Climate Change and Green Growth Department
**ANNUAL REPORT 2022**

# Climate Change and Green Growth at the African Development Bank

Climate Change and Green Growth Department

AFRICAN DEVELOPMENT BANK GROUP

Climate Change and Green Growth Department

**2022 ANNUAL REPORT**

# Climate Change and Green Growth at the African Development Bank

Front cover image: Pierre-Yves Babelon/Shutterstock. All other images: African Development Bank.

# Contents

# Tables



# Figures



# Boxes

# Abbreviations

| | |
|---|---|
| **AAAP** | Africa Adaptation Acceleration Program |
| **ABM** | Adaptation Benefits Mechanism |
| **ACCF** | Africa Climate Change Fund |
| **ACMAD** | African Centre of Meteorological Application for Development |
| **ACEA** | African Circular Economy Alliance |
| **ACEF** | Africa Circular Economy Facility |
| **ACT** | Accelerating Coal Transition |
| **ADB** | African Development Bank |
| **ADF** | African Development Fund |
| **AFAC** | African Financial Alliance on Climate Change |
| **AIRA** | Africa Infrastructure Resilience Accelerator |
| **CACF** | Canada-African Development Bank Climate Fund |
| **CAW** | Climate Action Window |
| **CEO** | chief executive officer |
| **CIF** | Climate Investment Funds |
| **$CO_2eq$** | carbon dioxide equivalent |
| **COP** | Conference of the Parties |
| **GCA** | Global Centre on Adaptation |
| **GCF** | Green Climate Fund |
| **GEAWWTP** | Gabel El Asfar Wastewater Treatment Project |
| **GEF** | Global Environment Facility |
| **GHG** | greenhouse gas |
| **LTS** | long-term strategy |
| **MDB** | Multilateral Development Bank |
| **MSME** | micro-, small and medium-sized enterprise |
| **Mt** | million tons |
| **MWh** | megawatt-hour |
| **NAP** | National Adaptation Plan |
| **NAPA** | National Adaptation Programme of Action |
| **NDC** | Nationally Determined Contribution |
| **OPEC** | Organization of Petroleum Exporting Countries |
| **PECG** | Climate Change and Green Growth Department |
| **PPP** | Public–Private Partnership |
| **PV** | photovoltaic |
| **RMC** | regional member country |
| **SME** | small and medium-sized enterprise |
| **$tCO_2e$** | Tons of Carbon Dioxide Equivalent |
| **UA** | Unit of Account |
| **UN** | United Nations |
| **UNFCCC** | United Nations Framework Convention on Climate Change |

# Foreword

The year 2022 began with a growing set of challenges: the persistence of the COVID-19 pandemic, the global consequences of Russia's invasion of Ukraine, and global greenhouse gas emissions reaching a new high. In Africa, growth was expected to decelerate due to climate change, increased global inflation, and ongoing supply chain disruptions caused by the pandemic and the Russian invasion of Ukraine. Amid these challenges, the year ended with the establishment of the Loss and Damage Fund at the 27th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC COP27). This is an important milestone that will benefit those countries that are most vulnerable to climate change, most of which are in Africa. During COP27, the African Development Bank (the Bank) co-hosted the Africa Pavilion with African stakeholders, showcased climate change action on the continent, and contributed to the development of the Sharm El Sheikh Guidebook for Just Financing. Unfortunately, yet again, the developed countries' commitment to contribute \$100 billion[1] per year by 2020 in climate finance in developing countries was not met.

By the end of 2021, over 85% of African countries had submitted their updated Nationally Determined Contributions (NDCs) to the UNFCCC, continuing to demonstrate that, despite being the continent that has contributed the least to climate change, a solid leadership exists in Africa to fight against climate change and its consequences. In 2022, the Bank continued to support climate adaptation efforts in Africa by allocating 45% of its annual investments as climate finance, with a share of 63% for adaptation. The Bank also worked alongside other multilateral development banks to update the joint methodology for tracking adaptation finance, launched at COP27.

Climate change threatens sustainable development in Africa, particularly among highly vulnerable low-income countries. Of the top ten most vulnerable countries in the world in 2022, nine are in sub-Saharan Africa. To respond adequately to climate change, cumulative financing needs for Africa are estimated at about \$2.8 trillion over the period 2020–2030. Currently, the annual climate finance flows to Africa stand at only \$30 billion, of which just 39% goes towards adaptation. Cognizant of this situation, the Bank has created new financing windows and initiatives to further mobilize climate finance in the continent. Recognizing that low-income African countries face a financing gap of about \$60 billion per year for the implementation of their National Adaptation Plans and NDCs, the Bank established a new Climate Action Window under the African Development Fund to enhance the capacity of low-income African countries to efficiently attract quality climate finance. The window will allocate most of its resources (75%) to climate adaptation while offering a large grant component, minimizing the risk of debt distress owing to climate investments. I would like to acknowledge the contributions of the United Kingdom, the Netherlands, Germany, and Switzerland to the Climate Action Window, amounting to \$429 million. We anticipate that the Climate Action Window will rapidly become the major climate finance instrument for all low-income countries in Africa, around which other public and private partners can coalesce to finance impactful adaptation and mitigation projects.

Africa is regarded as the next frontier for global production due to its abundance of untapped natural resources, particularly in agriculture and energy. By 2030, urban food demand is expected to triple to \$1 trillion and there will be an additional 2 billion people on earth who will need food and clothing. To reduce resource waste, a change in the production model from the currently linear "extract–use–dispose" model to a circular "use–reuse–repurpose" one will need to be made. Committed to promoting the circular economy as a development strategy, the Bank established the Africa Circular Economy Facility, which became operational in 2022 for an initial 5-year period in which it will make the case for a circular economy in Africa, while creating the necessary enabling environment. The Bank also established the African Green Banks Initiative, to be supported by the African Green Financing Facilities Fund, to structure an ecosystem of local green finance facilities in Africa to increase climate finance mobilization. The Initiative was launched at COP27.

1 \$ indicates USD throughout.

Looking ahead, the Bank will align all its investments and financial flows with the Paris Agreement on Climate Change by the end of 2023 and will continue its efforts to mainstream climate change and green growth in all operations, Country Strategy Papers and Regional Integration Strategy Papers. Given that the biggest impediment to tackling climate change impacts in Africa is a lack of finance, we will continue to work towards achieving our commitment to double climate finance for the continent, from $12.5 billion in the period 2016–2020 to $25 billion in 2020–2025.

**Dr. Kevin Kariuki**
**Vice President**
**Power, Energy, Climate Change and Green Growth**
**African Development Bank**


# Section 1

## Introduction

## 1.1 Setting the scene

The African Development Bank (AfDB) has committed to support its regional member countries to implement adaptation and mitigation actions as outlined in their respective national climate change policies and actions plans, including their Nationally Determined Contributions (NDCs), long-term low greenhouse gas (GHG) emission development strategies (long-term strategies; LTS), and National Adaptation Plans (NAPs), among others. To this end, the Bank has made several commitments and set key performance indicators for its work on climate change and green growth.

## 1.2 Key climate change and green growth commitments and performance indicators

### 1.2.1 Commitment to adaptation

In 2021, the Bank launched the Africa Adaptation Acceleration Program (AAAP) as a bold and ambitious programme to scale up adaptation to climate change across Africa, in partnership with the Global Centre on Adaptation (GCA). Through this transformative programme, the Bank aims to mobilize up to $25 billion[2] for adaptation by 2025, half of which is to be mobilized through the Bank's regular investment operations and the rest through partnerships such as that with the GCA. Since its launch, $4 billion have been mobilized in adaptation finance through the Bank's regular investment operations, including investments in climate smart agriculture, resilient infrastructure, youth and jobs, and innovative financial initiatives, and through the AAAP's upstream financing facility.

Furthermore, in response to the need for more accurate climate information and services, the Bank has so far invested over $74 million in modernizing and strengthening Africa's regional climate modelling centres to provide reliable forecasts and deploy early warning systems through the Climate for Development Special Fund for Africa (CDSF). This high modelling capacity has been used for tracking and curtailing the spread of desert locusts in eastern Africa and providing early warnings to flood-prone areas in West Africa.

To ensure that all its projects and investments are climate-proofed and contribute to delivering climate adaptation and resilience building outcomes for communities and the environment, the Bank remains committed to screening all its proposed projects and investments for climate risks and to include measures to address identified risks in project design and implementation.

### 1.2.2 Commitment to mitigation

Historically, Africa has contributed minimally to global greenhouse gas emissions, particularly in terms of fossil fuel-related emissions. Except for a few countries such as South Africa, emissions from land use, land-use change, and forestry represent the dominant source of GHG emissions in Africa. Nevertheless, to realize the objectives of the Paris Agreement on Climate Change – including the long-term goal of limiting the average global temperature rise to well below 2°C (and ideally to 1.5°C), African countries have opted for a gradual decarbonization and decoupling of their economic growth from GHG emissions. Achieving and sustaining the growth needed to end poverty and give all Africans fair opportunities, while moving towards net-zero emissions along context-specific pathways, calls for strategic investments in climate mitigation technologies. This is particularly true of carbon-intensive sectors such as energy, transport, industry, manufacturing, waste, and agriculture (both livestock and cropping).

The Bank recognizes that Africa is rich in renewable energy resources and therefore has the potential to make rapid energy transformations through the innovative application of new technology. The Bank has therefore committed to support African countries to transition to greener energy sources by financing investments in renewables as well as supporting the development of green and blue hydrogen. In 2009, the Bank ceased investment in coal projects. It recognizes that its investments must be increasingly aligned with the Paris Agreement, and that its internal operations must also be updated to reduce its own carbon footprint. The Bank has committed to assessing the potential emissions and/or emission reductions that could be realized from its projects and investments, and routinely seeks options to reduce or avoid potential emissions.

2 $ indicates US dollars throughout this report, unless otherwise stated.

### 1.2.3 Commitment to climate and green finance

According to the Bank's analysis, the NDCs developed by African countries represent a $3 trillion investment opportunity by 2030. The Bank recognizes that the private sector's ability to contribute to Africa's climate-resilient and green recovery agenda is constrained by its limited technical capacity, lack of bankable projects, inability to raise climate funds, and the poor availability of reliable climate data and information for decision making. To address this, the Bank has engaged in dialogue with Africa's private sector players. The Bank is mobilizing at least 40% of all its annual approvals as climate finance. To enhance financial flows into Africa for climate actions, the Bank has committed to mobilize external climate finance from international climate and environmental funds such as the Green Climate Fund (GCF), Global Environment Facility (GEF), Climate Investment Funds (CIF), Africa Climate Change Fund (ACCF), and the Canada Africa Climate Finance Facility.

The Bank has launched several initiatives to further support the private and financial sectors' participation in climate action. These include (a) the Private Sector Investment Initiative for NDCs in Africa, which has identified several entry points for the private sector to participate in NDC implementation in seven key priority sectors (agri-business and forestry, renewable energy and energy efficiency, waste management, water and irrigation, green buildings and cities, transport and infrastructure, and the financial sector); (b) the African Green Bank Initiative to help existing financial institutions in Africa to raise blending capital from a variety of sources – including concessional climate finance and domestic funds – to invest in green projects. Recipients of these funds will include micro-, small and medium-sized enterprises (MSMEs), which make up most of the African economy; and (c) the Adaptation Benefits Mechanism (ABM), which attaches value to resilience and incentivizes the private sector to invest in adaptation. The ABM is designed to help African MSMEs invest in adaptation projects by providing a credible and transparent means by which developed countries and consumers can provide finance to make adaptation technologies and investments bankable.

### 1.2.4 Commitment to green growth

For the Bank, investing in green growth requires both policy interventions and adequate financing, especially given that green growth investments require significant upfront financing to harness innovative environmental solutions and clean technologies. The goal is to build resilient and low-carbon economies, smart and sustainable cities, green industrialization, and climate-resilient infrastructure. Harnessing Africa's potential to achieve this goal will require significant effort and commitment to a strategic vision and governance structure, including sectoral planning, allocating adequate budgetary resources, and establishing sound institutional and coordination arrangements. To support green growth in Africa, the Bank has established the Africa Circular Economy Alliance (ACEA) as a vehicle to enhance policy dialogue and share experience and best practices among member countries. In addition, the Bank has established the Africa Circular Economy Facility with seed funding from the Government of Finland and the Nordic Development Fund to support innovative circular economy practices in regional member countries and to demonstrate the business case for investments in circular businesses.

### 1.2.5 Commitment to developing the enabling environment for climate actions

Through the Africa NDC Hub, the Bank has established a strong collaborative platform with 20 other international and regional organizations to help regional member countries (RMCs) revise and implement their NDCs under the Paris Agreement. The Hub focuses on fostering long-term climate action, mobilizing means of implementation including climate finance, and building partnership and advocacy. Hosted by the Bank, the Hub has helped several African countries, including Côte d'Ivoire, Guinea, and Guinea Bissau, to revise their NDCs. The Hub has also mobilized funds to develop long-term, low-carbon, and climate-resilient visions in Botswana, Gabon, Lesotho, Liberia, and Senegal.

The African Financial Alliance on Climate Change (AFAC) is a platform developed by the Bank to foster climate action by promoting knowledge sharing, green financial instruments, climate risk disclosure, and climate finance flows among African financial institutions that lend to the African private sector.

It helps these institutions to align their financial flows to support low-carbon and climate-resilient projects. The Alliance works with stock exchanges, institutional investors, treasuries, development finance institutions, and others to raise awareness of the importance of green investments.

The Bank actively participates in several national, regional, continental, and global initiatives and events on climate change to represent and bolster Africa's voice in global debates on climate change and the environment. The Bank also develops and disseminates several knowledge products for enhanced awareness at national and international levels and to inform policy dialogue on climate change and environment in RMCs. The Bank also offers several training and events to build capacity for policy formulation and implementation in member countries.

This report presents African Development Bank's progress and achievements on its climate change and green growth commitments and actions for the year 2022. The report examines the Bank's annual performance with respect to not only its key performance indicators but also the implementation and achievements of its various special initiatives on climate change and green growth.

# Section 2

## Key performance and achievements in 2022

The Climate Change and Green Growth Department (PECG), which leads the Bank's work on climate change and green growth, spent much of the year operationalizing its new Climate Change Strategic Framework; preparing for UNFCCC COP27 in Sharm el Sheik, Egypt, in November 2022; furthering the Paris Alignment agenda; furthering its climate change and green growth mainstreaming agenda; launching the Climate Action Window; and operationalizing the Canada-African Development Bank Climate Finance Facility (CACF) and special initiatives such as the Africa Circular Economy Facility (ACEF).

## 2.1 Mainstreaming climate change and green growth in the Bank's operations and policies

Tables 1 and 2 summarize the main achievements (quantitative and qualitative) for each key performance indicator during the year. The Bank aimed to ensure that all projects approved in 2022 not only mainstreamed climate change and green growth but were also based on climate-informed design. In addition, the Bank aimed to ensure that all the Bank's policies (Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs)) are based on climate-informed design.

During the year, the Board of Directors approved 165 projects, 94% of which were based on a climate-informed design. Moreover, 98% of projects in the African Development Fund (ADF) were based on climate-informed design. During the year, the Bank developed CSPs for eight countries: Benin, Botswana, Egypt, Eritrea, Ethiopia, Guinea Bissau, Madagascar, and Uganda. All these CSPs were based on climate-informed design.

**Table 1. Quantitative achievements**

| Goal | Indicator | Target | Achievement |
|---|---|---|---|
| **Mainstreaming climate change and green growth into all Bank projects** | Proportion of Bank's projects with climate-informed design | 100% | 94% |
| **Mainstreaming climate change and green growth into all Bank Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs)** | Proportion of Bank's CSPs/RISPs with climate-informed design (Benin, Botswana, Egypt, Eritrea, Guinea Bissau, Madagascar, and Uganda, all covering the 2022–2026 period and Ethiopia for the 2023–2027 period) | 100% | 100% |
| **Mainstreaming climate change and green growth into ADF projects** | Proportion of ADF projects with climate-informed design | 100% | 98% |
| **Share of climate finance in all Bank's project approvals** | Percentage of Bank's climate finance | 40% | 45% |
| **Ensuring parity between adaptation finance and mitigation finance** | Percentage of Bank's adaptation finance | 50% | 63%/37% |
| **Mobilizing external climate finance** | Green Climate Fund (GCF) | | |
| | Global Environment Facility (GEF) (Chief Executive Officer) | | $40 million |
| | Climate Investment Funds (CIF) | | $29.5 million |
| | Africa Climate Change Fund (ACCF) | $10 million | $9.26 million (93%) |
| | Climate Action Window (CAW) | | $429 million |
| | Total amount mobilized from climate-dedicated funds (ACCF, CIF, CAW, GCF, and GEF) | $340 million | $507.76 million |
| | Volume of annual climate finance in Bank's approvals | $3 billion | $3.6 billion |
| **Delivering on Bank pledge of $25 billion in climate finance by 2025** | | $3 billion | $3.6 billion |

## 2.2 Climate finance in the Bank's operations

The Bank aims to ensure that at least 40% of the value of all its annual approvals are allocated as climate finance, with parity between adaptation and mitigation finance. In 2022, 45% of the Bank's approvals was allocated as climate finance with 63% of the Bank's climate finance going to adaptation and the remainder to mitigation.

During the year ending 2022, the Bank also made significant progress in its special initiatives on climate change and green growth (Table 2).

**Table 2. Qualitative achievements**

| Workstream | Achievements |
|---|---|
| **Africa Adaptation Acceleration Program (AAAP)** | • In 2022, AAAP awarded $1.8 million to 18 youth-led businesses, across 14 countries, that are scaling innovations in critical social and economic sectors affected by climate change, including agriculture, waste management, water resources and sanitation, renewable energy and energy efficiency. Fifty per cent of the winning teams were women-led.<br>• AAAP mainstreamed climate adaptation and resilience measures into 29 projects. Of the 29 projects, 15 were investment projects and 14 were Technical Assistance projects spread across various sectors, including energy, transport, infrastructure, water, and agriculture, in 33 African countries.<br>• AAAP was recognized by the African Union for progress made towards accelerating climate change adaptation actions in Africa during the 35th Ordinary Session of the African Union Assembly on 6 February 2022. |
| **Africa Nationally Determined Contribution (NDC) Hub** | • The Africa NDC Hub secretariat mobilized €1 million from the Government of Austria to support NDC/long-term low greenhouse gas emission development strategies (LTS) activities in four countries through the ACCF.<br>• Prepared a proposal to provide technical assistance to at least 40 regional member countries (RMCs) in 2022–2025: 19 countries for NDC Investment Plans and 21 countries for LTS development at a budget of $20,880,000.<br>• The Bank collaborated with 14 Africa NDC Hub partners to deliver the Africa NDC Hub publication for COP27 on Doubling down on delivering Africa's climate action priorities – Policy recommendation from the Africa NDC Hub.<br>• The Africa NDC Hub received approval of a funding proposal submitted to the ACCF for the design of long-term low-carbon and climate resilience emission development vision for Botswana, Gabon, and Liberia. |
| **African Financial Alliance on Climate Change (AFAC)** | • AFAC mobilized a $1 million grant from the Global Centre on Adaptation (GCA) through the Africa Climate Change Fund to achieve its goal of mobilizing private climate finance under constrained macroeconomic conditions.<br>• It further conducted comprehensive stakeholder consultations – for example, on the margins of COP-27 – to develop a stakeholder-owned strategy scheduled to be launched in 2023. |
| **African Circular Economy Facility (ACEF)** | • The Facility was launched in May 2022 and operationalized in October 2022.<br>• First projects were implemented to support the African Circular Alliance secretariat and the World Circular Economy Forum 2022. |
| **African Circular Economy Alliance (ACEA)** | • The ACEA sectoral working groups were operationalized.<br>• Co-hosted the World Circular Economy Forum with the Government of Rwanda.<br>• Co-published articles on circular finance and policy. |
| **Climate Action Window (CAW)** | • The Window was approved by the African Development Fund at its 16th Replenishment Meeting.<br>• $429 million was mobilized for CAW to support climate action in the 37 ADF countries. |
| **Paris alignment** | • Progress made towards aligning the Bank's operations with the Paris Agreement's objectives, through finalizing the joint multilateral development bank (MDB) Paris alignment methodologies together with the other MDBs.<br>• Updating of the Bank's internal processes and toolkits, including the revamping of the Bank's Climate Safeguards System to integrate Paris alignment assessments across all Bank investments.<br>• The Bank's Readiness Review process has been updated to strengthen the assessment of climate change and green growth readiness of investments to reflect Paris alignment requirements.<br>• Training of task managers and investment officers, and one board information session on trade finance, to ensure Paris alignment of a range of operations.<br>• The Bank's comprehensive monitoring, evaluation, reporting, and learning (MERL) system on climate change and green growth was completed in 2022 and is now being operationalized to help systematically track and report on the Bank's climate change and green growth indicators, including on Paris alignment. This will play a key role in supporting future reporting on Paris alignment.<br>• A team of experts was established within PECG to support the deployment of Bank's Paris alignment agenda, with the aim to produce annual reports on the Bank's progress on Paris alignment between 2023 and 2025, as articulated in the Board-approved climate change and green growth action plan 2021–2025. |

| Workstream | Achievements |
|---|---|
| **Great Green Wall Initiative (GGWI)** | • $6.5 billion pledged to the Great Green Wall Accelerator by 2025.<br>• Additional support (UA 2 million, equivalent to $2.66 million) to the implementation of the GGWI (2022–2024) provided through The Transition Support Facility.<br>• Ongoing institutional, organizational, and technical audit of the Pan African Agency of the Great Green Wall and national structures to strengthen their capacities. |
| **Green Investment Program for Africa** | Market assessment study completed.<br>Enabling environment study completed.<br>Green Investment Program for Africa (GIPA) design and implementation report completed. |
| **COP28** | |
| **Monitoring, Evaluation, Reporting and Learning (MERL) system** | Five out of the nine components of the MERL system – the Theory of Change, Results Frameworks, Performance Management Plan, Evaluation Plan, and Learning Plan – were developed and implemented.<br>The remaining four components – the Sustainability Plan, Training Resources, Dashboard, and Communication Plan – are still under development but are expected to be completed by 2023.<br>The MERL training resources will be finalized and available for use in the first quarter of 2023, while the Communication Plan will be put into action as soon as it is completed in the same quarter. The Dashboard, being developed by the Corporate IT Services Department, is expected to be ready by the end of 2023, bringing the MERL system to full implementation.<br>The system will be continually updated based on ongoing feedback, ensuring it remains a cutting-edge tool for monitoring, evaluating, and learning from projects and initiatives. |

## 2.3 Mobilizing external climate finance

In 2022, the Bank was able to mobilize $517.26 million from different climate dedicated funds. These resources were mobilized through the following climate finance sources.

- **Global Environment Facility (GEF)** – A total of $20 million was mobilized from the GEF in new projects (Council Approvals).
- In 2022, CIF resources mobilization efforts yielded $29.5 million from the **CIF Strategic Climate Fund (SCF)**.
- **Canada-African Development Bank Climate Finance Facility (CACF)** – The CAD132.9 million (equivalent to $106.3 million) CACF, a transformative special fund aimed at providing concessional loans to climate change-related projects, was signed in March 2021 and became operational in July 2022 with the approval of the CACF Operational Guidelines.
- **Africa Climate Change Fund (ACCF)** – $9.26 million was mobilized in 2022 against a target of $10 million. From the Global Center on Adaptation, and governments of Ireland and Austria, the Fund mobilized €4 million (~$4.3 million) to support climate adaptation, climate finance mobilization, the preparation and or strengthening of NDCs and LTS in African countries. Additionally, the US Government pledged $5 million[3] to support a call for proposals on methane abatement

  During the year, ACCF's **lifetime was extended for an additional 5 years (2022–2027)** by its donors. ACCF's donors and the Bank's board of directors **approved the amendment of the scope of the Fund** to ensure it remains responsive to the increasing needs on the continent as well as to mobilize additional resources to support efforts of African countries to implement their climate actions in line with the Paris Agreement

  At the projects level, a commitment of **$8.25 million was approved for 12 new projects**. These ACCF grants are supporting over 27 African countries via country and multinational projects to strengthen their capacities to access international climate finance, revise their NDCs, develop LTS, and implement small-scale adaptation projects to enhance resilience to the impacts of climate change while enhancing gender equality.

- **Climate Action Window (CAW)** – The Climate Action Window was established with an initial

3 Expected to be disbursed to the ACCF in September 2023.

capitation of $429 million from four donors: the United Kingdom, the Netherlands, Germany, and Switzerland. The Window will support climate adaptation (75% of investment), mitigation (15%), and technical assistance (10%) in the 37 ADF countries.

## INNOVATIVE FINANCING MECHANISMS – ROOM-TO-RUN GUARANTEE TRANSACTION

- In October 2022, the Board approved the **Room-to-Run (R2R) guarantee transaction**, which aims to increase additional lending capacity to be directed towards climate finance through a **$2 billion (UA 1.4 billion) guarantee from the UK Government Foreign, Commonwealth and Development Office (FCDO)** to a reference sovereign loan portfolio. The guarantee from FCDO would create additional lending headroom while improving the Bank's Risk Capital Utilization Rate and **allow for additional lending towards high climate impact projects**.

- The additional finance unlocked by the guarantee would be used to finance climate adaptation as defined by the **Joint MDB Methodology on Climate Finance**. This could support, for example, the cost of integrating resilience components into infrastructure projects as well as interventions to support farmers who are vulnerable to climate shocks.

- The additional finance is to be made available across Africa, **through the African Development Bank** window available to middle-income countries and Blend countries. The finance is also applicable to **non-sovereign operations**: private sector borrowers from all countries, including low-income Countries (LICs), are eligible for finance from the Bank. The R2R will include non-sovereign borrowers, to further extend the range of countries eligible to access the additional finance.

- The key indicators on the R2R transaction include:

  - **Number of beneficiaries (gender disaggregated) of the Guarantee supported by climate change adaptation and resilience activities**

  - **Amount of new lending (UA) approved by the Bank to finance climate change related projects (both adaptation and resilience projects)**

  - **Percentage of overall Bank lending reported as climate finance using the MDB Climate finance methodology.**

- Two projects were selected from the 2022 cohort of eligible projects as enabled by R2R; these are:

  - **Senegal: Project to provide Access to Safe Water and Sanitation Services to build Sustainable Resilience in Disadvantaged Areas**

  - **Egypt: Water Recycling for Agriculture – Gabel El Asfar Wastewater Treatment Project – Stage III (Phase A&B).**


# Section 3

## Mainstreaming climate change into the Bank's projects and policies

## 3.1 Climate change mainstreaming into projects

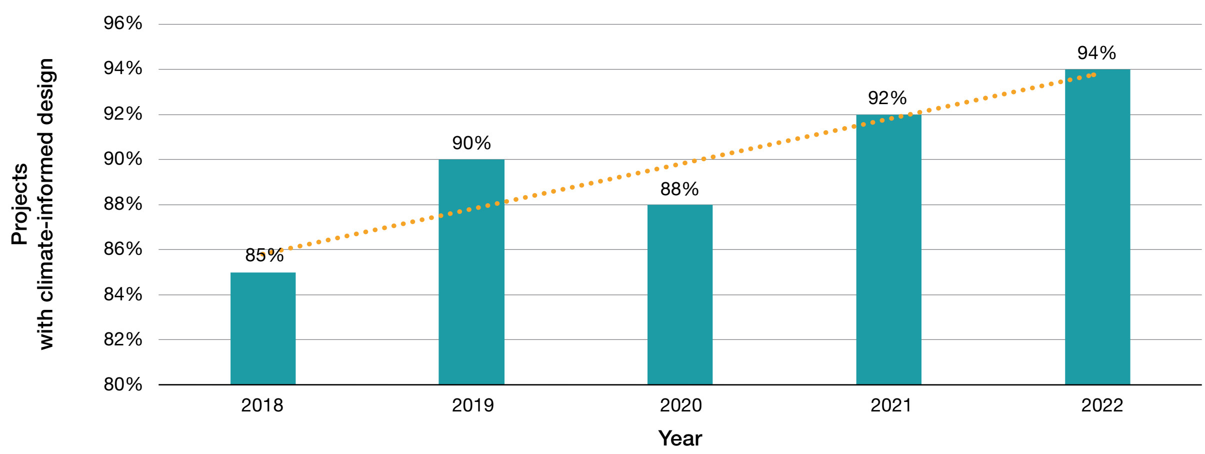
The Bank has committed to ensuring that all its projects and investments are based on climate-informed design and that these projects and investments also deliver positive climate change and green growth outcomes. To realize this commitment, the Bank mainstreams climate change and green growth in all its projects and investments. This is done by assessing the climate risks exposure of proposed investments and projects, and integrating measures to minimize and mitigate identified climate risks while also ensuring that those projects and investments deliver climate adaptation and resilience-building measures by implementing specific actions. Furthermore, the Bank examines the potential GHG emissions of its investments and projects and implements measures to reduce and/or avoid those emissions. The Bank also ensures that its investments and projects contribute to mitigating climate change and promoting low-carbon development in the targeted regional member countries.

In 2022, 94% of the Bank's approved projects were based on climate-informed design. Since 2016, the Bank has made significant progress in mainstreaming climate change and green growth in its projects and policy documents. With the improvement in climate change and green growth mainstreaming realized during the year, the proportion of the Bank's projects with climate-informed designed has increased from 77% in 2016 to 94% in 2022 (see Figure 1). The Bank remains committed to screening all its projects and investments against climate risks and ensuring these are also aligned with the Paris Agreement from 2023 onwards.

## 3.2 Mainstreaming in Country Strategy Papers/Regional Integration Strategy Papers

During 2022, the Bank developed the Country Strategy Papers (CSPs) for Benin, Botswana, Egypt, Guinea Bissau, Madagascar, and Uganda for 2022–2026, and for Ethiopia for 2023–2027. An interim CSP was developed for Eritrea for 2022–2024. All these CSPs, including the interim CSP, were based on climate-informed designs and identified actions to be implemented by the Bank to support the countries to implement their respective adaptation and mitigation contributions. The development of these policy documents was accompanied by the preparation/updating of respective Country Climate Change Diagnostic Notes. These Diagnostic Notes examine the climate vulnerability context of each country, completed and ongoing climate change policy and institutional reforms, the country's prioritized adaptation and mitigation priorities, and areas where the Bank's support will be needed to advance climate action during the CSP period.

**Figure 1. Trends in climate change and green growth mainstreaming in the Bank's projects, 2018–2022**




# Section 4

## Climate finance in the Bank's operations

Climate finance, defined as financial resources directed towards climate change adaptation and mitigation actions, is urgently required at scale to support countries to implement their climate change commitments. The African Economic Outlook Report estimated that the annual financial resources needed to implement African countries' climate action plans is $242.4 billion between 2020 and 2030 and $2.7 trillion cumulatively over the same period. Moreover, Africa needs at least $1.3 trillion annually to meet sustainable development needs, including green growth objectives. In this context, the African Development Bank has committed to support the efforts of its regional member countries to achieve their goal of building climate-resilient and low-carbon economies by, among other actions, scaling up its own climate finance. The Bank's climate finance portfolio has generally been growing since 2016, as shown in Figure 2. The Bank has also achieved its commitment to reach parity between adaptation and mitigation finance. The mitigation and adaptation finance gap closed in 2018 and the Bank has since maintained the momentum on adaptation finance, as shown in Figure 3.

Building on the achievements of the first and second climate action plans, the third Climate Change Action Plan (2021–2025) sets a target of allocating 40% of the Bank's total annual approvals as climate finance, out of which at least 50% is for adaptation finance. The action plan is into its third year of implementation, and thus far the Bank is on track to achieve its climate finance targets. In 2021, the Bank exceeded its first-year target of 40% by achieving 41% climate finance, or $2,426 million, of which $1,622 million (67%) was adaptation and $805 million (33%) mitigation finance.

In 2022, the Bank maintained this momentum, growing its climate finance both in proportion and volume. The Bank exceeded its annual target by achieving 45% climate finance in 2022, to a value of $3,651 million. Of this, $2,294 million (63%) went to adaptation and $1,357 million (37%) went to mitigation finance (see Figure 3). In 2022, the amount the Bank allocated to climate finance was 50% higher than in 2021.

By sector, the Bank's 2022 climate finance was directed to climate change adaptation and mitigation actions in all 11 operational sectors (see Figure 4). In terms of volume, however, about 28% of all of the Bank's climate finance, which represents 45% of all adaptation finance, was invested in the agriculture sector. Some of the operations that contributed to the agriculture adaptation portfolio include: $54 million attributed as climate finance to national agricultural growth scheme, the Agro-pocket Project in Nigeria; a $4 million climate finance to support Program for Competitive and Resilient Development of Cereals Farming Project in Morocco; $79 million to Water Recycling for Agriculture – Gabel el Asfar Wastewater Treatment Project in Egypt; and $123 million to the Mkhondvo-Ngwavuma Water Augmentation Program. Box 1 shows the expected impacts of the Mkhondvo-Ngwavuma Water Augmentation Program – Phase I to demonstrate how the Bank's projects will contribute to building climate resilience in the agricultural sector.

**Figure 2. Climate vs non-climate finance (2016–2022)**

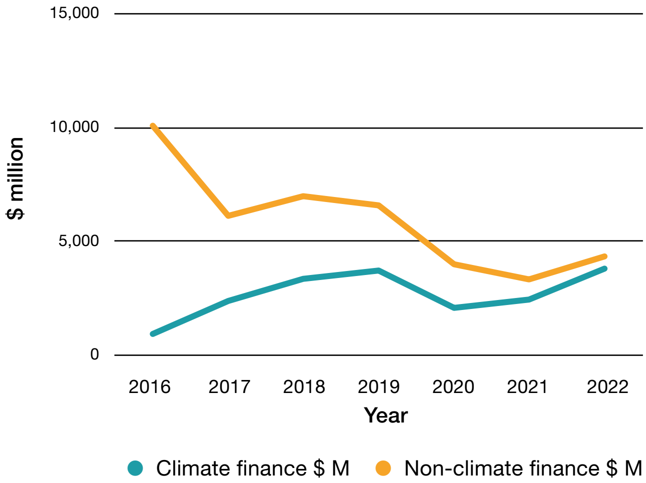
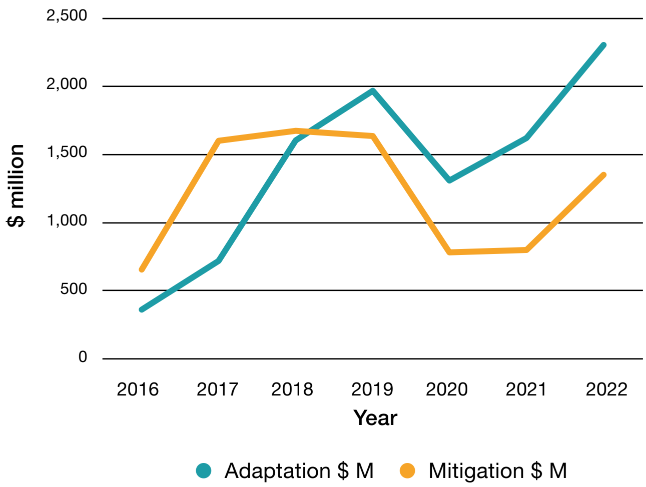



**Figure 3. Adaptation finance vs mitigation finance (2016–2022)**



## Box 1. Project title: Eswatini – Mkhondvo-Ngwavuma Water Augmentation Program, Phase I

**Country: Eswatini**

**Region: Southern Africa**

**Sector: Agriculture**

**Financing source: African Development Bank**

**Instrument: Loan**

**Approvals: $123 million**

**Climate finance: (100%) $123 million**

The Mkhondvo-Ngwavuma Water Augmentation Program (MNWAP) aims to enhance food security, reduce poverty, and build resilience to climate extremes in Eswatini, including those caused by El Niño and La Niña. The programme focuses on water and irrigation infrastructure development, involving the transfer and storage of irrigation water between the Mkhondvo and Ngwavuma Rivers through the construction of three dams (Mbakeni on the Ngwavuma River, and Mahamba and Ethemba dams on the Mkhondvo River) with a diversion system and conveyance scheme. Phase 1 (MNWAP S1) encompasses the construction of the Mbakeni Dam and related infrastructure, in addition to downstream development of 10,000 hectares for climate-smart horticulture value chains (beans, soybeans, sunflowers, sugarcane, etc.). It is divided into three components: infrastructure development, agricultural development, and project management; engineering supervision; and environmental and social management.

Despite aiming for climate resilience, the infrastructure and agricultural schemes in Shiselweni district are prone to drought, floods, and heatwaves. Being a category 2 (moderate climate risk) project on the Bank's Climate Safeguards System (CSS), the project incorporates flood and drought control, soil erosion management, hydraulic enhancements, green flood and erosion control solutions, community awareness and training, climate-smart technologies, and efficient water pricing. Additionally, to address streamflow deficits at Mbakeni Dam, water will be diverted from the Mkhondvo River using Mahamba Dam.

An analysis of the project's carbon footprint was conducted using the Greenhouse Gas Reservoir (G-res) tool and Ex-Ante Carbon-balance Tool (EX-ACT) to assess associated greenhouse gas (GHG) emissions.[4] The analysis covered dam construction, operation, and irrigation scheme activities, revealing a total annual net emission of 29,671 tons of carbon dioxide equivalent ($CO_2$eq). This includes 29,480 tons of $CO_2$eq per year from the dam and conveyance system, and 201 tons of $CO_2$eq per year from cropping activities. To mitigate the project's carbon footprint, measures such as solar-powered irrigation systems for cropping irrigation, implementing no-tillage practices to enhance sustainable land management, and restoring degraded land for cropping activities are proposed. Medium- and long-term mitigation options, such as integrating a micro-hydro-electricity component, are likely to be viable. This integration can displace household use of fossil fuels and contribute to cost-effective electricity generation, aligning the project with the Paris framework.

Overall, the project aligns with Eswatini's Climate Change Policy (2016) and the Nationally Determined Contribution (NDC, 2021) in terms of adaptation ambitions (securing climate-proof water, sanitation, and hygiene (WASH) infrastructure to enhance community resilience and adaptive capacity; supporting the development of on-farm water harvesting infrastructure to improve food security) and mitigation ambitions (reducing fossil energy intensity in the agriculture sector and promoting nature-based solutions). Additionally, it is in line with the Bank's Climate Change and Green Growth Policy and Strategy for 2021–2030. The energy sector accounted for 22% of all climate finance, representing

4 The G-res tool is designed by the International Hydropower Association for assessing the carbon footprint of multipurpose dams, including hydropower plants. EX-ACT is an Excel-based tool designed by the Food and Agriculture Organization of the United Nations for assessing GHG emissions related to agriculture, forestry, and land-use change projects.

56% of all mitigation finance. Mitigation projects included: $99 million Hidroelectricia Cahora Bassa Project; $129 million Desert to Power Initiative – Project for the Development of Solar Power Plants and Improvement of Access to Electricity in Niger; and the $161 million Kakono Hydropower Project in Kenya. Box 2 describes the expected impacts of the Hidroelectricia Cahora Bassa Project as a demonstration of the expected contribution of Bank projects in enabling countries to reduce their GHG emissions and implement their mitigation contributions as outlined in their respective NDCs.

Agriculture plays a vital role in climate change adaptation in Africa, while the energy sector remains critical in climate change mitigation. Figure 4 shows the sectorial contribution to the Bank's climate finance in 2022, while Table 3 provides detail on the climate finance content of each sector, share of total climate finance, and sector contribution to adaptation and mitigation finance. As Table 3 shows, in 2022 about 80% of the Bank's climate finance was channelled through four sectors, namely agriculture, energy, transport, and finance.

### Box 2. Project title: Mozambique – Hidroelectricia Cahora Bassa (HCB)

**Country: Mozambique**

**Region: Southern Africa**

**Sector: Energy**

**Financing source: African Development Bank Private Sector**

**Instrument: Loan**

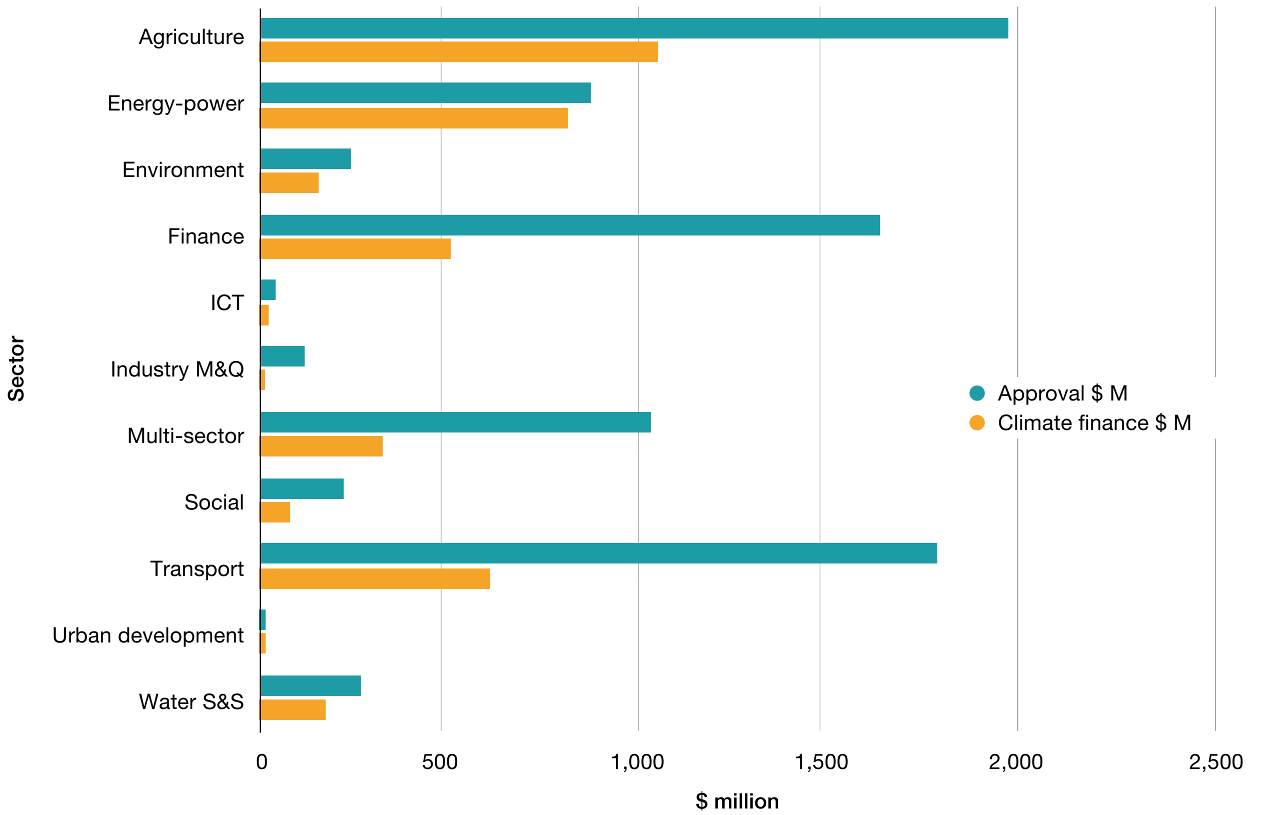
**Approvals: $99 million**

**Climate finance: (100%) $99 million**

HCB is the concessionaire of the Cahora Bassa Hydroelectric Scheme (CBHS), with a total installed capacity of 2,075 MW on the main stem of the Zambezi River. HCB is the largest power producer in Mozambique, accounting for more than 80% of Mozambique's power output. HCB equipment, which has been in operation for more than 40 years, has reached or is close to the end of its life cycle. Spare parts are not readily available due to discontinued technology, making it difficult for HCB to receive support from original equipment manufacturers.

The project aims to enable the rehabilitation of CBHS with the following expected outcomes: (i) extend the life of the dam by an additional 25 years; (ii) increase the delivery of clean energy by an additional 110 MW; (iii) enhance the reliability of delivery of energy; (iv) reduce unplanned outages of CBHS, enabling HCB to fulfil its contractual obligations to its off-takers; (v) enhance regional integration of the electricity sector in Southern Africa Development Community countries; (vi) increase revenue for both HCB and Mozambique; and (vii) ensure the sustainability of energy security of South Africa, Mozambique, and Zimbabwe. The project will result in about 15.59 million $tCO_2e$ of GHG emissions avoided over the extended plant life.

### Figure 4. Approvals vs climate finance by sector (2022)




Key: ICT, information and communications technology; M&Q, mining and quarry; S&S, supply and sanitation.

### Table 3. Total approvals and climate finance by sector, 2022

| Sector | Approval $ M | Climate finance $ M | Adaptation $ M | Mitigation $ M | Climate finance | Adaptation | Mitigation | Share of climate finance | Share of approvals | Share of adaptation finance | Share of mitigation finance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Agriculture** | 1,952 | 1,038 | 1,038 | 0 | 53% | 100% | 0% | 28% | 24% | 45% | 0% |
| **Energy-power** | 860 | 805 | 42 | 763 | 94% | 5% | 95% | 22% | 11% | 2% | 56% |
| **Environment** | 230 | 145 | 145 | 0 | 63% | 100% | 0% | 4% | 3% | 6% | 0% |
| **Finance** | 1,618 | 495 | 239 | 256 | 31% | 48% | 52% | 14% | 20% | 10% | 19% |
| **ICT** | 36 | 12 | 3 | 9 | 34% | 27% | 73% | 0% | 0% | 0% | 1% |
| **Industry M&Q** | 110 | 4 | 0 | 4 | 4% | 0% | 100% | 0% | 1% | 0% | 0% |
| **Multi-sector** | 1,025 | 319 | 311 | 8 | 31% | 98% | 2% | 9% | 13% | 14% | 1% |
| **Social** | 215 | 74 | 54 | 20 | 34% | 73% | 27% | 2% | 3% | 2% | 1% |
| **Transport** | 1,763 | 596 | 309 | 288 | 34% | 52% | 48% | 16% | 22% | 13% | 21% |
| **Urban development** | 5 | 5 | 0 | 5 | 100% | 0% | 100% | 0% | 0% | 0% | 0% |
| **Water S&S** | 255 | 161 | 161 | 0 | 63% | 100% | 0% | 4% | 3% | 7% | 0% |
| **Grand total** | 8,069 | 3,655 | 2,302 | 1,353 | 45% | 63% | 37% | 100% | 100% | 100% | 100% |

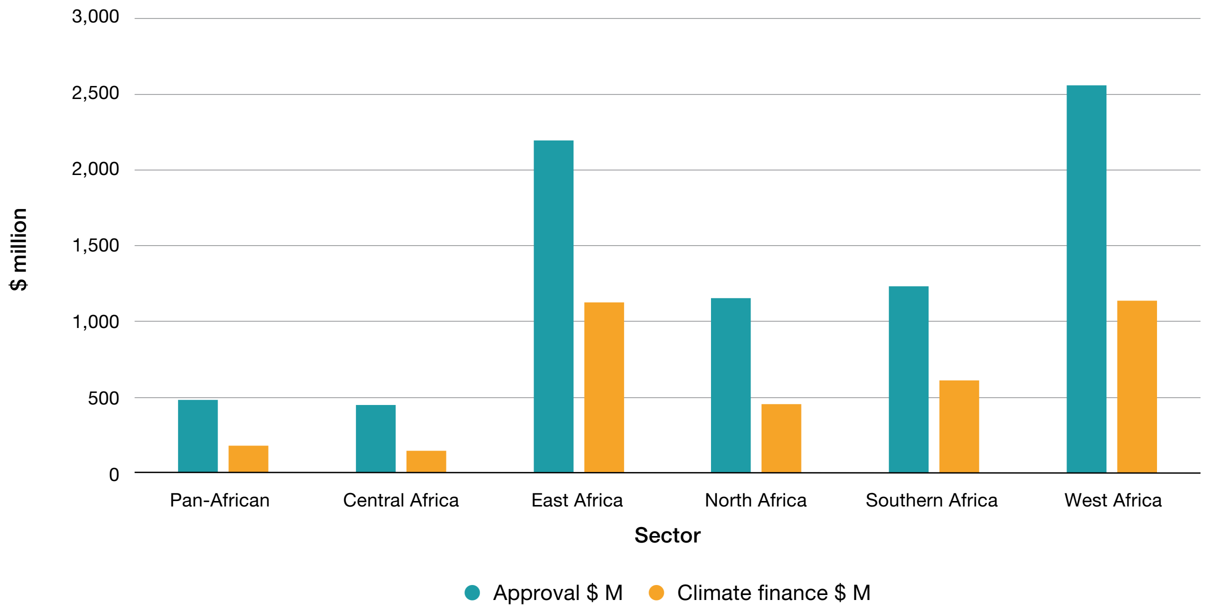
Key: ICT, information and communications technology; M&Q, mining and quarry; S&S, supply and sanitation.

The Bank's 2022 climate finance was channelled to all regional member countries and to multinational operations. Table 4 provides details of the total Bank's operation approvals, total climate finance and allocation to adaptation and mitigation finance, together with their relative proportions. In 2022, climate finance flow to West Africa and East Africa regions accounted for 62% of all climate finance approved in the year (Figure 5). West Africa accounted of the highest proportion (36%) of all adaptation finance, whereas East African region recorded the highest proportion (48%) of all mitigation finance from the Bank.

**Table 4. Total approvals and climate finance by type and region, 2022**

| Region | Approval $ M | Climate finance $ M | Adaptation $ M | Mitigation $ M | Climate finance | Adaptation | Mitigation | Share of climate finance | Share of approvals | Share of adaptation finance | Share of mitigation finance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pan-African** | 479 | 181 | 2 | 180 | 38% | 0% | 5% | 5% | 6% | 0% | 13% |
| **Central Africa** | 446 | 145 | 124 | 21 | 33% | 3% | 1% | 4% | 6% | 5% | 2% |
| **East Africa** | 2,196 | 1,128 | 482 | 646 | 51% | 13% | 18% | 31% | 27% | 21% | 48% |
| **North Africa** | 1,155 | 456 | 424 | 32 | 39% | 12% | 1% | 12% | 14% | 18% | 2% |
| **Southern Africa** | 1,235 | 609 | 449 | 159 | 49% | 12% | 4% | 17% | 15% | 20% | 12% |
| **West Africa** | 2,559 | 1,136 | 821 | 315 | 44% | 22% | 9% | 31% | 32% | 36% | 23% |
| **Grand total** | 8,069 | 3,655 | 2,302 | 1,353 | 45% | 63% | 37% | 100% | 100% | 100% | 100% |

**Figure 5. Approvals vs climate finance by region (2022)**




Box 3 showcases the potential of a Bank-funded multinational project in the transport sector to build resilience while reducing GHG emissions.

## Box 3. Project title: Multinational – EAC Railway Rehabilitation Support Project – Refurbishment of Kampala-Malaba Meter-Gauge-Railway

**Region: East Africa**

**Country: Republic of Uganda**

**Sector: Transport**

**Financing source: African Development Bank**

**Instrument: Loan**

**Approvals: $64 million**

**Climate finance: (100%) $64 million**

The project seeks to improve railway transport services along the Northern Corridor to reduce transportation costs and hence contribute to the enhancement of trade competitiveness for Uganda and the East African Community (EAC) region, especially the EAC landlocked countries (Burundi, eastern Democratic Republic of the Congo, Rwanda, and Sudan). The shift in modal transport from road to rail is also expected to reduce GHG emissions associated with vehicular combustion. The project has eight components: (i) railway track rehabilitation between Kampala and Malaba (border with Kenya), between Kampala and Port-Bell, and between Kampala and Nalukolongo; (ii) replenishment of rolling stock and marine vessels on Lake Victoria operated by the Uganda Railway Corporation; (iii) trade facilitation and support to institutional reforms; (iv) rail sector skills development; (v) climate change and resilience building; (vi) gender mainstreaming and social infrastructure; (vii) compensation and resettlement; and (viii) support to project management. These interventions will address the railway transport challenges faced in Uganda, including: old and degraded infrastructure, which makes trains very slow thereby discouraging potential customers; high levels of pollution resulting from vehicular combustion; aged and inadequate fleet of locomotives and wagons with high frequency of failures; and inadequate technical and managerial skills to effectively manage and operate railway transport.

The project will improve rail freight for cross-border trade along the Northern Corridor by increasing the market share of freight from 7% to 20% by 2030. The project aims at addressing the challenges highlighted above to improve railway infrastructure (both fixed and movable) and therefore railway transport services; contribute to short- and long-term skills development; and improve the institutional and regulatory environment to maximize performance of the railway sector. The expected outcomes of the project are improved rail sector governance; reduced transportation costs and hence enhanced industrial and trade competitiveness; reduction in GHG emissions attributed to transport; and reduction in traffic accidents on the Northern Corridor.

The project aligns with Uganda's Green Growth Development Strategy 2017/18 to 2030/31, which seeks to support a low-emission economic development pathway that integrates resource–use efficiency, climate resilience, disaster risk reduction, and optimal use of natural capital. Finally, the project aligns with the updated Nationally Determined Contributions which seek to rehabilitate the Meter Gauge Railway to enable freight transit, as part of its efforts to reduce GHG emissions and mitigate the impacts of climate change and climate proof infrastructure as part of its climate adaptation strategy. As rehabilitation of the Meter Gauge Railway will enable faster movement and increased volumes of food produce such as coffee, pulses, maize, and fish, this will reduce the risk of food waste through spoilage and contamination, thereby promoting food security as well as improving incomes and livelihoods of farmers and traders.

In addition to yielding adaptation benefits, tree planting activities will help sequester 27,958 $tCO_2e$ of emissions from the railway line over the project period. Avoided GHG emissions because of the shift in passenger traffic from road to railway transport are estimated at 10,028.7 $tCO_2e$ by 2032, while avoided emissions from the shift of cargo from road to rail transport are estimated at 149,229 $tCO_2e$ by 2032.

The Bank allocates its own core resources and mobilizes external finance for climate actions across the continent. The Bank core resources – namely, the ADB Public, ADF, and ADB Private Sector – contribute by far the largest proportion (86%) of the Bank's climate finance. ADB Public contributed 38%

of all climate finance, followed by ADF (33%) and ADB Private (15%) (Table 5, Figures 6 and 7).

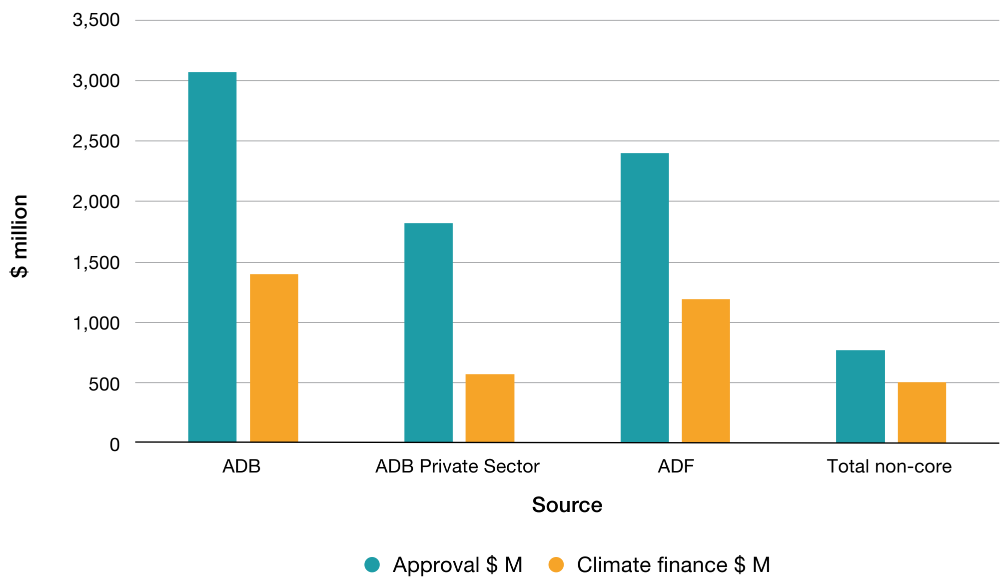
External resources are also a significant source of climate finance (see section 5). These external sources, which include international climate and environment finance and the Bank's internal trust funds, collectively contributed 14% of the Bank's climate finance in 2022. In 2022, the major external sources included: Africa Disaster Risks Financing Multi-Donor Trust Fund; Africa Growing Together Fund; African Water Facility; ClimDev-Africa Special Fund; EU Africa Investment Platform; European Commission – Boost Africa Program Global Agriculture and Food Security Program Trust Fund; Global Environment Facility; Green Climate Fund; Climate Investment Fund; Special Relief Fund; Sustainable Energy Fund for Africa; and Transition Support Facility.

**Table 5. Total approvals and climate finance by type and financing sources, 2022**

| Financing source | Approval $ M | Climate finance $ M | Proportion climate finance | Share of approvals | Share of climate finance |
|---|---|---|---|---|---|
| ADB | 3,078 | 1,398 | 45% | 38% | 38% |
| ADB Private Sector | 1,821 | 564 | 31% | 23% | 15% |
| ADF | 2,399 | 1,193 | 50% | 30% | 33% |
| Total core resource | 7,298 | 3,154 | 43% | 90% | 86% |
| Total non-core | 771 | 501 | 65% | 10% | 14% |
| Grand total | 8,069 | 3,655 | 45% | 100% | 100% |

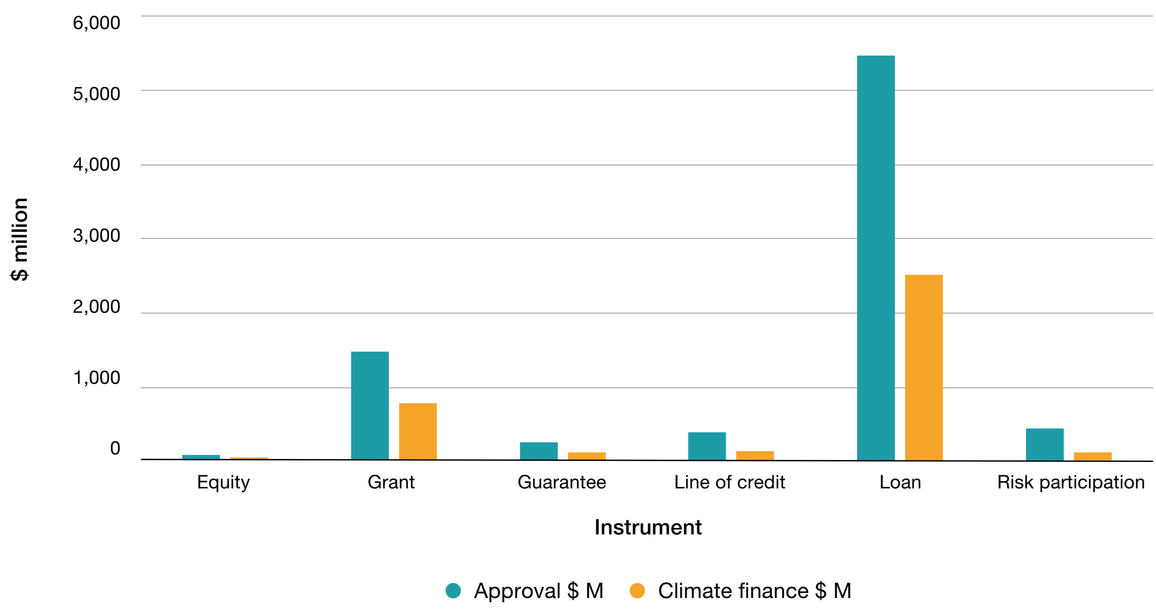
The Bank's climate finance is delivered through several instruments such as loans, grants, lines of credit, and guarantees. Loans and grants are by far the largest in the 2022 AfDB climate finance portfolio, accounting for 90% of all climate finance (see Figure 8). Loans alone accounted for 69%, while grants were 21% and the remaining instruments accounted for 10% of all climate finance. Table 5 provides details of the financing instruments, including total approvals, climate finance by volume and proportion, the share of the various instruments in the Bank's total climate finance, and their contribution to adaptation and mitigation finance.

**Figure 6. Approval vs climate finance by source (2022)**

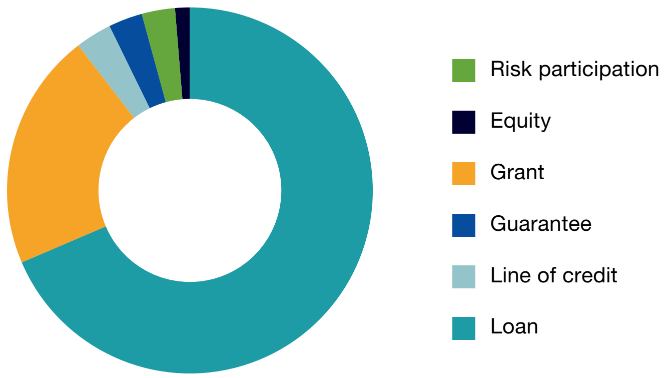



Key: ADB, African Development Bank; ADF, African Development Fund.

## Figure 7. Approval vs climate finance by instrument (2022)




## Figure 8. Climate finance by instrument, 2022




## Table 6. Approvals and climate finance by financing instrument, 2022

| Instrument | Approval $ M | Climate finance $ M | Adaptation $ M | Mitigation $ M | Climate finance | Adaptation | Mitigation | Share of climate finance | Share of approvals | Share of adaptation finance | Share of mitigation finance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity** | 66 | 48 | – | 48 | 72% | 0% | 100% | 1% | 1% | 0% | 4% |
| **Grant** | 1,477 | 771 | 559 | 212 | 52% | 73% | 27% | 21% | 18% | 24% | 16% |
| **Guarantee** | 245 | 110 | 107 | 3 | 45% | 97% | 3% | 3% | 3% | 5% | 0% |
| **Line of credit** | 385 | 117 | 69 | 47 | 30% | 59% | 41% | 3% | 5% | 3% | 4% |
| **Loan** | 5,469 | 2,503 | 1,522 | 981 | 46% | 61% | 39% | 68% | 68% | 66% | 73% |
| **Risk participation** | 427 | 107 | 46 | 62 | 25% | 43% | 57% | 3% | 5% | 2% | 5% |
| **Grand total** | 8,069 | 3,655 | 2,302 | 1,353 | 45% | 63% | 37% | 100% | 100% | 100% | 100% |

# Section 5

## Mobilizing external climate finance

In 2022, the Bank mobilized $429 million as seed funding for the Climate Action Window (CAW), as well as new and additional funding amounting to $340 million from bilateral and multilateral climate funds including the Green Climate Fund (GCF), the Global Environment Facility (GEF), and the Climate Investment Funds (CIF). The Bank committed (with Bank Board approval) $88.9 million of external funds mobilized in the previous years from GEF, CIF, and bilateral donors. In 2022, the team supported a total of seven regional member countries (RMCs) and one African region (Zambezi River Basin) to be selected for the CIF Nature, People and Climate (NPC) and Renewable Energy Integration (REI) programmes. In partnership with the Department of Agriculture and Agro-Industry and the Department of Renewable Energy and Energy Efficiency, the team supported the selected RMCs in the preparation of their Investment Plans.

During the reporting period, the Africa Climate Change Fund's (ACCF) lifetime was extended for an additional 5 years (2022–2027) by its donors. Its scope was expanded to address the goals of the Glasgow Climate Pact and the Fund approved $8.25 million for 12 new projects.

Under the GEF, the Bank supported and facilitated approvals of three regional projects and three country projects (Tanzania, Malawi, and Chad).

The Canada African Development Bank Climate Facility (CACF) moved towards full operationalization with the finalization of operational guidelines and construction of a pipeline of projects eligible to benefit from concessional resources under a blended finance approach.

Under the GCF, all six outstanding Funded Activity Agreements or amendments were signed and disbursement commenced on three projects (see portfolio list in section 5.4 for more details).

The Bank also established new special initiatives to enhance mobilization of external financial resources for climate action in RMC. These are: The African Green Banks Initiative to be supported by the African Green Financing Facilities Fund and the CIF-funded Just Transition Initiative. The Bank also continued strengthening and piloting the innovative Adaptation Benefit Mechanism, approved the first methodology, and progressed on the creation of the African Adaptation Benefits Fund.

The sections that follow give details of activities and funds mobilized from each of the external sources of climate finance.

## 5.1 Climate Investment Funds

The $11.1 billion CIF, the world's largest international climate fund, forges connections with communities most vulnerable to climate change and invests in large-scale, low-cost, long-term financing to advance climate action. Over a quarter of CIF funds are being implemented in Africa. As an implementing entity of the CIF, the Bank supported the development of 39 investment plans across 27 African countries with the objective of unlocking climate action. As of the end of December 2022, the Bank had approved a total of 34 projects for which it deployed $946 million in CIF resources and a total of $1,993 million of its own co-financing.

In 2022, CIF resources mobilization efforts yielded $29.5 million with the Bank's Board approval of Ghana Mini-Grid and Solar PV Net Metering project ($28.49 million) and technical preparatory studies for the implementation of a sustainable District Heating and Cooling system at the Bab Saadoun Medical Complex in Tunis ($1 million).

The Bank continued to support the development of investment plans for selected African countries as part of the operationalization of new CIF programmes, namely the Accelerating Coal Transition programme (ACT), the REI programme, and the NPC programme. This workstream led to the CIF committee approval of South Africa's ACT investment plan in October 2022. This comprehensive investment plan of over $2 billion, including $500 million of ACT resources and $175 million of Bank co-financing, will support South Africa in transitioning away from coal, tackling challenges linked to national strategies, people, and communities, as well as land and infrastructure. In addition, Mali received a $500,000 Investment Plan Preparation Grant to support readiness studies and stakeholder engagement as part of the development of an investment plan for the REI programme, which is expected to be approved by the CIF committee in June 2023.

During COP27 in November 2022, CIF announced the first set of recipient countries for NPC. The upstream support provided by the Bank to interested RMCs led to the selection of six African country programmes (Egypt, Ethiopia, Kenya, Namibia, Rwanda, and

Zambia) and one regional programme for Africa's Zambezi River Basin Region (covering Malawi, Mozambique, Namibia, Tanzania, and Zambia). Investment plans for these selected countries will be prepared and submitted for CIF committee endorsement by July 2024. Box 4 shows the outcomes and impacts of a CIF-financed project that was approved in 2012 and completed in 2022.

### Box 4. Baixo Limpopo Irrigation and Climate Resilience Project

**Background**

In 2012, the Bank approved the Baixo Limpopo Irrigation and Climate Resilience project in Mozambique. With field activities completed in 2022, the project aimed to contribute to poverty reduction by increasing value-added and providing climate-resilient infrastructure, increasing agricultural productivity by supporting the development 3,050 ha for cash crops, providing marketing and agro-processing facilities, and increasing the resilience of communities to cope with climate change-related events. The table below shows the funding breakdown of the project.

| Financing source | Amount ($) |
|---|---|
| CIF – Strategic Climate Fund | 15,750,000 |
| African Development Bank co-financing | 25,786,800 |
| Government | 2,308,800 |
| **Total** | **43,845,600** |

The project is consistent with the National Adaptation Programme of Action for Mozambique, which includes among its four priority adaptation actions the need for "strengthening capacity of agricultural producers to cope with climate change". This project was also critical to the development of the Agribusiness Special Economic Zone of the Limpopo Corridor, which is a part of the Government of Mozambique's strategy to boost the local economy and influence the country's economic growth. The area presents enormous opportunities for public–private partnerships involving the Government of Mozambique, smallholder farmer associations, and the private sector.

**Project design, activities, and related outputs**

During project implementation, sample achievements included the rehabilitation of 52 km of drainage network and 47.7 km of rural roads, the construction of an agro-processing centre, the 1,050 ha Magula irrigation block, the second outfall and additional drainage network, and a maternity centre. In addition, a research grant was provided through the project for a preliminary study and testing of climate-proof and resilient seeds. The project also supported the development of empowered and business-oriented farmer organizations and trained 133 agro-preneurs on marketing of agricultural produce.

**Expected outcomes and impacts**

The project supported the climate-proofing of rural roads and irrigation systems, localizing processing and storage facilities, and improving access to markets. The impacts of the drainage network and roads are now visible. For the 2021/22 season, the production of rice, maize, and vegetables in Agrarian Houses, where the channels were rehabilitated, covered a total of 8,650 ha, including 1,030 ha of rice and 7,620 ha of vegetables. As 16% of the rice produced in Mozambique comes from Lower Limpopo, this project is a demonstration of the power of sustainable development to uplift communities and reduce poverty.

**Description of project's biophysical and socio-economic context and beneficiaries**

Mozambique is a tropical wet/dry to subtropical country with some semi-arid climate zones located in the south and central west areas of the country. Despite the relatively low contribution of the agricultural sector to the country's gross domestic product (approximately 29%), agriculture, together with livestock, fisheries, and forestry, is an extremely important source of employment and livelihoods as it employs more than 80% of the labour force, predominantly as subsistence farmers. With limited infrastructure and reliance on rain-fed agriculture, farmers' livelihoods are negatively impacted by natural hazards such as droughts, cyclones, and floods. The frequency and intensity of climate-related shocks in Mozambique have intensified over the past four decades and it is projected that climate change will further increase these trends, in terms of both frequency and severity. The negative impact of these events is exacerbated by high levels of poverty and the Government's limited fiscal space to respond effectively to these shocks.

**Expected benefits and beneficiaries**

Direct project beneficiaries were 8,000 smallholder farm families and 210 emerging farmers in the Magula East Block (about 40,000 individual beneficiaries in total). The smallholder farm families each own a plot of 0.25–0.5 ha and, because of the poor drainage due to a dysfunctional system and frequent floods, have remained subsistence farmers. The project also provided employment, improved marketing, and supported value-adding activities. Moreover, the population of 115,752 people in Xai Xai district indirectly benefited from jobs created during the construction and operation phases, as well as the marketing and agro-processing centre.

**Challenges, opportunities, and lessons learned on adaptation/mitigation practices**

In term of opportunities, the development of the Agribusiness Special Economic Zone of the Limpopo Corridor will provide incentives for the transformation of the agroecological potential of the region and the viability of the infrastructural investments. The corridor holds enormous opportunities for public–private partnerships involving the Government of Mozambique, smallholder farmer associations, and the private sector.

**Potential next steps**

The Bank is committed to support this vision of the Government of Mozambique in the development of Agribusiness Special Economic Zones, which led to the inclusion of the financing for the development of the Agro-Processing Zone and Resilience Program of Limpopo Corridor in the Indicative Operational Program of 2024. A request was submitted to the African Development Fund (ADF) Project Preparation Facility to support the preparation of the project, including technical, institutional, social, economic, and environmental studies.

## 5.2 Global Environment Facility

During 2022, the Bank mobilized $40 million through projects targeting areas such as sustainable land management, aquaculture development, and watershed management, and water supply and sanitation. These projects are in addition to three projects currently at CEO endorsement stage and four proposals that are at different stages of preparation, some of which are expected to be approved during the next GEF Council in January 2024. Table 7 highlights the projects approved by GEF during the reporting period while Box 5 highlights some of the outcomes and value-added impacts of a multinational project co-financed by GEF, ADF, and the Nile Basin Initiative.

**Table 7. Projects approved by the Global Environment Facility (GEF) in 2022**

| Project title | CEO endorsement date | Grant amount mobilized from GEF, $ |
|---|---|---|
| Strengthening rural and urban resilience to climate change and variability by the provision of water supply and sanitation in Chad | 10 May 2022 | 8,700,000 |
| AFLDC-2 scaling-up investment and technology transfer to facilitate capacity strengthening and technical assistance for the implementation of Stockholm and Minamata conventions in African least developed countries | 3 Jun 2022 | 21,300,000 |
| Malawi-climate resilient and sustainable capture fisheries, aquaculture development and watershed management project | 9 Jun 2022 | 4,416,210 |
| Building resilience through sustainable land management and climate change adaptation in Dodoma | 13 Dec 2022 | 5,117,100 |
| **TOTAL** | | 39,533,310 |

### Box 5. Lakes Edward and Albert Integrated Fisheries and Water Resources Management

**County: Multinational**

**Region: Eastern Africa**

**Sector: Agriculture and agro-industry**

**Financing source: ADF, GEF, and Nile Basin Initiative**

**Instrument: Grant**

**Financing: UA16.76 million (loan of UA5 million to Uganda and grant of UA6 million to DRC; Grant of UA5,532 million from the GEF and in-kind contribution from NELSAP of UA0.228 million).**

The project's overall objective was to "sustainably increase the lakes' fish productivity by promoting good fish capture and management practice, restoration of the lakes catchments and improvement of water quality on the shared lakes' water resources". Communities around Lakes Edward and Albert were characterized by high rates of poverty compared to other parts of the Democratic Republic of the Congo and Uganda. These factors exacerbated the pressure on exploitation of natural resources including fish, water, and forestry resources in the Lakes' basin.

The project's main expected outcomes included: (i) improved fisheries resources management through increase in average catch per unit effort, reduction in the use of illegal fishing systems, and increase in catch of other fish species; and (ii) enhanced women's access to resource through increased resources allocated to women.

**Description of site and beneficiaries**

The project contributed to broad-based poverty alleviation and improvement of livelihoods of people by supporting sustainable management of shared natural resources of the basin, which many communities depend upon. The project had about 257,000 (53% women) direct beneficiaries, comprised of: (i) boat owners, crew members, fish processors, and traders involved in fishery-related enterprises from constructed landing sites; (ii) pilot fish cage farmers; (iii) communities given access to safe water and sanitation facilities; (iv) communities trained in fisheries and water resources management; and (v) communities given access to alternative livelihoods.

The project also had indirect beneficiaries who were not quantified, including: (i) national fisheries research agencies of Uganda and the Democratic Republic of the Congo, who were engaged to conduct the fisheries surveys; and (ii) enumerators for field frame and catch assessment surveys (selected from the landing sites).

**Project outcomes and impacts**

The project created an enabling environment for transboundary cooperation; strengthened the capacity of government institutions to promote environment-friendly interventions in the use of the lakes' resources; promoted alternative income opportunities and food security for men and women in the fishing community; helped to increase fish stocks to sustainable levels; greatly improved health, hygiene, and sanitation conditions at the fish landing sites and in fishing villages; improved water quality in the lakes and other water sources; and helped to conserve the catchments and wetlands, and their biodiversity.

The project also had major socio-economic impacts, which included household revenue improvement; maintenance of social cohesion; health improvement; and an increased proportion of households that are both food and nutritionally secure. The project also contributed to job creation for local communities in the lakes' regions. The project generated direct local employment opportunities for about 31,000 persons (45% women) through its interventions.

The project enhanced women's economic empowerment and increased the space for women's participation in decision-making processes. The project ensured the inclusion of women in the community-based catchment management organizations, catchment management committees, landing site management committees, etc.

**Lessons learned on adaptation practices**

The key lessons learned during implementation of the project included:

| Key issue | Lessons learned |
|---|---|
| **Transboundary/multinational projects require appropriate coordination** | The transboundary/multinational nature of the project can impede project progress if not effectively coordinated. The project therefore underscored the relevance of the Nile Basin Initiative as the regional body for transboundary cooperation by bringing together both states to develop and implement projects for the mutual benefit of their people and the region. |
| **Proper beneficiary assessment** | The assessment of beneficiaries (direct and indirect) is important to ensure that the right persons are targeted, and that the impact can be properly assessed. |
| **Adequacy of counterpart funding critical for project efficiency** | The non-availability of counterpart funds and/or inadequate release of the funds as planned is always a challenge. It is therefore proposed that for future Bank-financed projects, specific measures be defined and stipulated wherever feasible to ensure availability and adequacy of counterpart funds from the start of the project. |
| **Project sustainability strategies to be established during project design** | Project sustainability strategies need to be considered during project design and put in place during implementation to avoid an abrupt end to project activities after conclusion of the project. |

## 5.3 Africa Climate Change Fund

The ACCF is a multi-donor trust fund that supports the African Development Bank's target of tripling its climate financing and advancing Africa's climate resilience. The ACCF was established by the Bank in April 2014 with an initial contribution of €4.725 million from the Government of Germany to support African countries to build their resilience to the negative impacts of climate change and transition to sustainable low-carbon growth. ACCF was converted to a multi-donor trust fund in 2017 with contributions from the Governments of Flanders (Belgium) and Italy. Global Affairs Canada and the Government of Quebec joined the Fund in 2020. In 2022, the Fund welcomed three new donors, the Global Center on Adaptation (GCA), and the Governments of Ireland and Austria. The current value of the trust fund is $28.8 million.[5]

The ACCF solicits projects through competitive calls for proposals and a demand-driven window. Since its inception in 2014, the Fund's Governing Committees (i.e. technical and oversight committees) have approved 27 grants for a total of $16.43 million from its calls for proposals (three) and demand-driven window. The Fund has so far completed seven projects and cancelled one project.

### OVERVIEW OF 2022 ACHIEVEMENTS

During the reporting period, the ACCF's lifetime was extended for an additional 5 years (2022–2027) by its donors. ACCF's donors and the Bank's board of directors **approved amendment of the scope of the Fund** to ensure it remains responsive to the increasing needs on the continent, as well as to mobilize additional resources to support efforts of African countries to implement their climate actions in line with the Paris Agreement.

Further, the ACCF Secretariat **mobilized $9.3 million in new resources from four new donors** against **a target of $10 million** for the year. **From the GCA and the Governments of Ireland and Austria, the Fund mobilized €4 million (about $4.3 million)** to support climate adaptation, climate finance mobilization, the preparation and/or strengthening of NDCs, and long-term low-GHG emission development strategies (LTS) in African countries. Additionally, the **US Government pledged about $5 million[6] to support a call for proposals on methane abatement**.

At the project level, a commitment of **$8.25 million was approved for 12 new projects**. These ACCF grants are supporting over 27 African countries via country and multinational projects to strengthen their capacities to access international climate finance, revise their NDCs, develop LTS, and implement small-scale adaptation projects to enhance resilience to the impacts of climate change while promoting gender equality.

5 Includes about CAD 3.6 million pledged by Global Affairs Canada, which was yet to be disbursed to the ACCF as of 31 December 2022.

6 Expected to be disbursed to the ACCF in September 2023.

## 5.4 Green Climate Fund

The GCF was established in 2010 by the parties to the United Nations Framework Convention on Climate Change (UNFCCC) as the Financial Mechanism of the UNFCCC. The GCF is accountable to and functions under the guidance of the Conference of the Parties (COP). The Bank was accredited by the GCF on 9 March 2016, at the highest level of funding activity size – 'large' – and is eligible to seek funding of amounts greater than $250 million for projects with the highest category of environment and social impact risk (Category A/I-1). The Accreditation Master Agreement was signed in November 2017 and became effective in November 2019. The Bank in its portfolio has a pipeline of eight approved funding proposals[7] and in its pipeline a number of concept notes at different milestones to be presented to the GCF Board meetings in 2022 and 2023. The total GCF financing raised to date is $517.99 million with co-financing from the Bank amounting to $704.65 million, giving a total Bank–GCF project portfolio of $1.22 billion.

**In 2022, the GCF Coordination Team was able to achieve the following.**

- Regarding the readiness programme, in which the Bank serves as a delivery partner, the Bank was able to showcase its strength as a convening power and its commitment to advancing climate ambition for Africa by coordinating and engaging other institutional entities to serve the delivery partner. The Bank transferred the delivery partner function to the Global Green Growth Institute and the International Union for Conservation of Nature for GCF readiness programmes. This change was due to certain statutory requirements by GCF that were not in line with internal Bank procedures.

- The Bank convened a high-level meeting between the President of the Bank, Dr Akinwumi Adesina, and the then Executive Director of the GCF, Mr Yannick Glemarec. The overall aim was to discuss the progress of the partnership between the GCF and the Bank. Other issues discussed were the bottlenecks encountered in the portfolio of Bank projects under implementation, strategic partnership on climate finance, and the way forward for the Bank's pipeline projects. The success of the meeting was the resolution to ensure internal processes and procedures between GCF and the Bank align to support successful disbursement and implementation of lagging projects and approved funding.

- The Bank undertook the GCF mid-term review as part of the accredited entities review by the independent accreditation panel. The Secretariat was impressed by the Bank's meeting of the relevant GCF accreditation standards in the context of its accreditation scope.

- The Bank was selected by the GCF to take part in its second performance review. The review was undertaken by the Independent Evaluation Unit Secretariat of GCF. The review informed the second performance review of the GCF, in a manner appropriate to the current stage of GCF operations, while recognizing that GCF will be a continuously learning institution guided by processes of monitoring and evaluation. The performance review is intended to inform, among other things, of the update of the Strategic Plan for the GCF-2 programming period.

- The GCF Coordination Team was able to hold the 'Africa Direct Access Entities, Technical Workshop on improving Climate Information and Analysis for the Green Climate Fund proposals in Africa direct access entity (DAE) Engagement'. This was an initiative in collaboration with the World Meteorological Organization and the GCA to provide GCF-accredited entities with information and technical support to improve the robustness of the climate science basis of funding proposals. A 2-day technical workshop marking the inception of the initiative was held on 6 and 7 December 2022 to bring together several DAEs that are currently experiencing difficulties using climate data to develop compelling climate rationale and climate assessment to comply with the GCF requirements.

7 https://www.greenclimate.fund/ae/afdb#projects

### *GCF PORTFOLIO*

In 2022, **six** GCF approved projects have had their Funded Activity Agreement (FAA) approved and **three** received their first disbursements.

- **Programme for integrated development and adaptation to climate change in the Niger Basin** (PIDACC/NB) – This project received a first disbursement of $20,211,450 on 15 August 2022, just after its FAA became effective on 18 July 2022. Extreme climate shocks (severe droughts, floods) have destroyed hundreds of thousands of acres of farmland and pushed households in the Niger Basin into poverty. PIDACC/NB aims to contribute to improving the resilience of populations and ecosystems through sustainable management of natural resources by reducing the silting process of the Niger River, enhancing the adaptability of populations to climate change, improving natural resource management and integrated ecosystem management, protecting biodiversity, and restoring soil fertility. The improved resilience will potentially benefit **4 million people directly and 10 million indirectly (around 50% female)** with an estimated 500,000 people (50% women) reached by climate-related early warning systems and REDD+ (Reducing emissions from deforestation and forest degradation in developing countries) development of **40,000 ha of forests**. The expected carbon reduction is **7 $MtCO_2e$**.

- **Democratic Republic of the Congo Green Mini-Grid Program** – This project became effective on 11 August 2022. It will benefit from a grant of $1 million from the Sustainable Energy Fund for Africa (SEFA) and $1 million GCF Technical Assistance, which will support the development of an enabling framework and stakeholders' capacity for green mini-grid development and management in the Democratic Republic of the Congo. The Democratic Republic of the Congo is the second biggest and fourth most populated country in Africa, yet has one of the lowest rates of electrification in the world. Only approximately 10% of the population has access to electricity, 35% in urban areas (44% in Kinshasa) and less than 1% in rural areas. The overall objective of the Programme is to support the development of solar green mini-grid pilot projects with battery storage, aggregating to a capacity of about 30 MW equivalent in three towns (Isiro, Bumba, and Gemena) and to strengthen the enabling regulatory environment for private investment in green mini-grid projects. This pilot programme targets at least **150,000 people** (21,200 households and 2,100 small and medium-sized enterprises) to be connected with a 24-hours-a-day service that will represent a lifetime avoidance of **560,000 $tCO_2e$**.

- **Program on Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices** – This **$20 million** funding was approved by the GCF to provide financing to Ghanaian women entrepreneurs in agriculture and climate-smart activities along the agricultural value chain in the most vulnerable agroecological zone of Ghana. While a $13.5 million line of credit will help provide long-term and affordable loans to women-led cooperatives, a $1.5 million Technical Assistance (TA) will help train women-led farm-based associations, micro-, small, and medium-sized enterprises (MSMEs), and Ecobank Ghana (EGH) staff on climate and gender finance and strengthen EGH's reporting tools. A $5.25 million grant will help the most **vulnerable women-led farm-based associations (400)** to acquire climate technology equipment to improve their efficiency. EGH will contribute $5 million as its co-financing to the programme and the climate impact of the project is the reduction of **4.2 $MtCO_2e$**. The project became effective on 14 March 2022 and the Bank received the first disbursement from GCF of $4,237,475 on 6 September 2022.

- The **Enhancing Climate Information Systems for Resilient Development in Liberia** project reached its FAA Effectiveness on 14 March 2022 and received its first disbursement of $4,359,847 on 9 November 2022. Approved through the GCF Simple Approval Process, this project has leveraged $1.431 million initial Bank and Government of Liberia funding to an additional **$10 million GCF funding**. Liberia is one of the poorest and more indebted countries in the world and one of the most vulnerable to the impacts of climate change. It lacks adequate meteorological and hydrological infrastructure to help vulnerable communities adapt to climate-related risks and impacts. The project will establish a national Multi-Hazard Impact-Based Forecasting and Early Warning System for collecting weather and climate data, which will inform climate-resilient development and reduce the exposure of Liberia's communities, livelihoods, and infrastructure to climate-induced natural hazards. The project has the potential to ensure a 100% reach in national coverage for observational networks, thus indirectly benefiting the population of Liberia, estimated at **7.7 million people** in 2040 with **2,312,400** direct beneficiaries (47.6% female and 52.4% male). It also includes a strong focus on community engagement through a 'Last Mile' communication solution in partnership with the Liberian Red Cross and Red Crescent, to elevate understanding of climate risks, and achieve sustainable change in behaviour among local communities.

- The **Leveraging Energy Access Finance** (LEAF) Framework covers six countries: Ethiopia, Ghana, Guinea, Kenya, Nigeria, and Tunisia. The project's FAA became effective on 14 March 2022. LEAF is a $959.9 million programme, including **$170 million** of GCF co-financing, with the overarching objective to unlock local currency debt and overcome market barriers to support the growth of distributed renewable energy (DRE) projects and companies in the targeted countries and the entire continent. LEAF is expected to catalyse a minimum of $267 million in local currency financing from local financial institutions for DRE, and to mitigate **28.8 $MtCO_2e$**.

- **Desert to Power G5 Sahel Facility:** This is a $966.7 million programme benefiting from **$150 million** co-financing by the GCF. Its FAA became effective on 2 March 2022. This initiative, which was launched by the Heads of State of five Sahelian countries (Burkina Faso, Chad, Mali, Mauritania, and Niger) and hosted by the Bank, is intended to address the barriers that hinder Sahel countries from adopting an inclusive low-emission power generation pathway, by seizing the abundant solar potential of the region. The Facility will facilitate project funding in grid infrastructure, solar PV integration, and additional solar generation capacity of 500 MW in the target countries and benefit around 3.5 million people. The expected mitigation impact is of **14.4 $MtCO_2e$**.

### *PIPELINE DEVELOPMENT*

In terms of the pipeline development for the GCF, major strides were achieved for the following projects.

1. Staples Crop Processing Zone (SCPZ) Programme (Togo, Guinea, and Senegal): Major consultations were conducted in the countries to help address the comments from the GCF Independent Technical Advisory Panel. Strengthened climate rationale was developed based on information collected in the three countries and the project is now programmed for endorsement in 2023 with a GCF contribution of $103 million. The SCPZ programme is specifically designed to help rationalize interventions in the agriculture sector of the targeted countries towards activities that contribute to emission reduction from agricultural activities and improve resilience of agroecosystems, agricultural assets, and beneficiaries. The programme aims to reduce climate-change vulnerability and GHG emissions within the agricultural value chains and this model of promoting climate resilient agricultural development will pave the way for similar initiatives on the continent.

2. The Funding Proposal for the Rwanda Green Investment Facility (RGIF) was further consolidated following feedback from the GCF, and approval is expected in 2023 for a total of $42 million from the GCF. The RGIF will support Rwanda's ambitious goal of mobilizing $11 billion in climate finance as part of its NDC. It will catalyse private investments in low-carbon markets, with a unique and specific focus on project preparation assistance and project finance. This innovative climate finance initiative will be a flagship model of mobilization of climate finance for the African continent.

3. Under the GCF Simplified Approval Process window, the **Enhancing Climate Information Systems for Resilient Development in Sierra Leone project**, with a financial envelop of $21 million in grants, was prepared as part of the Freetown Water, Sanitation and Hygiene (WASH) and Aquatic Environment Revamping Program. The sub-programme was consolidated and programmed for submission in 2023 for $15 million from the GCF. The project will reduce the exposure of Sierra Leone's communities, livelihoods, and infrastructure to climate-induced natural hazards through a well-functioning national Multi-Hazard Impact-Based Forecasting and Early Warning and Action System. Having these in place will lead to transformative change in climate risk reduction and management in Sierra Leone.

4. The development of the concept note for the **Green Mobility Facility for Africa** (GMFA) took major steps forward in 2022. The GMFA is a $685 million catalytic financing programme designed to accelerate and expand private sector

investments in sustainable mobility solutions through the provision of technical assistance, concessional finance, and credit enhancement instruments to improve the commercial and economic viability of green mobility projects and crowd-in commercial investment from regional and local financial institutions. The GMFA covers all relevant forms of urban low-emission transport technologies that will cover electric mobility (e-bus, e-bikes); the Bank will finance compressed natural gas buses.

5. A concept note for additional funding for the **Program to Build Resilience for Food and Nutrition Security in the Horn of Africa (BREFONS)** was endorsed by the GCF for a full funding proposal in 2022. Thereafter, the BREFONS funding proposal and relevant attachments were developed and submitted to the GCF Secretariat on 28 May 2023 for review and processing for the 37th Board Meeting. The programme is estimated at $334.39 million ($183.49 million from ADF and $150.9 million from GCF) and will help mainstream climate change and variability considerations in Djibouti, Ethiopia, Kenya, Somalia, and South Sudan. The expected outcomes of the programme include: (i) construction/rehabilitation of 431 pieces of water mobilization infrastructure; (ii) full operationalization of three cross-border memorandums of understanding to better control transboundary animal diseases and zoonoses in border areas; (iii) establishment of three cross-border veterinary laboratories to facilitate cost-effectiveness analysis of integrated pest management technologies to target fall armyworm, arboviruses in transhumant cattle, and locust invasion; (iv) 410,000 ha of degraded agro-pastoral rangeland/pastureland placed under sustainable land management practices; (v) 1.2 million smallholder farmers, herders, and communities provided with access to digital and non-digital climate-resilient innovations and technologies; (vi) adoption of climate risk finance and insurance that directly benefits over 1.6 million farmers and pastoralists; and (vii) strengthened operational capacity for resilience building to climate change at the community, national, and regional levels.

6. The Programme to **Strengthen Agriculture and Forest Value Chains for Climate Resilience and Reduce Deforestation in Congo and the Democratic Republic of the Congo** was also endorsed by the GCF for development into a funding proposal. A total of $232.80 million, including $60 million co-financing from the GCF, is needed to promote resilient and sustainable agriculture and forest value chains through innovative financing mechanisms such as risk-sharing facilities, credit lines, and simple co-financing with selected intermediary financial institutions (commercial banks and microfinance institutions), which will be used for administering the programme sub-loan activities. Also, the programme has provision for sub-grant activities that will be directly administered to end users by the accredited entity (African Development Bank). It is expected that these measures will help in the transformation towards resilient and low-emission agriculture and forest value chains in the Congo Basin. This is consistent with the respective NDC commitments, National Adaptation Programmes of Action (NAPA) and Green Growth Strategies of Democratic Republic of the Congo and the Republic of the Congo.

## 5.5 Canada-African Development Bank Climate Fund

The Canada-African Development Bank Climate Fund (CACF) is a transformative special fund aimed at providing concessional loans to climate change-related projects with a strong gender-responsive component. The CACF was established in March 2021 with a contribution of CAD132 million from the Government of Canada. The CACF focuses on climate adaptation and climate mitigation projects with a particular interest in the empowerment of women and girls in Africa. The CACF includes an Investment Facility to deploy concessional loans to both private and public sector projects, and a Technical Assistance Facility that seeks to address the mainstreaming of gender equality principles throughout the various phases of the project cycle and the increased coordination requirements and reporting obligations related to climate change projects.

During 2022, the CACF moved towards full operationalization with the finalization of operational guidelines and construction of a pipeline of projects eligible to benefit from concessional resources under a blended finance approach. As of 31 December 2022, however, the CACF had not yet obtained any project approval.

## 5.6 Green Banks and National Climate Change Funds

One of the prevalent issues in tackling climate change in Africa is insufficient funding. According to the Climate Policy Institute's 2022 evaluation, Africa's NDCs require $2.8 trillion, but only $264 billion has been committed by African countries as domestic public resources. This leaves a massive gap that necessitates significant private sector and international public financing.

A joint report by CIF and the African Development Bank presented at COP26 identified the main impediments to climate financing in Africa as **the lack of tailored investments for country-specific conditions, limited capacity of local financial institutions, and insufficient trust from private investors**. The report also indicated that the Green Bank model could help African countries to access and mobilize climate financing, particularly from private sources. The Green Bank model, which originated in the United Kingdom and the USA, has since spread to other parts of the world, including Asia and South America. Some African institutions, such as the Development Bank of Southern Africa and Rwanda Green Investment Facility, have established their own Green Finance Facilities.

To accelerate the development of Green Banks throughout the continent, the **African Development Bank partnered with CIF and European Asset Manager AMUNDI** to launch the **African Green Banks Initiative at COP27** in Sharm-El-Sheikh in 2022. Through a blended finance approach, the African Green Banks Initiative aims to establish a network of local Green Finance Facilities throughout Africa and provide support for their investments. By doing so, the initiative seeks to increase the amount of climate finance available to help implement African NDCs and promote sustainable growth across the continent. Moreover, the African Green Banks Initiative offers a unique opportunity to provide technical assistance to governments and financial institutions, helping them to create and capitalize their green investments vehicle. The African Green Bank Initiative is the key cornerstone to mainstream local Green Finance Facilities and **address** in a short timeframe Africa's urgent and at-scale climate finance needs.

## 5.7 Green Bonds

The Green Bond programmes of the Bank, established in 2013, fall within the Bank's Ten-Year Strategy objectives of supporting African countries to transition to a green and inclusive growth pathway. These programmes support Africa's drive towards sustainable development, especially within the context of climate change, which poses serious threats to the continent's economic and social progress. The Bank's Green Bond Frameworks are aligned to the International Capital Market Association Green Bond Principles. Within this framework, the proceeds of the Bank's green bonds are used to finance eligible green projects that have been carefully selected and evaluated by the Bank's Treasury Department in collaboration with the operations teams and the Climate Change and Green Growth Department.

The Bank continues to ensure its Green Bond programmes meet best market practices and respond to environment, sustainability, and governance investor requirements as well as the need for transparency. The Bank has been a member of the Green Bond Principles Executive Committee since 2019, taking part in discussions related to processes that fundamentally shape the development of green bond markets. Proceeds from the Bank's green bonds are used to finance eligible projects that have significant environmental benefits and that can be qualified in full as either promoting low-carbon (mitigation projects leading to significant GHG emission reduction) or climate-resilient development (adaptation projects reducing vulnerability of human or natural systems to climate change by maintaining or increasing adaptive capacity and resilience).

## 5.8 Climate Action Window

The CAW was established at the African Development Fund's (ADF's) 16th Replenishment meeting to address the impact of climate change on low-income regional member countries of the Bank. The Window will allow all 37 ADF countries to enhance their access to climate finance beyond the Bank's existing efforts to allocate 40% of its resources as climate finance. By combining financial support with technical assistance and a strong focus on leverage, the Window intends to become the leading source of climate finance, catalysing transformative climate action projects in Africa. The CAW aims to provide quick access to climate finance, mobilize co-financing resources, and prioritize vulnerable communities and fragile and conflict affected situations. This will help to fill the financing gap currently faced by ADF countries, enabling them to implement their Paris Agreement commitments and increase their readiness to access international finance.

So far, the Window has mobilized $429 million as seed funding from four donors: the United Kingdom, the Netherlands, Germany, and Switzerland.

# Section 6

## Progress on strategic programmes and special initiatives

The office of the Director of Climate Change and Green Growth coordinates all activities of the Bank on climate change and green growth and interfaces with the Bank's management and other operational departments. The office also hosts and oversees several special Bank initiatives on climate change and green growth. These include the Climate for Development Special Fund for Africa (CDSF), the Africa Adaptation Acceleration Program (AAAP), the Africa NDC Hub, the African Financial Alliance on Climate Change (AFAC), Africa Circular Economy Facility (ACEF), and the Africa Circular Economy Alliance (ACEA). These strategic programmes and initiatives realized several achievements and milestones in 2022.

## 6.1 Climate for Development Special Fund for Africa

The CDSF achieved important operational results and resource mobilization in 2022 that significantly contributed to ensuring the use of weather and climate information for sustainable development, disaster risk reduction, and adaptation, especially for the most vulnerable communities. The Fund also increased its partnership visibility and pushed the climate information services agenda forward. Key achievements for 2022 are summarized below.

### *PROJECT ACHIEVEMENTS*

During 2022, CDSF started to close many of the projects that were financed in 12 countries and four regional climate centres, located at Niamey, Niger; Douala, Cameroon; Nairobi, Kenya; and Gaborone, Botswana. The climate centres serve an additional 27 countries in Africa. Four projects in Mali, Côte d'Ivoire, Senegal, and Ghana that benefited from CDSF funding to enhance their capacity to deliver climate information and weather early warning services are now closed and the final reports are in progress.

This means the Fund has administered support to more than half of African countries in its first phase alone. The grants helped to strengthen data capacities, addressed weaknesses in the delivery of climate and weather services, contributed to reducing loss and damage from extreme weather events, and supported disaster risk and contingency planning to mitigate climate-induced public expenditure displacement in Africa.

Some of the achievements include:

1. Launch of the Intergovernmental Authority on Development (IGAD) Climate Prediction and Applications Centre (ICPAC) Headquarters at Ngong, in Nairobi, Kenya. The Centre is now equipped with new facilities that will enhance its capacity to serve countries in the IGAD region by improving climate predictions and strengthening the forecasting capacity of member states.

2. The four regional climate centres are now well equipped with supercomputers to gather high-resolution satellite data to improve weather forecasts. These forecasts are being used by various sectors, including agriculture, water, disaster risk management, conflict, and health, as well as communities for contingency planning and resilience building.

3. Commissioning four regional antennae managed by the African Centre of Meteorological Application for Development (ACMAD) in South Africa, Gabon, Kenya and Niger that will now give the Africa coverage from low polar orbiting European Organization for the Exploitation of Meteorological Satellites (EUMETSAT) satellites. These meteorological satellites will for the first time deliver observation data for numerical weather prediction, allowing Africa's regional climate centers to be at the cutting edge in supporting countries with modelling capacities for extreme weather events such as droughts and cyclones.

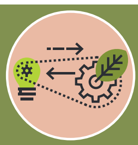
4. Completed the skills development initiative under the Severe Weather Forecasting programme, in which over 700 experts from national meteorological institutions and disaster risk reduction agencies were trained on improved weather prediction and dissemination tools.

**Resource mobilization:** In 2022, the Fund, in partnership with other Bank departments, and national and international partners, conducted resource mobilization initiatives to secure funding and human resources directly for CDSF programming, leveraging for the continued and increased allocation of resources for programmes on the whole of the Climate Information Services value chain. In 2022, the CDSF mobilized $5.6 million from International Fund for Agricultural Development (IFAD) and GCF. Under the Systematic Observations Financing Facility (SOFF), the Fund supported five countries – South Sudan, Liberia, Madagascar, Democratic Republic of the Congo, and Burkina Faso – to secure readiness grants for preparation of funding requests to invest in modernizing weather observation infrastructure.

## 6.2 Africa NDC Hub

The Africa NDC Hub, established during Africa Day at COP23, Bonn, in November 2017, has since served as a vital platform for the Bank to foster partnerships and support the enabling environment for climate change action on the continent. The African Development Bank channels resources through the NDC Hub to effectively boost support to African countries for the development and financing of their NDC revision/updates, design of NDC investment plans, and development of their long-term low-carbon and climate-resilient development strategies (LTS). Currently, 21 partner organizations collaborate within the Hub to coordinate the delivery of NDC support interventions.

**The Africa NDC Hub has a 5-year (2021–2025)** work programme which aligns with the four pillars of the Bank's 2021–2030 Green Growth and Climate Change Strategic Framework (**Mitigation, Adaptation, Finance, Enabling Environment**). These aim to deliver on the **three Pillars** of the Hub:

|  Fostering long-term climate action |  Mobilizing means for implementation |  Coordination advocacy and partnerships |
|---|---|---|
| Technical assistance to develop long-term low-carbon climate resilience emission development strategies (LT-LEDS), NDC revisions, NDC investment plans, etc. | Technical assistance to enhance RMCs access to climate finance | Leveraging partnerships to deliver faster and efficiently |

**Implementation of ongoing NDC Hub projects**
NDC Technical Assistance: The NDC Hub continued the implementation of the Africa Climate Change Fund (ACCF)-supported ($936,272) project on developing a concept note and project proposal for climate finance mobilization towards supporting NDC implementation in four African countries: Cameroon, Namibia, Uganda, and São Tomé and Príncipe. The project was successful in achieving its objectives, which included enhancing the capacity of these countries to implement their NDCs, improving access to climate finance, and promoting private sector engagement.

**Resource mobilization**
The NDC Hub mobilized €1 million from the Government of Austria to support NDC implementation, development of NDC investment plans, and LTS activities in Burkina Faso, Ethiopia, Mozambique, and Uganda through the ACCF.

**Support for long-term low-carbon climate resilience development strategy (LTS)**
In 2022, the Africa NDC Hub received approval for a funding proposal for the design of Long-Term Vision for four countries: Gabon, Botswana, Lesotho, and Liberia.

The NDC Hub Secretariat had prepared a proposal to provide technical assistance on development of NDC investment plans and long-term strategies to at least 40 regional member countries in the period 2022–2025. In the proposed project, 19 countries will be supported with their NDC investment plans while 21 countries will be supported with the development of their LTS. The combined budget is $20.880 million. These resources for technical assistance will be raised through submission of a concept note and proposal to the Technical Assistance sub-window of the CAW.

**Capacity building and knowledge management**
The Africa NDC Hub partners published a policy brief for COP27 titled 'Doubling Down on Delivering Africa's Climate Action Priorities – Policy recommendations from the Africa NDC Hub', which highlighted key policy recommendations for advancing NDC implementation in Africa: to support inclusive climate change strategy, planning, and monitoring; to promote innovative, adapted, and sustainable finance; and to strengthen regional programmes, governance, and coordination.

**Advocacy and partnerships**
The Africa NDC Hub actively engaged in regional and international fora in 2022. The Hub hosted a successful side event at the 2022 Africa Climate Week in Gabon, Libreville, which focused on enabling faster and efficient NDC support through advocacy and partnerships.

The Africa NDC Hub also participated in COP27 in Sharm El Sheikh, Egypt, where it organized a side event to highlight the challenges and opportunities for African countries in implementing their NDCs and to convey a message of urgency on delivering climate action. The session included a dialogue among NDC Hub partners and country representatives on concrete actions and institutional support required to green Africa's economic development. Through these events, the Africa NDC Hub was able to raise awareness about the importance of NDC implementation in Africa and strengthened partnership for climate action.

Despite its success, the Africa NDC Hub's reach is constrained by limited funds dedicated to NDC Technical Assistance. Additional resources will enable the Bank to assist more regional member countries in the development of NDC investment plans, mobilize green finance at scale, and develop long-term strategies to achieve net-zero emissions by 2050. As most African countries have already updated their NDCs, the focus now shifts to implementing their ambitious and rigorous targets through the development of sectoral NDC roadmaps and prioritized climate actions. These efforts will lay the groundwork for future NDC revisions.

## 6.3 African Financial Alliance on Climate Change

AFAC is a pan-African alliance of Africa's key financial institutions and commercial and development banks; it mobilizes private capital to support continent-wide low-carbon and climate-resilient development. Since its establishment by the Bank in 2018, AFAC has operated as an advocacy platform for African financial institutions in the global climate discourse. Following the COVID-19 pandemic, the war in Ukraine, and multiple climate shocks, it became necessary to revamp and refocus its activities in line with its members' needs.

During the year, AFAC secured a grant funding of $1 million to support the restructuring and implementation of its activities. It conducted stakeholder consultations with 21 stakeholder institutions. Regarding advocacy, AFAC also convened high-level awareness-building events at COP27 and the Africa Investment Forum. AFAC conducted a stakeholder consultation for its forthcoming vision and strategy 2023–2027 during COP27, which prioritized mobilizing capital and tools to meet the Paris Agreement goal. The consultation drew together representatives of the African Development Bank, the Global Centre on Adaptation, financial institutions, and country representatives.

In the 2023 financial year, AFAC stakeholders will finalize and endorse the new strategy and restructured governance framework. This launch of the new strategy will occur alongside the scale-up of capacity building and technical assistance initiatives in collaboration with institutional implementing partners, including FSD Africa, UN Environment Programme Finance Initiative, Glasgow Financial Alliance for Net Zero, and The London Stock Exchange Group. Going forward, AFAC envisions even bolder steps to raise climate finance by influencing the Bank's investment portfolio in the medium to long term.

## 6.4 The Africa Circular Economy Facility

Africa is considered the next frontier for global production given its abundant unexploited natural resources, especially in energy and agriculture. Consumer spending is expected to reach $1.4 trillion by 2020 and triple to $2.1 trillion by 2025. By 2030, demand for food in urban areas will triple to $1 trillion. In addition, 2 billion people will need food and clothing by 2030, not counting the other goods that we should be making, processing, and exporting by then. All this calls for a shift in the production model from the linear 'extract–use–dispose' model to a circular 'use–reuse–repurpose' one to minimize resource waste. Fostering the circular economy as a development strategy will enable African countries to grow their economies without exceeding the planetary boundaries.

ACEF is a multi-donor trust fund of the African Development Bank with the objective of laying the foundation for the adoption of the circular economy model in Africa. It is currently funded by the Ministry of Foreign Affairs of Finland and the Nordic Development Fund. It was approved by the Board of Directors on 30 March 2022 and officially launched at the Bank's Annual Meeting in May 2022 with an initial capitalization of €4 million.

ACEF provides grant financing for projects on both the continental and national levels through a three-pronged approach.

- Institutional capacity building for the creation of enabling environments necessary for the circular transition.
- Private sector support through business skills development programme for start-ups and MSMEs in the circular economy.

- Integration of circular economy by strengthening the ACEA.

ACEF is in line with the African Development Bank Group Ten-Year Strategy (2023–2032) aimed at accelerating Africa's inclusive, green, and resilient growth and development. It is also consistent with the different countries' low-emissions development pathways and compatible with the overall climate change mitigation objectives of the Paris Agreement. It is therefore providing a unique opportunity for many African countries to rebuild green and bounce back stronger. Figure 9 illustrates the achievements of ACEF in 2022, geared around advocacy and support for the ACEA secretariat, knowledge sharing, and support to the World Circular Economy Forum, a global event held for the first time in its history on the African continent that highlighted Africa's ambition and action towards a circular economy.

The trust fund is currently mobilizing resources to scale its activities with the aim to accelerate actions towards a circular economy across the African continent. Additional areas of support for the scaled financing and pipeline development include:

- Support governments in implementing projects in line with the national circular economy roadmaps

- Scale up support to circular start-ups based on the lessons learned implementing the initial ACEF Business Development Programme

- Develop and deploy financial instruments for growth stage financing for small and medium-sized enterprises (SMEs) with circular business models or operating in circular value chains

- Develop and deploy financial instruments to support circular transition within industries and large enterprises.

The idea for ACEA was conceived at the World Economic Forum on Africa in Rwanda in 2016. ACEA was conceived as a platform for African countries to spur the transition to a circular economy that delivers economic development, decent jobs, and positive environmental outcomes. The Alliance was launched during COP23 by the Governments of South Africa, Nigeria and Rwanda. The founding members currently serve as co-chairs of the Alliance. In 2022, the Alliance grew with Morocco, Senegal, and Cameroon joining as members. Other member countries of the Alliance include Ghana, Côte d'Ivoire, Benin, Burkina Faso, and Sudan.

The Alliance is supported by strategic partners. Three new strategic partners were acquired in 2022: the Prevent Waste Alliance, the Global Green Growth Institute, and the Ellen MacArthur Foundation.

ACEA's objectives include sharing best practices for the creation of legal and regulatory frameworks; building partnerships, financing and creating circular economy projects; advocating for and raising awareness of the circular economy at national, regional, and global levels, and developing or supporting new projects and partnerships within individual or multiple countries. In 2022, the five ACEA thematic working groups along the '5 Big Bets' (food systems, built environment, textiles, plastics and packaging, and electronics) were operationalized to support the sector/value chain-specific policy work, each headed by a member government.

The highlight of 2022 for ACEA was co-hosting the World Circular Economy Forum 2022, the biggest global circular economy event held for the first time on the African continent.

**Figure 9. ACEF achievements in its first year, 2022**

## 6.5 Africa Adaptation Acceleration Program

The African Development Bank, in partnership with the Global Center on Adaptation (GCA), launched a joint initiative – the Africa Adaptation Acceleration Program (AAAP) – which aims to mobilize $25 billion by 2025 to scale up and accelerate climate change adaptation activities across Africa through interventions in four priority areas/pillars: (i) agriculture and food security; (ii) infrastructure; (iii) youth innovation and job creation; and (iv) innovative finance. The Bank and GCA launched the AAAP at the Global Climate Adaptation Summit in January 2021.

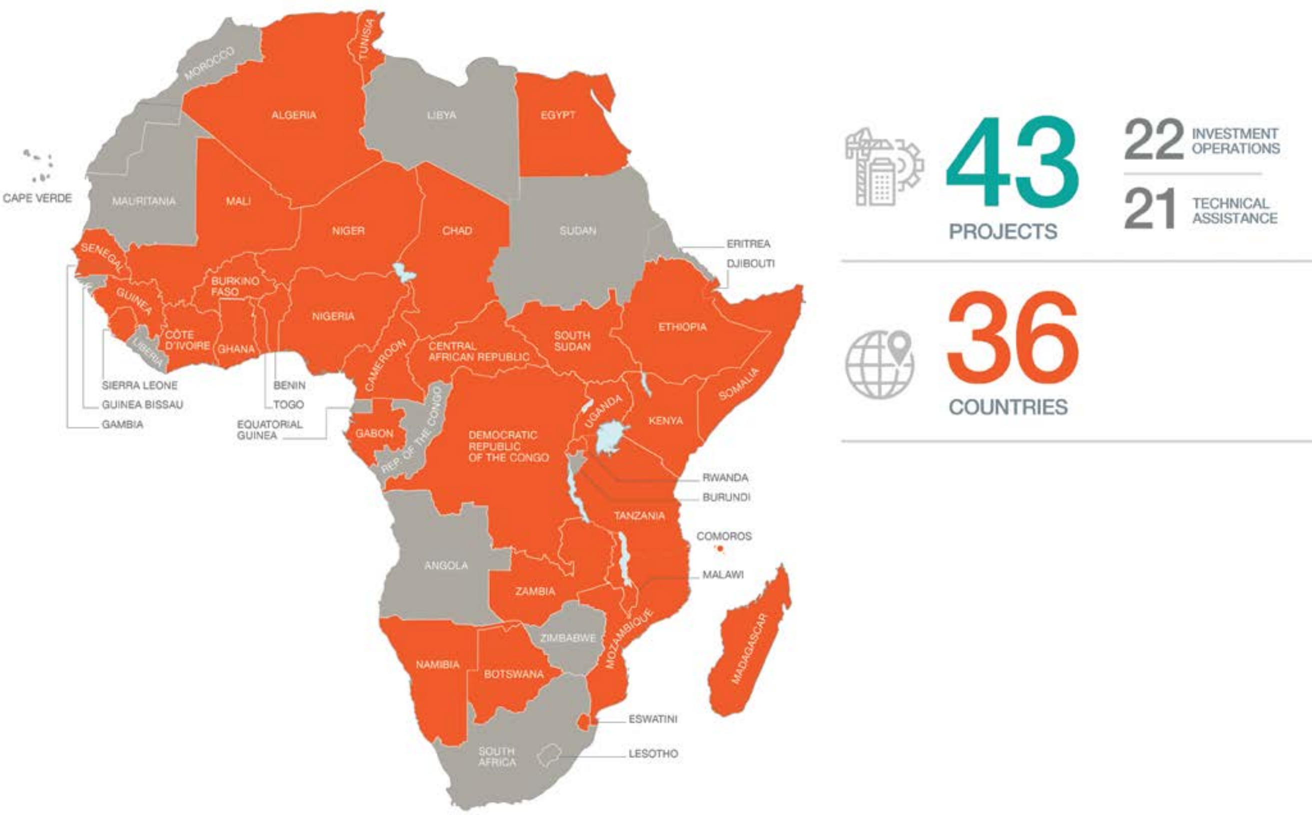
To address the increasing challenges posed by climate change, the programme employs a multi-pronged strategy that prioritizes innovation, increased resilience, and collaborative alliances. The AAAP is committed to closing Africa's adaption gap and assisting African nations in making revolutionary changes in their development paths. These reforms concentrate around securely incorporating climate adaptation and resilience within policies, programmes, and institutions, taking strength from NDCs and NAPs.

During the year, the AAAP realized several milestones and achievements.

- **AAAP portfolio overview:** AAAP supported preparation and strengthening of climate adaptation components for 43 projects – 22 Bank investment operations and 21 Technical Assistance projects – across 36 countries in the areas of agriculture and food security, resilient infrastructure, sustainable water and sanitation, youth and jobs, and innovative adaptation finance (Figure 10). Through AAAP's upstream financing facility, Bank projects are being prepared to have strong climate adaptation components with great potential to leverage on the Bank's CAW to support downstream innovative adaptation investments in ADF countries.

- **Mobilization of resources:** As noted in section 1.2.1, the Bank aims to mobilize $25 billion in climate finance by 2025. The Bank aims to mobilize $12.5 billion for adaptation action through its regular investment operations and an additional $12.5 billion in partnership with GCA. During the reporting period, the Bank mobilized $3.96 billion in climate finance through its investment operations and through the AAAP upstream financing facility.

**Figure 10. AAAP portfolio across Africa**



- **Partnerships:** During the year, AAAP gained over 16 new partners, both African banks and multilateral development banks/bilateral agencies, including the World Bank, European Investment Bank, Islamic Development Bank, European Bank for Reconstruction and Development, and Agence française de développement.

- **Replication of AAAP to other regions:** The AAAP model of implementation has attracted interest globally and is being replicated in Asia with discussions being held to expand it to other regions in the world, including Small Island Developing States.

- **Recognition at the 35th Ordinary Session of the Assembly of the African Union:** During the 35th Ordinary Session of the Assembly of the African Union, AAAP was commended for its progress in accelerating climate change adaptation action in Africa. The African Union resolution acknowledged the partnership between the Bank and GCA under the AAAP, aiming to mobilize $25 billion to expedite the implementation of the African Union's African Adaptation Acceleration Initiative.

- **Youth entrepreneurship:** During the year, AAAP used $4.14 million to award and support 35 young entrepreneurs across 19 African countries. A further $1 million was mobilized from the ACCF to support women-led enterprises that are using frontier technologies to provide innovative solutions for climate adaptation in Africa. This cohort of women entrepreneurs will be selected in Q3 2023 and unveiled in a high-level ceremony at COP28 in United Arab Emirates. Early results from the YouthADAPT flagship programme included the creation of 173 direct jobs and 7,742 indirect jobs; a 50% increase in income for some enterprises; 20% have expanded their businesses and entered new markets; and they collectively mobilized funding of $166,650 (received as debt, equity, and partnerships) in addition to the YouthADAPT grant.

- **Resilient infrastructure development:** Currently, completed and ongoing projects under the Africa Infrastructure Resilience Accelerator (AIRA) are spread across 18 countries: Benin, Burkina Faso, Burundi, Chad, Ethiopia, Gabon, the Gambia, Ghana, Guinea, Kenya, Liberia, Madagascar, Mali, Mauritania, Niger, Senegal, Tanzania, and Uganda. These projects, at national and asset-level scales, cover multiple infrastructure sectors such as energy (renewable energy, transmission and distribution, mini-grids, etc.), transport (highways, railways, ports, etc.), and water (dams, water treatment plants, etc.).

- AIRA's City Adaptation Accelerator has launched urban resilience programmes in 10 African cities – Accra, Antananarivo, Bizerte, Conakry, Dakar, Dodoma, Kisumu, Libreville, Monrovia, Ndjamena – with the aim of mobilizing $1 billion in investments.

- The AAAP supported a study on climate risks to infrastructure in Ghana and developed the Ghana Resilient Infrastructure Roadmap, which will inform the Bank's Country Strategy Paper for the country and downstream adaptation investments. The programme is also creating national resilient infrastructure roadmaps in three countries (Senegal, Kenya, and the Gambia) and implementing a city adaptation accelerator in eight countries (Tunisia, Tanzania, Gabon, Guinea, Madagascar, Kenya, Djibouti, and Morocco). A masterclass training programme on PPP Climate Resilient Infrastructure Development, developed by AAAP, has been rolled out within the Bank (with the Infrastructure and Urban Development Department), and to some Bank clients to build capacity in climate proofing infrastructure.

- **Transforming Food Security in Africa:** The AAAP supports regional projects on livestock, national adaptation, and food-security resilience in the Sahel, Horn of Africa, and the Zambezi, benefiting 9.4 million direct beneficiaries across 26 countries. Furthermore, the programme has built the capacity of 467 professionals in digital climate adaptation solutions across 24 countries in Africa.

- **Innovative financing:** To facilitate increased access to climate adaptation finance in African countries, AAAP has implemented the Technical Assistance Program. It focuses on strengthening direct access to multilateral climate funds through various measures. This includes facilitating new direct access entity accreditations and accreditation upgrades in Senegal, Ghana, and the Democratic Republic of the Congo, thereby diversifying and complementing the delivery channels. Additionally, the programme provides support for the development of concept notes and proposals to be submitted to the GCF for the Democratic Republic of the Congo, Burkina Faso, Niger, and Nigeria. As part of its comprehensive approach, the programme has established collaborations with key stakeholders. It is working with the Government of Côte d'Ivoire to establish a $1 billion sovereign fund, aiming to boost climate adaptation efforts. Furthermore, in partnership with Invesco, the programme is actively involved in setting up a $1 billion private sector investment fund, which will contribute to sustainable climate finance initiatives.

## 6.6 The Adaptation Benefits Mechanism

During the reporting period, the Adaptation Benefits Mechanism (AMB) celebrated the approval of the first ABM methodology, for the cold storage of potatoes in Kenya, as well as progress on key steps in the project cycle. The ABM Executive Committee held its first face-to-face meeting since November 2019 and the co-chairs were able to meet with the Bank's Vice President, Kevin Kariuki, at COP27, where several key events were held to raise awareness of the ABM. Mobilizing sufficient funding has remained a challenge for the ABM and the year ended with the future of the ABM hanging in the balance, but as of early 2023, the situation is much improved and the goals of completing the pilot phase and delivering a working mechanism to global stakeholders are within reach.

## 6.7 Green Investment Program for Africa

The Green Investment Program for Africa (GIPA) is designed to support formalization structures for the informal sector, to scale up crowding of catalytic blended finance with a view to connect with re-financing opportunities using commercial sources and capital markets upon maturity of projects. The key additionality of GIPA is with the aggregation towards formalization for small ticket sizes; to address market failures, paucity of data, and capturing of emissions data for scopes 1, 2, and 3 emissions, while supporting financial institutions and businesses on reporting financed emissions to the Taskforce on Climate Finance Disclosures and the UNFCCC, respectively. GIPA will also support the setting up of a special purpose vehicle (SPV) to develop a robust enterprise model and connect to multiple sources of finance through the 'aggregation principle'. The role of the aggregation principle is to provide a mechanism to identify, select, and train enterprises on business, financial, and reporting modelling, to categorize them for accessing climate finance and the SPV. The role of the SPV as a legal entity is to anchor the projects and present them as one project, collectively, to meet the financing targets of donors.

In 2022, through the Fund for African Private Sector Assistance funding, GIPA conducted two studies.

i. **Market assessment report for the Bank's GCF proposal for a credit facility for MSMEs**
This market assessment (MA) aimed to inform the development of GIPA for MSMEs. The report underpins the project proposal to be submitted to the GCF for co-financing the GIPA. The underlying objective of the MA was to establish the current market needs and conditions for the GIPA (in the targeted countries of **Egypt, Kenya, Nigeria**, and **South Africa**), to implement the GIPA as a pilot programme. It explored the nexus between countries' NDC commitments and the need for private sector participation in financing NDC objectives. It also highlights the market failures to address, identify, and recommend how the facility can be operated to benefit the target beneficiaries. The MA further sought to demonstrate how the six GCF investment criteria (impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership, and efficiency and effectiveness) could be met though GCF co-financing.

ii. **Enabling Environment Report: Youth Adapt Finance and Youth-led Business under AAAP**
This study aimed to create the enabling environment and ecosystem for success and scaling up climate action in the private sector, particularly in MSMEs. The initial phase supports eight targeted pilot countries: the Democratic Republic of the Congo, Egypt, Gabon, Kenya, Mali, Nigeria, Seychelles, and South Africa. These countries have demonstrated high levels of awareness and ownership of NDCs across branches of government, national civil societies, and private sector stakeholders.

    The report provides a comprehensive review of the enabling environment for youth-led green businesses for the Youth Adapt Finance. Specifically, the report assesses the policy, legal, and regulatory contexts in the target countries to inform the design of the Youth Adapt Finance. The report also undertook a market study of access to finance, skill development, and job creation, to inform both the design of the lending to youth green businesses and building of a pipeline of projects to be funded when the GIPA is in place.

## 6.8 The Great Green Wall Initiative

The Great Green Wall Initiative (GGWI) is an ambitious African response to combat desertification, land degradation, and climate change. It was launched during the Food Security Summit in Abuja, Nigeria, in December 2006, and further endorsed by the African Union Declaration in 2007. The GGWI has made notable progress in recent years, restoring millions of hectares of land, creating thousands of jobs, and improving the livelihoods of millions in the Sahel region through economic diversification and revenue regeneration.

The Bank was designated as the Lead Technical and Financial Partner to support the Pan-African Agency and its member states in mobilizing resources for GGWI implementation. Over the last 3 years, the Bank has significantly engaged with the Great Green Wall and related initiatives in the Sahel. Bank President Adesina's participation in the One Planet Summit and the Climate Adaptation Summit in 2021 highlighted the Bank's actions and ambitions in relation to this important initiative for Africa. The Bank's leadership role on the GGWI was further reiterated during recent high-level events held in 2022, including at the 15th Conference of Parties (COP15) of the United Nations Convention to Combat Desertification in Abidjan in May 2022.

**Progress and resource mobilization**

- The Bank is one of the most active donors for the GGWI. It currently has more projects under implementation than initially pledged. At the One Planet Summit for Biodiversity on 11 January 2021, convened by the French President, Emmanuel Macron, the Great Green Wall accelerator was launched to raise $10 billion by 2025 to support the acceleration of the GGWI. The Bank pledged to contribute $6.5 billion by 2025 to the Great Green Wall Accelerator to support its next programmatic cycle, 2021–2025. The Bank's progress under each of the five Great Green Wall pillars is:
    - Pillar 1: Investment in small and medium-sized farms and strengthening of value chains, local markets, organization of exports ($3,328 million)
    - Pillar 2: Land restoration and sustainable management of ecosystems ($331 million)
    - Pillar 3: Climate-resilient infrastructures and access to renewable energy ($3,671 million)
    - Pillar 4: Favourable economic and institutional framework for effective governance, sustainability, stability, and security ($58.2 million)
    - Pillar 5: Capacity building ($81.5 million).
- Through these pledges, the Bank aims to restore degraded lands, enhance climate resilience, protect biodiversity, and create green jobs. The Bank's financial support is divided among various programmes.
    - Desert-to-Power Program ($2 billion): Supports GGW Accelerator Pillar 3 – Climate-resilient infrastructure and access to renewable energy.
    - The Bank and GCA's AAAP on Digital Climate Advisory Services for Food Security programme ($2 billion): Contributes to GGW Accelerator Pillar 1 – Investment in small and medium-sized farms and strengthening of value chains, local markets, and exports organization.
    - Technologies for African Agricultural Transformation Program ($1 billion): The Bank intends to mobilize $1 billion through various programmes, including a $120 million seed fund, calling for additional partner support.
    - Bank–GCA AIRA ($1 billion): Expected to contribute to GGW Accelerator Pillar 3 – Climate-resilient infrastructure and access to renewable energy.
    - ABM ($306 million): Contributes to GGW Accelerator Pillar 2 Land restoration and sustainable management of ecosystems.

  Other contributing programmes would include the Resilience of Youth Enterprises in G5 Sahel Countries project, which will support youth-led MSMEs (100 MSMEs in each country). This $4 million project will be implemented by the Union of Chambers of Commerce and Industry of the G5 Sahel over a 3-year period.
- During the reporting period, revenues from income-generating activities amounted to approximately **$90 million across all 11 countries**. In addition, a total of **335,000 jobs were created** in the implementation of land

restoration activities and the production and sales of non-timber forest products.

- During the year, the ADF Transition Support Facility allocated UA2 million ($2.66 million) for GGW implementation from 2022 to 2024. Through this Facility, the Bank will support the implementation of the GGWI in Mali, Niger, Chad, Sudan, and Eritrea of UA1.85 million ($2.462 million). It will also support the Pan-African Agency of the GGW to carry out: (i) institutional, organizational, and technical audit of the Pan African GGW and national structures; (ii) strengthening of the technical and institutional capacities of the eligible structures and countries of the Initiative; (iii) strengthening of the monitoring and evaluation system at regional and national levels; and (iv) mobilization of resources through a programme of adaptation to climate change, development of forestry and pastoral agricultural value chains, and deployment of sustainable land management techniques.

Despite recent progress, significant challenges persist in effectively implementing the GGWI. Achieving its objectives requires transformative change and innovation in key sectors such as natural resources management, agriculture, and energy, with a focus on green and climate-resilient value chains. Prompt delivery of commitments by all partners and mobilization of private sector investments are crucial to achieving the ’GGWI’s ambitious goals.

## 6.9 Just transition

With support from the Climate Investment Fund, the Bank has developed a just transition framework to help integrate just transition in Bank operations, assess project alignment with the Bank’s overarching just transition efforts, and earmark just transition projects to monitor finance for just transition. The framework outlines criteria centred around elements deemed crucial in the advancement of just transition in the region and serves as a guide for project developers in the planning stages of a project. A corresponding methodology has also been devised to help the Bank identify existing gaps and highlight areas for improvement in just transition integration in projects. The framework will be piloted in Kenya and Tunisia in 2023 to assess feasibility and document lessons learned.

# Section 7

## Promoting an enabling environment for climate action in Africa

The Bank's climate change and green growth also include supporting the development of the enabling policy and institutional environment for climate action in member countries. This includes supporting policy dialogue on climate change issues, development of enabling policies such as Nationally Determined Contributions (NDCs), long-term low greenhouse gas emission development strategies (LTS), National Adaptation Plans (NAPs), and capacity building through training and outreach activities, as well as knowledge generation and dissemination. During the reporting period, several achievements were realized as described below.

## 7.1 Capacity building

Recognizing that knowledge management, policy dialogue, and effective development management are essential factors of economic growth, the Bank has since its establishment invested massively in the development of capacities in its regional member countries (RMCs). The Bank organized several climate-related training activities in 2022 in different areas.

The Africa Climate Change Fund (ACCF) funded an NDC Hub support project that included climate finance training for Cameroon, Uganda, and Namibia in 2022. The objective of the project was to support African countries to accelerate access to climate finance for the implementation of their NDCs to contribute to global efforts to combat climate change. Through this project, the Bank supported RMCs to develop a sound pipeline of bankable projects from their NDCs to access climate finance. The development and implementation of these projects will positively contribute to meeting the long-term mitigation and adaptation commitments of these countries and leverage private and public sector financing from both domestic and international sources.

The Bank partnered with the University of Oxford to provide training on sustainable finance for up to 1,000 public and third sector workers from across Africa. The University of Oxford's Public and Third Sector Academy for Sustainable Finance is a global centre of learning and capacity building. It focuses on how the public and third sectors can unleash the opportunities associated with sustainable finance.

Communicating the Bank's climate change work is a key element of the Bank's engagement at COP. As the world's most vulnerable region to climate change, Africa needs more experienced journalists in this field. Therefore, the Bank engaged and organized media training for young African journalists. The aim was to build a better understanding and engagement in the use of the Bank's climate finance sources, increase awareness about its work with countries through its climate-related work, and showcase challenges and accomplishments through the programmes and projects it supports.

## 7.2 Knowledge products

The African Development Bank is a knowledge bank. Implementing climate action requires extensive technical knowledge and information. The Bank has been contributing to generating new knowledge to improve climate change information and dissemination on the continent. Table 8 lists selected knowledge products on climate change and green growth produced in 2022.

**Table 8. Key knowledge products produced in 2022**

| |
|---|
| **Annual reports** |
| • PECG 2021 Annual Report https://www.afdb.org/en/documents/climate-change-and-green-growth-2021-annual-report<br>• CIF 2022 Annual Report https://www.afdb.org/en/initiatives-partnerships/climate-investment-funds-cif/knowledge-products/cif-annual-report-2022<br>• ACCF Annual Report 2021 https://www.afdb.org/en/documents/africa-climate-change-fund-annual-report-2021 |
| **Policy documents** |
| • Climate and Green Growth Strategic Framework: Projecting Africa's Voice - Strategy 2021–2030 https://www.afdb.org/en/documents/climate-and-green-growth-strategic-framework-projecting-africas-voice-strategy-2021-2030<br>• Climate and Green Growth Strategic Framework: Projecting Africa's Voice - Policy https://www.afdb.org/en/documents/climate-and-green-growth-strategic-framework-projecting-africas-voice-policy |
| **Brochures** |
| • CIF 2022, Africa Climate Change Fund Brochure 2022 https://www.afdb.org/en/documents/towards-climate-smart-africa-afdb-and-cif-partnership-november-2022<br>• Africa Adaptation Acceleration Brochure 2022 |
| **Other reports** |
| • Just Transition in a Renewable Energy Riche Environment - Potential Role of Green Hydrogen https://www.afdb.org/en/documents/just-transition-renewable-energy-riche-environment-potential-role-green-hydrogen<br>• A better world – Volume 8 https://www.afdb.org/en/documents/better-world-volume-8<br>• Africa Adaptation Acceleration Program in the State and Trends in Adaptation Report 2022 |

## 7.3 Key events

The Bank also to participates in key national, regional, continental, and global events to help amplify Africa's voice on climate change and the environment. During the reporting period, the Bank participated in several of these events.

### COP15 OF THE UN CONVENTION TO COMBAT DESERTIFICATION

The 15th Conference of the Parties (COP15) of the United Nations Convention to Combat Desertification concluded with a united global pledge to boost drought resilience and land restoration. The 2-week meeting was held in Abidjan 9–20 May 2022. It attracted Heads of State, ministers and 7,000 delegates from 196 countries, as nations sent a united call about the importance of healthy and productive land. The Bank supported the host country, Côte d'Ivoire, and the African Group of Negotiators. In addition, the Bank hosted the Africa Pavilion during COP15.

At COP15, the Bank reaffirmed its commitment to combating desertification and land degradation and mitigating the effects of drought in its RMCs. The Bank believes that transforming Africa in the face of climate change is linked to restoring degraded lands into healthy and productive ecosystems.

### INNOVATE4CLIMATE CONFERENCE 2022

The Bank took part in the World Bank Group's flagship climate action event Innovate4Climate (I4C) 2022 with an exhibition booth and two workshops. The I4C 2022 edition took place virtually over 3 days, 24–26 May. The conference included high-level plenaries and workshops. They provided a forum for practitioners to demonstrate how to achieve a resilient and low-carbon future. These plenaries and workshops also offered space for public and private sector organizations to showcase their climate action initiatives and engage with participants.

### AFRICA CLIMATE WEEK

The Bank hosted several events on the sidelines of the 2022 Africa Climate Week (ACW), held in Libreville, Gabon from 29 August to 2 September 2022.Hosted by the Government of Gabon, Africa Climate Week was organized by UN Climate Change in collaboration with the Bank, UN Development Programme, UN Environment Programme, the World Bank Group, the African Union, the UN Economic Commission for Africa and UN Gabon. ACW 2022 explored resilience against climate risks, the transition to a low-emission economy and partnerships to solve pressing challenges.

### THE AFRICA GREEN HYDROGEN FORUM

The Africa Green Hydrogen Forum took place on 26–27 September 2023 and discussed the role of green hydrogen development in Africa's decarbonization agenda, its market potential, export opportunities, and policies and technology that are required to make its deployment in Africa a success. There were also discussions on green hydrogen targets for member countries of the Africa Green Hydrogen Alliance ahead of COP27. This hybrid event brought together senior government officials from the Africa Green Hydrogen Alliance member countries (Egypt, Kenya, Mauritania, Morocco, Namibia, South Africa), as well as other selected countries' technocrats who oversee green hydrogen development.

### AFRICA ADAPTATION ACCELERATION PROGRAM PARTNERSHIPS FORUM

The Africa Adaptation Acceleration Program (AAAP) forum, organized by the Global Center on Adaptation (GCA) and the African Development Bank on 27 October 2022, brought partners together to showcase their adaptation work in Africa, create synergies, and scale and strengthen the implementation of the AAAP. Designed as a hybrid dialogue, the Partnership Forum 2022 took place at the 10th Conference on Climate Change and Development in Africa in Windhoek, Namibia. Participants included local government representatives, members of regional and international organizations, financial institutions, research institutions and academia, the private sector, civil society, and young people. The forum was promoted widely online, which resulted in many online participants.

### WORLD CIRCULAR ECONOMY FORUM 2022

The World Circular Economy Forum (WCEF) took place on African soil for the first time in 2022, bringing together participants from around the world to absorb lessons from the continent and the wider global South toward building a more resilient and greener global economy. The Forum gathered 4,167 forward-looking thinkers and doers and presented the game-changers in the circular economy. WCEF2022 was co-organized by the African Circular Economy Alliance (ACEA), the Republic of Rwanda, the African Circular Economy Network, and the Finnish Innovation Fund Sitra, with international partners.

### *COP15 OF THE UN CONVENTION ON BIOLOGICAL DIVERSITY*

The African Development Bank attended major negotiation sessions of the 15th meeting of the Conference of the Parties (COP15) to the Convention on Biological Diversity (CBD), 7–19 December in Montreal, Canada. The conference reviewed the achievements and delivery of the CBD's Strategic Plan for Biodiversity 2011–2020 and negotiated for the adoption of a post-2020 Global Biodiversity Framework. The framework will define the global strategy for securing the world's biodiversity, contributing to the sustainability of the ecosystem and human well-being.

### *COP27 OF THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE*

**Bank participation in COP27 and support to the host country and other African climate change organizations**

The Bank participated in COP27, where it brought its experience by supporting Egypt – as host country – to deliver on this very important global agenda. The Bank worked with Egypt to ensure a successful COP27 on the African continent and helped enhance Africa's positions by:

- **Supporting the COP27 Presidency's priorities from the outset.** The Bank provided technical and financial support to Egypt to articulate and advance the COP27 Presidency Agenda and Africa's priorities. The Bank's engagements also included support to Egypt's International Cooperation Forum and other country initiatives, such as the development of the Sharm-el-Sheikh Guidebook on Just Financing, using resources from the Middle-Income Technical Assistance Fund and the Bank's sponsorship budget.

- **Supported and participated in a structured dialogue with key African climate stakeholders**, including the Committee of African Heads of States on Climate Change, the African Ministerial Council on the Environment, and the African Group of Negotiators to strengthen the African common position on climate change and amplify Africa's voice at the COP.

- **Led the organization of a successful Africa Pavilion at COP27** in coordination with key African institutions, and in consultation with Egypt. The Africa Pavilion at COP27 provided an adequate space and platform for African countries and institutions to showcase Africa's response to climate change while advocating for Africa's key priorities on climate change.

- **Engaged in a constructive and permanent dialogue with non-state actors including African civil society organizations, youths, and businesses involved in climate actions in Africa**, with the view to speak in one voice at COP27. At COP27, this engagement resulted in a joint statement between the Bank and African civil society organizations to work together to promote Africa's climate action agenda. As a result, an action plan towards COP28 is being developed and jointly implemented.

- **Advocated for a concrete support mechanism promoted by the Bank, namely the ADF Climate Action Window** (CAW) to assist African countries to deliver on their growing climate finance needs and developing their NDCs, LTS, NAPs, and their just transition plans. COP27 presented the Bank with the opportunity to present on the CAW as an innovative financial tool that can become a game changer in delivering climate finance at scale for the most vulnerable countries in Africa, and set the stage for approval and launch of the CAW later in the year.

The Bank's COP27 engagement translated into a significant footprint in terms of outreach, advocacy, and communication initiatives. In total, 72 side events were organized at the Africa Pavilion, including 17 by the Bank. The Bank also organized several other events, including 12 at the MDB Pavilion, 5 at the Water Pavilion, 4 at the Francophonie Pavilion, 2 at the Rwanda Pavilion, and 2 official side events at the UNFCCC event platform. Other achievements included 75 interviews held at Africa Pavilion TV studio, including 11 interviews by Bank staff, 22 articles published, 4 sponsored African journalists, 2 'best of' videos produced, 2.4 million total impressions, and 75,119 livestream views.

**Bank's achievements at COP27**

Key achievements of the Bank at COP27 included:

- **Significant contribution by the Bank President** in shaping the COP27 delivery, including during the World Leaders Summit, the Thematic Days on Food Security, and Just Transition, as well as several high-level bilateral meetings with H.E. William Rutto, President of Kenya, Dafna Rand, United States Director of Foreign Assistance, Odile Renaud-

Basso, European Bank for Reconstruction and Development President, and Jin Liqun, Asian Infrastructure Investment Bank President.

- **Promoting the ADF CAW**, which resulted in pledges announced at COP27 by the United Kingdom (£200 million), the Netherlands (€100 million), and Germany (€40 million) and the launching of the CAW later in the year.

- **Important role in the Africa Adaptation Leaders' Event**, convened by President Macky Sall of Senegal, African Union Chair, Patrick Verkooijen, CEO of GCA, and Dr Akinwumi Adesina, Bank President. The event underscored the critical need for climate adaptation in Africa and responded to the call for the capitalization of the ADF CAW and the AAAP.

- During a special ministerial session, **African agriculture ministers reiterated their commitment to work with development partners to unlock the continent's agriculture potential**. There was a strong consensus that Africa can feed itself if supported with green financing and climate-smart technology to boost agriculture productivity, and recognition of the Bank's $1.5 billion emergency food production facility as an important tool to help boost production in response to recent food crisis.

- **The Bank rallied partners to support the flagship Desert to Power initiative to 'Light up and Power' the Sahel.** The Global Energy Alliance for People and Planet announced $35 million in support to the Sustainable Energy Fund for Africa (SEFA) under the initiative. Norway's Minister for International Development also announced a contribution of 300 million Norwegian kroner (around $29 million) from her government to the facility. This fresh injection of $64 million is a recognition of the critical role played by SEFA in catalysing private sector investments in Africa's sustainable energy sector and the need to scale up its investments over the coming years.

- **A contribution of €10 million was announced by Spain and Switzerland to the Bank's Urban and Municipal Development Fund**, a thematic trust fund that helps vulnerable African countries to spur equitable green and climate-resilient urbanization. Further discussions are ongoing with Denmark for more contributions to the Fund.

- **Launch of the Alliance for Green Infrastructure in Africa**, an initiative by the Bank, African Union, and Africa50, in partnership with several global partners, to help scale up and accelerate financing for green infrastructure projects in Africa.

- **Signing of two agreements with the Ministry of International Cooperation for the Bank to lead the financing for water pillar under Egypt's Nexus of Water, Food and Energy (NWFE)** Program. NWFE's water pillar will entail investments of $1,325 million for the Water Desalination Using Renewable Energy Project; and $102 million for the Scaling-Up Solar Pumps for Irrigation Project.

- **Signing of a memorandum of understanding with the OPEC Fund** for International Development to support sustainable economic and social development in Africa, through co-financing of public and private sector projects, joint diagnostic and analytical work, and sharing of knowledge and best practices.

- **Launch of the COP27 Guidebook for Just Financing with support from the Bank.** The guidebook aims to support the creation of an international framework that will help African countries tap into green financing more effectively.

- **Unveiling the new vision 2030 of the African Financial Alliance on Climate Change (AFAC)**, prioritizing capital mobilization and tools to meet the Paris Agreement goals, in partnership with the GCA and African financial institutions.

- **As part of the AAAP YouthADAPT flagship pillar, the Bank and GCA awarded $1.8 million to 18 African youth-led businesses at COP27.** African youth-led enterprises have won grant funding of up to $100,000 each in this year's African Youth Adaptation Solutions Challenge (YouthADAPT) competition.

- **Presentation of the Adaptation Benefits Mechanism (ABM)** as an innovative tool promoted by the Bank under Article 6.8 of the Paris Agreement to attract private sector investments in adaptation.

- **Launch of the Gender in Climate Action Accelerator** by the Egyptian government, the African Development Bank, the European Bank for

Reconstruction and Development, and the French Development Agency, as a joint initiative and a tool to support private sector companies to improve the gender responsiveness of their corporate climate governance.

- **Launch of new flagship reports by the Bank** on (i) Debt for nature swaps in Africa's natural resources sector; (ii) Waterways to resilience: Natural based-solutions for adaptation in Africa; (iii) Status of African NDCs: Doubling down on delivering Africa's climate action priorities and policy recommendations from the Africa NDC Hub; and (iv) Just Transition in a renewable energy rich environment: Potential Role of Green Hydrogen.

**Implications of COP27 outcomes for the Bank**
Some COP27 outcomes will have implications on the Bank, including:

- **Call for scaled up climate finance and action by MDBs** – The Sharm el-Sheikh Implementation Plan calls for a significant increase of ambition and higher efficiency by the MDBs, including for the mobilization of private sector finance.

- **Call for MDB reform** – The Sharm el-Sheikh Implementation Plan calls shareholders of MDBs to reform MDB policies and priorities, to simplify access, and to increase resource mobilization from various sources to align with higher climate ambition.

- **As a lead institution on climate finance globally and in Africa, with particular focus on adaptation finance, the Bank has an opportunity to play a global leading role among MDBs on issues related to adaptation, loss and damage, and just energy transition.** The Bank could play a critical role in designing and delivering the new Loss and Damage Fund, building on its existing initiatives such as the Africa Disaster Risk Financing Initiative.

- **The Bank can help African countries increase their participation in carbon markets** and non-market approaches, and update their national plans and ambitions.

- **The Bank needs to track and report Africa's climate action needs in a more structured and systematic way** and provide a reliable depository of climate finance data and knowledge to African countries.

- **It is important that the Bank continues providing and mobilizing adequate climate finance to support Africa's transition** to a climate-resilient and net-zero emissions future, in accordance with the Paris Agreement.

- **The Bank will need to ramp up support for the development of long-term strategies**, NDCs, and NAPs for Africa and be a strong voice on these matters.

- **As part of implementing its new Climate Change and Green Growth Action Plan, the Bank will operationalize the ADF-16 CAW**, in line with the Sharm-el-Sheikh Implementation Plan.

### 7.3.1 Way forward

In summary, COP27 resulted in five key outcomes: (i) creation of a dedicated Loss and Damage Fund; (ii) clarifying the intention of the global community to keep the Paris Agreement's 1.5°C goal within reach; (iii) holding businesses and institutions accountable for implementing the global climate actions, including non-state actors and MDBs; (iv) restating the need to mobilize more financial support for developing countries' climate action; and (v) highlighting the need to move from talks to implementing climate actions.

The next COP will take place from 30 November to 12 December 2023 in Dubai, United Arab Emirates, and the following issues are expected to be high on the political agenda.

- The 2-year work programmes launched in Glasgow on raising mitigation ambition and on clarifying the global goal on adaptation will have to deliver and countries must agree on major decisions and follow-up work. This work will be delivered in combination with the outcomes of the Global Stocktake, which will also conclude in 2023. The Global Stocktake of the Paris Agreement is a process assessing the world's collective progress towards achieving the purpose of the Paris Agreement and its long-term goals. This process is expected to culminate in a political declaration, in the second half of 2023, by the United Nations Secretary-General at a high-level climate ambition summit ahead of COP28.

- The results of the Global Stocktake are likely to draw attention to the existing mitigation and adaptation gaps and call for significantly increased ambition. African countries will also be called upon to increase ambition and comprehensively track their adaptation needs.

- COP28 will need to show more progress on the quantity, accessibility, and quality of public climate finance for developing countries, especially on leveraging private finance. This topic is also expected to be at the heart of the Global Stocktake, and to feature prominently in the discourse around priority sectors such as food and water systems, nature, and energy transition.

- The new Loss and Damage Fund launched at COP27 will have to be resourced and operationalized. This is expected to be a highly political and intense debate during COP28 based on the report of the Transitional Committee recently established to design the Fund.

- The United Arab Emirates Presidency for COP28, on behalf of the Arab Group, should aim for a meaningful just transition breakthrough that will require new skills and the building of local supply chains to accommodate both the needs of the workforce and economic diversification. In this regard, COP28 is expected to hold the first ministerial dialogue on just energy transition. The Bank will continue to play a leading role in amplifying Africa's position in climate debates and supporting climate actions on the continent.


# Annexes

# Annex 1: Sample of projects with significant adaptation finance in 2022

| Ref. No. | Project description | Financing source | Instrument | Approval $ M | Climate finance (%) | Climate finance $ M | Adaptation $ M |
|---|---|---|---|---|---|---|---|
| 1 | **Tanzania – Dodoma Resilient and Sustainable Water Development and Sanitation Program – Phase 1** | ADF | Loan | 126 | 50% | 63 | 63 |
| 2 | **Nigeria – Support to National Agricultural Growth Scheme – Argo-Pocket** | Bank | Loan | 134 | 40% | 54 | 54 |
| 3 | **Morocco – Support Programme for Competitive and Resilient Development of Cereals Farming** | Bank | Loan | 199 | 37% | 74 | 74 |
| 4 | **Benin – Partial Credit Guarantee for the Mobilization of Financing Allocated to the Sustainable Development Goals (BENIN PCG-SDG)** | ADF | Guarantee | 203 | 50% | 102 | 102 |
| 5 | **Senegal – Centre Agro-Industrial Processing Zone Project** | Bank | Loan | 62 | 50% | 31 | 31 |
| 6 | **Egypt – Water Recycling for Agriculture – Gabel El Asfar Wastewater Treatment Project – Stage III (Phase A&B)** | Bank | Loan | 79 | 100% | 79 | 79 |
| | | AGTF | Loan | 30 | 100% | 30 | 30 |
| 7 | **Multinational – Dal Group Company Limited (Phase II)** | ADB Private | Loan | 100 | 30% | 30 | 30 |
| 8 | **Sudan – Emergency Wheat Production Project (SEWPP)** | ADF | Grant | 44 | 70% | 31 | 31 |
| 9 | **Eswatini – Mkhondvo-Ngwavuma Water Augmentation Program, Phase I, Part B (MNWAP-1B)** | Bank | Loan | 123 | 100% | 123 | 123 |

Note: ADF, African Development Fund; AGTF, Africa Growing Together Fund; M, millions.

# Annex 2: Sample of projects with significant mitigation finance

| Ref. No. | Project description | Financing source | Instrument | Approval $ M | Climate finance (%) | Climate finance $ M | Mitigation $ M |
|---|---|---|---|---|---|---|---|
| 1 | **Ghana – Ghana Mini Grid and Soar PV Net Metering** | ADF | Grant | 27 | 100% | 27 | 27 |
| 2 | **Multinational – Evolution Fund III** | ADB Private Sector | Equity | 20 | 100% | 20 | 20 |
| 3 | **Mozambique – Hidroelectricia Cahora Bassa's (HCB) Corporate Loan Facility** | ADB Private Sector | Loan | 99 | 100% | 99 | 99 |
| | | AGTF | Loan | 25 | 100% | 25 | 25 |
| 4 | **Multinational – EAC Railway Rehabilitation Support Project – Refurbishment of Kampala-Malaba Meter-Gauge-Railway** | ADB | Loan | 64 | 100% | 64 | 64 |
| | | ADF | Loan | 161 | 100% | 161 | 161 |
| | | ADF | Grant | 57 | 100% | 57 | 57 |
| 5 | **Niger – Desert to Power Initiative – Project for the Development of Solar Power Plants and Improvement of Access to Electricity (RANAA)** | ADF | Loan | 46 | 100% | 46 | 46 |
| | | ADF | Grant | 39 | 100% | 39 | 39 |
| | | TSF | Loan | 44 | 100% | 44 | 44 |
| 6 | **Chad – Electricity Sector Support Project in Chad (PASET)** | ADF | Grant | 20 | 100% | 20 | 20 |
| 7 | **Tanzania – Kakono Hydropower Project** | ADB | Loan | 161 | 100% | 161 | 161 |

Note: ADF, African Development Fund; AGTF, Africa Growing Together Fund; EAC, East African Community; PV, photovoltaic; TSF, Transition Support Facility.

# Annex 3: Projects approved by the ACCF in 2022

| Title | Executing agency | Country | Approved amount ($) | Cumulated amount disbursed | Amount disbursed in 2022 ($) | Available ($) | Project completion date | Status |
|---|---|---|---|---|---|---|---|---|
| **Establishment of a South-South cooperation programme to support direct access to climate finance** | Centre de Suivi Ecologique | Togo, Burundi, Niger | 525,000 | - | - | - | 18.08.2025 | Approved in 2022<br>Grant Agreement in preparation |
| **Empowering Women and Youth for Entrepreneurship and Job Creation in Climate Adaptation and Resilience** | PECG, AfDB | Nigeria, Mali, South Africa, Gabon, Democratic Republic of Congo, Egypt, Kenya, and Seychelles | 1,000,000 | - | - | 1,000,000 | 30.09.2024 | Launched in November 2022 |
| **Strengthening the voices of women with disability to actively participate in climate change policy and negotiations (STREVOW)** | Inclusive Climate Change Adaptation for a Sustainable Africa & Center for Minority Rights Development | Burundi, Comoros, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Tanzania, South Sudan, Seychelles, Uganda | 635,960 | - | - | 635,960 | 30.09.2024 | Grant Agreement in preparation |
| **Strengthening climate resilience through enhanced capacity of individuals, communities and institutions for the development and implementation of gender-sensitive climate adaptation actions using innovative and participatory approaches in East and Southern Africa** | UNFPA East and Southern Africa Regional Office | Botswana, Comoros, Eswatini, Ethiopia, Kenya, Madagascar, Malawi, South Sudan, Zambia, Zimbabwe, Tanzania | 998,192 | - | - | 998,192 | 30.09.2024 | Grant Agreement in preparation |
| **Enhancing gender equality in access to land resources for transformative climate change adaptation in the IGAD region** | IGAD | Kenya, Sudan, Uganda | 470,000 | - | - | 470,000 | 30.09.2024 | Grant Agreement in preparation |
| **Towards Climate Resilient Shea Communities in Togo and Burkina Faso** | Global Shea Alliance | Togo and Benin | 996,700 | - | - | 996,700 | 30.09.2024 | Grant Agreement in preparation |

| Title | Executing agency | Country | Approved amount ($) | Cumulated amount disbursed | Amount disbursed in 2022 ($) | Available ($) | Project completion date | Status |
|---|---|---|---|---|---|---|---|---|
| **Capacity building for women climate change negotiators in Eastern and Southern Africa** | UNFCCC Regional Collaboration Center Kampala/ East African Development Bank | Uganda | 467,440 | - | - | 467,440 | 30.09.2024 | Grant Agreement in preparation |
| **Gender transformative climate resilience initiatives** | Oxfam Malawi | Malawi and Mozambique | 950,000 | - | - | 950,000 | 30.09.2024 | Grant Agreement in preparation |
| **Development of long-term low-carbon and climate-resilient development strategies (LTS)** | PECG, AfDB | Gabon, Liberia, Botswana, Lesotho | 500,000 | | | 500,000 | 30.06.2024 | To be launched in January 2023 |
| **Decarbonization of solid, medical, and pharmaceutical waste management** | Ministry of Environment | Côte d'Ivoire | 277,300 | | | 277,300 | 11.08.2023 | Grant Agreement finalized<br>To be launched in February 2023 |
| **Support to African Financial Alliance** | PECG, AfDB | Multinational | 1,000,000 | | | 1,000,000 | 30.11.2023 | To be launched in January 2023 |
| **Building the Capacity of Selected Sub-Sahara African Countries to Effectively Measure Progress in their NDCs Implementation Using Tracking Tools and Indexes** | African Technology Policy Studies Network | Côte d'Ivoire, Ethiopia, Ghana, Kenya, Sierra Leone, Namibia, Nigeria, Botswana, Tanzania, Uganda, Zambia and Zimbabwe | 433,730 | 112,567 | 112,567 | 321,163 | 11.08.2025 | Implementation ongoing |

Note: IGAD, Intergovernmental Authority on Development; NDCs, Nationally Determined Contributions; PECG, Climate Change and Green Growth Department; UNCCC, UN Framework Convention on Climate Change; UNFPA, UN Population Fund.

Climate Change and
Green Growth Department
African Development Bank

CCIA Building
Avenue Jean-Paul II
01 BP 1387 Abidjan 01, Côte d'Ivoire
www.afdb.org/en/topics-and-sectors/sectors/climate-change

climatefinance@afdb.org
climatechange@afdb.org

Climate Change and Green Growth Department

AFRICAN DEVELOPMENT BANK GROUP