCO<sub>2</sub>eq in 2021. AFD Group also takes into account avoided emissions, which reflect the specific contribution of mitigation to GHG emissions reduction. In 2021, avoided emissions represented -5.5 MtCO<sub>2</sub>eq/year.

## AFD's carbon footprint tool: a closer look



AFD's carbon footprint tool plays a key role in its carbon accountability. With this freely accessible online tool,<sup>1</sup> relative emissions for each project can be calculated, noting the difference between the emissions of a scenario with the project compared to a benchmark situation, specific to each project. This tool and its user's guide<sup>2</sup> are currently being updated for new publication by the end of 2022, to make them as relevant as possible to our operations.

1 - [www.afd.fr/fr/formulaire/outil-bilan-carbone](http://www.afd.fr/fr/formulaire/outil-bilan-carbone)

2 - [www.afd.fr/en/ressources/afd-carbon-footprint-tool-projects-users-guide-and-methodology](http://www.afd.fr/en/ressources/afd-carbon-footprint-tool-projects-users-guide-and-methodology)

# Climate financial risks

Climate finance risks concern AFD both as a bank and as a development agency. AFD Group has been including these risks in its credit analysis, partnership dialogue, and public-policy practices since 2019. AFD Group published its first [Taskforce on Climate Financial-related Disclosure \(TCFD\)](#) report in 2021\*, which shows how this road map has been implemented with the additional aim of promoting transparency and accountability on these issues.

The **Taskforce on Climate Financial related Disclosure** report in brief...

## 1 Governance

AFD's Board of Directors approves the climate strategy, and the funded operations submitted to it include an analysis of their compatibility with the Paris Agreement. AFD's Executive Committee meets four times per year to oversee the implementation of the climate strategy. A cross-disciplinary climate team, a network of 90 focal points, and a team dedicated to environmental support ensure that projects take climate issues into account.

## 2 Strategy

AFD has a significant range of strategic documents, which include our climate strategy, adopted in 2017, and our Strategic Guidelines, of which the 100% Paris Agreement commitment is an integral part. Additionally, our road map dedicated to climate finance risks has been approved by the Executive Committee and been implemented since 2019.

## 3 Risk management

AFD Group uses tools such as the Climate Vulnerability Screening tool to analyze the projects we finance. Since 2019, we have included physical climate risks in our processes to analyze credit risks, including in our information system. In 2020, AFD Group took part in the climate stress test exercise of the French prudential supervision and resolution authority (ACPR). This experience helped fuel preparatory work for an analysis tool on transition risks, to be put into action in 2022.

## 4 Metrics

AFD Group has adopted a climate finance target of dedicating 50% of annual financing to projects with climate benefits. At the same time, the Sustainable Development Analysis and Opinion (AADD) system ensures that our 100% Paris Agreement objective is met in terms of low-carbon transition and resilience. We also keep track of CO<sub>2</sub> emissions avoided through our mitigation projects, climate financing for biodiversity, and private financing we have mobilized. In addition, the risk teams are currently working on developing climate risk exposure indicators designed to be part of AFD's risk analysis framework.

\*<https://www.afd.fr/en/ressources/afd-group-tcfid-report>

# Transparency and accountability

AFD reports on its climate activity, meaning the share of all the financing approved by its governing bodies with climate benefits in developing countries and in Overseas France. This includes delegated financing from the European Union or the Green Climate Fund, for example.

Among this financing, France also reports to the UNFCCC every two years on financing approved for developing countries on behalf of France, under the United Nations Framework Convention on Climate.<sup>1</sup>



AFD also reports to the OECD's Development Assistance Committee (DAC) when financing agreements are signed. The proportion of financing with climate benefits is not specified in this report, but it is indicated through the Rio Markers for Climate. For example, a project with €100 million of financing from AFD, including €50 million for adaptation, will be reported by AFD and by France to the UNFCCC as €50 million of climate finance for adaptation for the year of its approval. The same project will subsequently be reported to the OECD for the amount of €100 million when the financing agreement is signed, with the Rio Marker for Adaptation. The data given in this report are available on [AFD's OpenData platform](#).<sup>2</sup>

Examples of climate projects financed by AFD Group can be found in a "world tour of climate solutions" on the AFD website.<sup>3</sup>

1 - <https://unfccc.int/BRRs>

2 - <https://opendata.afd.fr>

3 - <https://www.afd.fr/en/ressources/world-tour-climate-solutions-2020-edition>

# Methodology and definitions

Our methodologies for tracking climate finance for mitigation and adaptation are based on the Common Principles\* agreed in 2015, and further developed in 2021 with regard to mitigation, by the IDFC members and the multilateral development banks.

## What comes under "adaptation"?

A project contributes to adaptation when it helps limit or reduce the vulnerability of goods, people, and ecosystems to the consequences of climate change. This is determined based on analysis of the vulnerability of the project to climate change, how proactive the project is in dealing with climate risks and vulnerabilities, and the benefits the project's actions will have on the vulnerabilities identified in the area.

## What comes under "mitigation"?

A project works toward mitigation when it helps reduce GHG emissions compared to a benchmark situation without the project, or is dedicated to mitigation actions (e.g., studies or capacity building).

## Tracking public-policy loans

The climate tracking of public policy loans must report on political and sectoral dialogue carried out with the counterparty and on the expected climate-related impacts. It is conducted: i) in proportion to the climate indicators in the public policy matrix or in proportion to the investment volumes related to the climate, or ii) through a flat rate of 40% if the financing is rated +2 or +3 according to the sustainable development analysis on the climate, and if the climate objectives are formalized and monitored.

## Projects led by civil society organizations

French civil society organizations (CSOs) contribute to AFD Group's climate activity by developing projects and initiatives that have direct climate benefits and that influence stakeholders in the public sphere so that climate issues are incorporated into public policies. CSOs also contribute to mobilization on climate issues in France, through both education in development and international solidarity actions.

## Climate finance for biodiversity

AFD has pledged to ensure that 30% of its climate finance also benefits biodiversity by 2025. To calculate this percentage, AFD rates the funded projects using the OECD Rio/Biodiversity marker aligned with the guidelines of the United Nations Convention on Biological Diversity (CBD):

- DAC 0: the projects do not contribute to the objectives of the CBD
- DAC 1: the projects contribute to the objectives of the CBD in a secondary way
- DAC 2: the main objectives of the projects are one or several of the objectives of the CBD

The share of climate finance in projects with a DAC Rio/Biodiversity marker 1 or 2 is counted as "climate biodiversity" finance. This share is added to AFD's total climate finance to calculate the percentage of climate finance that benefits biodiversity.

\* <https://www.idfc.org/wp-content/uploads/2021/10/cp-mit-update-final-2021-10-18.pdf>  
[https://www.idfc.org/wp-content/uploads/2019/04/common\\_principles\\_for\\_climate\\_adaption\\_finance\\_tracking\\_jul\\_09.pdf](https://www.idfc.org/wp-content/uploads/2019/04/common_principles_for_climate_adaption_finance_tracking_jul_09.pdf)

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## Towards a world in common

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AFD Group contributes to the implementation of France's policies in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and Expertise France, a technical cooperation agency. The Group provides financing and support to speed up the transition towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for populations in developing and emerging countries. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis.

We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs).  
**Towards a world in common.**

**In 2021, the Group's financial commitments amounted to €12.2 billion.**



[www.afd.fr](http://www.afd.fr)

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