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French Public Climate Finance for Developing Countries: an Overview and the Issues at Stake

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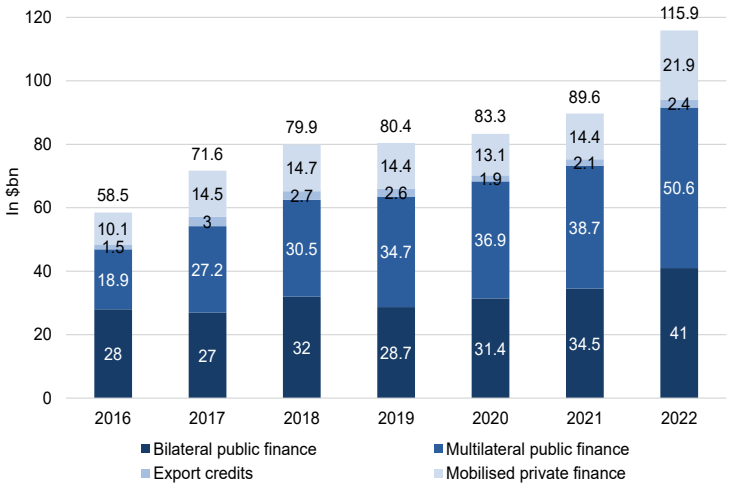
- Together with other developed countries, France provides public finance to developing countries to assist them in implementing the Paris Agreement to mitigate climate change and adapt to its effects. In 2023, France provided €7.2bn to these countries in the form of loans, grants, equities and guarantees for their climate action.

- France's contribution helps to achieve the annual goal of mobilising $100bn for developing countries, set in 2009 at the 15th Conference of Parties (COP15) in Copenhagen. This goal was surpassed for the first time in 2022, with $115.9bn recorded by the OECD. France is one of the largest contributors among developed countries, and can be considered to provide more than its "fair share" in attaining this goal.

- This public climate finance provided by developed countries is essential in certain regions and for certain investment types – particularly climate change adaptation investment. However, this financing only constitutes a minority share of climate finance in developing countries. The $100bn goal is set to be replaced in 2025 by another goal established in late 2024 at COP29 in Baku (Azerbaijan). This new goal is expected to mobilise even more public finance from even more countries, while also setting a bold target for private-sector finance, which is already significant but needs to be considerably ramped up.

International climate finance provided and mobilised in the 2016-2022 period



Source: Climate Finance Provided and Mobilised by Developed Countries in 2013-2022, OECD (2024).

1. Climate finance provided to developing countries: the goals, tools and channels

1.1 International finance is required to manage climate change while promoting economic development

Public- and private-sector finance are needed to take up the global challenge that is climate change. To limit global warming to 1.5°C, a target set by the 2015 Paris Agreement, a great deal of financing is required. Overhauling production methods and consumption habits comes at a cost that varies depending on the economy, the work still left to do and the geographical region.[1] What is more, unlike local public goods that can be financed by each nation so that its citizens can enjoy the benefits of the related positive externalities, the climate is unusual in that it is a *global* public good. The cross-border impacts of the climate mean that governments and private-sector stakeholders cannot raise climate finance separately, and even less so than for "regular" public goods.

Public climate finance commitments vis-à-vis developing countries have been decisive in the execution of agreements setting a global target for climate change mitigation. The United Nations Framework Convention on Climate Change (UNFCCC) of 1992 and the Paris Agreement of 2015 formalised and subsequently raised the global climate target. This effort is financed on the basis of the principle of "common but differentiated responsibilities" in climate change and "respective capabilities".[2] Enshrined in this principle is the action required from all countries to mitigate climate change while recognising that developed countries[3] have specific responsibilities and roles with regard to this phenomenon. The financing provided by developed countries to developing countries is therefore a core element of the trust-based relationships bringing together the 197 Parties to the UNFCCC: it is the basis for commitments to take greater climate action made by certain countries that consider themselves to have fewer responsibilities or as less able to make efforts but that are nevertheless affected by climate change. The target of $100bn[4] per year in finance provided by developed countries to developing nations from 2020 to 2025 is therefore considered to have been a crucial step in concluding the Paris Agreement at COP21 in 2015.[5]

This finance must meet the negotiated balance between climate change mitigation and adaptation.[6] The commitment made by developed countries to finance not only climate change mitigation but also adaptation to the effects thereof is a landmark priority for developing countries, with adaptation investment having more direct local benefits. Article 9 of the Paris Agreement stipulates that a balance between mitigation finance and adaptation finance needs to be achieved, but does not specify precise proportions. While the financing requirement for climate change adaptation increases as climate change gathers pace, the 2019 COP26 in Glasgow urged developed countries to double their collective provision of adaptation finance for developing countries to reach $40bn per year by 2025.

Climate finance from developed countries is an addition to and uses the channels of foreign aid, ensuring sustainable development that links development and climate action. The aim is to promote low-carbon development that is enshrined in the Paris Agreement by combining the fight against poverty with that against climate change. Climate finance is thus based on the principles and distribution channels of official development assistance (ODA) which generally aims to support developing countries and in particular the least developed countries (LDCs). By adopting this modus operandi, an increasing number of resources for climate action have been rapidly mobilised and

(1) See for example an estimate of France's investment requirement here: L. Gourmand (2024), "How Much Investment Is Required To Reach France's Decarbonisation Targets For 2030?", *Trésor Economics*, No. 342.
(2) Article 3.1 of the UNFCCC and Article 2.2 of the Paris Agreement.
(3) Defined by the UNFCCC in a list provided in Annex I, but not defined in the Paris Agreement.
(4) Established at COP15 (§8 decision 2/CP15), and set out at COP21 during the conclusion of the Paris Agreement (§53 decision 1/CP21).
(5) Lavanya Rajamani and Emmanuel Guérin, "Central Concepts of the Paris Agreement and How They Evolved" in T*he Paris Agreement on Climate Change: Analysis and Commentary*, by D. R. Klein, M. P. Carazo, M. Doelle, J. Bulmer, A. Higham (2017).
(6) Climate change mitigation refers to a set of actions restricting GHG emissions – and consequently limiting climate change – while climate change adaptation refers to a set of actions that reduce the impacts of climate change on human systems.

provided to developing countries. In France, the Interministerial Committee for International Assistance and Development (CICID) made the fight against climate change and protection of biodiversity one of the ten priority objectives of France's ODA in July 2023. France respectively earmarked 0.56% and 0.5% of its annual gross national income (GNI) in 2022 and 2023.[7,8]

1.2 North-South climate finance flows are closely tracked on a quantitative basis under international agreements

There is no official definition of "climate finance", but in practice it covers all climate change mitigation and adaptation finance.

In order to track commitments made as part of international climate negotiations, public finance provided by developed countries to developing countries are reported and recorded. This finance can be either bilateral or multilateral. Bilateral finance refers to finance provided by a developed country to a developing one regardless of the means used e.g. the financing of a climate change project through a bilateral public development bank (of the lender). Multilateral finance refers to financing from multilateral organisations such as multilateral development banks (e.g. the African Development Bank), or multilateral funds dedicated to climate action (e.g. the Green Climate Fund) or those promoting climate action despite it not being their sole priority focus (e.g. the International Fund for Agricultural Development). These organisations, thanks to finance from their shareholder or contributor countries, also provide public climate finance to developing countries.

A set of established methods are used to identify public climate finance. Firstly, in order to recognise the "climate" component of finance, most countries use the Rio markers developed by the OECD. These markers help to measure the contribution of finance to mitigation or adaptation goals by assigning a score of between 0 and 2 to each project to determine the share of the finance[9] that combats climate change and its impacts. Multilateral development banks and the International Development Finance Club (a network of 27 national, regional and bilateral development banks) have developed common recognition principles. The French Development Agency (AFD) has devised a methodology that is more detailed than the Rio marker methodology, covering more categories and able to identify the climate component of a given project with more granularity. Secondly, finance granted to developing countries meets rigorous recognition rules set out by the Development Assistance Committee (DAC) of the OECD, particularly in relation to a minimum level of concessionality.[10] Where climate finance also covers finance which is not concessional (or "soft") under these rules (e.g. a renewables project with a sufficient level of economic and financial profitability), it must be clearly stated in the declaration whether the finance provided is concessional or not.

There are a number of reporting frameworks for public climate finance in place. Under the UNFCCC, contributor countries report, on a biennial basis, the finance they have provided to developing countries in years N-2 and N-3, based on a transparency framework negotiated by the countries, without prejudice to the recognition method each country applies. They report their bilateral finance as well as their contributions to multilateral bodies that finance the fight against climate change. As well as the UNFCCC, the OECD compiles its own report with a view to monitoring the $100bn goal that is published on a yearly basis (on year N-2): unlike UNFCCC reporting which only factors in bilateral finance and the individual contribution of each country to multilateral organisations, the OECD also recognises the share of finance from multilateral development banks (MDBs) and multilateral funds that can be attributed to the shareholding status and contributions of developed countries, forming the scope of the $100bn goal. On a final note, the European Union also publishes climate finance data from European institutions and Member States on a yearly basis (on year N-1) and within a framework similar to that of the UNFCCC.

(7) 2023 ODA data is currently in the process of being approved for publication in December 2024 by the OECD.
(8) French Official Development Assistance, France.
(9) In France, as per OECD recommendations, 40% of the budget of a project with a marker of 1 is recognised as climate finance and 100% of the budget for a marker of 2. There is a marker for adaptation and another for mitigation.
(10) The definition of the degree of concessionality of a loan is given on page 9.

Box 1: Specific case of loss and damage

Loss and damage associated with the adverse effects of climate change generally refer to the harmful repercussions and damage, whether economic in nature of otherwise, attributed to exposure and vulnerability to climate change. Article 8 of the Paris Agreement covers loss and damage, recognising the importance of adverting, minimising and addressing them. However, in distinguishing "loss and damage" from climate mitigation and adaptation, the Paris Agreement does not bring addressing loss and damage within the same framework as mitigation and adaptation finance, and also does not lay down the obligation for developed countries to provide financing. The decision for the adoption of the Paris Agreement provides that Article 8 recognising loss and damage shall not provide a basis for any liability or compensation.

This however does not mean that no financial response is available for loss and damage: COP27 in 2022 resulted in the introduction of a package of financial arrangements, including most notably a fund, to respond to loss and damage. The arrangements for operationalising this fund were adopted at COP28 in 2023. France is fully involved in the fund, having been Co-Chair of the Board of the Fund since April 2024 – for a term of one year – and making financial contributions thereto.

2. International climate finance is on the rise, in spite of unequal contributions

2.1 Private and domestic climate finance is soaring but certain regions are overlooked

According to the Climate Policy Initiative (CPI) think tank,[11] average annual climate finance flows reached $1.27tn in 2021/2022 compared to $653bn in 2019/2020. International public finance therefore only accounts for less than 10% of the total of identified flows, which themselves are most definitely underreported due to insufficient data for certain sectors and countries.[12] The largest contributor to flows in developed and certain emerging economies is domestic finance (both in the private and public sectors). However in certain regions, since domestic climate finance and international private finance are very low, international public climate finance accounts for a large share of the flows: over two thirds in Sub-Saharan Africa and over 40% in Latin America and the Caribbean and South Asia according to the CPI.

Private adaptation finance is still very limited, with CPI[13] estimates indicating that it only constitutes $1.5bn of total adaptation investment of $63bn. As a result, regional disparities have widened as the most vulnerable countries, whose adaptation investment requirement is larger, are also drawing in the least private finance and have the most limited domestic public resources.

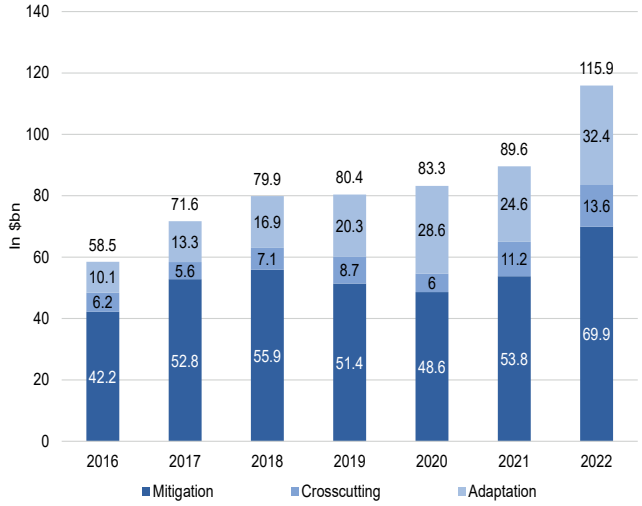
2.2 International public climate finance managed to surpass the $100bn goal in 2022

The $100bn goal set at COP15 and extended at COP21 was exceeded by developed countries for the first time in 2022. While international finance totalled less than $90bn in 2020 and 2021, it rose to nearly $115.9bn in 2022 (see Chart 1). With this milestone, developed countries have met their finance commitments.

International adaptation finance is also on the rise, following a trend which is in line with COP26's call to double adaptation finance from 2019 to reach $40bn per year by 2025. According to the OECD, adaptation finance totalled $32.4bn in 2022.[14] However, more than 10% of finance is recognised as being crosscutting between adaptation and mitigation and cannot be included in the contribution to the goal of doubling adaptation finance.

(11) CPI, Global Landscape of Climate Finance 2023.
(12) Ibid.
(13) Ibid.
(14) OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.

Chart 1: International climate finance provided and mobilised in 2016-2022



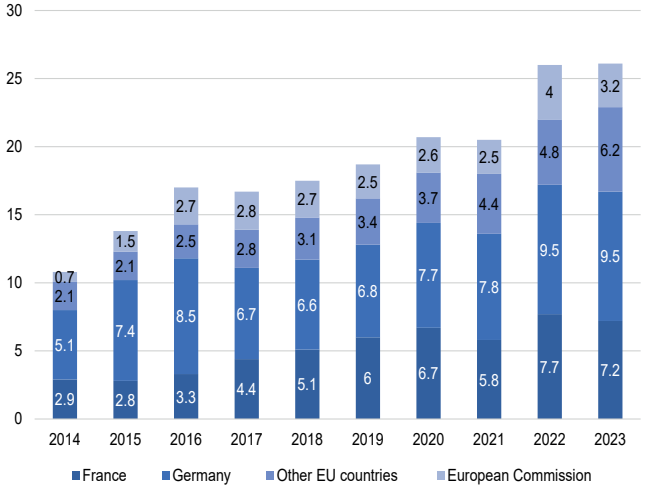
Source: OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.

Note: The term "mobilised finance" refers to private finance attracted or triggered by the share of public climate finance attributed to developed countries.

2.3 France makes a significant contribution to ramping up European public climate finance

In the period from 2014 to 2023, EU public climate finance more than doubled, totalling €28.6bn. France is Europe's second largest contributor to climate finance (providing 25% of European finance in 2023) behind Germany (33%) but dwarfing the Netherlands and Spain which account for 5% of Europe's contribution. The European Union also makes a contribution to European climate finance through its budget and the financing granted by the European Investment Bank (EIB) to developing countries (20%).

Chart 2: EU (excl. EIB) and EU Member State contributions to climate finance



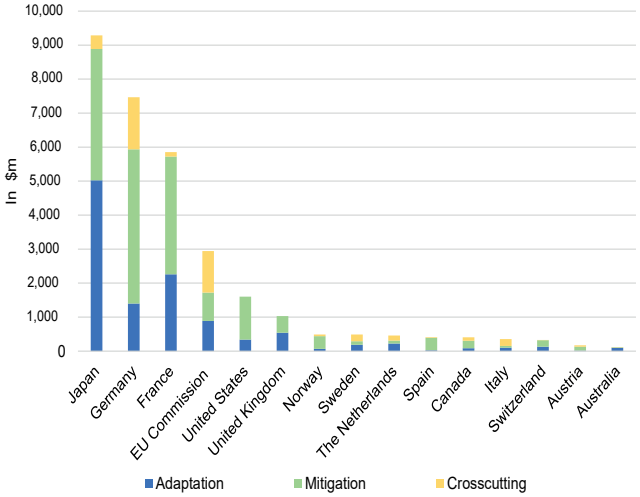
Source: European Commission data.

Note: Pre-Brexit UK contributions to EU climate finance are not included.

2.4 Major discrepancies between countries' contributions and their respective "fair share" estimates

The international response to the collective commitments relating to climate finance is adopted on a voluntary basis. France for example is the third largest contributor globally. There is no effort allocation system in place for contributor countries, and so each country sets their own contribution, that may be scheduled over a period of several years. These contributions are tracked through the aforementioned reports to UNFCCC, with the latest available data dating back to 2020. Based on this reported data, in terms of bilateral contributions France is the third largest international contributor to climate finance, behind Japan and Germany but ranking ahead of the United States.

Chart 3: Individual bilateral contributions to climate finance in 2020



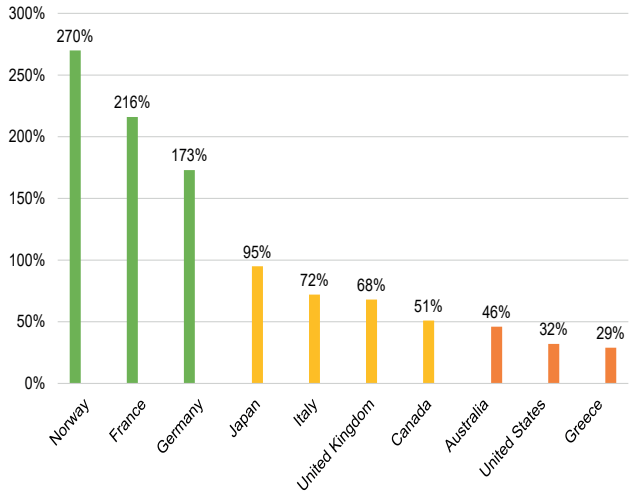
Source: Biennial Transparency Reports to UNFCCC (2020) – Bilateral, regional and other channels.

With a "fair share" approach, the appropriate effort expected from each contributor can be determined by factoring in their respective cumulative greenhouse gas (GHG) emissions and financial capacity, the two main factors in the principle of Common But Differentiated Responsibilities (CBDR) enshrined in the Paris Agreement. However there is no clear and agreed definition for "fair share": the Overseas Development Institute (ODI), a think tank, has proposed a burden-sharing arrangement that uses three metrics with equal weighting (GNI, population and cumulative emissions since 1990) to be applied to countries considered to be contributors to the $100bn goal.[15] It is on this basis that the ODI calculates the percentage of the fair share actually contributed by each country as a ratio

(15) Countries listed in Annex II to the UNFCCC of 1992.

of a given country's contribution to the estimated fair share. Applying this methodology, the only G7 countries to contribute – and exceed – their fair share are France, Japan and Germany. This is also the case for adaptation finance, with France contributing more than its fair share in 2021.[16]

Chart 4: Percentage of the "fair share" contributed according to the ODI in 2022



Source: ODI Fair share (2023).

3. France's public climate finance has bold targets for the funding volume and targeting the most vulnerable countries

3.1 A €6bn/year goal up to 2025, with €2bn earmarked for adaptation

In the space of a decade France has more than doubled its climate finance for developing countries. At the 2015 COP21 in Paris, France pledged to raise its public climate finance to developing countries from an annual amount of €3bn to €5bn by 2020, a target reached and subsequently surpassed by 2019. In December 2020, President Macron announced that this target would be raised to €6bn/year from 2021 to 2025. This new target was achieved in 2021 (€6.1bn) and exceeded in 2022 (€7.7bn) and 2023 (€7.2bn).

Most of the climate finance provided by France is allocated to mitigation, but adaptation is a focus area too: the €1.5bn adaptation sub-target of the 2020 €5bn climate finance target was raised to a third of the overall €6bn climate finance target (€2bn). This commitment was honoured in 2021, 2022 and 2023 with €2.2bn, €2.6bn and €2.8bn[17] allocated to adaptation respectively.

3.2 The AFD acts as the primary channel, but another important channel is France's contribution to multilateral institutions

Most of France's public climate finance is provided in the form of bilateral contributions, and in particular through the French Development Agency (AFD). The AFD Group comprises the AFD and its subsidiaries such as Proparco, which is focused on private sector development. In 2023, the AFD Group provided €6.2bn to France's climate finance, accounting for 87% of the national contribution. Other bilateral channels contribute to climate finance (€202m in 2023) through:

- Treasury loans i.e. loans offered by France to a foreign country on the condition that there be French involvement in the implementation of the project benefitting from the loan.

(16) L. Pettinotti, Y. Cao, T. Kamninga and S. Colenbrader (2023), "A fair share of climate finance?", ODI, *Working Paper.*

(17) France does not recognise crosscutting or blended finance, which covers climate change mitigation and adaptation as one whole. By using the granular indicators of the French Development Agency (AFD), climate finance is strictly apportioned between adaptation finance and mitigation finance. If this more detailed data had not been factored in, blended finance would have totalled €3.8bn in 2023 while adaptation finance would have only amounted to €1.4bn. France is one of the very few countries to implement such a granular recognition methodology.

- The Fund for Private Sector Research and Support (FASEP), which provides, primarily to SMEs, subsidies and repayable advances for feasibility studies or innovative and green technology demonstrators.

- The French Global Environment Facility (FFEM), set up in 1994, which is a bilateral public fund financing projects introducing organisational methods and new and innovative environmental protection techniques.

France's public climate finance also includes its contributions to multilateral organisations funding climate action: the multilateral channel accounted for roughly 10% of France's climate finance in 2023, totalling nearly €731m. The French State is a shareholder in the major multilateral development banks whose portfolios contain a signification portion of climate change mitigation and adaptation investments. To give an example, in 2022, France's contributions to the World Bank Group's International Development Association and to the African Development Bank were recognised as contributing to France's public climate finance for an amount of €133m and €62m respectively. With its shareholder status, the French government urges these institutions to take bolder climate action, for example by targeting the most vulnerable countries. France is also one of the main contributors to funds dedicated to climate and the environment: it provides the fifth largest contribution to the Green Climate Fund (GCF). Since it was set up in 2010, the GCF has financed 286 adaptation and mitigation projects in developing countries, particularly in Africa and Asia, preventing the emission of over 3 billion tonnes of CO_2 (approximately 7% of global emissions in 2023).

In 2022, France also rechannelled three billion special drawing rights, the equivalent of $4bn,[18] to the International Monetary Fund's Resilience and Sustainability Trust (RST).[19]

Box 2: Case study – the Koolboks project to roll out an innovative refrigeration method, recipient of €1.4m in financing under the FFEM

In Nigeria, millions of people are deprived of refrigeration solutions given their limited access to reliable electricity grids, resulting in 45% of foodstuffs being wasted every year. The start-up Koolboks came up with a solution, with the support of the FFEM, developing solar-powered refrigerators and freezers for regions without access to electricity. Employing an innovative solar power storage technology and providing a pay-as-you-go service, this solution improves access to refrigeration with an eco-friendly product. This project will help 63,500 people and avoid 90% of the GHG emissions that would be produced by conventional diesel refrigerators. It will also require 70 labourers and engineers to be employed in a local plant, with the resulting contribution to community development.

Table 1: Breakdown of France's public finance by channel in 2023

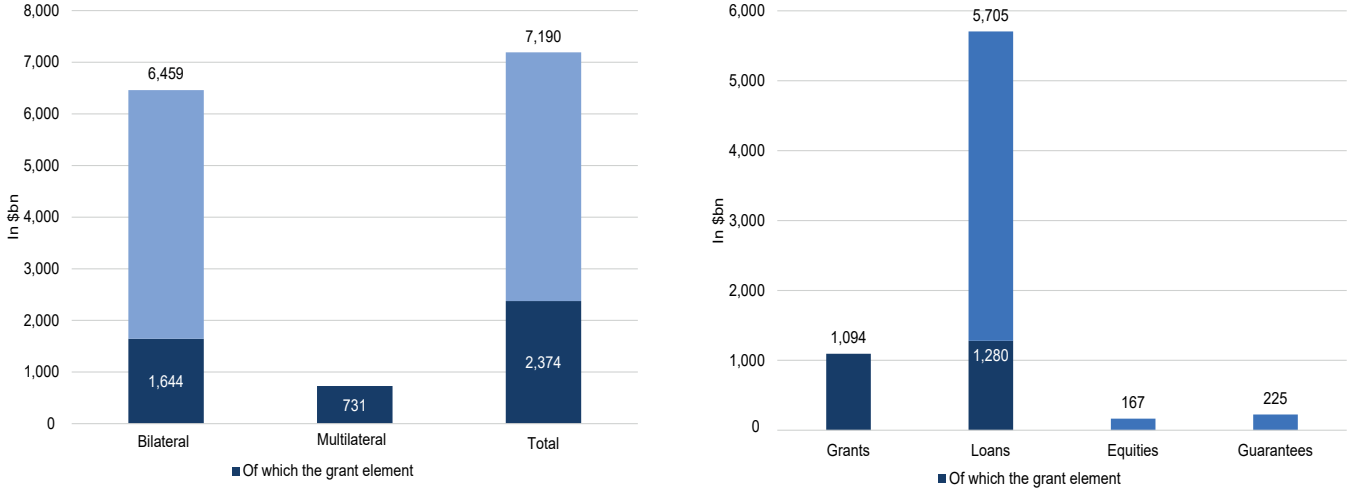
	Amount	% of total
Bilateral – AFD Group	€6,257m	87%
Bilateral – excl. AFD (*FASEP, Treasury loans, FFEM, Innovative Project Solidarity Fund – FSPI/ Innovative Civil Society and Stakeholder Coalition Projects – PISCCA*)	€202m	2.8%
Bilateral – total	€6,459m	89.8%
Multilateral (*France's contributions to concessional and vertical funds dealing in climate finance*)	€731m	10.2%
France's climate finance – total	€7,190m	

Source: DG Trésor data (2023).

(18) France's contributions in the form of special drawing rights are not reported. However, Resilience and Sustainability Trust disbursements may be reattributed to developed countries based on the share of their contribution in the form of special drawing rights. The OECD will therefore recognise them as part of its monitoring of the $100bn goal.

(19) https://presse.economie.gouv.fr/02122022-la-france-concretise-ses-engagements-de-mobilisation-de-4-milliards-de-droits-de-tirage-speciaux-dts-via-le-fmi-pour-les-pays-les-plus-vulnerables/ (in French only).

Chart 5: Breakdown of France's finance by channel and financial instrument in 2023



Source: DG Trésor data (2023).

3.3 France's public climate finance harnesses all available tools to fund the fight against climate change and its impacts

The French government utilises all the climate finance tools at its disposal for its public climate finance. The vast majority of this finance is based on loans (79%) and grants (15%). The appropriate tool is chosen using several criteria relating to the purpose of the finance and the region under consideration, given that each recipient country has different requirements and technical and financial capacities. Grants tend to be provided primarily to the poorest countries, while concessional loans prove to be an effective solution for middle-income countries that need to invest in major infrastructure projects such as transportation and renewables. While most of France's multilateral contributions are provided in the form of grants, they may have a loan component to them, such as the €310m loan provided to the GCF in 2022.

The vast majority of loans are what is known as "concessional", with the loans made on more favourable terms than the borrower could obtain on the market. The rules laid down by the DAC set the level from which a loan can be deemed concessional.[20] The difference is considered a grant, the "grant element" of the loan. The grant-equivalent of France's climate finance (aggregating grants and the grant element of loans) accounted for 33% of its total value in 2023.

In an effort to galvanise the private sector, France's climate finance also relies on private co-financing and makes use of French export support tools. The AFD is committed to increasing the private sector's involvement in development and climate change action, resulting in the private sector co-financing projects and Proparco intervention (whose assignment is to support private sector development in countries where the AFD Group operates). In 2023 for example, €377.9m of private climate finance was mobilised by the AFD Group's financing. There are also the aforementioned Treasury tools (FASEP and Treasury loans), as well as insurance instruments offered by Bpifrance, intended to lessen or eradicate the risk (de-risking) of green investment in developing countries, and in particular credit risk (credit insurance), foreign exchange risk (foreign exchange insurance) and political risk (political risk insurance).

3.4 Broad geographical distribution with a priority focus on providing grants to the most vulnerable countries

Official development assistance, and by the same token France's climate finance which forms part of this aid, is in line with CICID guidelines. The CICID meeting held in July 2023 introduced the requirement for the French government's bilateral financing to be channelled primarily to all the least developed countries (LDCs) and the other most vulnerable countries (e.g. Small Island Developing States – SIDS, particularly

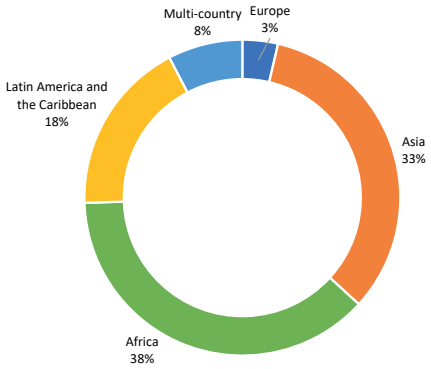
(20) A loan is soft when it is granted with interest rates and terms that are more favourable than the recipient could obtain under standard market conditions without government intervention.

exposed to rising sea levels). The goal is to allocate 50% of this bilateral finance to these countries from 2024. Beyond its own ODA, the French government also advocates for these priorities in the multilateral bodies in which it is involved. In this respect, the GCF has made LDCs, SIDS and African countries priority recipients for adaptation finance.[21]

By region, Africa was the main recipient of France's bilateral climate finance in 2023 – nearly €2.5bn in flows. Asia and the Latin America and the Caribbean region received €2.1bn and €1.1bn in finance respectively.

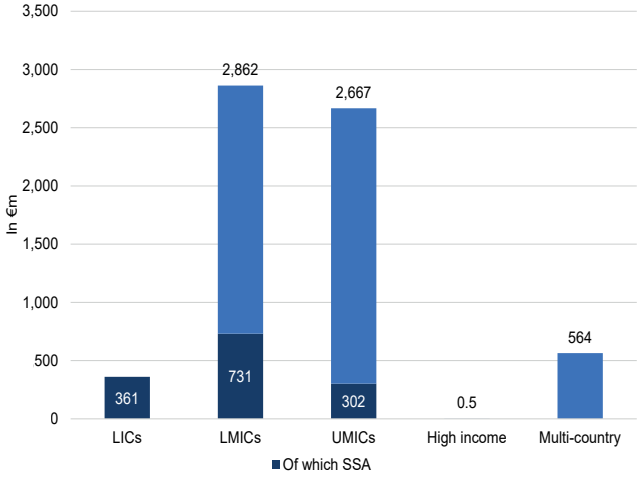
In terms of level of development (World Bank classification), half of France's bilateral climate finance in 2023 was provided to low-income countries and lower middle-income countries (LMICs). Based on the World Bank classification, low-income countries have a per capita GNI of less than $1,135. There were 26 countries classified as such in 2023, including Chad and Ethiopia. LMICs, of which there were 54 in 2023 and whose per capita GNI ranges from $1,136 to $4,465, include Mauritania, Côte d'Ivoire and Vietnam.

Chart 6: Geographical distribution of bilateral climate finance



Source: DG Trésor.

Chart 7: Distribution of finance by income grouping in 2023



Source: DG Trésor data (2023).
Note: Low-income countries (LICs), lower middle-income countries (LMICs) and upper middle-income countries (UMICs), Sub-Saharan Africa (SSA).

4. The outlook for climate finance

As the $100bn goal will end in 2025, a new target must be negotiated to keep up the momentum starting from next year. This negotiation was one of the major talking points of COP29 which took place in Baku (Azerbaijan) in November 2024. This new target must expand climate finance, building on the gradual incorporation of climate issues into the investment plans of all economic stakeholders, from development banks and businesses to governments and investment funds.

4.1 Expansion of the contributor base to factor in the past thirty years of developments

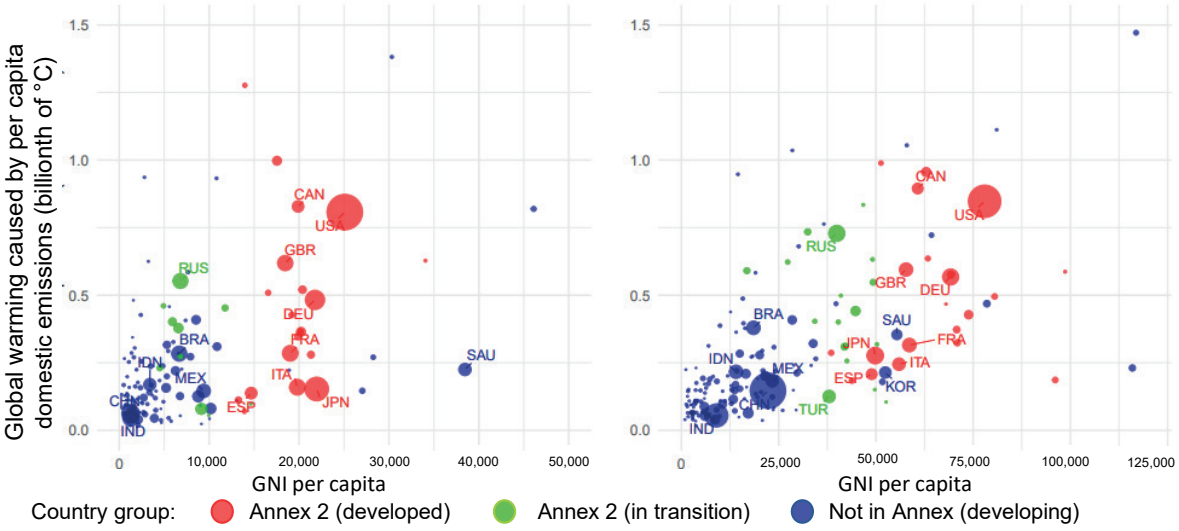
The definition of contributor countries, established by the list in Annex II to the UNFCCC on the model for OECD membership in 1992, does not take into account changes in historical responsibility and the contribution capacity of countries. The share of countries listed in Annex II in global GDP has therefore shrunk from over 62% in 1992 to the current figure of nearly 40%, while, at the same time, the share of emissions produced by Annex I countries, which must be assisted by Annex II countries in terms of decarbonisation (and climate change adaptation) has risen from 40% to 65% (World Bank data, DG Trésor calculations).

(21) Strategic plan (2024-2027), Green Climate Fund.

Barring a number of oil-producing countries, Annex II featured the countries with the highest per capita GNI, and (to a lesser extent) the most cumulative per capita emissions in 1992. This is no longer the case, as 17 countries not listed in Annex II[22] exceed the minimum levels reached currently by Annex II countries for these two criteria, compared to just five in 1992 (see Chart 8).

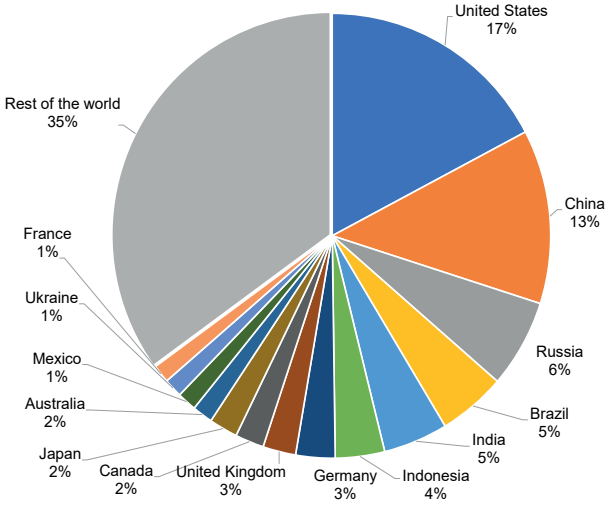
Some emerging countries are also still below contributor countries in nominal, per capita terms for the two criteria, but are now, in absolute terms, some of the main contributors to climate change (see Chart 9) and also feature among the world's largest economic powers. In this respect they could be urged to play a more prominent role in international climate finance.

Chart 8: Comparison of the position of countries based on their emissions and GNI, 1992-2022



Sources: World Bank (2024), Jones et al. (2023) (GDP PPP, emissions excl. from LULUCF), DG Trésor calculations.

Chart 9: Share of cumulative domestic GHG emissions since 1850



Source: Jones et al. (2023).

4.2 An approach not only focused on finance volumes but also on the impacts and transformative nature of finance

Taking a development assistance approach, climate finance is, like ODA, almost solely understood in terms of financial value. In line with long-standing work on the effectiveness of assistance, discussions have been led by development institutions so that climate finance is not solely considered in relation to a quantitative financial target but is also analysed by factoring in ex-post results indicators as proposed by the new Multilateral Development Bank (MDB) joint approach.[23] This requires a comprehensive measurement and project assessment system to be in place, as well as for this new data to be integrated into resource planning and allocation work. The World Bank is for example already tracking the increase in the use of renewables

(22) Countries exceeding the levels of Greece or Portugal (e.g. South Korea, Singapore, the Gulf countries and Russia).
(23) Joint MDB Group (2024), "Common Approach to Measuring Climate Results, Update on Indicators".

as a result of its projects (318 GWh in 2022) and the amount of GHG emissions avoided (194 $MtCO_2eq.$ in 2022).[24] The GCF systematically measures the CO_2 emissions avoided thanks to the projects that it puts forward for the Board's approval,[25] just like the AFD.

This impact-centric approach brings the issue of so-called "transformative" finance to the forefront, which acts on the key drivers for the transition. The goal is to harness finance that has a strong knock-on effect or that targets particularly strategic sectors for climate action. The AFD is currently working on this front.

4.3 Bolstering the role of public finance to trigger more private finance that should eventually provide the vast majority of climate finance

Public climate finance only accounts for a small portion of climate transition finance, and this portion is set to shrink. The IMF estimates that private finance will have to cover 90% of climate mitigation finance required in developing countries (excluding China) by 2030, compared to 40% in 2022.[26] The Third Report[27] of the Independent High-Level Expert Group on Climate Finance, published in November 2024, estimates that the climate action finance required by 2030 totals $2,440bn, breaking down as $500bn in domestic private finance, $500bn in international private finance, $850bn in domestic public finance, $270bn in loans from MDBs and $90bn in bilateral finance.

However, developing countries are currently limited in their capacity to harness private, domestic and international finance, and this is particularly due to a major cost of capital differential between developing and developed countries. The International Energy Agency (IEA)[28] estimates that the cost of a solar-power project is twice as high in developing countries than in advanced economies. The public policies of countries from where the finance originates, as well as those of the recipient country, are the main driver for narrowing the differential and drawing in more private finance.[29] The European Union is calling for each country to have bold objectives and for international cooperation on this matter in line with the Paris Agreement, which in its Article 2 states as a third objective (after climate mitigation and adaptation), "(m)aking finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". This requires ensuring adequate finance for mitigation and adaptation action and cutting financing for harmful activities. Within the scope of the COP, discussions have been taking place on the matter since 2023 (Sharm el-Sheikh Dialogue) which round out the work conducted within the G20 Sustainable Finance Working Group and Task Force on a Global Mobilization against Climate Change (TF-CLIMA, established by Brazil's Presidency), the OECD's Inclusive Forum on Carbon Mitigation Approaches, and the Coalition of Finance Ministers for Climate Action.

Public climate finance should go hand in hand with the introduction of these public policies. While this finance goes towards technical assistance and capacity building programmes, it can also raise the appeal of green projects in developing countries by reducing their associated risks. Some public finance therefore takes the form of guarantees accompanying private-sector loans, interest rate subsidies on private loans or support for structuring sustainable bonds. These instruments are already part of France's climate finance, particularly through the AFD's work relating to the mobilisation of private finance.

(24) Scorecard, The World Bank.
(25) Dashboard, Green Climate Fund.
(26) IMF, Global Financial Stability Report, 2023, Chapter 3.
(27) A. Bhattacharya, V. Songwe, E. Soubeyran, N. Stern (2024), "Raising ambition and accelerating delivery of climate finance", Third Report of the Independent High-Level Expert Group on Climate Finance, Figure page 5.
(28) IEA (2023), "Reducing the Cost of Capital".
(29) OECD (2023), "Scaling Up the Mobilisation of Private Finance for Climate Action in Developing Countries".

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