AFRICAN DEVELOPMENT BANK GROUP

FRAMEWORK DOCUMENT ON THE PROPOSED AFRICA GREEN FUND (AfGF)

AfGF's design and establishment is an ongoing process that will benefit from extensive ongoing consultation with regional member countries, donors, civil society and a variety of other stakeholders to seek input into its design.

This proposal is a work-in-progress. It has not yet been endorsed by the Bank's Senior Management or the Board of Directors.

August 2011

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AF	Adaptation Fund
AfGF	Africa Green Fund
AMCEN	African Ministerial Conference on Environment
AWF	African Water Facility
CAHOSCC	Conference of African Heads of States on Climate Change
CBFF	Congo Basin Forest Fund
CCAP	Climate Change Action Plan
CDSF	ClimDev-Africa Special Fund
CDM	Clean Development Mechanism
CER	Certified Emission Reductions
CIFs	Climate Investment Funds
COP	Conference of Parties
CRMA	Climate Risk Management and Adaptation strategy (AfDB)
CSIRO	Commonwealth Scientific and Industrial Research Organization
CTF	Clean Technology Fund
FFCO	Financial Control Department (AfDB)
FIP	Forest Investment Program
FTRY	Treasury Department (AfDB)
GECL	General Counsel and Legal Services Department (AfDB)
GEF	Global Environment Facility
GHG	Greenhouse Gas
MDB	Multi-lateral Development Bank
MDGs	Millennium Development Goals
MRV	Measurement, Reporting and Verification
NAMA	Nationally Appropriate Mitigation Actions
NAPA	National Adaptation Program of Actions
NCAR	National Centre for Atmospheric Research (USA)
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organizations
NIE	National Implementation Entity
ONEC	Energy, Environment and Climate Change Department (AfDB)
ORQR	Quality Assurance and Results Department (AfDB)
OSAN	Agriculture and Agro-Industry Department (AfDB)
PBOs	Policy-Based Operations
PPCR	Pilot Program on Climate Resilience
RDBs	Regional Development Banks
REDD+	Reduced Emissions from Deforestation and Forest Degradation and other Land uses
RMCs	Regional Member Countries
SEFA	Sustainable Energy Fund for Africa
SCF	Strategic Climate Fund
SMEs	Small and Medium Enterprises
SREP	Scaling up Renewable Energy Program
UN	United Nations
UNCBD	United Nations Convention on Biodiversity
UNCCD	United Nations Convention to Combat Desertification
UNFCCC	United Nations Framework Convention on Climate Change

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EXECUTIVE SUMMARY

1. There is strong evidence from the scientific community that climate change would have a disproportionately large effect on socio-economic development in Africa. The average cost of climate change to African economies could be between 1.5 and 3 per cent of Gross Domestic Product (GDP) by 2030 and rising. Climate change is a threat to the achievement of sustainable development and poverty alleviation on the continent. It has shown the potential to undo the modest gains made by the continent towards attaining the Millennium Development Goals.

2. Africa's high vulnerability to the adverse impacts of climate change makes incorporating adaptation in all sectors the immediate and medium term imperative. Although the continent is currently a low carbon emitter, a 'business-as-usual' scenario shows that it has the risk of becoming a major emitter in the future if nothing is done now to help it follow a low carbon-intensive growth path.

3. However, adaptation and mitigation come at additional costs to the on-going development interventions on the continent. Recent estimates of the cost of putting Africa on a low-carbon growth pathway are about US$9–12 billion per year by 2015 while the incremental cost of adaptation in Africa is estimated between US$13 – US$19 billion, if proper actions are not taken now. Current organized interventions will substantially reduce these costs. Yet, the long term economic benefits from the implementation of the required adaptation and mitigation measures on the continent would outweigh these costs.

4. Current resources available to address climate change concerns on the continent are grossly inadequate, as are the related financing. Africa has had historically low access rate to global climate change funds. Furthermore, previously available resources have proved inadequate to urgently redress the African climate change effects. A report jointly produced by Multilateral Development Banks in 2010 shows that Africa has received the lowest proportion of climate change financing among the developing regions. Many of the continent's peculiarities have not been taken into consideration in the design of existing global funds, including the need to provide greater financing for adaptation. It is therefore important that the resources pledged under the Cancun Agreements be managed under a mechanism that will adequately respond to the continent's needs and increase its access to such funds.

5. A binding global deal on climate change did not materialize at the 2009 UNFCCC COP 15 in Copenhagen. However, the Copenhagen Accord endorsed by the world's Heads of State and Government, Ministers, and other heads of delegation noted that developing countries, especially those with low emitting economies, should be provided incentives to continue to develop on a low emission pathway. The Accord provided for a collective commitment by developed countries to provide *new* and *additional* fast-track financing, approaching US$ 30 billion for the 2010 – 2012 period. The Accord further established the goal of mobilizing US$ 100 billion a year by 2020 by developed countries to address the needs of developing countries.

6. The Cancun COP 16 held in December 2010 formalized the commitment made by developed countries in Copenhagen to mobilize US$100 billion a year by 2020 to address the mitigation and adaptation needs of developing countries. The Cancun Agreements include the establishment of a "Green Climate Fund," which will manage a portion of this funding in order to scale up the provision of long-term financing for developing countries. The design of the GCF by the Transitional Committee (TC) is underway and is expected to be delivered in COP 17 in Durban, South Africa, in December 2011.

7. Despite the progress mentioned above, Africa's low access to global funds to address its climate change needs has prompted its leadership to request some of the resources pledged under the Copenhagen Accord and the Cancun Agreements to be allocated to Africa, and to be managed by the African Development Bank (AfDB). Recent decisions by Africa's leadership in the last AU Summit in Malabo, Equatorial Guinea, from 23 June to 1 July 2011, requested the Bank to complete the AfGF's

design ahead of COP 17.

8. When established, the AfGF will complement existing instruments, and enhance the ability of African countries to respond to Climate Finance challenges. The design and establishment of the AfGF is an ongoing process that benefits from extensive consultation with the institution's Regional Member Countries, Donors, the Civil Society and a variety of other stakeholders. It also benefits from the experience that the Bank has acquired in hosting and administering special funds that address the needs and specificities of African countries. The Fund is part of the AfGF platform that aims at addressing the gaps in climate financing in Africa. The platform comprises three building blocks. The first block constitutes a set of existing thematic climate finance instruments within the AfDB (AWF, CBFF, SEFA, ClimDev-Africa Special Fund) within a framework that will improve their efficiency by simplifying processes and improving access. Although the governance of these instruments will be harmonized, to the extent possible, it will remain internal to the Bank. Access is open to Regional Member Countries directly or through the Bank. The second block involves the creation of a new instrument; the Africa Green Fund (AfGF), with a governance structure that involves both African countries and donors and held in trust by the AfDB that is able to receive, manage, and deliver resources from Fast Start Funds and long term pledges made under the Copenhagen Accord and Cancun Agreements as well as other sources. The AfGF is independent of the Bank's own decision-making structure. The third block is a scaled up Africa Green Fund instrument that echoes the key design features of the Green Climate Fund that will seek to receive, manage and deliver funds to Africa with a governance structure that involves both African countries and donors. It will seek to become Africa's preferred channel for part of the climate finance resources over the medium term.

9. The AfGF will provide balanced allocation to both mitigation and adaptation. It will support the transfer and deployment of low carbon technologies with a significant potential for long term greenhouse gas emissions savings, and climate-proofing of the continent's investments. The Fund will allow "direct access"[1] to eligible countries and institutions to respond to country-specific needs and concerns, based on nationally defined objectives. The fund's operation will be dedicated to address the special nature of climate change challenges and Africa's specific circumstance, and it will focus on operations that support climate-compatible development on the continent. The operation of the AfGF builds on the experiences of other internal and internationally administered climate change Funds.

10. Depending on the nature of the pledges and resources made available, the AfGF shall provide grants, concessional loans and guarantees to support public as well as private sector investments and capacity building in Africa. It will complement the activities of other global funds such as the Climate Investment Funds (CIFs), the Global Environment Facility (GEF), and the Adaptation Fund (AF), and it fill the gaps identified to address Africa's challenges. The Fund's administration will ensure ownership by African countries of the projects and programmes to be financed by the Fund.

11. Recognized entities operating on the continent including eligible African countries, and institutions such as the AfDB, other MDBs and national governments, shall serve as the Fund's Implementing Entities and shall be eligible for direct access to the Fund in order to implement climate-compatible projects on the continent. The AfGF will ensure transparency, equity and accountability through its organization and governance structures. In order to provide strategic guidance, oversight and to ensure broad donor and stakeholder participation, the AfGF will have a lean Governing Council, comprising equal representation from donor and African countries, with the Civil Society and private sector acting as observers. The Fund's operations, including project approvals, will be supported by a Fund Secretariat that will be housed at the African Development Bank. The African Development Bank will serve as a Trustee of the AfGF.

[1] Direct access means that accredited agencies in the RMCs will be able to directly approach the Fund. The accreditation approach is detailed in Section 8.

1. BACKGROUND

1.1 In the past decade, Africa has seen accelerated economic growth and development, particularly in its infrastructure, energy, agriculture, education and health sectors. However, the progress achieved thus far is already being derailed by the negative impacts of climate change. Climate change presents unprecedented challenges for the continent, particularly in terms of meeting its sustainable development imperatives, including the Millennium Development Goals (MDGs), thus the need for urgent, concerted and coherent efforts to adequately address this development challenge.

1.2 Recent assessments have shown that the average economic costs of climate change in Africa could be equivalent to 1.5% - 3.0% of GDP each year by 2030, and it is projected to rise in the absence of an international agreement on emissions (Figure 1). The continent is already bearing the cost of addressing the huge impacts of climate variability and change. For example, in East Africa, major periodic drought and flood events account for economic costs at between 5% and 8% GDP per event, which is largely absorbed by national governments

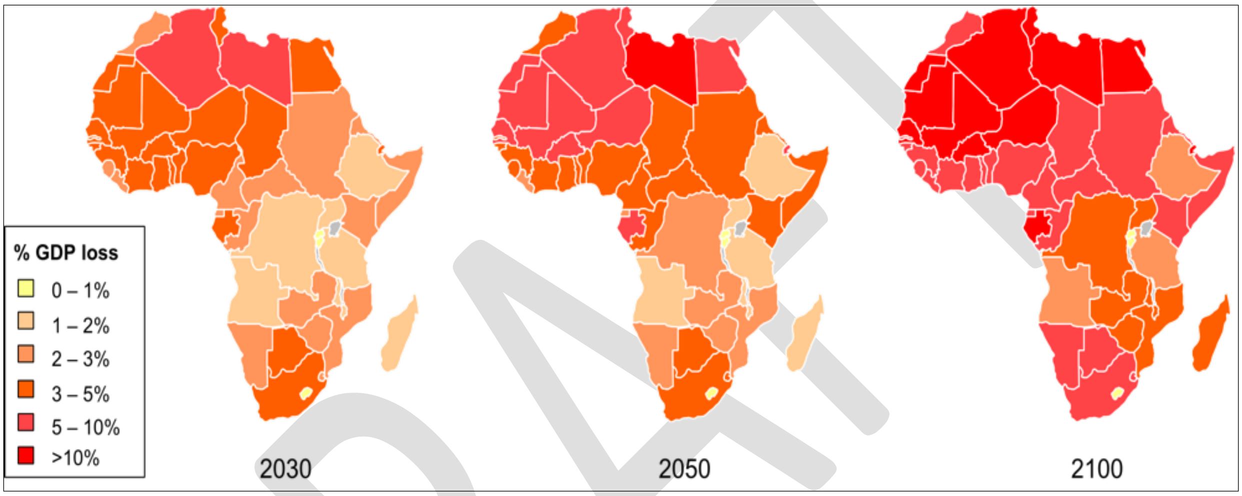

Figure 1: Projected Economic Cost of Climate Change in Africa

Source: *Based on FUND national model in the AdaptCost study by the Stockholm Environment Institute (2009).*

1.3 While imposing costs and a significant burden on development, addressing climate change provides a potential opportunity for Africa to chart climate-resilient and low carbon development paths by supporting the National Adaptation Programs for Action (NAPAs) and Nationally Appropriate Mitigation Actions (NAMAs), respectively. Given Africa's high impact to climate change vulnerability, adaptation holds higher priority for the continent.

1.4 Africa requires substantial additional financial resources to incentivize best practices to support mitigation and adaptation efforts through the introduction of new technology, the enhancement of institutional capability, and the implementation of long term investments in projects that build climate-resilience and are low carbon. Recent estimates of the combined costs of adaptation as well as for putting Africa on a low-carbon growth pathway stand between US$22 and US$31 billion per year by 2015 and between US$52 and US$68 billion per year by 2030, if no action is taken now.

1.5 The commitment to new and additional finance for international action on climate change was one of the few areas where progress was achieved during the last Conferences of Parties to the UNFCCC - COP 15 in Copenhagen in December 2009 and COP 16 in Cancun in December 2010. The Agreements by major world leaders commit developed countries to collectively provide resources "*approaching US$ 30 billion for the period 2010 - 2012*" to support developing countries to mitigate their greenhouse gas emissions, and to adapt to the effects of climate change. These fast-start funds according to the Copenhagen Accord should have a '*balanced allocation between adaptation and mitigation*,' should be '*new and additional*' to ODA, and '*prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa, and include investments through international institutions*'. These resources are expected to progressively increase to US$ 100 billion per year by 2020.

1.6 While the international community has recognized the need for enhanced additional financial support to Africa, it is equally important to have a proper financing mechanism to deliver these commitments to ensure that the continent benefits optimally from the pledges of the Cancun Agreements. Current financing mechanisms have not delivered the resources that Africa needs, hence the need for a new financing mechanism that is appropriate for the continent.

1.7 The High Level Advisory Group on Climate Finance set up by the United Nations Secretary General in February 2010 stressed in its final report launched in November 2010 the exceptional nature of climate change in Africa, and recognized that an AfGF can be an appropriate way to face the climate change challenges in the continent. The report especially noted that raising US$100 billion in additional climate finance by 2020 is "challenging but feasible", considering four sources of revenue: public revenues; development bank instruments; carbon markets; and private low carbon investment.

1.8 The recent 17th Ordinary Session of AU Heads of State and Government held in Malabo from 23 June to 1 July 2011 called on the AfDB to complete the design of the AfGF ahead of COP 17 in Durban.

2. RATIONALE FOR ESTABLISHING THE AfGF

2.1 Africa's Limited Access to Existing Climate Financing

2.1.1 The resource requirements to address the threats of climate change and grow a low carbon economy in Africa far exceed currently available funds. The incremental cost of adaptation in Africa is estimated between US$13 – US$19 billion and US$9 – US$12 billion per year for mitigation by 2015[2]. This climate financing gap will seriously hamper efforts by African countries to respond effectively to the growing challenges of energy security and adaptation, especially with regard to countries facing high poverty levels.

2.1.2 African countries have had limited benefit from current financing mechanisms when compared to other developing countries. Compared to other world regions, Africa has received only limited global Climate funds[3] actually disbursed between 2005 and 2009. A recent joint MDBs Assessment[4] has also revealed that only 12% of all MDB-disbursed mitigation financing within 2006-2009 has gone to Africa.

2.1.3 While global attention focuses on efforts at mitigating greenhouse gas emissions, adaptation remains Africa's priority because of the region's high current and projected vulnerability to the adverse impacts of climate change. An assessment of current climate change financing shows that 82% of the resources go to support mitigation, 5% for Reducing Emissions from Deforestation and forest Degradation (REDD+), only 8% for adaptation and about 5% for multi-foci projects. Adaptation in Sub-Saharan Africa will take a larger share of national income compared to other regions (Table 1).

[2] Grantham Research Institute on Climate Change and Environment, "Possibilities for Africa in Global Action on Climate Change", Imperial College, UK (2009)

3 The major climate funds come from sources such as the Climate Investment Fund (CIFs), Global Environment Facility (GEF), Clean Development Mechanism (CDM), and the Adaptation Fund.

[4] Preliminary joint MDB Report on Climate Financing, June 2010

Table 1: Projected Adaptation Costs by World Regions (% GDP)[5]

Region	NCAR estimates	CSIRO estimates
Sub-Saharan Africa	2.44%	2.26%
East Asia and Pacific	0.71%	0.58%
Europe and Central Asia	0.67%	0.39%
Latin America and Caribbean	0.72%	0.56%
Middle East and North Africa	0.33%	0.34%
South Asia	1.17%	1.39%

2.1.4 Currently, all global funds are hosted, governed and administered outside the African continent, creating a sense of alienation among the intended beneficiaries because their governance structures do not promote Africa's equitable participation in decision-making. There is also the lack of ownership of climate change-related projects financed on the continent by African governments and intended beneficiaries. Some of these funds have exceedingly cumbersome accessibility procedures, with unnecessary complexity and bureaucratic bottlenecks delaying national plans.

2.2 Need for a Financing Mechanism Hosted in Africa and Alignment with Africa's Priorities

2.2.1 The AfGF, dedicated to the needs of the African continent, is imperative. The AfGF serves as a financing mechanism for addressing the specific needs essential for tackling climate change in Africa. The design of the Fund responds to the peculiar needs and circumstances of the continent. Hosting and administering climate change funds in Africa by an African institution has scores of advantages for the continent.

- **Firstly, it enhances the ownership of climate change resources and investments**, and project ideas and processes necessary to deal with climate change as well as reinforce country-led processes.

- **Secondly, it empowers African countries to participate fully in decision-making regarding the use of the funds.** The active presence of African countries in the decision-making processes pertaining to allocating funds, through an appropriate governing structure, will enhance the principle of equity and fairness in the allocation of funds as well as provide the incentives to ensure that the resources are disbursed transparently and used for the purposes for which they have been provided.

- **Thirdly, it facilitates easier and direct access for recipient African countries and other benefiting entities to the funds**, thereby responding efficiently and urgently to Africa's climate change needs.

- **Fourthly, it provides a balanced allocation to both adaptation and mitigation through appropriate instruments** while directly responding to national concerns through nationally defined objectives.

2.2.2 The hosting and management of a consolidated climate fund in Africa will reduce the current fragmentation of climate funds and will increase the continent's access to the pledges under the Copenhagen Accord and commitment under the Cancun Agreements. This increased access will enhance the continent's confidence to contribute to climate change efforts as part of the solution to an intelligent global climate change deal.

[5] Extracted from Adapcost briefing paper prepared by the Stockholm Environment Institute (2009)

2.2.3 The administration of the Fund by the African Development Bank is consistent with its institutional mandate and capacity to manage investments in core development sectors in Africa. For example, the total lending volume by the Bank to African countries for the 2008-2010 period was US$24.8 billion, comprising US$14.4 billion of ADB (non-concessional) and US$10.4 billion for ADF (concessional) loans and grants. Of this, infrastructure received the largest share with 60% (inclusive of private sector). The public sector benefited 51% with 9% allocated for private sector operations. Governance accounted for 22%, 14% for regional integration, the remaining was allocated to agriculture, health, environment & climate change and education.

2.3 Request by Africa's Leadership

2.3.1 Based on Africa's characteristically low access to existing global funds, and the need to urgently increase Africa's access to resources to address the continent's increasing vulnerability, the African leadership at COP 15 requested that some of the fast-track resources for climate change provided for in the Copenhagen Accord be allocated to Africa. The Group further requested that Africa's allocation of the fast-track financing as well as its share of long-term financing be administered by the African Development Bank. This decision was endorsed by the 14th Ordinary Session of the Heads of State and Government of the African Union on 2 February 2010. The recent Malabo Decisions taken during the 17th Ordinary Session of the AU Heads of State and Government meeting held from 23 June to 1 July 2011 also called on the AfDB to complete the design of the AfGF ahead of COP 17 in Durban.

2.3.2 The AfGF's establishment comes as a response to this request by Africa's leadership. Preliminary consultations were held in 2010. At the 7th African Development Forum in Addis Ababa, Ethiopia, from 10 – 15 October 2010, African Ministers, the Civil Society and other stakeholders supported the African Development Bank's proposal to establish this Fund, and requested speedy processing to enable Africa to benefit from the pledges and commitments under the Copenhagen Accord and Cancun Agreements.

3. THE AFRICA GREEN FUND PLATFORM

The African Green Fund is part of a platform that addresses climate financing gaps in Africa. The platform will bring together a number of existing and new climate finance instruments to enhance Africa's access to climate finance. The platform is designed as a flexible and efficient mechanism that seeks to grow overtime and is able to adjust to future climate finance architecture in a way that best serves Africa's needs. The building blocks of the Platform can be described as follows:

- The first block constitutes a set of **existing thematic climate finance instruments within the AfDB** (AWF, CBFF, SEFA, ClimDev-Africa Special Fund) within a framework that aims to improve their efficiency by simplifying processes and improving access. Access will continue to be open to Regional Member Countries directly or through the Bank.

- The second block involves the **creation of a new instrument**; the Africa Green Fund (AfGF) which will be part of long term finance, with a governance structure that involves both African countries and donors, and managed in trust by the AfDB. The structure should be able to receive, manage, and deliver resources from fast start funds and long-term pledges made under the Copenhagen Accord and Cancun Agreements as well as other sources. The AfGF is independent of the Bank's decision making structure.

- The third block is a **scaled up** Africa Green Fund instrument that echoes the key design features of the Green Climate Fund (GCF) that will seek to receive, manage and deliver funds to Africa at scale, with a governance structure that involves both African countries and donors. It will seek to become Africa's preferred channel for part of the climate finance resources over the medium term.

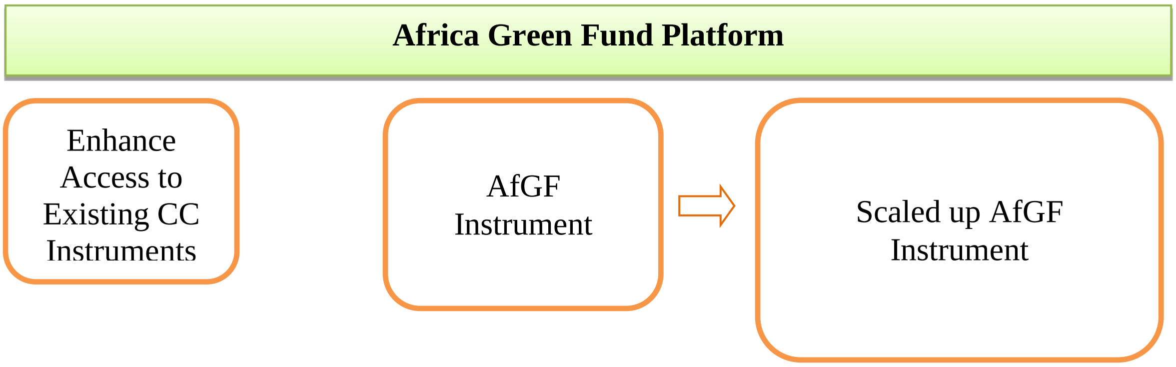

Figure 1: The Africa Green Fund Platform

The focus of this document is on the new instrument described as the second block of the Africa Green Fund Platform. In the future, block 2 will be scaled up to take into consideration the future evolution of the global climate financing architecture.

4. THE AFRICA GREEN FUND (AfGF)

4.1 Goal and Objectives of the AfGF

The goal of the AfGF is to support country-owned and country-led climate compatible development in Africa by financing public and private sector programs that will contribute to poverty alleviation and sustainable development on the continent. To meet its goal, the AfGF will achieve the following specific objectives:

(a) Mobilize and facilitate access for its Regional Member Countries to existing and internal resources provided within specific instruments, especally ClimDev, CBFF, AWF and SEFA as well as bilateral sources of financing, and co-financing to support public and private programs and projects that contribute to the Fund's objectives. The AfGF will also complement other existing multilateral financial mechanisms such as the CIFs, GEF and Adaptation Fund.

(b) Promote direct and immediate access to fast-start funds for climate mitigation and adaptation to complement funds existing within the Bank and channel new and additional financing to assist Regional Member Countries to respond to the risks and threats posed by climate change through support to country adaptation programs.

(c) Support the development of climate resilient and low carbon programs and projects that are truly embedded in national plans and strategies to achieve sustainable development and the Millennium Development Goals.

(d) Strengthen national institutions and support the use of country systems to ensure a sustained yearly increase in the number of African countries that have the capacity for direct access to the Fund.

4.2 Scope of the Fund

4.2.1 AfGF's Financing Windows

Consistent with the Copenhagen Accord and the Cancun Agreements, the resources of the AfGF shall be administered initially through two windows – **Adaptation and Mitigation -** in line with the request from Africa's leadership and current discussions under the UNFCCC. Each of these windows will also finance cross-cutting activities such as capacity building and technology transfer that are appropriate to activities funded through each window. Additional windows will be established as the need arises.

4.2.1.1 Adaptation Window. This window will finance adaptation projects[6] and programs[7] that support

[6] An adaptation project is a set of activities aimed at addressing the adverse impacts of and risks posed by climate change.

climate resilient development on the continent. It will support the mainstreaming of climate resilience and adaptation into development planning, poverty reduction strategies and socio-economic policies that will include: investments in water resources management, land management, agriculture, health, transport and other infrastructure development, fragile ecosystems, integrated coastal zone management, enhanced capacity to monitor diseases and vectors affected by climate change and related forecasting and early-warning systems, and in this context, improve disease control and prevention. Considering the limited understanding of how adaptation can be implemented within the context of development, the Fund shall serve as a catalyst for faster and better understanding of Africa-specific adaptation issues. Some of the programs that will be funded include:

- **Sustainable Land and Water Resource Management:** increasing financing required to support multi-purpose water infrastructure, optimization of existing dams, water storage and irrigation systems and projects in support of the implementation of the African Agenda on the water sector, particularly the Africa Water Vision 2025, adopted by the African Ministers of Water Resources and endorsed by the African Union.
- **Building Climate Resilience in Key Economic Sectors:** supporting the generation of knowledge and competencies required to make adaptation a core component of development in key economic sectors and promoting innovative initiatives with the potential of positive transformation. These interventions will also target activities to enhance the private sector's capacity to support adaptation. The private sector has an important role to play in supporting adaptation, which is currently being supported entirely from public sources.
- **Supporting Disaster Management Activities:** Supporting the development and implementation of disaster management strategies for vulnerable populations. These strategies could include early warning procedures for natural disasters such as floods or droughts that are forecast to increase in frequency and magnitude, and disease outbreaks as well as measures designed to alleviate the impact of natural disasters in order to minimize loss of human life, economic assets, and negative effects on both urban and rural societies.

4.2.1.2 Mitigation Window. This financing window will **support low carbon actions** addressing the power sector (renewable energy, as well as increased efficiency in generation, transmission and distribution, trans-boundary interconnection lines); transportation (modal shifts to public transportation, improved fuel economy, and fuel switching); and large scale adoption of energy efficient technologies, water sector and other demand management techniques in the relevant sectors. It will also support reduction of emissions from deforestation and forest degradation, including the promotion of conservation, sustainable management of forests and the enhancement of forest carbon stocks (REDD+). The scope of programs benefiting from the Mitigation Window will include the following:

- **Renewable Energy and Energy Efficiency:** supporting an increasing share of renewable energy in Africa's energy mix and additional electricity generation, using renewable energy sources as well as promoting supply and demand side energy efficiency.
- **Sustainable Transport:** supporting projects that focus on technological solutions, such as more efficient public transport that is powered by new fuel cells and clean liquid gas; projects that improve the transport system on an urban scale, either by "stand-alone" investments (public transport infrastructures, non-motorized transport), and comprehensive urban strategies, such as urban and transport planning, the introduction of multi-modal/mass rapid transit systems/traffic and fleet management systems leading to increasing access to and share in the use of public-transport by urban commuters.
- **Sustainable Land and Forestry Management:** Scaling-up support to sustainable forest management, including the development of policy frameworks to slow the drivers of undesirable land-use changes, supporting projects to reduce greenhouse gases from deforestation and forest degradation, and supporting afforestation and reforestation leading to

[7] An adaptation program is understood as a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project.

a reduction in the current rate of deforestation and land degradation. Several countries have collectively pledged about US$ 6 billion dollars to support REDD+ initiatives in developing countries. REDD+ initiatives in Africa will benefit from these global resources through the funds channeled through this AfGF window.

4.1.2.3 To support mitigation and adaptation efforts, the following cross-cutting programs shall also be funded from the two AfGF windows:

- **Enhanced Technology Development and Transfer Program**. While there are significant gains to be made from the adoption of existing technology, additional efforts are needed to developed new technologies to better support mitigation and adaptation efforts on the continent. This calls for cooperation on research and development of current, new and innovative technology, including win-win solutions, and collaboration by institutions in developed and developing countries, on mitigation and adaptation technologies. It is proposed that the AfGF will support north-south and south-south technological collaborations, including the promotion of indigenous technologies.
- **Capacity Building Activities**. The AfGF will fund initiatives to enhance capacity and knowledge within Regional Member Countries to address the climate change challenges and ensure sustainability and gender equality through policy and regulatory reforms and strengthen existing and, where needed, establish regional and national centres and information networks for addressing climate change impacts, including those related to extreme weather events. Capacity building investments from the AfGF will be complementary to those undertaken by other initiatives and Funds.
- Fostering **Collaboration and Coordination** between the three UN Conventions – UNFCCC, UNCCD and UNCBD as climate change, desertification, and the loss of biodiversity are inextricably linked.
- The AfGF will also fund other cross-cutting special initiatives that may advance its purpose. This might include the establishment of specialized products such as a climate index insurance.

4.3 Governance Structure

The AfGF's governance structure is designed to provide the required technical soundness and proper oversight, while ensuring efficiency and effectiveness. The initial governance framework has been set out below and in other parts of this document. The constitutive documents providing further details of the Fund and its governance will be developed following AfGF's establishment. The governance structure consists of the Governing Council, the Trustee and the Fund Secretariat. The Governing Council will decide on any constitutive documents and further developments of the governance structure.

4.3.1 The Governing Council

4.3.1.1 In order to provide a strategic orientation as well as policy, financial and legal guidance in order to provide oversight and ensure broad donor and stakeholder participation, the AfGF will have a Governing Council which will also serve as the AfGF's ultimate governance authority. The Governing Council will have 9 voting members, comprising an equal number of representatives of donors and African countries (4 each), and a representative of the Trustee. Observers will include civil society and private sector representatives.

4.3.1.2 The nomination of members representing African countries will be on the basis of a rotational and regional representation, based on the selection carried out by AU in consultation with the RECs. The donors shall consult among themselves in order to select their representatives. A senior AfDB representative will represent the Trustee.

4.3.1.3 Decisions by the AfGF Governing Council will be made by consensus (which does not imply unanimity but a possibility for a member to block a decision), and the quorum necessary for the conduct of any meeting of the Governing Council shall be five members, including at least one representative of each of the donors, African Governments and the Bank. The AfGF Governing Council will meet at such frequency as it may decide, but at least once a year. The Governing Council may choose to delegate its authority when appropriate. Depending on the importance of the decisions to be taken, the Governing Council may decide to have physical or virtual meetings.

4.3.1.4 In addition to being the Fund's ultimate governance authority, the Governing Council is responsible for determining AfGF's general policy direction, ensuring an alignment with international standards; and reviewing and approving the annual report of activities financed with AfGF resources.

4.3.1.5 The Governing Council is also responsible for approving AfGF's resource envelope and disbursement decisions for programs and projects to be financed using AfGF resources, the technical integrity and consistency of a transparent proposal review process. It is also in charge of approving AfGF's administrative budget of the.

4.3.1.6 The AfDB Board of Directors shall have an oversight role only over the performance of the Bank's role as Trustee and only over AfGF-financed projects implemented by the Bank.

4.3.2 The AfGF Secretariat

4.3.2.1 A Secretariat will be established to support the AfGF Governing Council, and to facilitate communications between the Governing Council and all other AfGF stakeholders. The Secretariat will be responsible for the day-to-day management of the AfGF portfolio, executing the Governing Council's decisions, providing administrative support, and over-seeing monitoring and evaluation of the Fund's portfolio. It is also responsible for screening proposals submitted, making recommendations to the Governing Council and communicating programs and project proposals. The Secretariat is also in charge of preparing the Governing Council work. It is also responsible for reviewing programs and projects to ensure consistency with the objectives of the Fund, eligibility criteria and ensuring the monitoring and periodic independent evaluation of performance and financial accountability of implementing entities. The Secretariat also ensures complementarity between activities overseen by the AfGF and those of other development partners active in the field of climate change such as the CIFs, GEF, AF and the UNFCCC, and ensures effective cooperation to maximize synergies and avoid overlap.

4.3.2.2 The AfGF Secretariat shall be hosted at the AfDB headquarters and shall be headed by a Coordinator who will be appointed by the Governing Council at a level commensurate with the responsibilities of the office.

4.3.2.3 The AfGF Secretariat will be responsible for the accreditation process of Implementing Entities in order to ensure that they meet basic fiduciary standards as approved by the Governing Council.

4.3.2.4 Staffing[8] requirements of the Secretariat are expected to include relevant specialists in climate-change related operations, legal, fiduciary, safeguards and administration. These staff will be recruited directly for the Fund but some could also be seconded from the Bank and other Implementing Entities, where appropriate. The TOR of the Secretariat will be elaborated in the Operational Manual to be prepared by the Trustee in consultation with the Governing Council.

4.4 Trustee

4.4.1 AfDB as Trustee

The African Development Bank serves as AfGF's Trustee. In this capacity, it will establish a trust fund for the AfGF to receive contributions, and will hold in trust, assets and receipts that constitute the Trust Fund, pursuant to the terms of the agreements entered into with donors. The Trustee is responsible for

[8] Based on initial provisional staffing assumptions of a Coordinator, 8 professional staff, 1 Secretary and 1 Team Assistant, meetings of Governing Council and equipping of Secretariat, the estimated operating costs for the first year should be approximately US$ 1.6 million. It is important to note that the operating costs shall always be borne by the Fund.

three major functions: management of funds, financial reporting and execution of legal agreements.

4.4.2 Management of Funds

a. In this capacity, the Bank shall be responsible for: (i) Establishing and maintaining appropriate records and accounts to identify contributions and other receipts, including reflows; (ii) Disbursing approved funds in accordance with instructions received by it from the AfGF Secretariat; and (iii) Preparing financial reports and audit coordination for the Fund.

b. Pending the disbursement of proceeds, the AfDB will invest the Funds' resources in accordance with AfDB's policies and procedures for the investment of other similar funds that it administers. Income earned on each investment will be credited to the Fund, thus increasing resources available for operations.

4.4.3 Financial Reporting

The Bank as a Trustee is accountable to the Governing Council with regard to the performance of its fund management responsibilities. The Bank will submit annual reports to the Governing Council on the AfGF's financial status. The Bank will provide for an external annual audit of the funds' accounts in accordance with its usual external audit regime. The Bank will also forward to the Governing Council a copy of the annual, AfGF audited financial statements together with the auditor's written report of the audit findings.

4.5 Execution of Legal Agreements

(a) As a Trustee, the AfDB will accept a standardized Legal Instrument of Participation from each financial contributor. The Trustee will also enter into agreements with each of the stakeholders of other climate change-related funds, and Implementing Entities, which will set out the terms and conditions of commitment, transfer of AfGF resources to the implementing Entities, as well as reporting requirements and remedies in case of a breach of the agreement.

(b) The Trustee will, subject to the availability of applicable resources in the Fund and the terms of the Contribution Agreements, make commitments and transfers of AfGF resources, in accordance with the approvals of the AfGF Governing Council and to the relevant approval organs of respective Implementing Entities (as will be described in the AfGF Operational Manual and stipulated in agreements to be entered into between the Trustee and these Implementing Entities).

(c) Upon transfer of funds to the Implementing entities, the Trustee will take no responsibility for the use of the AfGF resources transferred and activities carried out therewith. The Trustee will require, and receive from the Implementing Entities certain periodic financial and other agreed reports, as will be required under the agreements to be entered into between the Trustee and the Implementing Entities.

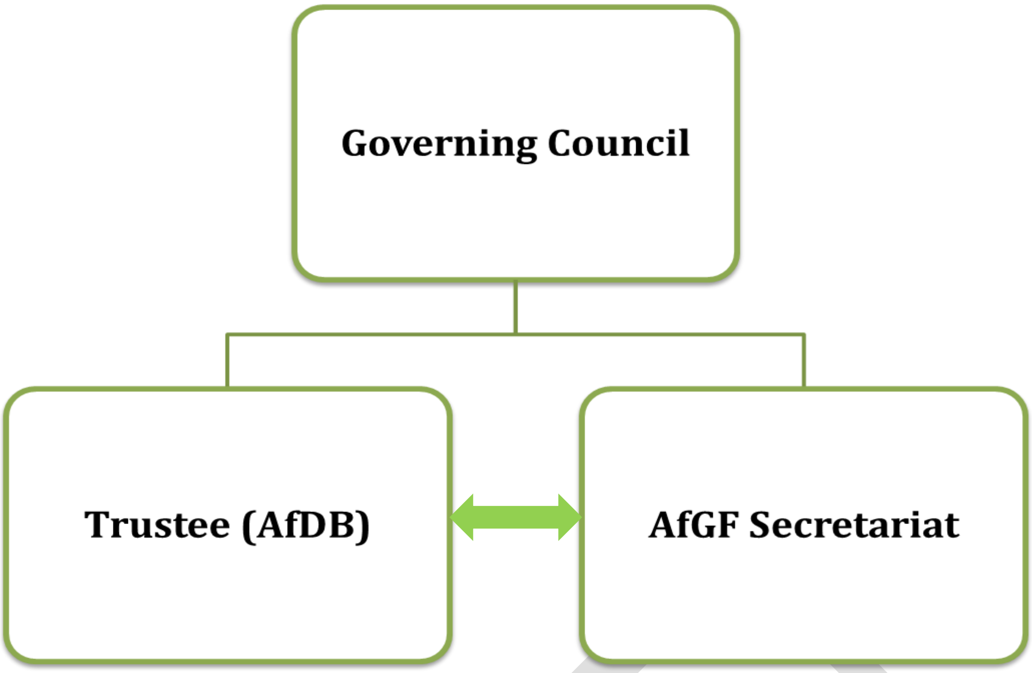

Figure 2: AfGF Governing Structure

5. IMPLEMENTING AND FINANCING ARRANGEMENTS

5.1 Eligibility and Accessibility

5.1.1 The Bank's Regional Member Countries, public and private enterprises, non-governmental organizations, civil society entities, other undertakings in the territory of a regional member country, bilateral and multi-lateral organizations (including other MDBs), African regional organizations, such as COMESA and ECOWAS, and the African Development Bank shall be eligible to receive financing or other assistance from AfGF resources. These entities can apply directly to the AfGF Secretariat through national legal entities designated as Implementing Entities, or through bilateral and multilateral entities. These entities shall all be accredited as Implementing Entities in order to access AfGF resources.[9] This unique partnership will build on the Implementing Entities' extensive experience in countries and regions and their ability to ensure the rapid use of funds.

5.1.2 Accredited Implementing Entities will assist beneficiary countries and other entities to design programs which meet the eligibility criteria to be approved by the AfGF, as well as assist in the implementation of these programs. The activities that will be supported through the public sector, private sector, or Public-Private Partnerships will meet certain eligibility criteria. Examples of some of these criteria, which will be fully developed in the Operations Manual and the Results Framework, are highlighted below.

Activities to be financed by AfGF shall meet the following Eligibility Criteria
a) Development Impact*:* demonstrate the potential to contribute to climate-compatible development, and the achievement of the Millennium Development Goals and ability to enhance resilience to address current and projected climate change threats
b) Potential for cost-effective climate-resilient and adaptation investments: demonstrate the potential to build resiliency into development investments as well as build adaptive capacity in Africa

[9] To attain accreditation, Implementing Entities shall go through an accreditation process and demonstrate that they meet the fiduciary and management standards that the Governing Council shall set and elaborated in the Operational Manual. These standards shall, among others, include financial integrity and management, adequate environmental and social safeguards as required under the Country System, and institutional capacity.

c) Potential for cost-effective Greenhouse Gas (GHG) Emissions Savings: demonstrate the potential for high CO_2-equivalent emissions reductions over the lifetime of the proposed program/project.
d) Potential to scale up climate-resilient and low-carbon technologies: provide technological solutions and should demonstrate the scalability of these technologies and their potential for greater adoption and deployment on the continent.
e) Implementation Potential**:** demonstrate alignment with country and sector strategies, responsibility, capability and capacity of implementing institutions or absorptive capacity to support technology adoption and sustainability of projects through evidence of commitment and ownership of project and relevant policies and, when necessary, arrangements for long term operations and maintenance by project beneficiaries. Other appropriate criteria will be added and approved by the Governing Council, once the need arises.

5.2 Financing Procedures and Conditions

5.2.1 An accredited Implementing Entity shall submit a Concept Note (Request for Funding) with a resource envelope which shall be processed for approval and earmarking of resources by the Secretariat for successful requests. This will authorize the Implementing Entity to proceed with the development, preparation and approval of individual programs/projects using its internal processes. The final approved program/project document with the exact funding requested will be re-submitted to the Governing Council through the Secretariat for final clearance for disbursement. Details of project approval process, threshold for project size as well as the accreditation process of Implementing Entities will be provided in the Fund’s Operational Manual.

5.2.2 The following requirements will apply to all programs/projects financed by the AfGF:

(a) Each operation will be approved and administered in accordance with the applicable guidelines of the concerned accredited Implementing Entity, which will discharge its responsibilities with the same degree of care as it exercises with respect to its own resources;

(b) The accredited Implementing Entity will, for purposes of each financing, conclude an agreement with the beneficiary, expressing the terms of financing and acknowledging the source of finance;

(c) Eligible expenditures under individual financing will be determined in accordance with the policies and procedures of the respective accredited Implementing Entity or other approved organizations, including environmental and social safeguards arrangements and fiduciary standards.

5.2.3 Each operation will follow the investment lending policies and procedures of the accredited Implementing Entity, including its fiduciary standards and environmental and social safeguards. Each Implementing Entity will apply its own appropriate procedures in designing, appraising, approving, supervising, monitoring and evaluating operations to be financed from the AfGF. Details of this will be provided in the Operations Manual of the Fund.

5.2.4 In line with standard practice in relation to the administration of similar funds, the Bank will charge an Administrative Fee of at least 5% of the contributions to support the AfGF in terms of services, office space and operating costs. The Bank will however be entitled to full cost recovery in the event that the expenses incurred by it in the execution of its role in relation to the AfGF exceed the minimum administrative fee of 5%[10].

5.2.5 The AfGF may face some risks that may hamper effective implementation of its objectives. The design of the Fund has provided measures to mitigate the potential negative impact of these risks on the functionality and operational capacity of the AfGF.

[10] This figure is under consideration by the Bank.

5.3 AfGF Financing Instruments

5.3.1 The AfGF will utilize a range of appropriate financing instruments, including grants and concessional loans, risk mitigation instruments, such as guarantees, and equity to support public and private programs and projects that contribute to the objectives of the fund.

5.3.2 Grant funding will mainly be used for activities that provide economic and social benefit with the internal rates of return being negative or below the normal market threshold and does provide any direct financial return to the participants. As an example, activities in adaptation such as coastal community preparedness in anticipating increased sea level rise and the education of farmers in tackling climate change issues could be financed through grant funding. Grant elements are of special importance for adaptation interventions, particularly in countries that are highly vulnerable to climate change impacts. Grant resources can also be provided to governments to create enabling environments to support private sector participation in low carbon development

5.3.3 Concessional loans will mainly be provided for investments to support low-carbon economic development that have internal rates of return just above the normal market threshold. Concessional loans could be used to fill the investment gap in transforming sectors and, possibly in combination with revenues from emissions reductions, to make low carbon investments attractive by improving the internal rates of return on such investments.

5.3.4 The AfGF could provide guarantees to cover political and commercial risks that undermine project viability which the market is not willing or able to bear. Such risks could include credit risk, technology risks, or changes to the project's regulatory environment.

5.3.5 AfGF instruments will be adequately structured to provide the appropriate level of concessionality that will increase the commercial viability of projects without displacing investments that may otherwise transpire through commercial or standard MDB borrowing or guarantees. The resources of the AfGF may be used complementarily in combination with other instruments and mechanisms available on the market, such as GEF resources, other donor funds, insurance and/or carbon credits.

5.3.6 Details of these financing instruments and specific mechanisms designed to support private and public sector participation in the AfGF will be elaborated in detail in the AfGF Operations Manual.

6. COMPLIANCE AND REPORTING

6.1 Fiduciary Standards and Responsibility

As AfGF will have different types of beneficiaries as implementing entities. AfGF fiduciary standards will be developed, including criteria for accreditation that implementing entities have to meet.

(a) When national entities meet basic standards such as governance and procurement requirements, their country systems will apply for direct access to AfGF resources. A set of minimum fiduciary standards will be established through the Operational Manual. Where needed, countries' institutional capacities will be strengthened in order to help them meet the minimum standards required.

(b) Where AfGF finances operations to be implemented by other Multilaterals and RDBs, procurement arrangements and financial management practices should, in principle, follow those institutions' rules and procedures, where they meet basic accreditation criteria, including fiduciary standards.

(c) In cases where the AfGF is financing private sector and civil society organizations, it will be essential to ensure that the quality of fiduciary standards, policies and procedures of these organizations be generally acceptable. Where these standards are considered inadequate, while working together with such organizations in order to develop stricter standards, the AfGF's standards will apply.

(d) Operations funded by the AfGF and implemented by the AfDB will follow the Bank's procurement rules and procedures and financial management standards. However, consideration will be given to making the processes more flexible to allow for faster processing of projects without compromising on high fiduciary standards (wider use of post review might be considered, where feasible).

6.2 Audit

6.2.1 The AfGF shall be subject to the internal control procedures of the Bank, including an annual audit to be conducted by the external auditors of the Bank. Upon a written request of the Governing Council, the Bank shall cause the accounts and records of any specific activity financed with AfGF resources to be audited by a firm of external auditors to be appointed by the Bank. The costs of any such audits shall be charged to the Fund.

6.2.2 National entities borrowing from the AfGF resources shall be responsible for carrying out an audit of their operations.

6.3 Environmental and Social Safeguards

6.3.1 Due diligence shall be applied to all projects and programs financed using AfGF resources. The AfGF shall establish a minimum set of environmental and social safeguards to ensure that all programs and projects financed by the Fund are environmentally and socially appropriate. Projects financed by the AfGF, but implemented by other financial intermediaries, shall apply their environmental and social safeguards policies, where these are found acceptable to the AfGF Governing Council during accreditation. Where the safeguards policies of the implementing Entities do not meet the minimum standards set by the Governing Council, (and where the Implementing Entity has been granted conditional accreditation), the safeguards standards of the AfGF shall apply.

6.3.2 These safeguards standards shall be developed in a participatory process and shall not serve as deterrents to poorer African countries in participating in the AfGF. The AfGF shall provide resources to enhance the capacities of countries that do not meet these minimum safeguards standards to be able to do so.

6.4 Gender

Climate change and gender inequality are inextricably linked. On the one hand, climate change slows progress towards gender equality and poses a challenge to poverty reduction efforts. On the other hand, gender inequality can further worsen the effects of climate change on communities. Women and men contribute differently to the causes of climate change. They are affected differently by climate change and react differently to its impacts and, given the choice, favor different solutions to mitigate, and options to dealing with the consequences of climate change. In Africa, existing disparities resulting from women's social position within the family and the community are aggravated by the effects of climate change on the factors that protect women's means of subsistence (food, water and energy supply). It is, therefore, critical to understand the linkages between gender and climate change in terms of vulnerability and adaptation to existing stressors that have the potential to worsen already precarious sets of economic and social circumstances, as well as in mitigation actions necessary to reduce global emissions.

Gender inequalities in access to resources, including credit, extension services, information and technology, must be taken into account in developing climate change intervention activities. Intervention efforts to be financed by the Fund will seek to systematically and effectively address gender-specific impacts of climate change in the areas of energy, water, food security, agriculture and fisheries, biodiversity and ecosystem services, health, industry, human settlements, disaster management, and conflict and security. Gender equality shall be built into the criteria for project selection. The Log Frame Matrix in project documents will specifically address gender targets and indicators. The M&E system will also build into gender mainstreaming.

6.5 Monitoring and Evaluation

6.5.1 The availability of timely and regular monitoring and evaluation systems and results will enhance AfGF's efficient management. A detailed results framework will be developed and approved by the Governing Council, in response to the specific sector and country demands and in accordance with existing Results Management Frameworks. The results framework will have key indicators and targets that will be set according to the level of resources that will be available, and shall include gender-sensitive indicators.

6.5.2 The AfGF shall establish an Independent Evaluation Mechanism to carry out periodic independent evaluation of the overall operation of the Fund, its entities (Secretariat, Trustee, implementing Entities), and the programs and projects financed by the Fund. This function, at the beginning, shall be contracted to an external independent entity, until such a time that the Governing Council shall decide to establish an Independent Evaluation Mechanism within the Fund. The reports of the evaluation shall be submitted directly to the Governing Council.

6.5.3 A Monitoring and Evaluation system shall be developed for the AfGF that shall show, in detail, the type, frequency and responsibility for monitoring and evaluation within the Fund. To further strengthen the use of country systems, the AfGF shall support the establishment of national monitoring and evaluation systems to support Direct Access operations.

6.6 Reporting

The Bank shall present to the Governing Council an Annual Report on AfGF activities. The Annual Report shall contain a brief description of AfGF activities during the preceding financial year, including all operations financed from AfGF resources, and the outcomes of such operations. The Annual Report shall also include the audited financial statements.

6.7 Disclosure of Information

AfGF operations of would be subject to the Bank Group's Information DisclosurePolicy. The policy is intended to promote proper accountability for resources entrusted to the Bank to manage. This would be done through the timely disclosure and dissemination of relevant documents to the general public, including governments, civil society organizations and the private sector, unless there is a compelling reason not to do so. Information on AfGF's operations shall be posted on the AfGF website with updated information on the resources and uses of resources. Audited financial reports, project completion reports, independent evaluation reports, or any other AfGF relevant documents shall be disclosed and posted on the AfGF website.

6.8 Recourse/Redress Mechanism

The AfGF shall have an Independent redress mechanism that will receive complaints, evaluate and make recommendations on the implementation of AfGF's social and environmental safeguards by implementing entities. These recommendations shall be submitted directly to the Governing Council. To reduce the cost of establishing such a mechanism from the beginning, the Independent Review Mechanism of the African Development Bank shall perform this function until such a time that the Governing Council shall decide to establish an Independent mechanism for the AfGF.

7. EXPECTED ROLE OF THE BANK

The African Development Bank shall serve as **Trustee** to the AfGF, host the **Fund Secretariat** and be an

Implementing Entity for the Fund. The three roles of the Bank will require different capacities. Potential conflicts of interest will be addressed and, if necessary, the object of specific commitments.

7.1 The Bank as a Trustee

7.1.1 The Bank has the requisite experience and capacity to manage and efficiently disburse large scale funds, including those related to climate change. As of June 2011, the Bank is currently a trustee and managing US$ 5.46 billion on behalf of over 50 funds either hosted by the Bank or by external institutions.

7.1.2 The Bank's responsibilities shall include fund management, financial reporting and the execution of legal agreements. The Bank's institutional structure and processes allow the Bank to play this role, as it currently does for several similar funds such as the Nigerian Trust Fund, the NEPAD-Infrastructure Project Preparation Facility, Congo Basin Forest Fund, the African Water Facility, and the newly established ClimDev Fund. The Bank also hosts several bilateral Trust Funds. The Bank therefore has the experience in managing different types of funds. However, additional human resources will be required by the Bank to execute its Trustee role.

7.2 The Bank as the AfGF's Secretariat

The Bank has adequate experience in hosting the Secretariat of Funds. It plays that function with the AWF, the CBFF and the ClimDev-Africa Special Fund . While the magnitude of existing funds is smaller than the proposed AfGF, the principle is the same. The Bank will recruit the required staff to manage the secretariat in line with the level of AfGF resources that the Secretariat will manage.

7.3 The Bank as an Implementing Entity

7.3.1 The Bank is an Implementing Entity of other global funds such as the Climate Investment Funds and the Global Environment Facility. It is currently being accredited as an Implementing Entity for the UNFCCC Adaptation Fund. The Bank's comparative advantage as an Implementing Entity stems from the fact that it is the largest infrastructure financing institution on the continent.

7.3.2 The Bank also has expertise in implementing projects in all economic sectors that are sensitive to climate change. As an Implementing Entity, the Bank will leverage AfGF resources with internal Bank resources as well as raise additional resources from donors who have come to trust the Bank's high fiduciary standards, as exemplified by the recent Bank 200% capital increase. As an Implementing Entity, the Bank will apply to the Fund, as with other registered and accredited agencies, for resources to implement its projects. The Bank is not expected to absorb all the Fund's resources.

7.4 AfGF's Alignment with the Bank's Mandate

7.4.1 The proposal for the Bank to host, govern and manage the AfGF reflects a careful consideration of AfGF objectives, as well as AfDB's mandate, capacity and procedures. The AfDB is a significant and committed leader of African development. It was established for the purpose of contributing to the sustainable economic development and social progress of its regional member states. Clearly, addressing climate change issues in Africa is critical to achieving the AfDB's mandate.

7.4.2 AfGF's establishment is consistent with Article 8 of the Agreement establishing the Bank, which authorizes the Bank to establish Special Funds that are designed to serve the purposes for which the Bank was created, and which fall within the scope of its functions.

7.4.3 The AfGF's design and implementation will benefit from the experience that the Bank has acquired in hosting and administering similar special funds that address the needs and specificities of AfDB Regional Member Countries.

8. AfDB's INSTITUTIONAL CAPACITY TO MANAGE AfGF

8.1 The Bank has the requisite experience and capacity to manage and efficiently disburse large scale funds, including those related to climate change. As of June 2011, the Bank is currently the trustee and is managing US$ 5.46 billion on behalf of over 50 funds either hosted by the Bank or by external institutions. From its own accounts, the Bank's total lending volume from 2008 to 2010 was US$ 24.8 billion, comprising US$ 14.4 billion in non-concessionary loans and US$ 10.4 billion in concessionary loans and grants. Sixty percent of these resources were invested in infrastructure across the continent. Twenty-two percent was invested in governance and capacity building investments, fourteen percent in investments promoting regional integration, with the remaining investment shares split across agriculture, health, environment and climate change and education sectors. To further enhance development outcomes, the Bank is setting up a dedicated fund for fiduciary reform activities to strengthen national institutions of regional member countries in the use of their country systems for public financial management and procurement systems.

8.2 Furthermore, the Bank's institutional structure and processes will allow it to host and manage the AfGF fund, as it currently does for several similar funds.

8.3 The Bank will put its experience to provide any technical and advisory support needed to the Fund. The Bank has developed institutional experience. This includes knowledge and expertise designing climate resilient projects from its experience as an implementing entity for existing global environmental financing facilities, as well as project design and implementation, capacity building, policy and regulatory reforms and budget support to climate change initiatives through its own operations. The Bank's growing renewable energy portfolio and the request from other MDBs for the Bank to lead the MDB report on financing adaptation is evidence of the Bank's growing expertise and capacity to address both climate change mitigation and adaptation.

9. NEXT STEPS

9.1 The consultation will continue through September before the proposal is finalized and processed internally ahead of submission to the Board of Directors for consideration. Some of the key consultation forms include:

- Further consultation with the African Negotiators;
- Consultation with Africa Group's Representatives to the Transitional Committee designing the Green Climate Fund;
- Consultation with AfDB Board members through a Seminar to seek views and comments;
- Consultation with Donors and potential contributors to the Fund;
- Consultation with the African Council of Ministers of Environment;
- Consultation with the Civil Society and Private Sector;

Key areas where comments are invited are presented below:

- Structure supporting the activities of the Fund;
- Approval process with respect to projects/programs, including procurement procedures;
- Monitoring and evaluating the Fund;
- Project and program selection criteria;
- Funding instruments for both public and private sector operations;
- Mechanism on beneficiary contributions;
- Accreditation of Implementing Entities;
- Possible thresholds on percentage of AfGF contribution to projects/ programs financed by the Bank and other partners;
- Procedures and guidelines for accessing funds; and
- Monitoring indicators and evaluation procedures.