

Ready to be Africa's Climate Bank?

A Mapping of Climate-related Policies, Programs and Practice
at the African Development Bank

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Published by the Heinrich Böll Stiftung
Washington, D.C./ United States of America
November 2011

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Table of Contents

List of Acronyms.....	ii
Executive Summary.....	1
AfDB Basics.....	9
Organizational Structure and Climate Change.....	12
Energy Lending and the New Framework.....	15
Mainstreaming adaptation into AfDB's agenda – or not?	30
Climate Finance: A new role for AfDB.....	35
Gender – Paper versus Practice	42
Safeguard Policies – protecting communities and the environment	45
AfDB's Proposal for an Africa Green Fund	48
Annex 1: Chart: Relevant climate- and energy-related departments.....	55

List of Acronyms

ACSP	African Carbon Support Program
ADB	African Development Bank (lending window)
ADF	African Development Fund
AfDB	African Development Bank
AfGF	Africa Green Fund
CBFF	Congo Basin Forest Fund
CCAP	Climate Change Action Plan
CCCC	Climate Change Coordinating Committee
CDM	Clean Development Mechanism
CECAFA	Clean Energy Access and Climate Adaptation Facility for Africa
CEIF	Clean Energy Investment Framework
CIF	Climate Investment Funds
CRMA	Climate Risk Management and Adaptation Strategy
CSO	Civil society organization
CSP	Concentrated Solar Power
CTF	Clean Technology Fund
ESP	Energy Sector Policy
ESS	Energy Sector Strategy
FIP	Forest Investment Program
GCF	Green Climate Fund
GCI	General Capital Increase
GHG	Greenhouse gas emissions
GPOA	Gender Plan of Action
IRM	Independent Review Mechanism
ISS	Integrated Safeguards System
MDB	Multilateral Development Bank
MTS	Medium-Term Strategy
MW	Megawatt
ONEC	Energy, Environment and Climate Change Department
ORQR	Results and Quality Assurance Department
OS	Operational Safeguard
PPCR	Pilot Program for Climate Resilience
REDD	Reducing Emissions from Deforestation and Degradation
RMC	Regional member country
SCF	Strategic Climate Fund
SEFA	Sustainable Energy Fund for Africa
SREP	Scaling Up Renewable Energy Program for Low-Income Countries
TFC	Trust Fund Committee
UA	Unit of Account

Executive Summary

The African Development Bank (AfDB) is a public development bank that lends money and gives grants in Africa. The Bank's influence has been rapidly increasing on the continent along with its lending to high-risk sectors such as major dams, biofuels and extractive industries. In 2011, as part of a multi-year replenishment cycle, AfDB received commitments of \$9.5 billion in donor funds for its lending to low-income countries for 2011-2013, and in 2010 reached an agreement to triple its capital base to nearly \$100 billion in an effort to sustain its higher lending levels to middle income countries and the private sector. AfDB project approvals in 2010 reached \$3.97 billion for the private sector and middle-income borrowers, and \$2.24 billion to low-income African governments.

In early 2011, AfDB indicated its intention to establish and manage an Africa Green Fund to support African states that individually lack the knowledge and technology to secure needed global climate funds. In the context of the expected widespread impacts of climate change on the continent, the Bank is positioning itself as a strategic partner that will help African states resolve the dilemmas posed by sustainable development and climate change adaptation.

Within this context, it is appropriate and necessary to interrogate the Bank's actual track record on sectors and initiatives related to climate change, as these can provide clues to the Bank's suitability to manage any future infusions of funds to address climate change in Africa.

This mapping represents largely a desk review of AfDB's engagement, commitments and, when possible, implementation of work surrounding climate change and environmental sustainability. This review was supplemented by discussions with AfDB staff from several departments, who generously provided their time and insights on how the Bank functions internally, and how it intends to operate in the future. As the Bank has strict rules about staff being quoted and representing the institution, these discussions are considered as informal interviews.

Conclusions

In all, the Bank's track record of tackling climate change is minimal. While it has typically approved good and progressive policies, strategies, and frameworks that discuss most of the pertinent issues, actual implementation of policies has ranged from low to non-existent.

The Bank has made important commitments to tackle climate change, yet actual efforts have been plagued by a lack of buy-in from senior management and the board. However, the tide appears to be turning, as the Bank has begun to appreciate the opportunities that climate leadership could bring.

A near constant series of internal restructurings has taken its toll on the Bank's climate change agenda, as responsibility has shifted from department to department, each tasked with mainstreaming climate throughout the institution. Real resources have yet to accompany these moves, which further hampers the Bank's ability to attract and retain competent and experienced staff.

The Bank's commitment to climate change is currently being tested in the energy sector in which, with the exception of 2011, the volume and fossil fuels content of its portfolio have increased rapidly. The Bank's proposed new energy policy makes strong reference to developing a cleaner energy portfolio, but there is significant pushback within the Bank and on its board to becoming more prescriptive. The energy and climate change department has made a strong effort to introduce a meaningful shift in the energy portfolio within the context of the Energy Strategy review, but it remains unclear which forces within the Bank will prevail. It is clear, however, that a business-as-usual approach could seriously undermine the Bank's standing as it seeks to position itself as a climate change leader.

While the regular approval of progressive policies and strategies may never bring about real change, the environmental and social safeguards review and subsequent implementation will be an important process to follow. Meaningful procedures to integrate gender, climate change and community consultation are important steps toward demonstrating the Bank's commitment to environmental and social sustainability.

The **Climate Change Action Plan** (CCAP), which has been under development since early 2008 and is rumored to be nearing approval, presents an important opportunity for the Bank to make new, real commitments toward mitigating and adapting to climate change. The CCAP could help the Bank operationalize its various commitments to assist countries in developing cleaner energy portfolios, reducing greenhouse gas emissions caused by deforestation, climate proofing Bank investments, integrating adaptation into vulnerable sectors, and adhering to operational safeguards that protect the environment and communities.

The mapping is broken down into discrete sections with the major findings in each section described briefly below.

Organizational structure, lending windows and staffing

First, a presentation of the Bank's lending windows and make-up and dynamics of the Bank's board of directors is discussed, along with a breakdown of responsibilities within the Bank to handle issues relating to climate change.

The creation of the **Energy, Environment and Climate Change Department** (ONEC) in 2010 represented the Bank's first real attempt to dedicate resources and staffing to tackle the issue of climate change and manage the Bank's various climate-related commitments such as climate trust funds and the new energy strategy. This has helped ensure greater consistency from the Bank on climate, yet ONEC continues to face difficulties attracting and

retaining staff with sufficient expertise, and is left with a resulting overreliance on consultants.

While ONEC has overall responsibility for mainstreaming climate throughout the Bank, though its specific mandate in this regard is unclear, other departments such as Transportation, Agriculture and Water and Sanitation are expected to integrate climate considerations into their programs. Progress in this arena is limited to date.

The newly formed interdepartmental **Climate Change Coordinating Committee (CCCC)** could serve as a body to effectively manage the Bank's myriad climate commitments, yet its long-term mandate remains unclear, and the Bank's track record with such committees and task forces has little to show for the effort.

Energy lending

Secondly, the mapping covers in some depth the Bank's trends in lending to the energy sector since 2004, which provides a first of its kind assessment of the Bank's lending operations, based on actual lending figures culled from the Bank's annual reports. This research revealed that the Bank's energy figures continue to climb, both in absolute and relative terms. By 2010, the energy sector comprised a full quarter of AfDB's total lending for the year, up from just 6 percent in 2004. This represents a major escalation in the sector, as AfDB's total annual lending portfolio grew more than double during that time. While its contribution still represents a small piece of overall investments in Africa's energy sector, AfDB has reached a par with the World Bank and has become one of the premier public sector lenders on the continent.

This research also revealed several interesting findings on the distribution and make-up of its energy portfolio. Above all, the sheer volume of energy lending dedicated to wealthier borrowers, at 76 percent, far outstripped the Bank's support for low-income countries. South Africa, Egypt, Morocco and Tunisia – countries that enjoy among Africa's highest electrification rates – were by far the largest recipients. Though these countries represent the continent's largest emitters, conventional thermal power generation for oil, gas, and coal-fired power plants represented 86 percent of lending to middle income borrowers, and 61 percent of the Bank's total energy portfolio.

Meanwhile, the Bank's energy lending to its 40 low-income borrowers remained quite low, with a heavy emphasis on transmission lines, nearly half of which were cross-border, and traditional distribution projects. Half of the distribution projects had at least a rural electrification component designed to increase energy access for the poor, yet the Bank itself has noted that conventional distribution projects are not an especially cost-effective way to increase energy access in rural areas.

The research also interrogates the Bank's often over-stated role in supporting large-scale hydropower in Africa. Despite the high-profile nature of the projects it has supported, and the often resulting environmental and social consequences, hydropower accounted for just

3 percent of the Bank's lending portfolio from 2004 to 2010. However, the Bank is poised to approve several new large hydropower projects in the next year, and its repeated pronouncements about supporting projects such as the Inga Dam in the Democratic Republic of Congo and the emphasis in its new energy policy and strategy suggest that the Bank is finally ready to become a major financier of African hydropower.

This review is juxtaposed with the Bank's 2008 **Clean Energy Investment Framework** (CEIF), where the Bank laid out priorities for a new energy framework that would assist countries to move toward a cleaner, more sustainable energy portfolio. The framework, which would use AfDB funds to support renewable projects and help countries institute regulatory regimes to facilitate renewable energy, never materialized. A persistent lack of buy-in from senior management and the board, which did not appreciate the need to address or consider climate change, meant that internal mechanisms to mainstream the CEIF and a proposed Climate Change Action Plan to operationalize the CEIF were never enacted.

This chapter also presents the factors that served as the impetus to develop a **new Energy Sector Policy** and **Energy Sector Strategy**, including a series of high-profile and highly controversial hydropower and coal projects. Based on a review of these documents, which are still in draft form, this section provides a critique of the Bank's new approach and how it handles, or ignores, the issue of climate change.

The draft policy contains well-formulated guiding principles aimed at ensuring energy access for the poor and integrating consideration of adapting to and mitigating climate change, yet this does not translate into any meaningful framework for project selection or into the criteria for each subsector, and lacks clear guidance for staff. Overall, the policy as it stands would open the door to virtually any type of energy lending, including conventional coal-fired power plants, export-oriented biofuels projects, and major hydropower dams with very limited caveats, criteria or guidance.

While the draft five-year Energy Strategy predicts a significant shift toward cleaner energy solutions through 2016, a wide-open Energy Policy could undermine what is otherwise a mature stance on bringing cleaner energy to those who need it most.

Adaptation

The third chapter discusses the Bank and its attempts to integrate climate adaptation and resilience into its portfolio, as well as its work with borrowers to develop the necessary national frameworks to tackle the issue. Discussion centers primarily around the **Climate Risk and Adaptation Management Strategy** (CRMA), which was approved in 2009.

The CRMA is based on the premise that the African continent is most vulnerable to climate change and climate variability, a situation compounded by low adaptive capacity, as well as high poverty, poor governance and weak institutions. The CRMA was developed to mainstream climate risk consideration into the Bank's portfolio, as well as to support countries in integrating climate variability into their most sensitive sectors. In the case of the

latter, the Bank has been faced with limited internal capacity to assist governments, and has relied on high-caliber consultants from outside Africa to lead this work.

While the inclusion of climate risk management within the Bank's portfolio and corresponding indicators were well thought out and warranted, little progress has been made. The screening manual, adaptation review procedures and other tools have only just been developed. Up to now, there is no evidence that the Bank has made progress on climate proofing its investments, or even that project selection has been informed by a discussion of climate risk. Essentially, it has taken two years to begin implementing the CRMA, though the Bank appears poised to make up for lost time. In October 2011, the Bank held a first training for staff on the Bank's new adaptation tools, which would be piloted in the agriculture, water, energy and transport sectors.

By any measure, the Bank's timeframe of 2009-2011 to implement the CRMA did not pan out, yet the imminent discussion of a Climate Change Action Plan could provide the impetus to integrate adaptation into the Bank's portfolio in a meaningful way. This will, however, require real buy-in from senior management and the board to ensure project staff have sufficient capacity and incentives.

Apart from the CRMA, the issue of climate adaptation is reviewed in the Bank's 2010 Agriculture Sector Strategy. While climate risk and management are cited widely in the pillars and principles underlying sectoral support, adaptation would mostly be pursued via the same capacity building and knowledge generation efforts encapsulated within the CRMA. Little information about these activities is available, at the same time that the Strategy seems to place little emphasis on its actual lending portfolio.

Overall, despite its good intentions, the Bank has not been able to demonstrate a real track record on climate adaptation, which raises questions about the Bank's suitability to become the go-to institution for climate finance in Africa, a significant portion of which will have to be for adaptation, in part to address the structural underfunding of adaptation on the continent.

Climate funds

Fourthly, the mapping interrogates the Bank's role within the **Climate Investment Funds** (CIFs), which include the Clean Technology Fund (CTF), the Pilot Program for Climate Resilience (PPCR), the Scaling Up Renewable Energy Program for Low-Income Countries (SREP), and the Forest Investment Program (FIP). Administered by the World Bank, the CIFs are designed to be implemented by regional development banks, and thus AfDB has become the implementing and disbursing agency for Africa. Details on AfDB's actual engagement in the CIFs are sparse, though questions of the Bank's value-add with respect to these diverse trust funds have persisted over time. For example, AfDB's limited role in the FIP, which is designed to help countries reach goals on Reducing Emissions from Deforestation and Forest Degradation (REDD), suggests that the Bank's lack of experience in the forestry sector,

coupled with the absence of a specific safeguard policy at the Bank guaranteeing the rights of indigenous peoples, raises serious questions about the Bank's suitability.

The experience with the Clean Technology Fund (CTF), which finances low-carbon energy projects or technologies that reduce emissions in middle-income countries, is in some ways different. As discussed above, AfDB has managed large loans for the energy sector in high-emitting countries such as South Africa and Egypt, and thus has some depth of experience in developing major projects there. However, the actual role of the Bank remains unclear, and it has been suggested that it is in fact the World Bank that has driven CTF financing in Africa, with AfDB playing a background role.

The Bank's own climate- and energy-related trust funds are discussed next. The only such fund that has reached maturity is the **Congo Basin Forest Fund (CBFF)**, which was among the very first REDD trust funds world-wide. Though the Bank has made an effort to maximize the opportunity, and has had success in attracting staff and in screening projects, actual disbursements remain quite limited. Perhaps most importantly, the valuable expertise that the Bank secretariat staff has gained has not translated into real internalizing of REDD issues at the Bank. The lack of spill-over between CBFF staff and staff working on the FIP – despite both being housed in the Agriculture Department – provides a telling example of how compartmentalized these units are. This suggests that the Bank is not undergoing real transformation as a result of its climate endeavors.

Gender

AfDB's experience with integrating gender has gone through many iterations. Drawn from a series of documents including a Gender Policy (2001), Gender Plan of Action (2004) and its subsequent "upgrade" (2008), the Bank has repeatedly affirmed its commitment to tackling gender issues. In the case of the 2008 update, the issue of gender and climate change was finally acknowledged through recognition of the need to fully integrate women in the adaptation design processes. This approach is reiterated in the 2009 CRMA and in the 2008 Medium-Term Strategy. Perhaps as a result of these processes, the Bank regularly discusses gender in its project documents and publications, but there is little evidence that this discussion actually informs project preparation and implementation.

As with so many well-crafted and forward-looking documents at the Bank, there is little evidence of follow through on gender, and there has persisted an apparent disconnect between lofty documents and the provision of an empowered and dedicated unit to tackle these issues. For instance, AfDB created a Gender, Climate Change and Sustainable Development Unit as one of its priority actions in 2008. However, the short-staffed unit was given nearly sole responsibility for the issues of gender and climate, among others, and these were otherwise not mainstreamed throughout the Bank. Following a major organizational restructuring, gender was again divorced from climate change and moved to the Quality Assurance and Results Department which, again, is tasked with mainstreaming

gender into the rest of the Bank. Since this restructuring in June 2010, the unit head position was vacant for well over a year until October 2011.

Safeguards

Environmental and social safeguards are included in the study because of their interrelation with the Bank's portfolio governing climate change, and because the extent of their implementation bears heavily on the Bank's track record in ensuring the environmental and social sustainability of its operations.

AfDB's existing policies were developed piecemeal over the course of several years, and were designed to protect the environment and local communities from the negative impacts of AfDB-financed projects. In addition to core safeguard policies governing environmental assessment and involuntary resettlement, the Bank operates under a number of cross-cutting or sectoral policies, including gender and agriculture, among many others. However, the Bank itself has noted that these documents lacked clear requirements. The resulting lack of coherence as to what constitutes actual requirements has stymied Bank staff, clients and the public for years.

The Bank has never conducted an evaluation of the safeguard policies or their implementation, and thus evidence of implementation or lack thereof is sparse. However, an investigation by the Bank's Independent Review Mechanism (IRM) into lack of safeguards compliance in the Bujagali Dam project in Uganda cites widespread safeguard policy violations that have led to direct harm on local communities.

Within this context, AfDB is developing a **new Integrated Safeguards System (ISS)** that could bring AfDB's policies up to international standard. Early indications suggest that several policy innovations could become part of the ISS, including project-level grievance mechanisms, labor standards, climate change considerations and, at long last, the rights of indigenous peoples. Without a significant dedication of resources for staffing and training of other departments, problems with implementation could continue to plague the institution.

The Africa Green Fund

The AfGF warrants separate treatment, as it represents a new and Bank-driven effort to attract a much larger sum of climate finance, and demonstrates the Bank's interest in reinventing itself as the climate bank for Africa. While AfDB has opted not to launch the AfGF during the COP 17 meetings in Durban, the Bank is expected to continue to pursue plans to administer climate funds for Africa in the future. While the AfGF would not be exclusively oriented toward adaptation, it is premised on the notion that African governments have had limited success in attracting climate finance, and that adaptation needs in particular are higher than in any other region.

The Bank's **draft framework for an Africa Green Fund** did not define concrete proposals, and in many ways the objectives represent a repackaging of previous, unfulfilled commitments by the Bank. These include streamlining access to existing, AfDB-managed trust funds and providing support to governments to institute policy frameworks that support adaptation and low-carbon growth. The only apparently new proposal is the creation of the AfGF instrument itself, independent of the Bank's own decision-making structure, to host and deliver any funds made available from pledges arising from existing and future climate agreements.

However, while African governments have come out strongly and consistently in support of the African Development Bank hosting a separate regional fund for the continent, the anticipated benefits of AfDB administering Africa's share of scaled-up global climate finance flows remain unclear. As evidenced in the Congo Basin Forest Fund, as well as in the CIFs and throughout the Bank's own portfolio, onerous internal procedures have severely constrained disbursements. The rationale for an African institution hosting climate funds should be weighed against the possible drawbacks.

AfDB Basics

The African Development Bank (AfDB) is a public development bank that lends money and gives grants in Africa. The Bank's influence has been rapidly increasing on the continent along with its lending to high-risk sectors such as major dams, biofuels and extractive industries. In 2011, AfDB received \$9.5 billion in donor commitments for its lending to low-income countries for 2011-2013, and in 2010 reached an agreement to triple its capital base to nearly \$100 billion in an effort to sustain its higher lending levels.

Lending windows

The African Development Bank Group is made up of two primary lending "windows": the African Development Bank (ADB) and the African Development Fund (ADF). In 2010, AfDB provided \$6.5 billion for lending operations, of which \$2.2 billion came from the ADF for low-income countries. ADB approvals, covering private sector and middle income countries, largely made up the rest of AfDB's portfolio.

African Development Bank (ADB)

The ADB window gives loans to governments in middle-income African countries, such as South Africa, Morocco, and Tunisia. Sixteen of Africa's 53 countries are eligible to borrow from the ADB window (see table below). The ADB window also gives loans and invests in private companies to support their projects in all African countries. The ADB window does not provide grants. In 2010, ADB's private sector operations totaled approximately \$1.8 billion, or 29.5 percent of total AfDB approvals.¹

In 2010, AfDB received commitments from its member governments toward a major infusion of resources to increase its capital base, allowing it to sustain its recent high levels of lending to the private sector and to middle income borrowers. Called a General Capital Increase (GCI), this represented a major vote of confidence from its members, as the Bank's capital base was tripled to nearly \$100 billion. Through a protracted negotiation process, member governments obtained many commitments from the Bank relating to institutional reforms. Several of these donor-driven commitments form the basis of much of the Bank's climate change engagements, such as the creation of the energy and climate change department to tackle climate change (see below) and the development of a new energy sector policy (see Energy chapter). The commitments are summarized in the Bank's reforms matrix.²

¹ [2010 Annual Report](#) (AfDB website)

² [GCI Matrix of Institutional Reforms](#) (AfDB website)

African Development Fund (ADF)

The ADF is the Bank's window that provides grants and loans to low-income African countries. In 2010, 40.2 percent of ADF financing was made in the form of grants.³ There are currently 40 countries eligible to borrow from the ADF window (see below). ADF receives nearly all of its funds from donor countries. Donors meet every three years to decide on a funding "replenishment" for ADF. The last ADF replenishment, ADF-12, covers 2011 to 2014, where donors pledged \$9.5 billion, an increase of 10 percent over the previous replenishment.⁴ The United Kingdom, Germany and United States were the three largest donors.⁵ ADF 12 was concluded earlier than usual, as the Bank had frontloaded most of its ADF resources at the onset of the financial crisis.

The replenishment process is one of the key channels through which donors exercise influence over the kinds of activities and policies AfDB promotes. Negotiations for the next ADF replenishment begin in 2012.

Only Cape Verde, Nigeria and Zimbabwe are considered "blend countries," meaning they are eligible to borrow from both the ADF and ADB windows.

AfDB Group Regional Member Countries by Lending Window Eligibility ⁶			
ADB Countries	Blend Countries	ADF Countries	
Algeria Botswana Egypt Equatorial Guinea Gabon Libya Mauritius Morocco Namibia Seychelles South Africa Swaziland Tunisia	Cape Verde Nigeria Zimbabwe	Angola Benin Burkina Faso Burundi Cameroon Central African Republic Chad Comoros Congo Democratic Republic of Congo Cote d'Ivoire Djibouti Eritrea Ethiopia Gambia Ghana Guinea Guinea Bissau Kenya	Lesotho Liberia Madagascar Malawi Mali Mauritania Mozambique Niger Rwanda São Tomé and Príncipe Senegal Sierra Leone Somalia Sudan Tanzania Togo Uganda Zambia

Membership

³ [2010 Annual Report](#) (AfDB website)

⁴ [African Development Fund Replenished with USD 9.5 Billion](#), October 22, 2010 (AfDB website)

⁵ [ADF-12 Report](#), September 2010 (AfDB website)

⁶ [2010 Annual Report](#), p262 (AfDB website)

The African Development Bank was established in 1964 in Abidjan, Côte d'Ivoire. At that time, only African countries were members of AfDB. In 1972, the African Development Fund was created. After the oil shocks of the 1970s, African governments found it increasingly difficult to contribute money to AfDB. As a result, in 1982 AfDB's charter was changed and non-African countries were invited to become full members.

The African Development Bank now has 77 member countries: 53 are African countries and 24 are European, North American, South American and Middle Eastern countries.

In 2003, AfDB's headquarters were relocated to Tunis, Tunisia as a result of the conflict in Côte d'Ivoire. AfDB still operates out of Tunis today while its headquarters technically remain in Côte d'Ivoire. AfDB's permanent location remains an open question.

Board of Directors

Day-to-day decisions about which loans and grants should be approved and what policies should guide AfDB's work are taken by the Board of Executive Directors. Each member country is represented on the Board, but their voting power and influence differs depending on the amount of money they contribute to AfDB.⁷

Member contributions to AfDB determine the number of "shares" that each country holds. The number of shares determines each country's voting power on AfDB's Board.

African countries have traditionally held approximately 60 percent of the voting power at the Bank, though this target has slipped with the recent approval of the GCI and the staggered contributions from participating members. All member countries of AfDB are represented on the Board.

There are 20 Executive Directors (EDs) on the Board – 13 for African regional member countries (RMCs) and 7 for "non-regional" (donor) member countries. Each of the Executive Directors, with the exception of the United States, represents more than one country. Usually, the various countries in each Executive Director's constituency rotate responsibility for filling the staff positions and sometimes that of the Executive Director. The constituencies are formed in part based on the size of each country's voting share, the objective being to ensure relatively equal voting power for each Executive Director.

While non-African donors typically do not have the majority voting share on the Board, their influence, exercised particularly through the ADF replenishment process, is significant. As noted previously, it is during the ADF replenishment that AfDB's operational priorities, strategic direction and funding levels are determined.

⁷ The latest list of Executive Directors, their constituencies and voting shares is available [here](#).

Organizational Structure and Climate Change

Introduction

A near constant series of internal restructurings has taken its toll on the Bank's climate change agenda, as responsibility has shifted from department to department, each tasked with mainstreaming climate throughout the institution. Real resources have yet to accompany these moves, which further hampers the Bank's ability to attract and retain competent and experienced staff. See Annex 1 for a diagram listing climate change-related staff and contact information.

A new department dedicated to climate change

As part of its commitments under the General Capital Increase, and in part to address this challenge, AfDB created in 2010 the Energy, Environment and Climate Change Department (ONEC) under the operational vice presidency that covers infrastructure, private sector and regional integration (OIVP) to "spearhead the Bank's operations in energy, environment and climate change."⁸

ONEC is divided into three units – two to focus on energy lending in Francophone (ONEC1) and Anglophone (ONEC2) countries respectively, and a third (ONEC3) to focus specifically on AfDB's commitments and responsibilities regarding climate change, including the Climate Investment Funds (see Climate Finance chapter), as well as mainstreaming climate change throughout the departments of the Bank.

As climate change had previously fallen under a single unit also tasked with CSO outreach and gender, the creation of ONEC represented a potential sea change in the way AfDB handled the issue of climate change in its operations and portfolio. However, ONEC has been hampered by the Bank's inability to attract staff with the right competency. This is a widespread phenomenon at the institution, which has difficulty attracting and retaining real experts with a great deal of experience. This has led to an overreliance on consultants, largely from Europe and North America, to spearhead the Bank's climate work, with the predictable result of limited institutional change and capacity. ONEC just recently hired only its second renewable energy expert, so there is a clear need to increase internal expertise and capacity to manage the projected increase in clean energy development under the new Energy Sector Strategy (ESS - see Energy Chapter). At the same time, AfDB's tradition of assigning responsibility to a single department or unit to mainstream issues across Bank departments has had limited success, and ONEC's specific mandate to mainstream climate change at the Bank is unclear.

⁸ [GCI Matrix of Institutional Reforms](#) (AfDB website)

Mainstreaming in other departments

The Bank recognizes that climate change cannot be covered by ONEC exclusively, and through a variety of Bank guidelines including sector strategies, assigns responsibility to various departments to integrate climate mitigation and adaptation into their activities. Under the same vice presidency as ONEC, the Transportation (OITC) and Water and Sanitation (OWAS) Departments are in particular expected to integrate climate adaptation into their operations (see Adaptation chapter). The division of responsibility is expected to be further clarified in the Bank's new Climate Change Action Plan.

The agriculture department (OSAN), which falls under the catch-all Sector Operations vice presidency (OSVP), has responsibility to incorporate adaptation within the Agricultural Sector Strategy (see Adaptation chapter), and through its natural resources unit (OSAN4) is in charge of AfDB's engagement in the Forest Investment Program (FIP – see Climate Finance chapter), one of the Climate Investment Funds. OSAN also hosts the Congo Basin Forest Fund (CBFF) secretariat (see Climate Finance chapter), and its coordinator reports directly to the director of OSAN.

Operationalizing climate risk, gender and civil society outreach

Under the Results and Quality Assurance (ORQR) Department, which reports directly to the Chief Operating Officer in the President's office, the Safeguards and Compliance Unit (ORQR3 – see Safeguards chapter) is in charge of rolling out the new Integrated Safeguards System (ISS) that will apply to all Bank operations. It will also be responsible for training Bank staff on and assuring inclusion in project development of climate-proofing the Bank's portfolio.

ORQR also houses the Gender and Social Development Monitoring Unit (ORQR4 – see Gender chapter), which has primary responsibility within the Bank for gender within the institution – including how it relates to climate change. ORQR4 also houses AfDB's sole CSO liaison officer. In theory, this position is expected to “serve as the primary interface in the Bank with CSOs,” to “support and facilitate the participation of civil society in Bank's activities in RMCs by assisting in the identification, formulation, implementation, monitoring and evaluation of programs and initiatives,” and “support the development and revision of policies, strategies and programming regarding the engagement of civil society organizations.”⁹ Obviously, a single person cannot play this role, yet AfDB has largely delegated its work governing CSOs to ORQR4. CSO engagement and commitment remains very weak at AfDB, despite a progressive policy governing engagement with civil society. This document¹⁰ was intended to govern engagement with CSOs on the policy and project level, yet represents one of the most glaring examples of a good document that never gets implemented.

⁹ [Principal Civil Society Engagement Officer Vacancy Notice](#) (AfDB website)

¹⁰ [Cooperation with CSOs Policy](#), October 1999 (AfDB website)

Yet as a result of sustained engagement, African civil society has made some inroads toward opening up the institution. In particular, the CSO Coalition on the African Development Bank, an African-led network of civil society organizations, has begun to effectively engage AfDB in order to advocate for greater accountability, transparency and environmental sustainability. The Coalition has its office near AfDB's headquarters in Tunis, and its website is www.coalitionafdb.org.

Climate Change Coordination Committee

In recognition of the need to better coordinate its climate activities, the Bank this year constituted the Climate Change Coordinating Committee (CCCC). A long-running feature of Bank management structure, which has seen any number of "task forces" and "coordinating committees," the CCCC was created as a temporary mechanism to drive AfDB's climate activities in the run-up to COP 17 in Durban. While there is no documentation available regarding the actual mandate of the CCCC, it is understood that the Committee was initially charged with developing and making a pitch for AfDB to host a new Africa Green Fund (see AfGF chapter) in Durban. In the likely event that a major agreement is not made in Durban – apparently AfDB management has decided to hold back on such a sales pitch at COP17 – the CCCC will likely either get absorbed into a specific vice presidency or could, with a dedicated budget, remain as a standalone committee into 2012.

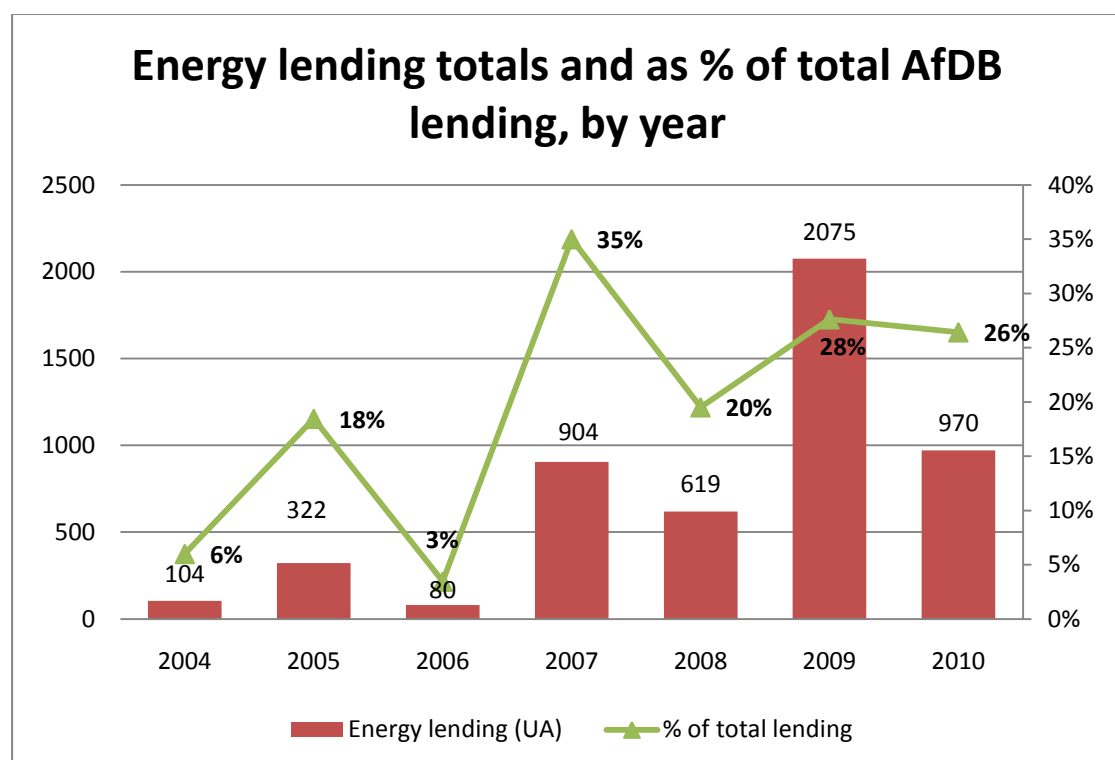
The CCCC claims its members from all of the departments mentioned above and aims to capitalize on the additionality that each brings toward preparation for Durban, development of the Africa Green Fund, and experience integrating climate into country programming and projects.

Energy Lending and the New Framework

At least nominally, AfDB continues to operate under its first and only Energy Sector Policy, approved in 1994. The 1994 policy is in many ways a relic from a previous era, before climate change concerns were well considered, yet still, many of the same challenges for Africa's energy sector remain. Until the mid-2000s, AfDB played a very limited role in the energy sector, and took a back seat to private sector investment in power generation and transmission.

Ramping up energy financing, but still a small piece

From 2004 to 2010, however, AfDB saw a major increase in the size of its energy sector portfolio. While the size of the portfolio varies year to year, there is a distinctive upward trend, reaching a peak of UA 2.075 billion¹¹ at the same time that energy has taken a much more prominent share of AfDB's total lending portfolio.



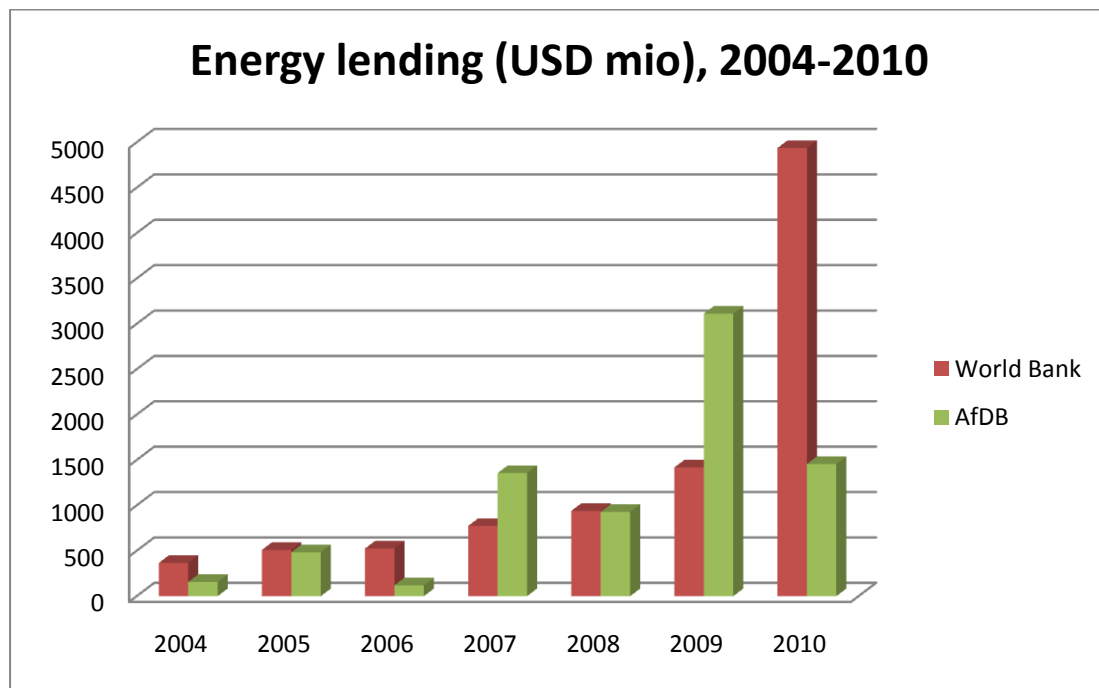
The energy sector was given scant mention in AfDB's 2008-2012 Medium Term Strategy (MTS), though the then-new Clean Energy Investment Framework (CEIF) is specifically cited

¹¹ UA stands for Units of Account, and is the denomination in which the Bank typically approves funds. UA 1 is roughly equivalent to USD 1.50.

to guide renewable energy investments. In its April 2011 Mid-Term Review of the MTS, however, AfDB highlights its increased energy lending as evidence of meeting its commitments.¹² However, mention within the mid-term review of having placed an “emerging emphasis on energy efficiency, clean and renewable energy” is disingenuous, as discussed below. A more rigorous review of its portfolio suggests that new energy lending in 2008-2010 was far from clean.

More likely, the real impetus for increased energy financing was demand from borrowing governments, which have rightly identified deficits in power generation and energy access as obstacles to economic growth and development.

AfDB has begun to take a prominent place among financiers of the energy sector in Africa. While figures are not exactly comparable,¹³ a rough comparison of World Bank and AfDB energy lending figures is included in the chart below.



ADF and ADB – different windows and different worlds

While AfDB has for some time operated without a clear strategy in the energy sector or made specific commitments, an examination of AfDB’s energy portfolio from 2004 to 2010¹⁴ reveals a quite distinct approach in ADB (middle income) countries versus ADF (low income) countries (see AfDB Basics chapter for more on lending windows and countries).

¹² [Mid-Term Review of Medium-Term Strategy](#), April 2011, p4 (AfDB website)

¹³ World Bank figures include the mining sector, but do not include lending in North Africa. World Bank figures are derived from its Annual Reports from 2004 – 2010.

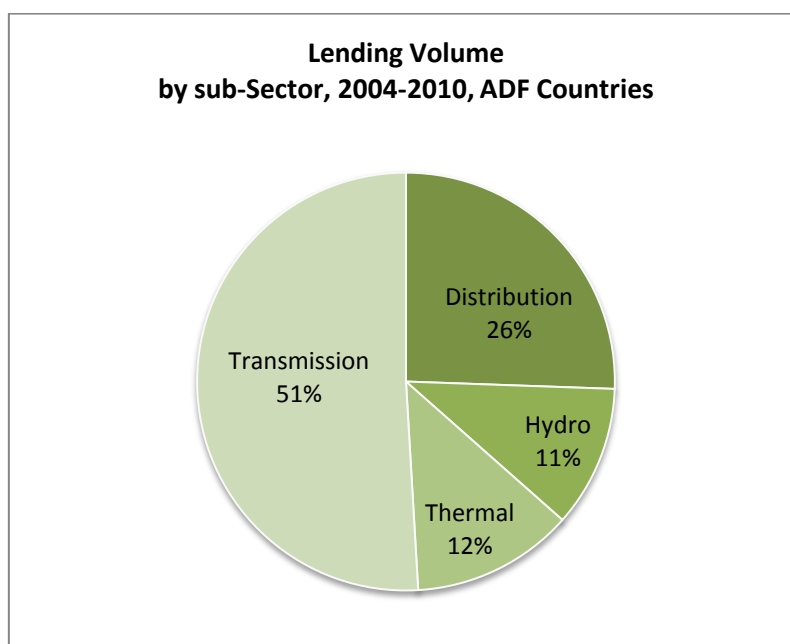
¹⁴ Based on a review of [AfDB’s Annual Reports, 2004 – 2010](#).

ADF window

Over three quarters of the Bank's energy lending in ADF countries financed transmission and distribution, with the remainder for studies and actual financing for hydroelectric and thermal power plants. Half of the 10 distribution projects aimed specifically at expanding rural electrification, largely through grid extension, lending some credibility to the Bank's stated focus in this area.¹⁵ Unsurprisingly, most distribution projects in ADF countries contain at least a stated energy access objective. However, the Bank itself noted in its 2008 Clean Energy Investment Framework (CEIF – see below) challenges to effectively reaching rural populations most in need:

AfDB's experience is that conventional approaches to rural electrification are not the most cost-effective means to attaining the goal of access-for-all to electricity in rural areas. Geographical realities suggest that decentralised, autonomous energy infrastructure development harnessing local resources – most often, renewable – is a more cost-effective approach to increasing rural energy access.¹⁶

While AfDB makes a strong case for its experience in delivering energy access to the poor through these projects, the link on transmission lines, particularly through regional power pools, is less clear. AfDB's engagement in poor pools is discussed further below.



¹⁵ [Energy & Power: Bank Group Vision](#) (AfDB website)

¹⁶ [Clean Energy Investment Framework](#), April 2008, p3 (AfDB website)

ADB window

Bank projects in ADB countries, on the other hand, typically feature investments in large generation projects. In fact, fully three-quarters of all AfDB energy sector lending from 2004-2010 went to ADB countries, nearly all of which for just four countries.

	Energy Lending (UA mn), 2004-2010	Electrification Rate ¹⁷
South Africa	2065	75%
Egypt	1031	99.6%
Morocco	361	97%
Tunisia	237	99.5%
Other ADB	160	
Total ADB	3855	
Total ADF	1217	~20%¹⁸

This disparity between ADB and ADF lending is symptomatic of the volume of lending available to each lending window, and the number of countries eligible to borrow from each (see AfDB Basics chapter). This is further reinforced by AfDB's desire to spread the risk in its portfolio, and AfDB has argued that a large loan to South Africa's power utility, Eskom, allows more risky projects in countries like the Democratic Republic of Congo. Still, the difference is glaring when comparing the needs of African countries. Whereas generation and electrification rates remain quite low in most ADF countries, a small handful of countries with the highest electrification rates on the continent receive the vast majority of AfDB's energy lending.

Energy lending to ADB countries is overwhelmingly dedicated to thermal power generation. In 2004-2010, thermal generation comprised 84 percent of lending to ADB countries, and 61 percent of the Bank's entire energy portfolio. Over half of the entire ADB energy portfolio went to South Africa's power company Eskom for its largely coal-based expansion plans (\$500 million ADB loan) and for the 4800 MW Medupi coal-fired power plant (over \$2.5 billion ADB loan). The Medupi project, which later received co-financing of \$3 billion from the World Bank, represents by far AfDB's largest loan to date. The loan has received major criticism from civil society, who argue that the funds could have been better spent toward developing South Africa's vast renewable energy potential, and cite a host of anticipated negative local social and environmental impacts. The project is the subject of an official complaint lodged by local communities.¹⁹

Though Africa's contribution to climate change is limited, the heavy reliance on lending for thermal power, in particular coal, to its largest emitters raises questions about AfDB's stated commitment to mitigate climate change.

¹⁷ [World Energy Outlook 2010](#), International Energy Agency

¹⁸ [Clean Energy Investment Framework](#), April 2008, p5 (AfDB website)

¹⁹ [Medupi Project: IRM Request for Investigation](#), September 28, 2010 (AfDB website)

Energy projects in ADB countries, 2004-2010				
Subsector	Project	Country	Generation Capacity	Amount (UA)
Oil & Gas				
	Hasdrubal Oil and Gasfield Project	Tunisia		194
Subsector Total				(5%) 194
Thermal				
	Medupi Power Project (coal)	South Africa	4800 MW	1733
	Morupule B Power (coal)	Botswana	600 MW	142
	Santiago Island Power Reinforcement	Cape Verde	2.4 MW	5
	El Kureimat Combined Cycle Power Plant Project	Egypt	750 MW	146
	Abu Qir Steam Power Project	Egypt	1300 MW	222
	Eskom Holdings Ltd. Expansion Project	South Africa		333
	Ain Sokhna Thermal Power Project	Egypt	1300 MW	302
	Suez Steam Cycle Thermal Power Plant	Egypt	650 MW	360
Subsector Total				(84%) 3244
Solar Thermal				
	Ain Beni Mathar Solar-Thermal Power Station Project	Morocco	470 MW	259
Subsector Total				(6.7%) 259
Wind				
	Cabeolica Wind Power Project	Cape Verde	25.5 MW	13
Subsector Total				(.3%) 13
Distribution				
	Power Transmission and Distribution Development	Morocco		102
	Electricity Distribution Networks Rehabilitation and Restructuring	Tunisia		43
Subsector Total				(3.7%) 145
Total				3856

Source: AfDB Annual Reports 2004-2010

An overstated role in Africa's hydropower?

While its involvement in high-profile hydropower projects has often attracted the most external attention, in fact AfDB's lending figures reveal that the Bank's actual financing for the sector is quite modest. At just UA 133 million from 2004-2010, or 3 percent of its total energy lending, AfDB's support for dams is dwarfed by that of other multilateral and bilateral institutions. Apart from a few feasibility studies and its attempts through the Infrastructure Project Preparation Facility (IPPF), an initiative of the New Partnership for Africa's Development (NEPAD), to facilitate others' involvement in African hydropower, the Bank's actual financing for major projects was limited to the Bumbuna Dam in Sierra Leone (UA 11m), the controversial Bujagali Dam in Uganda (UA 72m), and the rehabilitation of the turbines at Inga 1 & 2 in the Democratic Republic of Congo (UA 36m).

Despite its limited engagement to date, AfDB has repeatedly emphasized the benefits of large hydropower to address Africa's energy deficit, and has publicly put its support firmly behind plans to develop additional hydropower facilities on the Congo River at the Inga site.²⁰ While many observers are skeptical of the likelihood of developing these projects, due to the sheer volume of financing required in one of the world's riskiest countries, AfDB is leading efforts to develop the first phase of the much-vaunted Grand Inga Dam.

However, AfDB's aborted attempt to finance the highly controversial Gibe III Dam in Ethiopia highlights some of the risks of AfDB's efforts to become a major backer of hydropower development in Africa. Unlike other institutions such as the World Bank that are mainly staffed by economists, AfDB infrastructure project staff are typically engineers by profession. While they may possess considerable expertise on how to design large-scale infrastructure projects, they lack a corresponding appreciation for and expertise on mitigating potential environmental and social risks. This came to the forefront in the case of Gibe III where, as a result of management pressure to approve the deal, project staff were forced to downplay the potentially disastrous consequences to indigenous communities on both the Ethiopian and Kenyan sides of the border, their reliance on seasonal floods to sustain their livelihoods and culture, and the direct implications on Lake Turkana, which sustains food crops, livestock grazing and watering for local, marginalized communities.

While its experience with Gibe III highlights some of the pitfalls of making commitments based on political sensitivities over sound technical, social and environmental considerations, AfDB has made its first clear intention to finance the Mphanda Nkuwa Dam on the Zambezi River in Mozambique. Although the issues are different, Mphanda Nkuwa will likely represent a challenge to AfDB's ability to manage complex environmental and social issues (see box below).

With four large hydropower projects in its pipeline, AfDB is at the same time vigorously pursuing hydropower as the centerpiece of its new energy policy (see below), and likely its new energy sector strategy. However, it remains an open question whether the Bank has the capacity to mitigate the inherent and demonstrated risks. At the same time, this reflexive insistence on the Bank's part lacks discussion of the merits and demerits of the wisdom of pursuing large hydropower in a climate-constrained world. Africa's river systems in particular are vulnerable to the effects of climate change, and the Bank's largely rhetorical commitment to climate proof its investments has gone unimplemented over the past two years (see Adaptation chapter), raising serious questions about the wisdom of ramping up hydropower investments on the continent.

²⁰ [Inga: A Key to African Development and a Central Solution to Climate Change](#), July 6, 2011 (AfDB website)

The Mphanda Nkuwa Dam – trouble on the horizon?

AfDB is proposing UA 30m for a 1400km transmission line linking megaprojects in Mozambique to South Africa. The t-line will initially rely on generation from the proposed 1300 MW, \$2 billion Mphanda Nkuwa Dam on the Zambezi River.

The proposed loan for the t-line, after years of announcements, is only coming together now that Eskom has firmed its interest in Mphanda Nkuwa and is reportedly close to finalizing a Power Purchase Agreement with Mozambique. At the same time, AfDB just included a proposed loan for the dam itself in its new Country Strategy Paper, estimating approval in 2014.

AfDB will be among the first financiers of the transmission line, providing a signaling effect to bilateral, multilateral and commercial funders. The World Bank, which is planning its own \$90 million loan, has explicitly acknowledged Mphanda Nkuwa as an associated facility for the project, meaning all environmental and social safeguards would apply. However, as in the case of the transmission lines associated with the Bujagali Dam, financiers of the transmission line will likely refer questions about the dam and its broader cumulative impacts to AfDB as a direct financier.

Mphanda Nkuwa would be built 90km downstream of the Cahora Bassa Dam, built in the 1970's and 90% of its power goes to South Africa. Civil society in Mozambique has campaigned for over a decade for Cahora Bassa to allow a more natural flow of the Zambezi, which would help sustain the wetlands in the Zambezi delta that are of incredible importance to biodiversity and the continued viability of the \$20 million per year prawn industry, and not to mention sustain the livelihoods of the thousands who depend on the natural floods for agricultural purposes. Construction of Mphanda Nkuwa, they argue, will cement the over-regulation of the Zambezi.

80% of South Africans are connected to the grid, whereas only 8% of Mozambicans have electricity, predominantly in Maputo. One of the key gaps in AfDB's support for these projects is the lack of consideration of alternatives. The government has not done an assessment of alternative energy options that could provide for the 92% of Mozambicans without even basic electricity, despite initial assessments that highlight real renewable, small-scale energy options.

New renewables and the Clean Energy Investment Framework

In 2008, AfDB board of directors approved the Clean Energy Investment Framework (CEIF).²¹ The CEIF came about as a result of the 2005 G-8 Gleneagles Summit, which included principles of “expanding access to reliable energy supplies” and “promoting investment in clean energy and low-carbon approaches to economic development.” AfDB and other multilateral development banks responded by developing Clean Energy Investment Frameworks to guide their operations based on these principles.

The process to develop the CEIF began immediately after Gleneagles in 2005, supported by the World Bank which had made greater progress as well as by technical assistants from the UK. However, the CEIF's development was hampered by a lack of buy-in from the Bank's

²¹ [Clean Energy Investment Framework](#), April 2008 (AfDB website)

board and senior management, which did not see the importance of the endeavor. Thus the CEIF would not be realized until 2008.

The CEIF was based around three priority areas:

1. Mainstreaming of clean energy, primarily through working with governments to strengthen energy planning and regulatory regimes.
2. Promoting investments in energy access and cleaner energy. This includes small-scale renewable energy options for rural communities, low-energy lighting, and the like. AfDB would also support clean energy generation at the national and sub-regional levels.
3. Catalytic role and resource mobilization, through continental infrastructure initiatives and through facilitation of African access to climate funds.

Implementation of the CEIF was to be financed through AfDB's existing lending windows, and the Bank also proposed within the CEIF to establish a multi-donor trust fund called the Clean Energy Access and Climate Adaptation Facility for Africa (CECAFA) that would develop and utilize technical expertise within the Bank on climate change.

As a managerial mechanism to implement the CEIF, AfDB proposed in the CEIF to develop an Action Plan on Clean Energy Access and Climate Adaptation (later called the "Climate Change Action Plan") that would "spell out concrete institutional arrangements to ensure effective coordination of the work programs of 'front-line departments' involved in the implementation of the CEIF," using AfDB's own lending windows.²²

In an effort to build AfDB's internal capacity on clean energy and climate change, the CEIF proposed a doubling of staff from just 18-20 working at the time on energy and climate change.

However, the implementation of the CEIF was never realized. The same lack of buy-in in 2005 from senior decision makers at the Bank persisted in 2008, and the most important mechanisms proposed as part of the CEIF – the CECAFA, the Action Plan, and the increase in staff - were never enacted. The thinking that persisted at the time was that the Bank should not be concerned about greenhouse gas (GHG) emissions when Africa was the lowest emitter, and African board members in particular saw the CEIF as a potential infringement on future coal and fossil fuels development.

The Bank's Climate Change Action Plan, which was the primary instrument for implementing CEIF (and later adapted to incorporate CRMA), has still not been approved. While in 2009 the Bank began to see the emerging potential for hosting and administering climate finance, particularly leading up to the COP 15 in Copenhagen, a sequence of restructuring and new hires and consultants at the Bank continued to derail the Climate Change Action Plan.

Perhaps most tellingly, between 2008 when the CEIF was approved through 2010, only four renewable energy projects were approved. These projects were only taken on because of

²² [Clean Energy Investment Framework](#), April 2008, p19 (AfDB website)

explicit demand from the borrowing countries. However, lack of demand from other countries, coupled with a lack of support within the Bank for an ambitious strategy for investing in renewable energy or mechanisms to support renewables with grants, remained the driving factor for the failure to scale up renewables in a meaningful way.

The year 2011 saw a major jump in the volume of renewable energy lending with high profile loans to South Africa for the Sere Wind Project (UA 28.81 million) and for the Upton Concentrated Solar Project (UA 140.85 million). These projects could indeed be transformative, but AfDB has hardly taken the lead, having only approved these projects over a year and half after the World Bank. AfDB's achievements on rolling out clean energy projects have otherwise been quite meager, with minor exceptions that include a small hydro dam in Madagascar, though the inclusion of renewables in the Bank's current pipeline, such as major geothermal and wind projects in Kenya and the make-up of its energy strategy, could finally bring AfDB's practice up to its rhetoric.

A new framework for energy lending

Among its many commitments laid out in the agreement for a General Capital Increase (GCI), AfDB pledged to develop a new Energy Sector Policy (ESP) to guide its lending in the sector.²³ The development of a new ESP, to update the antiquated 1994 policy, came about largely as a response to AfDB's growing role in the sector, as well as recent experiences with high-profile and contentious projects, namely the Gibe III Dam in Ethiopia and the Medupi coal-fired power plant in South Africa. The German Executive Director at the time of the approval of Medupi insisted that the Bank have clear guidelines and policy framework to guide decisions about what and what not to fund. AfDB's Policy Department (ORPC) would develop the policy framework.

AfDB's board later called for a separate Energy Sector Strategy (ESS), which would be a "business plan" to guide lending from 2012 to 2016, to be developed by the Energy, Environment and Climate Change (ONEC) department. The board is currently considering whether and how to merge the two documents. Informal discussions with Bank staff suggest that the two departments have been operating completely independent from one another.

The draft ESS has not been publicly disclosed or made subject to public consultation and comment, though initial indications suggest that the ESS goes much further than the ESP on moving AfDB toward a real focus on developing clean energy and addressing energy access deficits, and that language governing sub-sectors such as hydropower and biofuels is made much more explicit than in the draft ESP. While the projected focus over the next five years on developing a much cleaner energy portfolio is welcome, at the same time it highlights the deficiencies of the energy policy, which contains virtually no restrictions. Indications of a move toward mainstreaming, through concrete actions, consideration of the ESS and requirements on pursuing climate finance into project development herald the prospect of actual implementation. Whether AfDB board decides to merge the two documents and the

²³ [GCI Matrix of Institutional Reforms](#) (AfDB website)

extent to which clean energy features and receives Bank support will determine whether AfDB can move beyond approving a good document that sits on the shelf.

The Energy Sector Policy

The Bank in June 2011 released a first draft of the new ESP for public consultation.²⁴ The policy lays out the rationale for AfDB involvement, citing low access and generation figures on the continent. In line with its vision to ensure a cleaner energy sector that provides maximum access, AfDB's guiding principles include:

- Ensuring energy security and increasing access for all, anchored in low-cost generation and targeted subsidies for the poor
- Moving steadily to a cleaner energy path through committing to more efficient use of coal and oil generation and “increase gradually the sustainable use of renewable energy sources,” while also playing an advocacy role in overcoming barriers to technology transfer, namely intellectual property rights
- Pro-poor focus, particularly in rural areas
- Enhanced governance at the national level through regulatory reform
- Innovation to increase financial flows in the African energy sector through “developing innovative financing instruments to strengthen regional energy markets” and facilitating private sector investment
- Integrating aid effectiveness principles, emphasizing country ownership and AfDB's value-add
- Social and environmental responsibility through adherence to its environmental and social safeguards, and ensuring robust consideration of impacts from the pre-construction phase
- Integrating response to climate change by helping countries move toward cleaner options, as well as helping countries assess climate-related risks to projects
- Fostering knowledge transfer, including facilitating access to carbon credits and assessing clean and conventional energy options for borrowing countries
- Mainstreaming gender dimensions through ensuring gender implications are integrated into project design

While the guiding principles do little to narrow the scope of AfDB's involvement, they do provide an important framing of the energy debate. The emphasis on access for all, cleaner energy mix, and pro-poor, gender-aware approach are of particular importance, because these aspects clearly did not guide AfDB's lending over the past decade. However, the subsequent section on operationalizing the ESP through “key focus areas” lacks a clear link with the guiding principles.

²⁴ [Draft Energy Sector Policy](#), June 2011 (AfDB website)

Renewable Energy

The section on renewable energy focuses primarily on the obstacles, including high costs, regulatory frameworks and lack of expertise. AfDB proposes to “explore available sources of renewable energy including hydropower, bioenergy, wind, solar and geothermal resources” and assisting governments to institute appropriate regulatory regimes to facilitate renewables. This section is unduly brief, considering the core objective of developing a cleaner energy mix in Africa. There is little discussion of actually providing financing for renewables, and the section does not treat renewables as an equally viable technology option as the others. At the same time, given the significant imperatives for meaningful momentum along a low carbon trajectory, AfDB should position itself as a go-to institution for assistance in locating financing sources that would cover shortfalls in financing renewable options versus conventional business-as-usual energy projects.

Hydropower

The section on hydropower contains a predictable case for the exploitation of hydropower resources in Africa. While allowing AfDB to pursue any size of hydropower project, including small hydro, it also contains caveats for project development, namely benefits for local communities, projects should be economically sustainable, and potential environmental and social impacts should be addressed. Though these criteria should be self-evident, AfDB’s experience in the sector has shown that they are not a given. AfDB endorsed the World Commission on Dams upon the release of its report “Dams and Development,”²⁵ yet this “gold standard” is not referenced in the ESP.

At the same time, the commitment to “promote multipurpose hydropower projects” whenever possible is cause for concern. Promoting multipurpose hydropower for electricity generation, irrigation, and domestic and industrial water supply has serious drawbacks. Multipurpose projects have been particularly ineffective investments, since one end use usually predominates over others. This incentivizes operators to maintain high levels of storage-type reservoirs rather than run-of-the-river, which increases flood risk and social impacts. Non-power components such as irrigation also require large subsidies from power revenues. Together with high construction costs including costs of water diversion for multiple uses, large multipurpose dams regularly suffer from cost overruns.

The hydropower section also lacks a requirement to conduct a robust assessment of the impacts of climate change on the viability of projects, as flows will vary greatly in the coming years.

²⁵ [AfDB letter to WCD chair](#), December 22, 2000 (WCD website)

Biofuels

Unlike the CEIF, which specifically cites the potential risks of biofuels and advises that such projects be developed on a case-by-case basis,²⁶ the draft ESP proposes to “maximize the benefits” of biofuels. Project staff are advised to only support schemes that “(i) consider a balance between fuel and food; (ii) are part of a broader rural development plan; (iii) do not impact adversely on equity and poverty, respect land use and labor rights; and (iv) promote inclusive business models for smallholder farmers.”

The risk of biofuels competing with food security in Africa is high, and the ESP lacks a further caveat to only support biofuels schemes where food production meets the national food security requirements. AfDB’s limited demonstrated capacity to sufficiently mitigate risks and supervise projects, or even to adhere to sector guidance, raises questions about the appropriateness for AfDB to include biofuels in its ESP at all. AfDB’s only biofuels project to date, the Addax sugarcane-to-ethanol project in Sierra Leone, was only approved in April 2011 yet has already begun to draw significant attention to potential problems. A new report by Bread For All²⁷ highlights key concerns over food security and right to land, and the prospect that the project amounts to a “land grab.”

Coal

The draft ESP places little restriction on the possibility of continued financing for coal-fired power plants, though pledges to “[take] advantage of progress in technology to allow for high efficiency and reduce GHG emissions and minimize other potential negative impacts of coal-based energy supply schemes.” It further commits to basing financing decisions on analysis of alternatives “to identify a portfolio of technologically feasible, commercially available low carbon resources that could serve projected demand, including through more carbon efficient fossil fuel generation, renewable sources, supply side and demand side energy efficiency improvements” (p13). This language, while vague, appears to obligate the Bank to assist governments in moving toward a low-carbon path through identifying future projects as a condition for its support for coal. AfDB must also demonstrate the development impact of coal projects and its viability versus low-carbon options.

While the coal section includes these specific commitments for the first time, the criteria should be the basis of any project in any sector. Additional, more meaningful criteria should be introduced if AfDB is to be allowed to continue its coal investments, including a robust alternatives assessment demonstrating that the coal option is the only means to improve increased energy access for the poorest. The proposed criteria seek to approximate the World Bank’s current coal lending criteria, but notably omit specific language on considering possible sources of incremental financing for lower carbon

²⁶ [Clean Energy Investment Framework](#), April 2008, p9 (AfDB website)

²⁷ [Independent Study Report Of The Addax Bioenergy Sugarcane-To-Ethanol Project](#), Bread For All, June 2011

options, as well as a full costing of environmental externalities. The 4800 MW Medupi project in South Africa, which will be one of the world's largest, highlights the need to consider externalities, which in the case of coal-fired power plants can be quite high, as documented by the Center for International Environmental Law on Medupi.²⁸ However, this issue is by no means specific to coal-fired power plants, and the issue of environmental externalities and full, lifecycle accounting is missing from the overall framework. This is discussed in more detail below.

The coal guidance, as currently conceived, would open the door for future investments in problematic projects such as Medupi, or its even more problematic successor, Kusile, which is located in one of South Africa's mostly highly polluted areas. These projects should serve as a benchmark for the coal guidance that would put at least some limit on what AfDB can finance.

Oil and gas

The discussion of oil focuses primarily on oil and gas extraction, and notes the likelihood of increased demand in Africa for domestic use of oil and gas with sustained economic growth. AfDB has little experience in the sector, which shows in its cursory treatment of the subject. Unlike other controversial sectors that possess at least some criteria and guidance, AfDB quite generally commits to supporting "environmentally, socially-sound and equitable production, processing, distribution and export" of hydrocarbons. However, a large share of AfDB energy funding has traditionally gone to financing oil- and gas-fired power plants. Financing for such projects is not discussed in the ESP, and AfDB should explicitly state its intention to help countries move away from reliance on expensive and often imported oil and gas.

Transmission and distribution

Quite plainly, AfDB cites the demand in borrowing countries to develop transmission and distribution networks, and commits to scaling up its investments. As T&D comprised fully half of its financing in the energy sector to ADF countries from 2004-2010, this section could benefit from a greater discussion of lessons learned from these investments. At the same time, these more or less straightforward projects align closely with AfDB's strengths and value-add, particularly as compared to emerging subsectors such as biofuels.

Regional integration and power pools

The draft ESP cites the arguments of economies of scale and improved reliability through regional power pools. Yet this section also opens up the prospects of other types of regional projects, such as cross-border oil and gas pipelines. AfDB predictably commits to continuing its support for regional energy markets, particularly through regional power pools, where it retains a lot of experience. But in order to link to the guiding principles of energy access and a pro-poor approach to regional integration, AfDB should avoid the situation where it

²⁸ [Fossilized Thinking](#), Center for International Environmental Law, March 2011

supports major generation and transmission projects for export in a country with low energy access rates. It would be useful to have a framework developed for when it is appropriate to support energy for export, based on whether a surplus exists and local energy access. At the same time, regional market projects typically serve large, often industrial users and large population zones. The ability to provide energy access for those without should be a key determinant in regional projects.

Supply- and Demand-Side Energy Efficiency

The ESP cites the vast potential savings of 30 to 40 percent using existing technology, yet stresses that “scaling up energy generation and transmission remains the priority.” AfDB commits to emphasizing the potential of energy efficiency in dialogue with client countries and promoting efficiency within its operations, but it remains clear that efficiency is not high on AfDB’s agenda. There is no distinction drawn between supply- and demand-side efficiency, and the inclusion of energy efficiency is half-hearted at best.

Instead, energy efficiency should be included as one of the key guiding principles of the policy. AfDB should similarly prioritize end-use energy efficiency over supply side expansion options. Energy efficiency is universally accepted as the lowest cost means of increasing energy access, in addition to contributing to reduced climate change impact.

General comments

While the discussion of subsectors provides “food for thought” that is useful as the basis for discussion and comment, each section could benefit from a dissection of AfDB’s relevant experience in each area and how that informs the content of the policy, as well as a more thorough treatment of each technology group to avoid overgeneralization. Particularly, the document should include a disaggregated discussion of the relative merits and demerits of various sub-technologies in various contexts.

In the draft ESP, AfDB proposes that a set of the implementing guidelines be developed for each subsector, to provide additional guidance to staff on how to assess and develop projects. However, civil society has argued that the implementing guidelines should be integrated into the policy itself, as this would serve as an important signal to staff and project leaders, as well as to borrowers, who might otherwise consider these most critical aspects to be optional guidance.

At the same time, despite clearly laying out energy access for all as its first guiding principle, the ESP lacks a clear link between technology choice and the principle, and instead reverts to discussion of generation, even at one point citing generation and transmission as “the priority.” Similarly, the policy lacks a methodology for screening projects based on energy access goals, and measuring and evaluating them against quantifiable and verifiable energy access metrics.

The policy includes a commitment to the principle of phasing out traditional fossil fuel projects and phasing in greater proportional contribution from renewable energy projects,

yet lacks specific targets and timelines on the traditional and renewable energy make-up of its portfolio.

There is a strong recognition of the gender impacts of energy choices in the draft policy , but this section lacks discussion of past successes or failures in this area and specific requirements, such as a reference to mandatory gender analysis, gender criteria or a gender budget, for treating gender in energy financing.

In response to civil society pressure and comments, AfDB added a new section on options assessments in the latest draft, committing to undertaking “(i) a full cost-benefit analysis taking into account social and environmental externalities, (ii) an integrated resource planning approach, which takes into consideration the natural and social environment and the different uses of natural resources into the decision-making process, (iii) the need for diversification of energy sources, and (vi) alignment to national adaptation and mitigation strategies.” How this additional guidance will relate to actual technology and project selection remains unclear.

Mainstreaming adaptation into AfDB's agenda – or not?

In April 2009, the African Development Bank produced a Climate Risk Management and Adaptation Strategy (CRMA)²⁹ to address risks to sustained economic growth in Africa in the face of climate change. The CRMA came about, in part, from AfDB's Medium-Term Strategy (MTS), which prioritized integrating climate proofing into the Bank's portfolio, setting a target of 12 percent of Bank projects to be climate proofed by the end of 2012.³⁰ In its Mid-Term Review of the MTS, the Bank claims to have met this target without providing any evidence.³¹

The CRMA, which was supposed to cover 2009 through 2011, is informed by the underlying notion that Africa is most vulnerable to climate change and climate variability, a situation compounded by low adaptive capacity. This is further exacerbated by interior development challenges, particularly: the high incidence of poverty; poor governance and weak institutions; limited access to capital, infrastructure and technologies; environmental degradation, and complex disasters and conflicts.

The CRMA sets out the Bank's priorities on adaptation, which include: climate proofing investments; policy, legal and regulatory reforms, and; knowledge generation and capacity building.

Climate Proofing Investments

AfDB states that climate proofing its investments will promote increased adaptation to climate change and ensure resilience to extreme events. This strategic intervention is more of an internal look at the Bank, where it would revisit its operational systems and procedures to take into consideration the threat of climate change and its far reaching effects.

Prior to the CRMA's approval, the Bank in 2007 produced an internal working paper entitled "Come Rain or Shine – Integrating Climate Risk Management into AfDB Operations."³² The paper recommends climate risk management as part of due diligence in AfDB projects and appropriate planning in sensitive countries and sectors. That report constituted the first recognition within AfDB about the need to climate proof the Bank's portfolio, recommending that climate risk management be integrated into: (i) the project cycle; (ii) Country Strategy Papers; and (iii) sector and other thematic studies.

²⁹ [Climate Risk Management and Adaptation Strategy](#), April 2009 (AfDB website).

³⁰ [Medium-Term Strategy 2008-2010](#) (AfDB website)

³¹ [Mid-Term Review of the Medium-Term Strategy 2008-2010](#), April 2011 (AfDB website)

³² [Come Rain Come Shine](#), December 2007 (AfDB website)

The Agriculture Sector Strategy

The CRMA discusses at length its intention to climate proof the Bank's infrastructure investments, which has traditionally comprised the bulk of AfDB lending. But the CRMA also highlights agriculture in particular as among the "climate sensitive sectors" that will receive Bank attention.³³

In 2010, AfDB approved a new Agriculture Sector Strategy³⁴ (AgSS) to cover its operations from 2010 to 2014. The impetus for the AgSS was the combination of new findings and research arising from the 2008 World Development Report on agriculture, done by the World Bank; the results of an evaluation that concluded the Bank should have more clear and selective focus; and the priority for agriculture laid out in the Medium-Term Strategy.

The Bank briefly describes AfDB's past lending in the sector, which has focused most recently on agriculture-related infrastructure, comprising 80 percent of the agriculture portfolio.³⁵ From 2006 to 2009, the Bank's agriculture portfolio stood at roughly \$3.2 billion.³⁶

The AgSS is based on the dual pillars of improving rural infrastructure in order to facilitate access to local and regional markets, as well as increasing sustainable land management to improve resilience.

With respect to climate change, one of AgSS's guiding principles is to introduce adaptation and mitigation to the agriculture sector. The AgSS envisions increased staffing and support for OSAN4, the agriculture unit charged with land and natural resource management. OSAN4 would introduce primarily mitigation efforts around protecting forests and integrating watershed management.

Though one would expect to see a much greater discussion of how AfDB would integrate climate resilience into its agriculture lending portfolio, this is mostly confined to a single box that makes an ambitious commitment that "seventy five percent of Bank agriculture operations are climate proofed" by 2014.³⁷

But as with the CRMA, adaptation efforts through AgSS would be pursued largely through the capacity building and knowledge generation efforts of the ClimDev-Africa Program (see below). The AgSS contains scant mention of the CRMA, and merely repeats the same, unfulfilled commitments relating to training staff with tools that have only just become available (see below). Overall, the AgSS seems to place little emphasis on its actual lending portfolio, and much more on sectoral reforms, which has not typically been AfDB's strong suit.

³³ [Climate Risk Management and Adaptation Strategy](#), p11 (AfDB website)

³⁴ [Agriculture Sector Strategy 2010-2014](#) (AfDB website)

³⁵ [Agriculture Sector Strategy 2010-2014](#), p7 (AfDB website)

³⁶ [Agriculture Sector Strategy 2010-2014](#), Annex VIII (AfDB website)

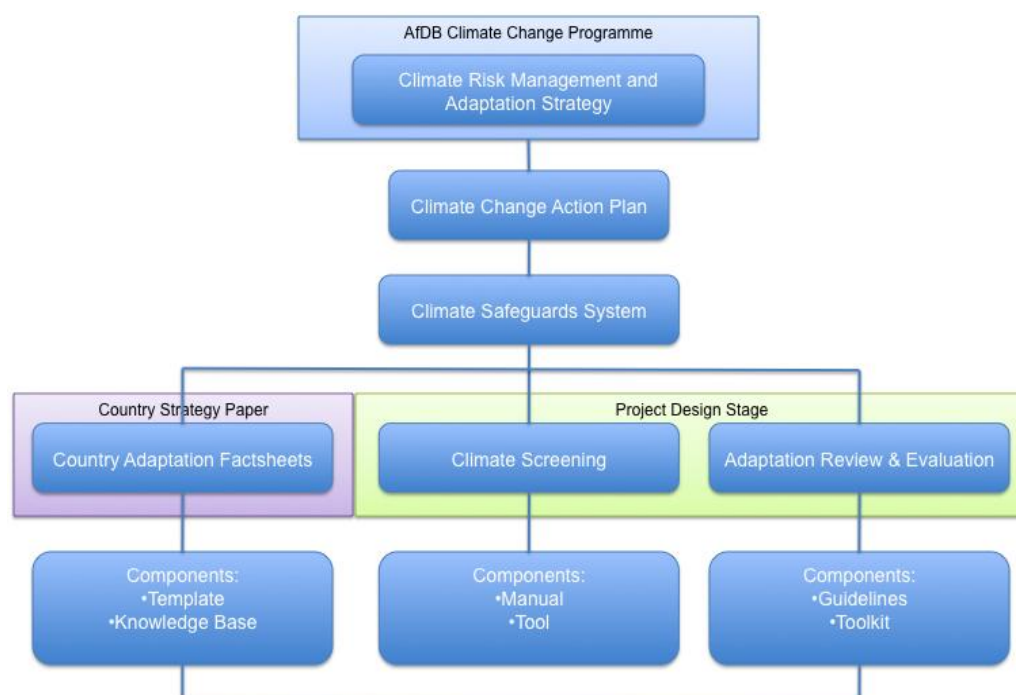
³⁷ [Agriculture Sector Strategy 2010-2014](#), p10 (AfDB website)

New tools

Some of the measurement indicators for climate proofing investment as set out in the CRMA include: toolkits and decision-making guides to help relevant operations address anticipated climate change risks in vulnerable sectors; screening of projects for climate risks; improved design of Bank investments to respond to climate variability, and; a common environmental safeguard standard that incorporates climate change.

While the inclusion of climate risk management within the Bank's portfolio and corresponding indicators were well thought out and warranted, little progress has been made. After initial progress on training Bank staff on climate proofing following the CRMA's approval in 2009, a major restructuring of the institution meant that the knowledge was lost. Similarly, the screening manual, adaptation review procedures and other tools have only just been developed. Up to now, there is no evidence that the Bank has made any progress on climate proofing its investments, or even that project selection has been informed by a discussion of climate risk. Essentially, it has taken two years to begin implementing the CRMA, though the Bank finally appears poised to make up for lost time.

In October 2011, the Safeguards and Compliance Unit (ORQR3) held its first training for staff on AfDB's new Climate Safeguards System,³⁸ aimed at training project leads how to effectively mainstream climate risks into the Bank's operations, particularly in the most vulnerable sectors: agriculture, water, energy and transport. Other materials used for this training included a Screening Manual and the Adaptation Review and Evaluation Procedures,³⁹ which have just been developed.



³⁸ [Bank staff prepares to pilot Climate Safeguards System](#), November 1, 2011 (AfDB website)

³⁹ [Climate Screening and Adaptation Review & Evaluation Procedures Booklet](#) (AfDB website)

The diagram above describes how the Climate Safeguards System, in line with the Climate Change Action Plan and the CRMA, will be integrated at the project and country levels.⁴⁰

Meanwhile, AfDB board is soon expected to discuss the long-awaited Climate Change Action Plan, which is intended to provide guidance about how individual departments will mainstream adaptation into their operations. The continued delay in the approval of this document, which would operationalize the CRMA and other papers, is a factor in the Bank's failure to implement the CRMA, as well as a symptom of the lack of imperative that has characterized the Bank's approach to the issue of climate change.

Policy, legal and regulatory reforms

African policy- and decision makers are increasingly recognizing the challenges posed by a changing climate. However, very few regional or national economic and development policies directly incorporate climate variability, even in climate sensitive sectors like agriculture and water. Thus, the CRMA proposes to support African countries to develop policies and strengthen legal and regulatory frameworks that would create the right enabling environment for mainstreaming climate risk.

However, the Bank has had to rely heavily on high-caliber consultants from Europe and North America to support its work on National Adaptation Programs of Action (NAPAs) in 8 countries, as the Bank possessed no existing institutional capacity to carry out this aspect of the CRMA.

In addition, the Bank has been involved in assisting African governments in certain pilot countries with this shift through its role in implementing the Pilot Program for Climate Resilience (PPCR), one of the Climate Investment Funds (CIFs – see Climate Finance chapter). Though the CRMA predates the PPCR, the Bank has played a role in supporting the development of climate resilient plans in Africa's PPCR pilot countries: Niger, Mozambique and Zambia. However, very little funding has been disbursed so far.⁴¹

Knowledge generation and capacity building

The Bank proposed the Climate Development-Africa (ClimDev-Africa) program as a means of pursuing its agenda to strengthen the capacity of RMCs to develop and use climate information and climate adaptation best practices. Through ClimDev-Africa – a joint initiative of the African Union Commission, the United Nations Economic Commission for Africa (UNECA) and AfDB – the Bank would support the building of climate information systems, aimed at enhancing the capacity of African climate centers to generate and make widely available relevant climate-related information to end-users. ClimDev-Africa has been in the works since first proposed in 2006, yet the initiative was only launched in 2010. It remains

⁴⁰ [Presentation on Climate Safeguards System](#). March 2011 (AfDB website)

⁴¹ [PPCR Disbursement Report](#), September 1, 2011 (CIF website)

unclear whether an AfDB-specific component to develop climate centers, largely sub-regional meteorological centers, has borne fruit.

Through the CRMA, the Bank would also strengthen regional member country (RMC) capacity to benefit from climate-related financing sources under the UN Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol, namely the Clean Development Mechanism (CDM) and the Global Environment Facility (GEF). This commitment would later be taken up in the African Carbon Support Program and Africa Carbon Facility (see Climate Finance chapter)

Conclusion

By any measure, the Bank's timeframe of 2009-2011 to implement the CRMA did not pan out. At the same time, the document and its action items still remain valid, and these late attempts to operationalize the CRMA give some hope that AfDB could begin to consider adaptation in a meaningful way moving forward. This will, however, require real buy-in from senior management and the board to ensure that project staff have sufficient capacity and incentives to truly mainstream adaptation into the portfolio, as well as strong review and evaluation efforts.

Climate Finance: A new role for AfDB

Part of the African Development Bank's commitment to supporting Africa's move toward climate resilience and low carbon development is expanding access to international climate change financing.

AfDB has been tasked with playing an implementation role in the Climate Investment Funds (CIFs). AfDB also hosts other climate and energy related trust funds, such as the Sustainable Energy Fund for Africa, African Carbon Support Project, and the Congo Basin Forest Fund.

The Climate Investment Funds

The Climate Investment Funds were designed as an interim measure to help developing countries move toward climate-resilient development that minimizes the output of greenhouse gases. While the World Bank administers the CIFs, the regional development banks were tasked as implementing partners. AfDB entered into an agreement to manage and disburse the funds for Africa in September 2010, thus activating its role in implementing the CIFs.⁴²

The CIF portfolio consists of the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), an umbrella fund.

The Clean Technology Fund (CTF)

The CTF is a climate fund aimed at mitigation that was set up to provide finance for low-carbon energy projects or technologies that reduce emissions in middle-income countries. The CTF does not limit the types of technologies eligible for financing to new renewables, such as solar, wind and small hydro, and currently "cleaner coal" and large hydro projects could be eligible for CTF financing, primarily through concessional loans.

Through the CTF, nearly \$800 million for projects in Africa have been approved to date,⁴³ of which AfDB accounts for just \$250 million.

\$100 million in CTF funds from AfDB were approved by the CTF Trust Fund Committee (TFC) to help Morocco finance the Ouarzazate Concentrated Solar Power (CSP) plant, which is expected to have a generating capacity of 160 MW in its first phase.⁴⁴ Ouarzazate is the first phase in the Middle East and North Africa region Concentrated Solar Power regional program, an ambitious program that aims to harness the solar potential of the Sahara Desert and evacuate power to Europe. While Ouarzazate would produce energy for domestic

⁴² [AfDB Approves Climate Investment Funds' Implementation](#), September 20, 2010 (AfDB website)

⁴³ [CTF Disbursement Report](#), September 2, 2011 (CIF website)

⁴⁴ [Joint AfDB-WB Submission Document to CTF](#), June 2011 (CIF website)

consumption in Morocco, civil society in North Africa has raised questions about the broader MENA CSP plan.⁴⁵ AfDB is planning an investment in Ouarzazate through its ADB lending window as well, though information about the size of the loan or when it will go for approval is not available on the Bank's website.

In June 2011, the TFC approved a \$100 million CTF loan through AfDB to fill part of the financing gap for wind and solar demonstration projects in South Africa, estimated at 100 MW apiece. The World Bank approved \$250 million under the CTF. The Sere Wind Project and Upington CSP Project were designed as a clean energy accompaniment to the 4800 MW Medupi coal-fired power plant (see Energy chapter), which raises the question of whether CTF funding is actually fulfilling its supposed transformational role in assisting South Africa to move toward a low-carbon path or serving as a window-dressing for largely conventional energy projects. In March 2011, AfDB approved \$365 million for these two projects from its ADB lending window.

Through the CTF, AfDB and the International Finance Corporation (IFC) of the World Bank had each previously allocated \$50 million for energy efficiency and sustainable energy measures in South Africa.

While all of these projects have been approved by the Trust Fund Committee, they still must pass through AfDB's own board approval process before funds can be disbursed. As of June 30, 2011, CTF funds for the Ouarzazate and the South Africa renewables projects had not been disbursed.⁴⁶

The Strategic Climate Fund (SCF)

The SCF as an umbrella fund is intended to support developing countries in their efforts to achieve climate-resilient, low-carbon development in the context of poverty reduction. The SCF comprises three targeted programs:

- *Pilot Program for Climate Resilience (PPCR)* to mainstream climate resilience in sector plans and projects. PPCR pilot countries to date in Africa include Zambia, Niger and Mozambique.
- *Forest Investment Program (FIP)* to promote sustainable forestry management. FIP pilots in Africa include Burkina Faso, Democratic Republic of Congo and Ghana.
- *Scaling Up Renewable Energy Program in Low Income Countries (SREP)*. The three pilot countries in Africa include Ethiopia, Kenya and Mali.

⁴⁵ [Concentrated Solar Power in MENA: An opportunity not to be missed, or an energy program with too many opportunity costs?](#) Bank Information Center, April 20, 2010

⁴⁶ [CTF Disbursement Report](#), September 2, 2011 (CIF website)

Pilot Program for Climate Resilience (PPCR)

The PPCR is aimed at helping countries build on their National Adaptation Programs of Action (NAPAs) by funding public and private sector investments identified in climate resilient development plans.

The PPCR has become a focal point of civil society attention because of the heavy reliance on loans for low-income countries to adapt to climate change.⁴⁷ Niger, for example, has been approved to the tune of \$60 million in loans and \$50 million in grants for its proposal to mainstream climate risk considerations in an effort to halt desert encroachment and drought.

To date, funding for PPCR plans for the three African pilot countries have been approved through the World Bank, and not yet through the AfDB.

Niger is one of only a handful of countries world-wide that has moved to the second phase to operationalize the PPCR through its Strategic Program for Climate Resilience (SRCP). AfDB will channel \$35 million of the total approved \$110 million toward implementation of the strategy, and has pledged an additional \$90 million loan through its ADF lending window.⁴⁸

Mozambique and Zambia were each approved to the tune of \$1.5 million in PPCR funds through the World Bank to develop their national strategies. In Mozambique, AfDB states that it “is helping execute several studies, including the Strategic Environmental and Social Environmental Assessment (SESA) of the investment plan, an institutional assessment and public expenditures review, and a coastal cities vulnerability study among others.”⁴⁹

AfDB is contributing toward the development of Zambia’s investment plan “by providing input on mainstreaming climate resilience into national developing planning, strengthening institution coordination, improving information for decision makers, and shaping targeted awareness and communication.”⁵⁰

The suitability of AfDB’s role in mainstreaming adaptation is brought into question by the quite limited implementation of the CRMA with regard to climate-proofing the Bank’s own portfolio and reliance on external consultants to meet its commitments under CRMA to assist countries in integrating climate risk into sensitive sectors.

⁴⁷ [Donor government join critical chorus on the CIF](#), Bretton Woods Project, 13 September 2011

⁴⁸ [PPCR page](#) (AfDB website)

⁴⁹ *ibid*

⁵⁰ *ibid*

Forest Investment Program (FIP)

The FIP is a financing mechanism aimed at assisting developing countries in getting ready to reach their goals in Reducing Emissions from Deforestation and Degradation (REDD), a climate mitigation scheme that compensates countries for preserving tropical forests and thus reducing associated GHG emissions. The first phase of the FIP, the “readiness phase”, involves the development of investment plans based on priorities identified through national REDD processes. The second phase of the FIP will entail actual financing and implementation of those investment plans.

While the FIP purports to “contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities,”⁵¹ the FIP also contains the potential for significant risks. In countries where land tenure is not secured for indigenous peoples and local communities, for example, the FIP could further marginalize the very people who depend on and preserve the forests.

The \$250,000 grant to Ghana to develop its investment strategy was approved through AfDB, while Burkina Faso and the Democratic Republic of Congo received their grants through the World Bank. Burkina Faso is at the most advanced stage, as the multilateral development banks (MDBs) are nearing approval of actual components of the investment strategy. AfDB is expected to channel \$11 million of the total \$30 million investment plan for the country.

AfDB’s suitability to manage and run FIP programs in Africa is questionable. AfDB has very little experience with REDD, or even the forestry sector. The Congo Basin Forest Fund (CBFF – see below), provides additional insights about the Bank’s ability to manage forest investments.

At the same time, AfDB’s ability to implement the commitment of the FIP to safeguard the rights of indigenous peoples (IPs) is seriously in question, as AfDB remains the only MDB without an indigenous peoples safeguard policy, or any policy or procedure that acknowledges even the existence of IPs. This could change, however, as AfDB is currently considering mainstreaming IPs into its new Integrated Safeguards System (ISS – see Safeguards chapter). Local implementing NGOs have also complained that the administration procedures for accessing even small transfers of FIP money through AfDB are unnecessarily cumbersome.

Scaling Up Renewable Energy Program in Low Income Countries (SREP)

The SREP, only set up in early 2010, aims to help catalyze scaled up investment in renewable energy markets in low-income countries by enabling government support for market creation and private sector implementation. AfDB is the primary institution supporting Mali’s investment strategy to the tune of \$200,000. Kenya has moved to the second phase,

⁵¹ [FIP webpage](#) (CIF website)

where it will implement the components from its investment strategy. AfDB is the lead implementing agency for Kenya's proposed Menengai geothermal project. The project is awaiting final approval by the SREP Sub-Committee for \$25 million in loans and grants.⁵² AfDB's own board is expected to approve the project by the end of 2011.

Gender awareness gap

A February 2011 study conducted by the UK's Department for International Development (DfID) on implementation of the CIFs⁵³ noted that MDBs have scored poorly across the board for gender equality. Despite AfDB's recent effort to yield results on gender equality in the context of climate change,⁵⁴ the inclusion of the gender dimension in the implementation of CIFs appears weak. AfDB's broader engagement around gender and climate change is treated separately (see Gender chapter).

AfDB's own climate funds

The Bank has also begun to attract the interest of donor governments to host and administer new trust funds relating to energy and climate. In the past, the Bank endeavored to initiate its own climate trust fund, the CECAFA (see Adaptation chapter), but a lack of commitment from management and the board, combined with limited donor interest, meant that it never got off the ground. The Bank's first and only major foray into hosting and administering climate funds, the Congo Basin Forest Fund, provides clues about the Bank's strengths and weaknesses.

Congo Basin Forest Fund

Established in 2008, the CBFF⁵⁵ was launched with funds from the UK and Norwegian governments to finance forest conservation and management in the Congo Basin. AfDB was selected to host the CBFF secretariat and to administer the funds, which would be disbursed as grants. Though couched in terms of slowing deforestation and reducing associated GHG emissions, the CBFF also commits to reducing poverty among forest dwellers and safeguarding their livelihoods, particularly vulnerable groups such as women and indigenous peoples. Unlike the CIFs, which are primarily geared toward governments, CBFF funds are available also to civil society groups, the private sector, and think tanks.

In contrast to many of AfDB's aborted attempts to host climate funds, the CBFF has enjoyed a fairly strong trajectory, with the recruitment of 7 CBFF staff members, including the CBFF coordinator, to AfDB's secretariat and the endorsement of 15 projects in 2009 alone for a total of €15 million. Of these 15 projects, 10 had signed grant agreements by the end of

⁵² [Kenya SREP Programming](#) (CIF website)

⁵³ [Multilateral Aid Review: Assessment of Climate Investment Funds](#), DfID, February 2011

⁵⁴ [Information Note on the Checklist for Mainstreaming Gender and Climate Change in Projects](#), December 2009 (AfDB website)

⁵⁵ [Congo Basin Forest Fund page](#) (AfDB website)

2010, and only €2.2 million, or 27 percent, had been disbursed. The CBFF increased its operations in 2010 with the endorsement of 12 projects for NGOs, and 13 for government proposals for a total €63 million.⁵⁶

The CBFF's Governing Council must endorse selected proposals, though AfDB is ultimately responsible for approval. Depending on the size of the grant, approval by AfDB management or the full board is required.

While AfDB has made strides in setting up the secretariat, progress on CBFF has been limited by onerous procedures for approvals and disbursements. The promised access for CSOs has not yielded many successes, as even European NGOs have been stymied by the volume of paperwork necessary to process approvals and disbursements, as well as the lack of clarity about what is expected of them.

It is still too soon to assess the actual impact of projects, as even those projects approved in 2009 have only recently received the promised funds. Project approvals to date have also been light on the commitment to engage indigenous peoples and women as relevant stakeholders as explicit activities or objectives.

African Carbon Support Program and the Africa Carbon Facility

In November 2010, the Bank received a \$1 million grant to launch an African Carbon Support Program (ACSP)⁵⁷ that would train Bank staff on screening projects for potential financing through the Clean Development Mechanism (CDM), the main instrument for emissions trading under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC). The ACSP is rooted in the fact that Africa's take from the CDM remains quite low, comprising less than 2 percent of all CDM projects worldwide,⁵⁸ nearly half of which in South Africa.⁵⁹ The ACSP would also provide assistance to countries on how to facilitate access to the CDM.

In 2011, AfDB also announced its intention to create an Africa Carbon Facility (ACF)⁶⁰, which would provide guarantees for CDM projects in the event that the CDM lapses post-2012 if international climate negotiations fail to reach an agreement and the commitment period for GHG emissions under the Kyoto Protocol expires.

Apart from the \$1 million to largely support staff training, the ACSP in particular represents little new for the Bank, as it largely just repackages existing commitments under the CEIF (see Energy chapter) and CRMA (see Adaptation chapter). However, the ACSP does finally

⁵⁶ [2010 Annual Report](#) (CBFF website)

⁵⁷ [African Carbon Support Program page](#) (AfDB website)

⁵⁸ [AfDB and Partners Discuss Expansion of Clean Development Mechanism in Africa](#), December 6, 2010 (AfDB website)

⁵⁹ South Africa hosted 20 of the 45 CDM projects in Africa, according to the [CDM website](#)

⁶⁰ [Designing targeted financing to build Africa's carbon market](#), May 30, 2011 (AfDB website)

attach responsibility for integrating CDM consideration, as the commitments were assigned to the ONEC department (see Structure chapter).

Sustainable Energy Fund for Africa

Though not technically a climate fund, the SEFA⁶¹ was established in July 2011 with \$57 million from the Government of Denmark to spur the use of renewable energy in Africa. While still in its infancy, this initiative envisions having a dedicated coordinator housed within the Private Sector Department to handle day-to-day operations. The coordinator would be supported by a Technical Review Committee, composed of experts within the Bank, and an Oversight Committee that will approve the Fund's operational guidelines, which are still to be developed. Roughly half of the funds would be in the form of grants for the development of largely rural renewable generation and distribution projects, while the remainder would support small and medium enterprises (SMEs) that provide renewable and energy efficiency services, using a mix of equity and grants.

Conclusion

The role of AfDB in implementing the CIFs deserves close review if used as justification for a future role in hosting climate funds, yet little information is available, making it difficult to assess the Bank's role and performance. It has been suggested that the World Bank has been in the driver's seat, and that AfDB has mostly done the minimum required of its role. It has become apparent that the Bank's limited knowledge and expertise on issues of adaptation and forests has constrained its ability to provide the leadership that its role demands, with the World Bank taking up the slack.

Overall, the Bank's experience with the CIFs and the CBFF suggests that while there may be an impact in countries like South Africa and Morocco under the CTF, for example, there appears to be little learning or transformation of the Bank itself. This disconnect becomes apparent when looking at the example of the forest-related funds. The valuable expertise that the Bank staff, who provide secretariat services to the CBFF, has gained through the fund has not translated into real internalizing of REDD or sustainable forest management issues at the Bank. The lack of spill-over between CBFF staff and staff working on the FIP – despite both being housed in the Agriculture Department – provides a telling example of how compartmentalized these units are. This suggests that the Bank is not undergoing real transformation as a result of its climate endeavors and that in particular its capabilities as a learning institution in matters of climate change are still limited.

⁶¹ [Sustainable Energy Fund for Africa page](#) (AfDB website)

Gender – Paper versus Practice

African women are already impacted very differently than men by climate change due to the existing glaring disparities between both sexes, based largely on persistent gender discrimination and their respective gender roles in African societies. Women's roles and positions in society and their largely unequal access to political power, natural and financial resources and legal protections will increase their vulnerability in the face of climate change and differentiate their capacity to build resilience or contribute to emissions reductions from that of men on the continent.

AfDB has a long history of making explicit commitments to integrating gender into its work and, more recently, into its discussions and tools relating to climate change.

AfDB's commitment to gender

The Bank's treatment of gender has gone through several iterations, most notably in its progressive Gender Policy,⁶² which was adopted in 2001 and still, at least theoretically, underlies all Bank operations.

The policy's implementation is anchored in five core principles, namely: i) the application of gender analysis; ii) the need to foster cooperative relations between women and men; iii) recognizing that women's economic empowerment is key to sustainable development; iv) addressing diversity among women; and v) judicious application of the twin track strategy embracing gender mainstreaming and targeted interventions for women's empowerment.

However, as with all Bank thematic and sectoral strategies,⁶³ the Gender Policy lacks the clear policy requirements or commitments that would be necessary to transform it from an aspirational document into one that that would provide real guidance to project staff and borrowers.

Three years after the Gender Policy was approved, AfDB adopted the Gender Plan of Action (GPOA) 2004 – 2008 to implement the Policy. The GPOA specified four key areas of activity, and actions as well as performance indicators to monitor progress in Country Strategy Papers. The key focus areas included: the development of gender mainstreaming tools for the Bank and RMCs, gender mainstreaming in programming particularly in priority sectors, human resource development, and networking.

The GPOA was then updated in 2008 after a review paper.⁶⁴ The focus area and levels of interventions were developed to include: (i) supporting investment activities which promote women's economic empowerment in the Bank's key strategic priority areas; (ii) institutional

⁶² [Gender Policy](#) (AfDB website)

⁶³ Draft Report on Options for the ISS

⁶⁴ [Update on the Gender Plan of Action; Background Paper](#), September 2007 (AfDB website)

capacity building and knowledge building both at the Bank and for RMCs; and (iii) supporting RMC governance and policy reform for strengthened gender mainstreaming in the national development process.

Despite this steady progression of documents and commitments to gender equality, it has remained difficult for observers, as well as for those inside the Bank, to assess how many resources were allocated to gender and how these are being utilized. The Bank announced in 2008 that it was developing a tool called the Gender Resource Allocations and Results Tracking System (GRARTS) to identify and track resource allocation in the implementation of a gender policy. This tool, once developed, would be used for ensuring the increased and efficient use of resources for gender equality. The Bank reported that this tool was being developed in 2009 but there has been no mention of it since, making it extremely difficult to track the use of funds for gender policy implementation and gender mainstreaming within the Bank's projects.

In addition, the Bank reiterated its commitment to mainstream gender in its 2008-2012 Medium-Term Strategy. In the document, AfDB makes an explicit commitment that it will mainstream gender into 45 percent of its portfolio by the end of 2012, and acknowledged that it had not done this prior to 2008.⁶⁵ In its Mid-Term Review of the MTS, presented in May 2011, the Bank reports that it actually achieved gender mainstreaming in 100 percent of its portfolio, though provides no evidence how this conclusion was reached.⁶⁶

Gender and Climate Change

The establishment of the Gender, Climate Change and Sustainable Development Unit in July 2008 was one of the priority actions in charting the Bank's work in gender on the continent. However, the short-staffed unit was tasked exclusively with issues of gender and climate, which were otherwise not mainstreamed throughout the Bank. By 2010 a major restructuring took place and gender issues fell under the Gender and Social Development Department (QRQR4) placed under the Quality Assurance and Results Department. Since this restructuring in June 2010, the unit head position was vacant for well over a year until October 2011.

In 2008, the Bank's new Climate Risk Mitigation and Adaptation Strategy (CRMA) (see Adaptation chapter) was approved with a newfound linkage between gender and climate change, wherein gender experts would be trained to integrate climate change risk into their gender assessments.

With an upgraded GPOA and CRMA in place, the Bank proceeded in 2009 to develop and approve a checklist for mainstreaming gender and climate within the Bank to provide project managers with a tool for effective mainstreaming of gender in programs and projects related

⁶⁵ [Medium-Term Strategy 2008-2012](#), p26 (AfDB website)

⁶⁶ [Mid-Term Review of the Medium-Term Strategy](#), May 2011, p12 (AfDB website)

to climate change, especially in the energy, water and food sectors.⁶⁷ Although some formal training on using the checklist has taken place, there is little evidence that gender is actually mainstreamed within climate change projects.

In its new Climate Change Action Plan, the Bank will commit to strengthening the capacity of RMCs to collect, analyze and disseminate gender statistics, including data relating to gender differences in access to climate information and productive resources. The Climate Change Action Plan will also guide the implementation of the new Strategic Gender Plan of Action that is going to be undertaken in early 2012.

Conclusion

AfDB clearly has made commitments to mainstream gender into its work, especially on climate change, and has made some progress in producing toolkits for gender mainstreaming into projects. However, like most guidelines and checklists at the Bank, there is little evidence of actual implementation. It has been suggested that the requirement to include a section in each project or publication is little more than window-dressing, and that the often cursory analysis does little to inform project preparation or implementation without a follow through, especially also in the financial resources committed to programs and projects.

⁶⁷ [Information Note on the Checklist for Mainstreaming Gender and Climate Change in Projects](#).
December 2009 (AfDB website)

Safeguard Policies – protecting communities and the environment

In a welcome move, AfDB announced in 2010 that it would revise its existing environmental and social safeguard policies. Its existing policies were developed piecemeal over the course of several years, and were designed to protect the environment and local communities from the negative impacts of AfDB-financed projects. Over the years, the safeguard policies at different multilateral development banks (MDBs) have continued to improve and be refined, yet those at AfDB are outdated and largely unimplemented, with detrimental local social and environmental consequences.

The current policies⁶⁸

AfDB currently only has three of what would typically be considered safeguard policies. These include policies on the Environment (2004)⁶⁹ and Involuntary Resettlement (2003),⁷⁰ as well as a set of Environmental and Social Assessment Procedures (2001) for private sector operations.⁷¹ These documents contain specific requirements for assessment and mitigation of environmental and social risks.

At the same time, the Bank operates under a number of cross-cutting or sectoral policies, including gender, poverty reduction, cooperation with CSOs, agriculture and health, among others. However, the Bank itself has noted that “none of these aim to provide clear requirements (or safeguards) to be met as a condition of Bank funding,” thus rendering them more aspirational.

In the context of its ongoing safeguards revision process, the Bank highlighted several problems with the existing framework and its implementation: high transaction costs for the Bank and its clients; difficulties of implementation caused by conflicting priorities and lack of policy coherence; and “difficulties in monitoring the compliance of borrowers and the Bank itself.” Discussion of the existing framework concludes that there persists a lack of a “clear, integrated set of operational environmental and social requirements that can be easily understood by borrowers, Bank officials and external observers.”

The Bank has never conducted an evaluation of the policies or their implementation, and thus evidence of policy implementation or lack thereof is sparse. However, an investigation by the Bank’s Independent Review Mechanism (IRM) into lack of safeguards compliance in

⁶⁸ Most of the information on current and proposed policies is derived from the Bank’s internal “Draft Report on Options for the ISS”

⁶⁹ [Safeguard Policy on the Environment](#) (AfDB website)

⁷⁰ [Safeguard Policy on Involuntary Resettlement](#) (AfDB website)

⁷¹ [Environmental and Social Assessment Procedures](#) (AfDB website)

the Bujagali Dam project in Uganda cites widespread safeguard policy violations that have led to direct harm on local communities.⁷²

A new framework

AfDB is following the example of other MDBs in developing an integrated set of safeguards designed to complement each other. While the documents have some positive innovations, such as a new labor policy, other areas still lag behind other institutions. Still, the same questions and doubts about AfDB's capacity to supervise and implement its policies remain.

This new framework is intended to provide clear procedures and guidelines on how the Bank and its clients should implement the safeguards. For the first time, private sector lending will be subject to the same procedures and guidelines, as well as new lending instruments.

At the moment, the proposed set of safeguards that will make up the Integrated Safeguards System (ISS) include:

- OS 1 – Environmental and Social Assessment, which would cover issues such as project scope, guidance on environmental categorization, public consultation, climate change, free prior informed consultation, project-level grievance mechanisms, and the use of Strategic Environmental and Social Assessments (SESA)
- OS 2 – Involuntary Resettlement, covering land acquisition, displacement and compensation
- OS 3 – Biodiversity and ecosystem services
- OS 4 – Pollution Prevention and Control, including GHGs and resource efficiency
- OS 5 – Labor, Health and Safety

In its current proposed framework, AfDB opts to reject a separate policy governing indigenous peoples. Instead, in matters relating to indigenous peoples, the Bank proposes a “mainstreaming throughout the whole assessment process.” While the incorporation of language on indigenous peoples is now present in the framework, whereas previous versions completely omitted it, the proposal to mainstream consideration of indigenous peoples bears a significant risk of marginalizing or oversimplifying the issue.

Similarly, gender is not treated in the draft framework. Previously, a proposed safeguard on vulnerable groups discussed impacts on women at some length. Most likely it will feature in OS 1, which will incorporate best practice on vulnerable groups; however, in this case, there is a significant danger that gender considerations are just assumed to be covered under a more generic reference to vulnerable groups, without adequate elaboration of explicit and specific requirements to include gender-responsiveness into AfDB projects and programs.

The framework document laying out the new ISS acknowledges that ORQR, as well as sector departments, must be strengthened to have the resources and staffing capacity to effectively implement the new policy and procedures as well as to supervise Environmental

⁷² [IRM Compliance Report on Bujagali Dam](#), June 2008 (AfDB website)

and Social Management Plans. The document also suggests the development of a training program for AfDB staff. This proposal, if implemented, could help address two of the largest impediments to effective implementation of the safeguards – insufficient staffing for the safeguards unit and the lack of clarity and capacity for project staff to integrate safeguard requirements.

AfDB's Proposal for an Africa Green Fund

A widely held and accepted notion within climate change debates is that Africa has contributed the least historically to the causes of climate change – less than four percent of historic CO₂ emissions come from the African continent – but will be the most severely affected by its disastrous effects. Despite the obvious imperative, African countries have benefited the least from the various climate change funds available for mitigation and adaptation, accounting for example for just 12 percent of mitigation financing channeled through MDBs between 2006 and 2009.⁷³ A look at a set of dedicated climate financing instruments reveals that Africa has received only \$132 million for adaptation projects under these funds from 2004 to 2011.⁷⁴

In response, the African Union requested that AfDB develop a framework document to create an Africa Green Fund (AfGF) to handle Africa's share of future scaled-up climate funding, once it becomes available. The COP 16 climate summit in Cancun had reaffirmed long-term climate financing commitments from industrialized countries to provide \$100 billion per year by 2020 in new and additional and predictable funding from public, private and innovative financing sources. A significant portion of this long-term finance is supposed to be allocated for adaptation, and Africa would profit particularly from ramped-up adaptation financing.

In August 2011, AfDB produced a first draft of an AfGF framework for public comment. The framework was originally expected to be approved by AfDB's board before the Durban COP17 climate meetings. However, it now seems that the AfDB's leadership decided that pushing for an AfGF during the Durban meeting might be premature, with uncertainty over the fate of the Green Climate Fund (GCF) and low expectations for new climate finance commitments. At the same time, there appears to be a growing recognition within the Bank that AfDB must focus on managing its own portfolio, including implementing its new Climate Change Action Plan, as well as demonstrate its ability to effectively manage its existing climate and other trust funds. This would help AfDB make its case for managing future climate funds for Africa.

While the concrete framework proposal seems to be put on the backburner for now, AfDB will continue its pursuit of hosting a dedicated regional climate fund post-Durban. It is therefore useful to take a closer look at the proposed framework for the AfGF and the scope, mission and modalities that AfDB had proposed and to ask whether AfDB is suited to play a scaled-up role in the provision of climate finance for the continent.

⁷³ [Africa Green Fund Proposed Framework](#), August 2011, p7 (AfDB website)

⁷⁴ Data from [Climate Funds Update](#)

The proposed framework

The Bank's draft AfGF framework proposes to tackle the dual challenges of mitigation and adaptation, where adaptation would receive higher priority, "because of the region's high current and projected vulnerability to the adverse impacts of climate change." AfDB proposes to serve both as the AfGF trustee, meaning it will manage and report on funds, as well as host its secretariat, where it would handle project screening, disbursements, monitoring and evaluation. The framework proposes that AfDB receive a 5 percent administration fee for the funds that it manages. The Bank had previously proposed that the AfGF instrument would serve as an additional AfDB lending window,⁷⁵ though this is not mentioned in the proposed framework.

The AfGF framework rests on primarily two functions. The first aspect is the continued operation of existing trust funds currently administered by the Bank, including the Congo Basin Forest Fund and newly launched Sustainable Energy Fund for Africa (see Climate Finance chapter), as well as the Climate Development-Africa Program (see Adaptation chapter). AfDB would continue its role as host of these funds, and proposes no change to its governance or approval structure. It is unclear why these trust funds are mentioned as part of the AfGF framework, because they would continue to be standalone funds.

Apart from facilitating access to the trust funds already under its care, AfDB proposes the creation of a new instrument, the Africa Green Fund, which would capitalize on existing and future climate agreements to manage and deliver climate funds in Africa.

Financing windows

The framework proposes two primary financing windows under the AfGF, one for adaptation and the other for mitigation. Some "cross-cutting" activities would be funded under both, including research and development within Africa, capacity building around using climate-related data, and coordination with relevant United Nations agencies.

The financing window for adaptation would focus on mainstreaming adaptation into national projects and programs in a wide array of sectors, including water, infrastructure, health and agriculture. Specifically, the framework targets water infrastructure such as dams, storage and irrigation. The adaptation window would also focus on ensuring the consideration of climate risk in "key economic sectors," and on strengthening the private sector's ability to support adaptation. The adaptation window would include disaster management strategies as its third priority, such as early warning systems to forecast droughts and floods.

The financing window for mitigation would support "low carbon actions" in the energy sector, primarily through scaling up renewable energy and energy efficiency measures;

⁷⁵ [Advisory Group on Climate Change Finance: Implications and Next Steps for Africa](#) (AfDB website)

technological solutions to reducing emissions in the transportation sector; and scaling up Africa's participation in REDD initiatives.

Eligibility for receiving AfGF funds would not be restricted to governments, and under the proposal would also be open to "public and private enterprises, non-governmental organizations, civil society entities, other undertakings in the territory of a regional member country, bilateral and multilateral organizations (including other MDBs), African regional organizations, such as COMESA and ECOWAS."⁷⁶

Governance

The proposed governance and management of AfGF is virtually identical to the Congo Basin Forest Fund, where a Governing Council would be responsible for approving projects. The Governing Council would have equal representation from African governments and donors, with each government having one vote but would strive to reach consensus. Though it is only discussed briefly in the proposed framework, this innovation of ensuring equal representation for African governments on the Governing Council represents one of the key justifications for an AfGF. It also replicates the governance structure of the Climate Investment Funds and the equal representation of contributor and recipient countries stipulated for the proposed global Green Climate Fund. The Bank makes much of a pervading sense of alienation among African governments, which have had little influence on the design or allocations of existing climate funds, and the resulting lack of country ownership.⁷⁷

Transparency, gender and protecting against harm

Transparency

The framework document explicitly states that AfGF's "operations" would be subject to AfDB's Information Disclosure Policy.⁷⁸ AfDB is in the process of revising its disclosure policy, which will likely be approved in early 2012 and become effective in late 2012. The new policy represents a step toward upward harmonization with other MDBs, though implementation of its existing policies has posed a persistent problem. How the AfGF would operationalize a policy designed for AfDB merits greater exploration, but the acknowledgement of the need of an explicit information disclosure and transparency policy for the AfGF is generally a move in the right direction.

Gender

The proposed AfGF framework contains strong language on incorporating gender, including a requirement that gender equality be built into project selection criteria through targets

⁷⁶ [Africa Green Fund Proposed Framework](#), August 2011, p15 (AfDB website)

⁷⁷ [Africa Green Fund Proposed Framework](#), August 2011, p8 (AfDB website)

⁷⁸ [Africa Green Fund Proposed Framework](#), August 2011, p19 (AfDB website)

and indicators.⁷⁹ This reflects the Bank's longstanding rhetoric commitment to addressing gender inequality in its operations, though details of its success are sparse (see Gender chapter).

Safeguards

The AfGF framework proposes a “minimum set of environmental and social safeguards to ensure that all programs and projects financed by the Fund are environmentally and socially appropriate.” To be set by the Governing Council, these standards would be “developed in a participatory process and shall not serve as deterrents to poorer African countries in participating in the AfGF.”⁸⁰

The explicit reference to safeguards is welcome, though the assumed role for the Bank in ensuring compliance is worrying, considering the uneven application of safeguards in the Bank's own portfolio (see Safeguards chapter). Also, tasking the Governing Council with setting the standards raises questions about whether they will “reinvent the wheel” at the same time that AfDB is revising its safeguard policies. Similarly, the proposal to task AfDB with “enhanc[ing] the capacities of countries” to meet these minimum standards – and whether all implementing entities will undergo the same – raises the question of the Bank's own capacity, as its safeguards and compliance unit remains understaffed to deal with the Bank's existing portfolio.

Accountability

The Bank's AfGF draft framework document also proposes to have an accountability mechanism to handle complaints about allegations of lack of compliance with safeguards in AfGF-financed projects. The AfDB's existing accountability body, the Independent Review Mechanism (IRM), would perform this function on an interim basis.⁸¹ This innovation, which would require a great deal of clarification, is a welcome inclusion into the framework. Such a proposal may require a revision of IRM's legal mandate, and the question of IRM's ability to assess compliance against an entirely different set of safeguard policies will have to be considered and resolved.

Is another climate fund necessary?

There remains the possibility of some coordination conflict or overlap between the AfGF and the Green Climate Fund (GCF), the latter being the primary proposed channel for new climate funding. The GCF would be on an interim basis under trusteeship of the World Bank. Despite AfDB receiving instruction during the recent African Ministerial Conference on the Environment to “further consult with negotiators on the appropriate linkages of the [AfGF]

⁷⁹ Ibid.

⁸⁰ [Africa Green Fund Proposed Framework](#), August 2011, p18 (AfDB website)

⁸¹ [Africa Green Fund Proposed Framework](#), August 2011, p19 (AfDB website)

to the financial mechanism of the UNFCCC, including the Green Climate Fund,⁸² there is still no clear distinction of what the respective roles of the GCF and AfGF would be.

Possible scenarios could include AfGF as a regional window under the GCF, in which case, an AfGF would be subject to GCF governance and operational modalities. Alternatively the GCF, acting as a "fund-of-funds," could channel a portion of future climate funding for the African continent through the AfDB as host and implementing agency of the AfGF. With GCF the most likely vehicle for any new climate finance in the short-term, AfDB may well opt to seek accreditation as an implementing entity of the GCF until it is ready to host its own fund.

Where would the money come from?

The rationale and purpose for an Africa Green Fund seems to be based on the continent's unfulfilled climate financing needs and existing gaps in the global climate finance architecture, but the big elephant in the room remains: where will the money for the fund come from? Negotiations toward COP 17 have yielded little progress in addressing the need to secure long-term financing and to scale-up the lower commitment from fast start finance (\$10 billion per year from 2010-2012) significantly between 2013 and 2020. With a decision on the shape, mission and funding for the global Green Climate Fund (GCF) looming as one of the major outstanding issues to be decided in Durban, the Bank might treat its current proposal for an AfGF as a placeholder for the time being – not formally tabling it, but behind the scenes scouting its feasibility and standing ready, if and when the opportunity arises.

Is AfDB ready to host an AfGF?

In making its case, the Bank cites the prevalence of existing climate funds housed largely outside the continent, and the "exceedingly cumbersome accessibility procedures, with unnecessary complexity and bureaucratic bottlenecks delaying national plans."⁸³ However, the same problems have plagued the only climate fund housed on the continent, the Congo Basin Forest Fund (CBFF). Disbursement rates at the AfDB-administered CBFF remain low, and grantees have faced enormous challenges navigating the bureaucracy and paperwork required to access even small grants. Delays have also beset the Bank's own lending portfolio, even with regular borrowers, because of similar problems. In the proposed framework, the Bank does state that "consideration will be given to making the processes more flexible to allow for faster processing of projects," perhaps in an effort to allay these concerns.

The Bank suggests that hosting an AfGF "builds on the experiences of other internal and internationally administered climate change Funds,"⁸⁴ yet the Bank's track record on climate finance, even apart from questions of disbursement, is mixed (see Climate Finance chapter).

⁸² [AfDB Consults on African Green Fund at AMCEN](#), September 28, 2011 (AfDB website)

⁸³ [Africa Green Fund Proposed Framework](#), August 2011, p8 (AfDB website)

⁸⁴ [Africa Green Fund Proposed Framework](#), August 2011, p15 (AfDB website)

The success of the CBFF – the Bank’s most advanced climate fund – remains unclear, as it is still only at the very initial stages of implementation. The Bank’s experience with the CIFs, meanwhile, suggests that AfDB has largely taken a back seat to the World Bank because of a persistent lack of institutional capacity on climate issues.

In its proposed framework, AfDB makes a compelling case for adaptation taking the central focus of the AfGF. Mainstreaming adaptation into key sectors such as agriculture is rightly the emphasis of the proposed adaptation window, and reflects the content of the Bank’s agriculture and other sector strategies. However, the Bank’s claim of having developed “knowledge and expertise designing climate resilient projects” through its role in managing climate funds and in its own operations is misleading, as the Bank is still in the earliest stages of incorporating climate risk into its portfolio, and the CRMA is yet to be operationalized (see Adaptation chapter).

At the same time, the Bank cites its “growing renewable energy portfolio [as] evidence of the Bank’s growing expertise and capacity to address...climate change mitigation”⁸⁵ and thus manage mitigation investments under the AfGF. As detailed in the Energy chapter, the Bank’s energy lending has overwhelmingly supported traditional fossil fuels projects, particularly coal, and the draft Energy Sector Policy as currently crafted contains no real restrictions on lending for future coal-fired power plants. Until 2011, the Bank’s support for renewable projects under the CEIF was driven completely by borrower demand, though the recent increase in geothermal, solar and wind projects in the Bank’s pipeline suggests that the make-up of the Bank’s energy portfolio is shifting. The board’s endorsement of a strong energy policy and energy strategy would be a strong indicator of the Bank’s commitment to addressing mitigation.

The Bank highlights the volume of its lending as evidence of its institutional capacity to manage climate funds under an AfGF, having reached over \$24 billion in approvals from 2008 to 2010. However, if AfGF were to become the principal instrument for climate finance in Africa, the sheer volume of funds and projects through AfGF could easily dwarf the Bank’s entire existing portfolio. The ramifications in terms of staffing and addressing internal capacity needs would be massive.

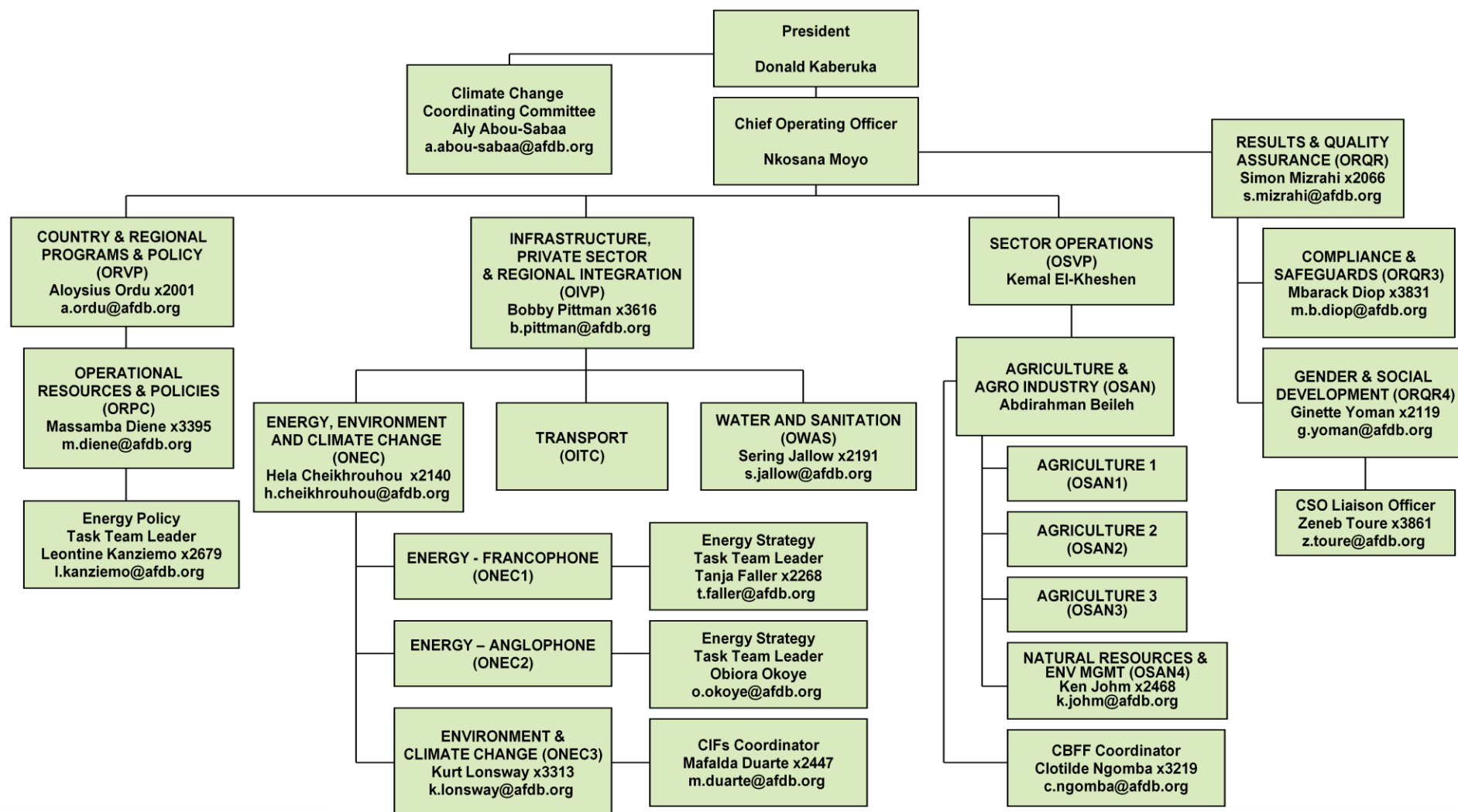
Conclusion

The parties to the UN climate convention will discuss at COP 17 in Durban the design suggestions of the Transitional Committee and decide on form and functions of the GCF. Since it is supposed to channel a significant portion of multilateral climate financing for adaptation upon its operationalization, the GCF will be important for Africa. An additional regional fund for Africa in the suggested shape of the Africa Green Fund for both adaptation and mitigation could be useful depending on whether its interaction on the continent is going to be in synergy and complementarity, not competition to future GCF actions in Africa. At the moment, many questions about the feasibility of such an AfGF, its relationship to the

⁸⁵ *ibid*

GCF and the GEF as instruments of the financial mechanism of the UNFCCC, its desired governance structure, and who as its trustee should host the AfGF remain still unanswered. However many of the challenges discussed above and in other chapters of this publication will have to be resolved before the AfDB could be safely tasked with the responsibility of managing such a regional climate fund for all of Africa.

Annex 1: AfDB Organizational Chart Relevant Climate- and Energy-related Departments*



* Current as of November 10, 2011

Note that all AfDB phone numbers begin with +216 71 10 (plus extension)