

AFRICA CLIMATE CHANGE FUND

ANNUAL REPORT 2015



AFRICAN DEVELOPMENT BANK GROUP





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I. INTRODUCTION

Despite its limited contribution to global greenhouse gas emissions, the African continent is highly vulnerable to the negative impacts of climate change. Progress is being made globally towards mobilising and scaling-up climate finance – notably with the recent establishment of the Green Climate Fund (GCF) and the adoption of the Paris Agreement during the United Nations Framework Convention on Climate Change (UNFCCC) Conference to the Parties (COP21) in December 2015. However, the amount of climate finance flowing to the African continent remains below the estimated needs and the continent continues to receive a relatively small share of global climate finance disbursement compared to other regions.

The Africa Climate Change Fund (ACCF) was established in April 2014 as a bilateral trust fund with a €4.7 million (US \$6 million) contribution from the government of Germany for an initial three-year period. At the end of 2015, the ACCF was able to secure an additional funding commitment of €4.7 million from the government of Italy which will bring the total contributions to the ACCF to over €9.4 million.

The aim of ACCF is to support regional member countries (RMCs) in their transition to climate resilient and low carbon development. The Fund aims to help RMCs: (i) prepare to access greater amounts of climate finance; (ii) address climate change in their growth strategies and policies and also in developing climate-resilient and low-carbon investment plans and projects; (iii) co-finance climate-resilient and low-carbon projects and programs; (iv) receive consolidated information on climate-resilient and low-carbon development; (v) build the capacity of national and regional stakeholders for climate change and green growth; and (vi) prepare for and contribute to the Conferences of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC).

Main highlights of 2015

- The ACCF Secretariat evaluated 60 proposals and preselected 22 proposals for appraisal.
- The ACCF approved grants totaling over US \$2.53 million for five African countries: Cabo Verde, Kenya, Mali, Swaziland and Tanzania (Zanzibar) to advance and scale-up their readiness for accessing climate finance, in addition to one multi-country grant that will create climate change profiles for 54 African countries.
- The ACCF organized an outreach event on the sidelines of COP21 in Paris entitled “Advancing Africa’s readiness for climate resilient, low carbon development and green growth” which showcased some of the work that the ACCF is doing to support African countries to access and manage climate finance.
- The ACCF attracted a new donor: the Italian government made a commitment of €4.7 million to the ACCF on the sidelines of COP21.



II. PROGRESS UPDATE

Operationalising the ACCF

In its first year of operations, the main priority for the ACCF was to establish a strong foundation upon which all future operations would run. This involved building the Fund's Secretariat by carefully selecting and training the core team composed of the ACCF Coordinator, two part-time senior climate change specialists, one full-time climate change specialist, and a part-time procurement specialist.

The ACCF developed and approved the key documents necessary for the operationalization of the Fund, such as operational guidelines, monitoring & evaluation (M&E) framework and the ACCF work programme for 2015.

The operational guidelines set out the Fund's governance structure, eligible beneficiaries and activities, and operational processes and procedures. They were approved by the ACCF Technical Committee and the donor (Germany) in April 2015 with the purpose of guiding Bank staff and ACCF grant recipients on preparation and processing of applications, approval procedures, processing of grants, and implementation of approved activities, and monitoring and evaluation.

The ACCF M&E framework, approved by the Technical Committee in August 2015, was developed to assess the impact of the Fund vis-à-vis its objectives. The M&E framework is used by the ACCF Secretariat to assess its progress against the Fund's goals (including goals for project appraisal, disbursement of funds, fundraising, etc.) as well as by task managers of ACCF-funded projects to assess how these are progressing relative to the established indicators. Furthermore, the M&E framework will provide a basis for the ACCF to demonstrate its value-added to potential beneficiaries and to potential funders.

The ACCF work programme for 2015, approved by the Technical Committee in August 2015, outlines the Fund's operational plan and budget (including administrative and project-related expenses) for 2015. The operational plan includes not only information on expected project approval, disbursement and implementation that will achieve tangible development goals in the beneficiary countries but also on the activities related to resource mobilization, knowledge and communications.

Shortlisting of projects

By the end of 2014, the ACCF Secretariat short-listed 60 best proposals from the first call for proposals. The proponents were asked to submit additional information and in March 2015 the Secretariat selected 22 proposals which best met the criteria of the call, to be retained for appraisal.

Key factors taken into account in the selection process included: impact and measurability of key performance indicators; alignment with areas of the Bank's comparative advantage; entity implementing capacity; and appropriateness of work plan, budget and consultant terms of reference.

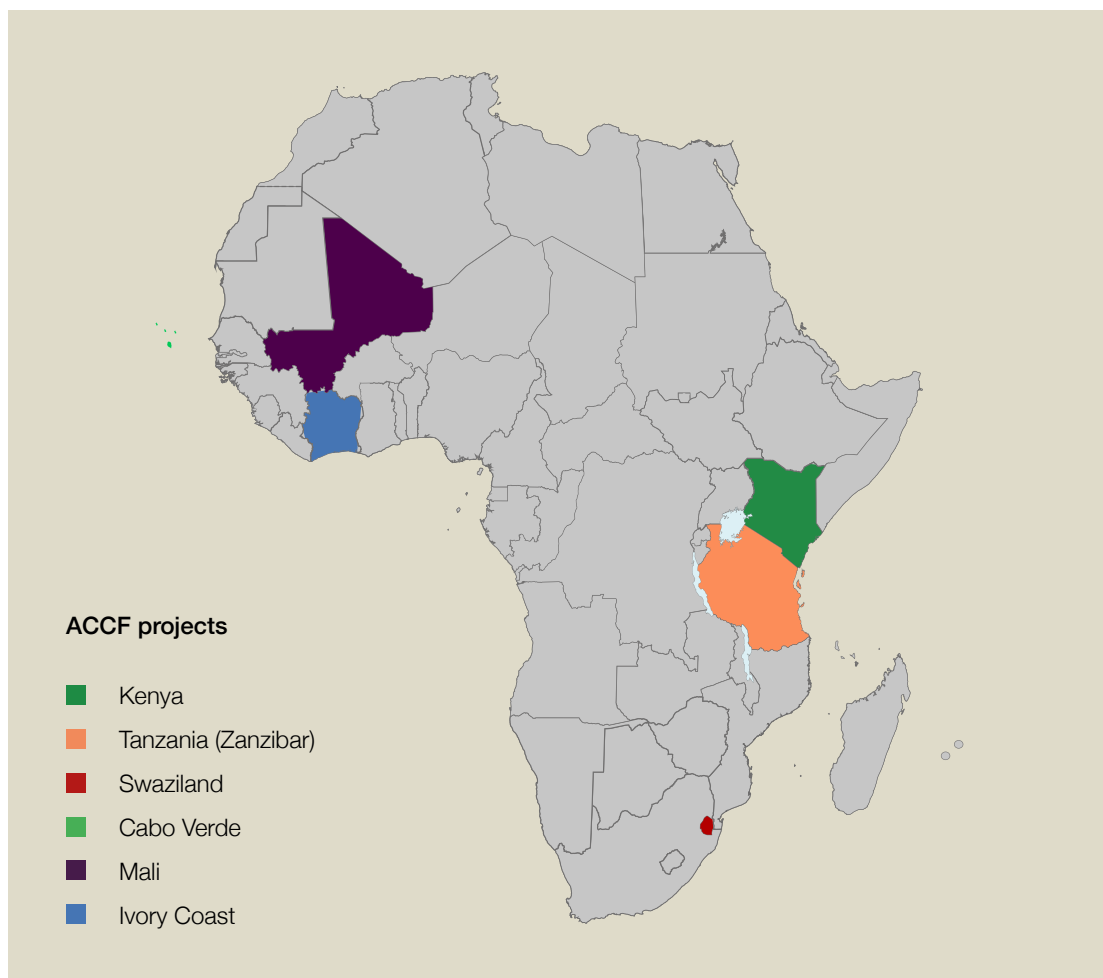
Out of the 22 proposals retained, 13 were submitted by ministries or national agencies, six by research institutions and NGOs, one by a regional organization and two by an internal Bank department. Five of these are multi-country proposals, while 17 focused on individual African countries. Among the 22 proposals was a mix of projects focusing on adaptation (such as climate-smart agricultural), mitigation (such as renewable energy), a mixture of both, as well as other types of climate finance readiness activities.

Appraisal and approval of proposals

In March 2015, the Secretariat started working with beneficiaries to appraise their proposals. For each proposal, the Secretariat, in collaboration with the task manager and the Procurement and Fiduciary Services Department undertook a desk-based appraisal to improve the technical and fiduciary elements of each proposal. Proposals were each peer reviewed by two Bank experts.

By the end of 2015, six projects were approved by the Technical Committee.

Five of the approved grants will support climate finance readiness activities in Cabo Verde, Kenya, Mali, Swaziland and Tanzania (Zanzibar) and they will be implemented by governmental agencies or ministries. A sixth will develop climate change profiles for 54 African countries and it will be implemented by the Bank. A brief summary of each is provided Annex 1.



Execution of projects

In case of the approved Bank-executed project, the Bank is responsible for all procurement activities envisaged under the grant or project component. The responsible department initiated the procurement process in 2015. For recipient-executed projects, a letter of agreement must be signed between the Bank and the Beneficiary. The Bank's legal department (GECL) initiated the development of the letter of agreement for recipient-executed projects.

Coordination of climate finance readiness activities

The Bank is a member of the Readiness Coordination Mechanism which was established by the Green Climate Fund (GCF) Secretariat and includes all the major institutions that are supporting climate finance readiness activities. The ACCF Secretariat has an active and frequent coordination with the GCF Secretariat as well as with other institutions that are providing readiness support particularly within the countries in which the ACCF has a project under consideration or implementation. During the appraising process, the Secretariat encouraged proponents to engage with and share the proposal with the GCF national designated authority or focal point in order to ensure that there is no overlap with similar activities supported through the Green Climate Fund. Special effort has also been made to complement similar activities supported by other donors in beneficiary countries.

Outreach and communications

In 2015, the Secretariat produced a number of strategic communication tools aimed at raising awareness of the ACCF among potential African beneficiaries as well as potential funders, partners, the media, and the general public. These included:

- A dedicated webpage in the Initiatives & Partnerships section of AfDB's website¹ with regularly updated press releases on the latest developments²; and
- An eight page brochure entitled, "Supporting African Countries to Access International Climate Finance," outlining the ACCF's mission, beneficiaries, and accomplishments, which is available on-line and was disseminated during external events in both English and French.

The ACCF has also participated in or organized several events with the aim of raising awareness and attracting potential beneficiaries and funders. In November 2015, the ACCF participated in the Congress on Climate Change of the Community of Portuguese-Speaking Countries (CPSC) organized by Lisbon University in Portugal. The Congress brought together a diverse group of relevant actors from Lusophone countries, a group which is under-represented in the ACCF's pipeline.

On the sidelines of the UNFCCC Conference of the Parties in Paris in December 2015, the ACCF hosted a side event at the Africa Pavilion entitled "Advancing Africa's 'readiness' for climate resilient, low carbon development and green growth," reported by the International Institute for Sustainable Development³. The panel discussion showcased some of the important progress that is being made by the ACCF to advance climate finance readiness and highlighted the key successes and lessons learned by African countries in accessing finance to enable a transition toward climate resilient, low carbon development and green growth. Panelists included representatives of German development organization, GIZ, the Green Climate Fund Secretariat, the Bank, ACCF recipient countries and other African countries that have climate finance readiness programs. The Bank also participated in several other events on the sidelines of COP21 in which the achievements of the ACCF were highlighted.

¹ <http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/africa-climate-change-fund/>

² <http://www.afdb.org/en/news-and-events/africa-climate-change-fund/africa-climate-change-fund/>

³ <http://www.iisd.ca/climate/cop21/cdafrica-ap/10dec.html#event-1>



III. FINANCIAL MANAGEMENT

The ACCF has committed US \$2.53 million to projects, with no disbursements by the end of 2015. Disbursements to administrative activities of the Secretariat came to US \$158,100. Assuming that all the amount allocated for overhead costs is committed over the life period of the fund, for the next year, ACCF will have US \$2.8 million available for project commitments and US\$ 6 million available for disbursements.

Financial Summary (2012 - 2014)

Contributions	(US \$)
Donor contribution	6,191,640
Interest earned	10,819
Total funds	6,202,459

Use of funds		Amount Allocated	Disbursed
Project commitments		2,536,155	0
Overhead Costs⁴			
Administrative costs		471,745	158,100
Annual Audit		26,208	0
Management Fees		309,582	0
Total		3,343,690	158,100

Cumulative commitments		3,343,690
Amount available for new commitments		2,858,769
Cumulative disbursements		158,100
Amount available for disbursements		6,044,359

⁴ Committed amount corresponds to budget to be drawn down annually to 2017

Approvals and disbursement to projects were lower than what was initially envisaged in the 2015 work plan, which estimated 12 projects approved, commitments of US \$5 million and disbursements of US \$0.5 million by the end of 2015. The difference between the targets and the achievements can be in part attributed to the fact that as a new Fund, there was no prior experience on which to base the targets. In addition, the Fund learned some important lessons in its first year and half of operations, which it has consolidated and will leverage to ensure the future success of its operations. Some of these lessons learned include:

Importance of a strong internal champion: It is critical to secure strong internal champions that will take ownership of the projects and fully understand the complex internal processes required by the Bank to advance a project along the project cycle. This will be essential to coordinate the internal approvals required from various departments and therefore decrease in the average time period to reach signing and effectiveness of the grant agreement and first disbursement stage. In the future, the Secretariat aims to identify task managers at an early stage and to provide additional support to task managers and beneficiaries in advancing projects in the implementation phase through hiring an experienced consultant.

Coordination with other readiness providers: Discussion with other readiness providers during the appraisal process revealed that several projects included activities that were similar to or duplicative of activities supported by other readiness providers. To avoid duplication of effort and to maximize the collective impact of readiness funds, efforts were made to foster dialogue between key players at the national level (for example, the project proponent and the GCF focal point in cases where ACCF projects had a focus on readiness for the GCF), as well as to ensure dialogue between readiness providers. These dialogues were valuable in enhancing the quality of the projects, but nonetheless added additional time to the appraisal process. In future, this additional time will be taken into account in setting targets.

Clarify operational procedures in alignment with the Fund's goals and eligibility criteria: Ensuring that the operational procedures of the Fund are well defined and aligned with Fund's goals, objectives and eligibility requirements is critical to ensuring that ACCF is in a position to achieve its objectives. Several areas were identified in which further clarity is needed in the operational guidelines, including on engaging with consortiums, and advancing appraisal of projects that encounter delays or challenges. It is also noted that there is an inconsistency between the eligible activities and the eligible recipients in the case of NGOs and research institutions which will need to be addressed in order to advance projects in the pipeline for which the beneficiary is a non-government organization. Moving forward, the Secretariat will continue to work with other Bank departments to explore the options for addressing these issues without compromising the initial strategic orientations of the fund.



IV. MOBILIZATION OF RESOURCES

The pipeline of projects undergoing appraisal considerably exceeds the amount of funding available in the ACCF, and the resources provided by the government of Germany are expected to be fully committed under the first call for proposals. Therefore, and in line with the original objectives of the ACCF to attract additional donor resources and convert the ACCF into a multi-donor trust fund, the Secretariat has engaged with a number of donors to seek additional resources for the ACCF. During COP21, the Italian government announced that it will contribute €4.7 million to the ACCF which brings the total contributions to the ACCF to over €9.4 million. This pledge represents a vote of confidence in the work that the ACCF is doing to support African countries to mobilize climate finance at scale and address climate change vulnerability. The commitment from Italy enables the ACCF to convert into a multi-donor trust fund. This process, which will take several months and involve establishing a new agreement between the Bank, the existing donor, and at least one new donor, has been initiated.



V. OUTLOOK FOR 2016

The ACCF has made good progress in 2015, with the operationalization of the Fund completed, and the first six projects approved. Looking forward, the ACCF will focus on delivery as well as its transition to a multi-donor fund.

Key objectives for 2016

The key activities that will be undertaken in 2016 include:

- Conversion to a multi-donor trust fund. The Bank will continue to oversee the process of conversion to a multi-donor trust fund, which started in December 2015, and is expected to be finalized by mid 2016, with the signature of a new agreement between the Bank, the government of Germany and the government of Italy.
- Discussions between new donors on way forward. With a new donor coming on board, the ACCF Secretariat will facilitate a discussion between the two donors to decide the future of the current pipeline and the proposed changes in the current functioning of the Fund in order to capitalize on lessons learned to date.
- Seeking a staffing complement. The ACCF Secretariat will seek a staffing complement to contribute to the appraisal process and manage the project implementation phase.
- Launching new call for proposals. The ACCF envisages launching a new call for proposals by the second half of 2016, once the conversion to a multi-donor trust fund is complete.
- Resource mobilization: Given the strong demand for ACCF resources, the Bank will continue to engage with potential donors with the aim of securing an additional funding commitment.
- Readiness coordination: The ACCF Secretariat will continue to coordinate closely with the GCF Secretariat and other climate finance readiness providers and aims to co-organize at least one readiness coordination event to bring together beneficiaries and facilitate dialogue.



VI - ANNEXES : APPROVED ACCF PROJECTS

Supporting the Transition to a Climate Resilient, Green Economy in Mali

A grant of US \$ 404,000 will support the government of Mali to develop two strategic programs for a climate resilient and green economy: one in renewable energy and one focused on adaptation in the agriculture sector. It will further support Mali to create a strategy for financing its transition to green and climate resilient growth and to attract private sector investment in this transition. It will also strengthen the capacity of the Malian Agency for Environment and Sustainable Development (AEDD), the executing agency for the project, in the management of climate finance. The project forms part of a broader strategic approach to advance climate finance readiness in Mali which is supported by several donors and its implementation will contribute to the Malian Government's vision to create a green and climate resilient economy.

Advancing Clean Energy Projects in Cabo Verde

Cabo Verde will receive a grant of US \$ 495,000 to enhance its capacity to access climate finance in support of its low-carbon, climate resilient development goals. The project, which will be executed by the National Directorate of Environment, will focus on the development of National Appropriate Mitigation Actions (NAMAs) for the key strategic sectors of energy and waste. It will further support

the mobilization of climate finance for the implementation of NAMAs. The project is fully align with the commitments made in the country's Intended Nationally Determined Contributions (INDC), which includes an unconditional commitment of reaching 100% grid access by 2017 and achieving a 30% renewable energy penetration rate into the electric grid by 2025. In the waste sector, Cabo Verde aims to provide proper waste management coverage (with waste segregation, recycling, and treatment in sanitary landfills) for at least 50% of the more vulnerable municipalities by 2030. This project represents a key opportunity for greening the identified strategic sectors by enabling Cabo Verde to position itself strategically to access finance for priority low-carbon development projects.

Supporting Swaziland to Advance its Low-carbon, Climate Resilient Development

A grant of US \$ 305,000 will support the Government of Swaziland, a small landlocked country that is highly vulnerable to the impacts of climate change, in enhancing readiness for investment in a low-carbon and climate resilient development pathway. The project will support the Ministry of Tourism and Environmental Affairs to assess and prioritise adaptation and mitigation actions, and to develop concept notes and proposals for submission to climate finance sources such as the GCF. It will furthermore provide training to key project managers and coordinators in different institutions on project development and management.

Enhancing Climate Information through the Use of Country Climate Change Profiles in Africa

A grant of US \$ 420,000 to be executed by the AfDB, will enable up-to-date information on climate change vulnerabilities, greenhouse gas emissions, and opportunities for climate change adaptation and mitigation to be produced for 54 African countries, tailored to the specific information needs of each country. It will further

develop a global platform for sharing and updating the information in the profiles, and provide training for staff of economic and planning departments in African countries to understand and apply the data. The project will equip African countries with strengthened data and capacity to strategically plan for long-term climate change interventions and to access international climate finance.

Advancing Kenya's Green Growth Agenda

A grant of US \$ 551,000 will support the Kenyan government to develop programs and projects in forestry, agro-forestry and agriculture sectors that will advance the country's transition towards a green economy. The project will support the prioritization and development of investment-ready low carbon project proposals that will be presented to appropriate domestic and international funding sources for consideration. It will further enhance the capacity of the Ministry of Environment and Natural Resources in project development and mobilising climate finance. The project will strengthen the capacity of key agencies within the government of Kenya who will in turn provide a strong pipeline of projects to potential financiers, thereby bolstering the realization of Kenya's aspirations of sustainable development and green growth.

Enhancing national capacity for mainstreaming climate resilience in Zanzibar, Tanzania

A grant of US \$ 362,000 will support the Government of Zanzibar – a small island highly vulnerable to the impacts of climate change – to strengthen national capacities on climate change and to integrate climate resilience into development planning in four critical sectors: agriculture, fisheries, infrastructure and tourism, at the national, local and municipal levels. It will further develop project concept notes in order to mobilize additional climate finance to build the resilience of these sectors





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