



*Agence Française de Développement*  
French Development Agency

# *Municipal Solid Waste Project – From Lenders' Point of View*

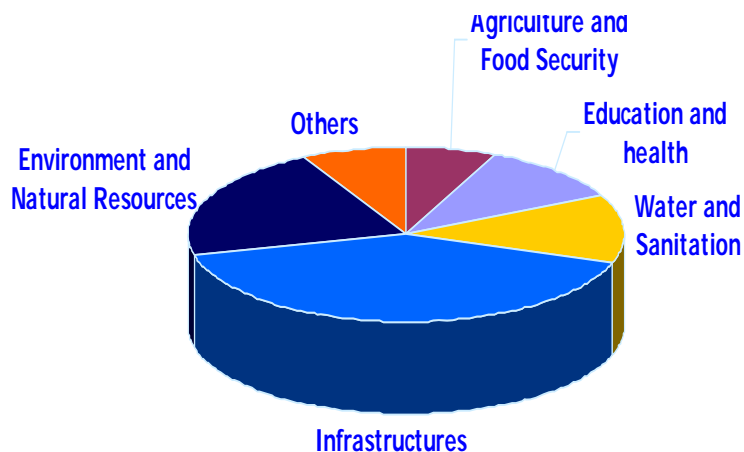
EU Facilitation Workshop Under the T@W Project

February 26, 2008





# The Agence Française de Développement - AFD



**AFD commitments in 2006 (€2,2 Billion) :**

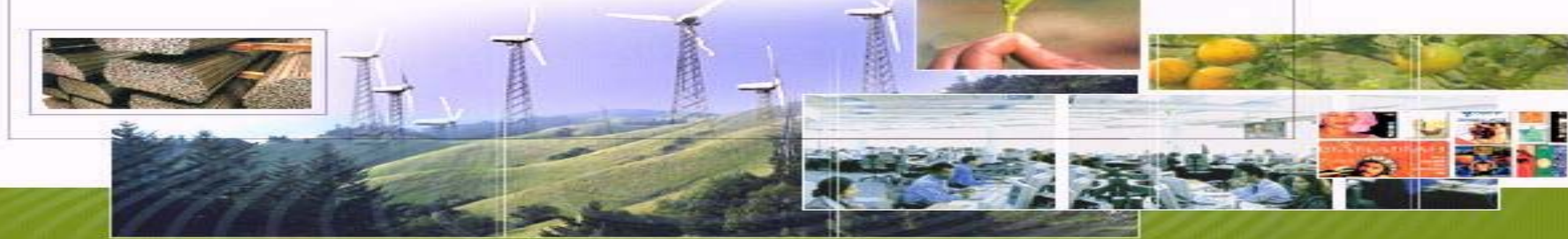
- ⇨ The AFD - French Development Agency – is a specialized financial institution – 100% owned by the French Government.
- ⇨ Established in 1941, AFD is the main operator for French bilateral Development Assistance, to promote sustainable development through social and environmental responsibility (SER).

- ⇨ Active in over 60 emerging and developing countries in Africa, Asia, the Caribbean and the Mediterranean as well as in French overseas territories.
- ⇨ Acting on behalf of the State in six main areas: infrastructure and urban development, private sector, environment and natural resources, rural development, health, and education.



## *AFD – Characteristics and tools*

- ⇨ AFD provides long-term (up to 20 years), fixed/floating rate in foreign and local currencies, thanks to AAA credit rating.
- ⇨ AFD operations are untied
  
- ⇨ The AFD Group manages a wide panel of products :
  - Grants to governments or projects
  - Soft sovereign loans to governments or state owned entities
  - Soft “non sovereign” loans (municipalities, state-owned enterprises...)
  - Private loans (through Proparco)
  - Technical Assistance (over 300 technical assistants)
  - Project preparation study funding
  - Additional grants on Low-CO2 or Biodiversity investments through the French Global Environment Fund (FGEF)



## *AFD Local Government Units (LGUs) Finance / Municipal Lending – History & Strategy*

- ⇨ AFD has been active in the French Overseas Territories for many decades, as the main provider of financing for LGs on behalf of the State.
- ⇨ Over the years, AFD expanded its municipal finance activities into non-French territories and in the late 1990s started provided direct financing to LGUs of emerging countries, both with and without state guarantees.
- ⇨ As of June 2007 – outstanding municipal loans portfolio of Euro 2.64 mil.



## *AFD LGUs Finance Experience – Highlighted Select Cases*

- ⇨ South Africa – AFD provided Euro 40 mil. soft loan to Johannesburg Municipality for the upgrade of drinking water network
  - Of Euro 95.3 mil. total project cost, AFD and European Investment Bank each financed Euro 40 mil.; the balance by the Johannesburg Municipality
  - No guarantee from the state was required
  
- ⇨ Tunisia – AFD provided technical assistance and loan to CPSCL, SPV for lending to LGUs.
  
- ⇨ Jordan – AFD is in process of providing technical assistance in setting up a development bank for cities and villages (CVDB) and co-lending with the World Bank



## *AFD's Mandate in Thailand – Decentralization a key mission*

Agreement was signed in February 2006 by the Thai and French governments.

Our objective is to work with Thailand as a partner to join our products, expertise and experiences on development subjects of common interest.

### ⇨ **Areas of focus:**

- Energy Efficiency and Renewable Energy
- Environment/Biodiversity
- Decentralization as a cross cutting objective in line with Thailand – France cooperation framework

### ⇨ **Financial instruments:**

- Direct and indirect subsidized loan to local governments e.g. municipalities, PAOs
- Partial guarantee of bond issue by local governments



## *Types of Municipal Projects Eligible for AFD's Support*

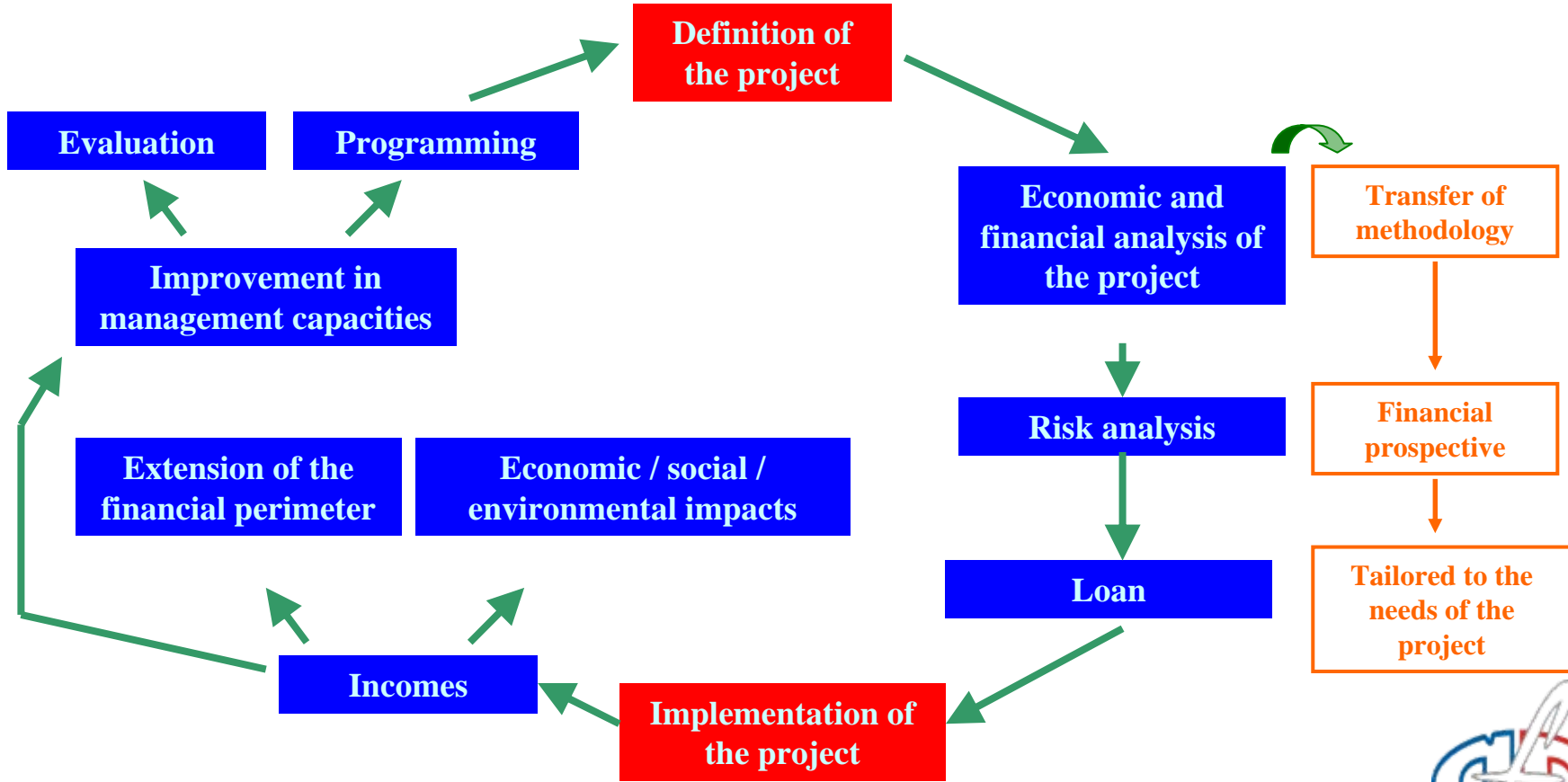
- ⇨ Solid waste management including waste to energy
  - Municipal waste
  - Industrial waste
- ⇨ Wastewater management for coastal areas
- ⇨ Urban transportation
- ⇨ Other activities related to energy savings/energy conservation which require substantial financing

***CERs as added benefits – not a requirement for AFD's loans***





# The virtuous circle





# *Benefits of AFD's Loans – for LGUs in Thailand*

## **Financial benefits**

- ↪ AFD can provide loans at very favourable conditions compared to the market requirements.
- ↪ Flexible terms of the soft loans i.e. long grace period, extended repayment period (up to 15-20 years).
- ↪ Subject to the due diligence outcome, AFD may or may not require a guarantee from the central government.

## **Technical benefits**

- ↪ Technical assistance – all stages of project life cycle including capacity building

## **Alignment with the stakeholders**

- ↪ AFD will work with relevant authorities (DoLA, PDMO, etc) to facilitate coordination and approval process.
  - PDMO Borrowing guidelines will be taken into consideration when structuring loan

## **Integrated and sustainable approach**

- ↪ AFD will also provide some training and expert advice, as a part of project developments, to ensure long-term sustainability of the financed projects



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**Thank You  
for  
Your Attention**