

AFRICAN DEVELOPMENT BANK



FRAMEWORK DOCUMENT FOR THE ESTABLISHMENT OF THE CLIMDEV-AFRICA SPECIAL FUND (CDSF)

Agriculture and Agro-Industry Department

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ABBREVIATIONS

ACPC	:	African Climate Policy Centre
AfDB or the Bank	:	African Development Bank
AUC	:	Commission of the African Union
CBFF	:	Congo Basin Forest Fund
CDSF	:	ClimDev-Africa Special Fund
CIFs	:	Climate Investment Funds
CRMA	:	Climate Risk Management and Adaptation
ClimDev-Africa	:	Climate for Development in Africa Programme
DFID	:	UK Department for International Development
GEF	:	Global Environment Facility
GCOS	:	Global Climate Observing System
IPCC	:	Intergovernmental Panel on Climate Change
LDCs	:	Least Developed Countries
MDGs	:	Millennium Development Goals
NAPA	:	National Adaptation Programme of Action
NEPAD	:	New Partnership for Africa's Development
NMHS	:	National Meteorological and Hydrological Services
PPCR	:	Pilot Program on Climate Resilience
GC	:	Governing Council
RECs	:	Regional Economic Communities
RMCs	:	Regional Member Countries
UNFCCC	:	United Nations Framework Convention on Climate Change
UNECA	:	United Nations Economic Commission for Africa
WMO	:	World Meteorological Organization

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EXECUTIVE SUMMARY

1. The lack of appropriate climate information is a major obstacle to addressing the challenges of climate change in Africa, and has led to calls by African leaders and development partners to improve the provision and use of appropriate climate information to promote sustainable development planning in Africa. Climate for Development in Africa Program (ClimDev-Africa) is a joint initiative of the African Development Bank, the Commission of the African Union (AUC) and the United Nations Economic Commission for Africa (UNECA) that seeks ways of overcoming the lack of necessary climate information, analysis and options required by policy and decision-makers at all levels. The program has been mandated at meetings of African Heads of State and Government, as well as by African Ministers of Finance, Planning and Environment (See Annex II).

2. The program partners (AUC and UNECA) and a number of donors have requested the Bank to host and manage a ClimDev-Africa Special Fund (CDSF) that will finance demand led interventions aimed at: i) enhancing scientific capacity to produce and make widely-available, reliable and high quality climate information; ii) strengthening the capacity of policy makers and policy support institutions to integrate climate change into developmental processes; and iii) implementing pilot local-level adaptation projects that demonstrate the enhanced value of climate information in achieving sustainable development. The overall expected outcome of the fund is that development policies and practices in Africa take full account of climate risks and opportunities at all levels.

3. Details of how the CDSF is to be managed will be elaborated in Operational Guidelines that will largely be in line with similar special funds managed by the Bank. In general, beneficiaries¹ will be invited to submit proposals using approved templates to the ClimDev-Africa program secretariat at the African Climate Policy Centre in UNECA, which shall be reviewed by Technical Experts approved by the Governing Council of the CDSF. Successful proposals shall be endorsed by the Governing Council of the CDSF for approval using Bank rules and procedures. Operations eligible for funding will satisfy laid down criteria that will be elaborated in the Operational Guidelines of the CDSF. The Bank shall lead in project cycle and portfolio management for all regional investment-related projects to be funded by the CDSF; national level investment operations and policy related projects shall be handled by the ACPC while advocacy related projects shall be handled by the AUC's Climate Change and Desertification Control Unit.

4. The budget for the first phase of the programme (2009 – 2012) is estimated at US\$136 million. Follow up activities, lasting up to 2020 are estimated to require about US\$ 800 million. Several countries such as the United Kingdom, Denmark, Sweden and Norway have already signalled interest in financing the CDSF and DFID has already provided a start-up grant of £10 million to finance institutional set-up activities. The AUC in collaboration with UNECA and the Bank are planning a donor pledging meeting for the Fund early in 2010. The Bank will provide in-kind support by providing office space to host the Fund Coordinating Unit. In the future, the Bank will consider committing resources from its net income into the CDSF where all African countries can benefit. This would further strengthen donor commitment to the CDSF.

5. The Board of Directors is invited to endorse the proposal for the Bank to host and manage the ClimDev-Africa Special Fund and to recommend the proposal for approval by the

¹ Regional Economic Communities (RECs), River Basin Organisations (RBOs); universities and research institutions, national governments (including National Meteorological and Hydrological Services); Parliamentarians; African negotiators; policy makers and policy supporters, Civil Society Organizations and NGOs.

Board of Governors. Upon authorization by the Board of Governors, the Bank shall establish and manage the CDSF in accordance with the Bank's laid down rules and procedures. The operation of the fund will, however, take into account the special nature of climate change challenges and the specific circumstance of Africa. Operation of the CDSF shall build on the experiences of other internationally administered climate change Funds.

I. INTRODUCTION AND BACKGROUND

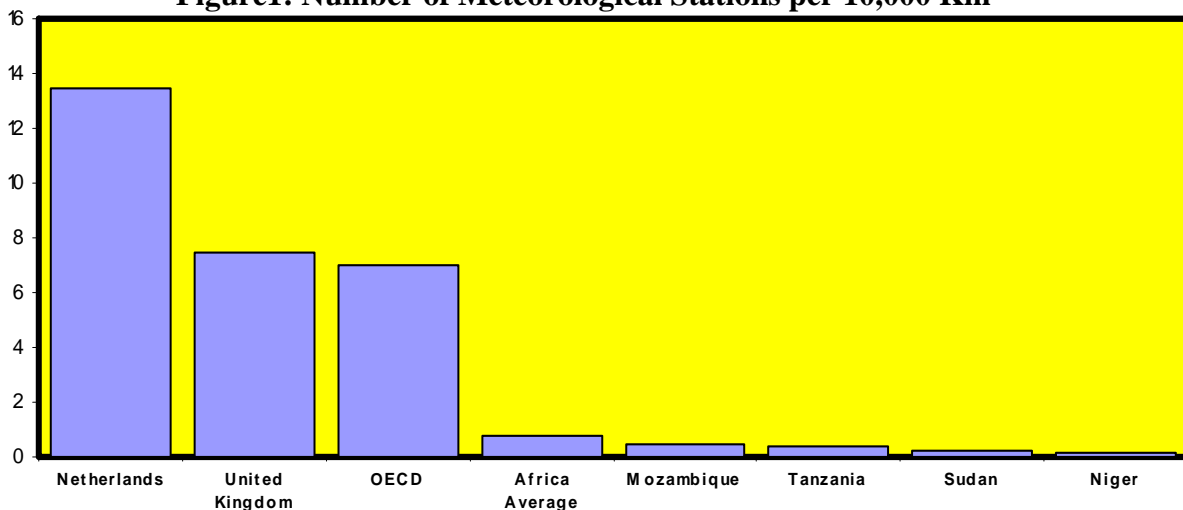
1.1 Context

1.1.1 Africa is undoubtedly the most vulnerable continent to the adverse impacts of climate variability and change. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) has identified climate change as a challenge to development and poverty reduction in the continent. The General Assembly of the United Nations, in its 2005 Progress Report on the Millennium Development Goals (MDGs), stressed the threat of climate change to the achievement of the MDGs and highlighted the importance of managing climate variability and change in a proactive way to facilitate the achievement of the MDGs. The starting point is to build climate resilience into all aspects of policy planning.

1.1.2 The 2007 Human Development Report notes that information is critical in planning for adaptation to climate change. The lack of appropriate and reliable systematic climate-related information hampers efforts aimed at addressing the challenges of climate change in Africa. Consequently, African government institutions, development practitioners and service providers engaged in climate sensitive sectors are unable to effectively manage climate risks, and rarely link climate change to development. For a continent where so many lives, livelihoods and even whole national economies depend on climate-sensitive sectors, it is unacceptable that so little use is made of routine climate information to guide management decisions in climate sensitive sectors.

1.1.3 The Global Climate Observing System (GCOS), National Meteorological and Hydrological Services (NMHS) and the World Meteorological Organisation (WMO) undertook a series of assessments in 2000 to ascertain the state of climate observing systems in different parts of the world. It noted that Africa has the lowest density and quality of climate reporting stations in the world (See Figure 1). Subsequently, a series of regional consultations were held in the continent from 2001 to 2005 that resulted in the development of Regional Action Plans for Africa. These plans, including both the AU-NEPAD Environmental Action Plan and Regional Strategy for Disaster Risk Reduction highlighted the need to improve the provision and use of appropriate climate information to promote economic development in Africa.

Figure1: Number of Meteorological Stations per 10,000 Km²



Source: United Nations Human Development Report (2007)

1.1.4 It is in light of this that the Climate for Development in Africa Program (ClimDev-Africa) program was designed to address the present weaknesses in both the demand for, and supply of pertinent climate services, which have contributed to the limited use of climate information in development planning in the continent. In this regard, the programme will seek to engage providers of climate information, such as the National Meteorological and Hydrological Services (NMHS) and research institutions in the national development agendas with a view to bridging the disconnection between climate services and development priorities. ClimDev-Africa will seek to establish a continuous flow of information between providers and users of climate information in the continent (Figure 2).

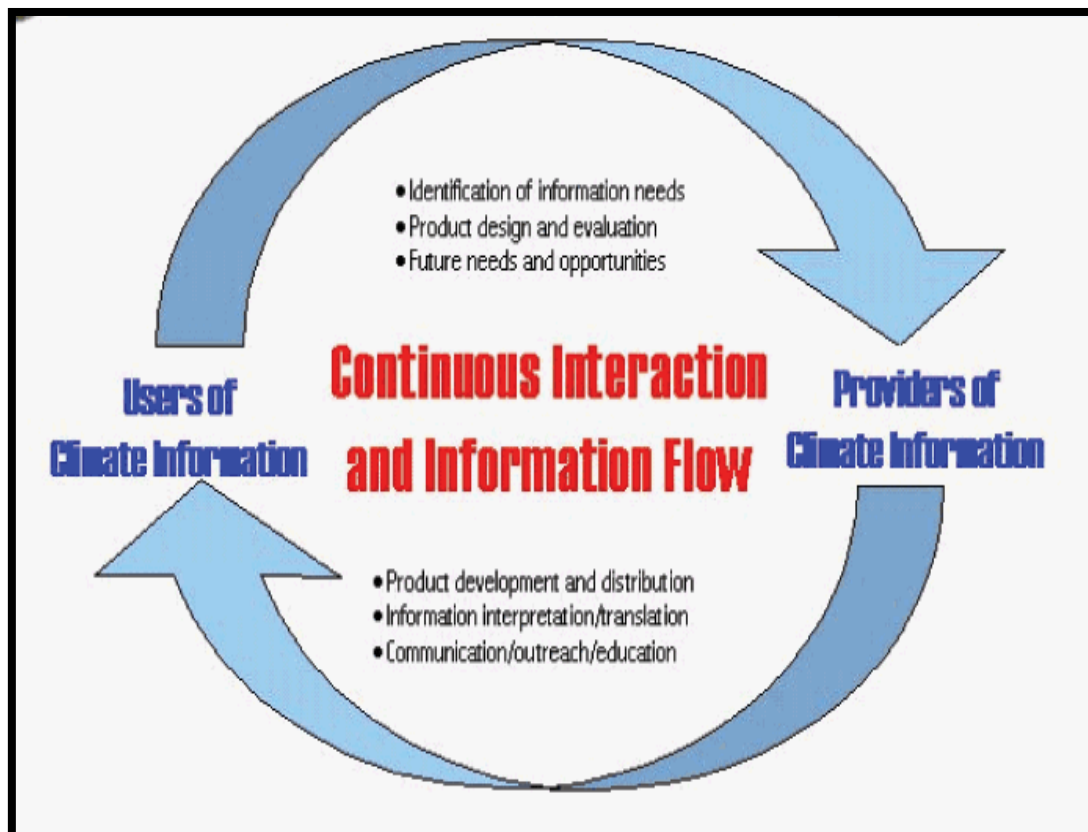


Figure 2: Climate and Development through the ClimDev-Africa

1.1.5 ClimDev-Africa is a joint initiative of the Bank, the AUC and UNECA. The program has been endorsed at regional meetings of African Heads of State and Government, as well as by Africa's Ministers of Finance, Planning, Economic Development, and the Environment to seek ways of overcoming the lack of necessary information, analysis and options required by policy and decision-makers at all levels.

1.1.6 In addition to taking the lead in the implementation of the ClimDev-Africa program, the Bank has been requested by the AUC, UNECA and some donors to host and manage the financial resources of the program through a ClimDev-Africa Special Fund (CDSF) according to Bank rules and procedures, but building in some level of flexibility to take into account the specific nature of climate change challenges and the specific circumstance of Africa. This flexibility will build on the experiences gained in the implementation of the Congo Basin Forest Fund and the Africa Fertilizer Financing Mechanism. This is in recognition of the Bank's comparative advantage with several years of experience in the management of similar funds.

II. THE CLIMDEV-AFRICA SPECIAL FUND (CDSF)

2.1 Rationale for Establishing the CDSF in the Bank

2.1.1 The Bank attaches high priority to addressing the threats of climate change in Africa. The Bank's Medium Term Strategy (2008-2012) identifies climate change as a cross cutting threat that can affect the Bank's goal of supporting poverty reduction and sustainable development in the continent. The Bank seeks to address these challenges by (i) investing in its capacity to address the climate change challenge in Africa, primarily through work on the special challenges of adaptation and climate-proofing; and (ii) fostering selective partnerships in the area of climate change and will use its convening role to identify regional opportunities, solutions and co-operation. The Bank's Climate Risk Management and Adaptation strategy (CRMA) provides a comprehensive framework to coordinate Bank's activities on climate change. One pillar of the CRMA is to enhance the capacities of RMCs to mainstream climate risk and adaptation into national development policies and plans. The CDSF will provide the platform to implement this pillar. While the Bank recognizes that no single institution can satisfactorily address all the challenges of climate change in Africa, it is well-placed to play a catalytic and convening role to leverage new and additional financing for climate risk management.

2.1.2 The Bank has accumulated extensive experience in implementing projects and programs using special funds² and other resources earmarked for funding specific initiatives. The proposal for the Bank to host and manage the Special Fund reflects a careful consideration of the objectives of the CDSF, as well as the Bank's mission, capacity, and procedures and is also based on lessons learned from the Bank's extensive experience in managing donor resources and similar dedicated funds.

2.1.3 In light of the above, the hosting and management of funds destined for climate change and piloting of adaptation projects is best placed in the Bank working in concert with relevant stakeholders.

2.2 Legal Structure of the CDSF

2.2.1 Article 8 of the Agreement establishing the Bank (the "Bank Agreement") authorizes the Bank to establish Special Funds that are designed to serve the purposes for which the Bank was created, and that come within its functions. The purpose of the proposed CDSF is consistent with the mandate and functions of the Bank. Specifically, the CDSF is to mobilize technical and financial resources to enhance the provision and use of appropriate climate information to promote sustainable development planning in Africa.

2.2.2 In light of the Bank's experience in the establishment and administration of Special Funds, the establishment of the CDSF is consistent with the purpose and functions of the Bank as stipulated in Article 8 of the Agreement establishing the Bank.

2.2.3 The terms for the establishment of the Special Fund are set out in the attached Instrument for the Establishment of the ClimDev-Africa Special Fund. These terms include the

² The major funds hosted and managed by the Bank include the African Water Facility (AWF), NEPAD Infrastructure Project Preparation Facility, The Congo Basin Forests Fund, the Special Fund for the Reconstruction and Development of the Great Lakes Region and the Rural Water Supply and Sanitation Initiative (RWSSI) multi-donor trust fund.

administration of the fund by the Bank as Trustee, and cover other issues such as: (i) Objective and Purposes; (ii) Administration; (iii) Structure and Governance; (iv) Financial Arrangements; (v) Operations; and (vi) General Provisions.

2.3 Goal and Objective of the CDSF

2.3.1 The goal of the CDSF is to contribute to sustainable development and in particular, poverty reduction by implementing climate-resilient development programs that mainstream climate change information at all levels in Africa.

2.3.2 The objective of the CDSF is to strengthen the institutional capacities of national and sub regional bodies to formulate and implement effective climate-sensitive policies. In order to achieve this objective, the CDSF will support three main areas of interventions: i) generation and wide dissemination of reliable and high quality climate information in Africa, ii) capacity enhancement of policy makers and policy support institutions to integrate climate change information into development programs; iii) implementation of pilot adaptation practices that demonstrate the value of mainstreaming climate information into development.

2.4 Activities to be financed by the CDSF

2.4.1 The activities to be funded by the ClimDev-Africa Special Fund are grouped into three components that will directly contribute to the achievement of the objective of the CDSF.

2.4.2 ***Component 1: Generate and widely disseminate reliable and high quality climate information in Africa.*** The goal of this component is to ensure that reliable, useful and useable climate-related data are generated and made widely available to policy makers, policy support organizations and the population at large in the continent. Indicative activities that will be funded under this component include: i) upgrading of observation networks and infrastructure in order to enhance the provision of essential data for climate services; ii) capacity building to collect and manage climate and hydrological data; iii) quality monitoring of greenhouse gases, air quality, inland lakes, African oceans, coastal environments and glaciers; iv) development of early warning systems and seasonal forecasts that could integrate indigenous knowledge systems; v) development of long-term continental, sub-regional and further downscaled climate projections and scenarios; vi) strengthening of North-South collaboration for exchange of climate change data; vii) appropriate packaging and dissemination of climate information for all climate-sensitive sectors and users. Efforts shall be made to support the provision of information that addresses the gendered dimensions of climate change. The main beneficiaries of this component shall include but are not limited to Africa's climate, weather and water organizations, universities and research institutions.

2.4.3 ***Component 2: Enhance the capacity of African policy makers and policy support institutions to integrate climate change information into developmental programs.*** The main goal of this component is to ensure that climate change information is mainstreamed into development plans in the continent. Indicative activities to be funded under this component include: i) development of knowledge management systems for shared information, knowledge, experience and best practices; ii) risks, vulnerability and impacts/cost-benefit analyses and assessments; iii) development of decision-support tools for policy making and adaptive management; iv) policy reviews identifying policy areas for improvement; v) development and compilation of best practices for climate change preparedness at all levels; vi) capacity building and knowledge support to policy makers to mainstream climate change adaptation into

development plans; vii) capacity building and knowledge support to African negotiators; viii) training and awareness raising on climate change in local communities. The main beneficiaries of this component are Africa's policy makers, policy support organizations such as the Regional Economic Communities (RECs) and River Basin Organizations (RBO), climate, weather and water organizations, universities and research institutes. Other beneficiaries will include the Civil Society Organizations (CSO), the Non-Governmental Organization (NGOs), vulnerable communities and population groups

2.4.4 Component 3: Implement pilot adaptation practices that demonstrate the value of mainstreaming climate information into development. While coping with climate change is not new in many African communities, the frequency and magnitude of extreme events have rendered current coping capacities and practices inadequate. Many countries and communities are increasingly requesting support to effectively design and implement projects and programs that will enable them adapt to both short-term climate variability and long-term climate change. This component will support the implementation of pilot adaptation projects so as to provide lessons to African countries and communities. The PPCR of the Climate Investment Funds will be implemented in only three African countries and, through CDSF, other African countries will benefit from the enhanced value of integrating climate information into development planning. Indicative activities that will be supported under this component include: i) support the integration of climate change resilience into country strategy papers; ii) train RMCs to use the Bank's CRMA tools to identify projects that are at risk of climate change; iii) implement pilot adaptation practices that are climate resilient; iv) support the identification of best adaptation practices that can be replicated.

2.5 Complementarity of CDSF with Existing Funds

2.5.1 It is estimated that adaptation to climate change in Africa will require between US\$ 2 and 10 billion annually (World Bank, 2007), additional to normal development assistance. Although several funds exist to address the challenges of climate change in Africa, the volume of resources that have been mobilized is relatively insignificant compared to the needs of the continent. The CDSF is carefully designed to fill the gaps in existing funds, focusing on areas not covered by existing initiatives, thereby adding value to current activities.

2.5.2 The CDSF will provide resources to all of Africa to respond to climate change that would not be available elsewhere. This will complement other Funds such as the Climate Investment Funds (CIF) that are limited in coverage and are national in scope. The CDSF will target the other eligible and vulnerable countries that will not benefit from the PPCR. However, lessons learned from the implementation of the PPCR will be of invaluable assistance in rolling out the CDSF.

2.5.3 Climate change problems do not respect political/administrative boundaries and threats to shared resources are best tackled at regional levels. Strengthening Africa's regional institutions is generally recognized as a cost-effective and viable strategy to effective adaptation in the continent. Unlike many bilateral funds that are country-driven, the CDSF will address regional climate challenges and strengthen regional climate institutions.

2.5.4 While adaptation to climate change is a long-term process, most existing Funds are primarily geared towards the implementation of specific projects with short lifespans. The scope and duration of the projects are determined by the duration of the Funds. The lifespan of the CDSF will not be tied to any particular project but will provide long-term funding for adaptation

in Africa. The CDSF will be continually replenished to support long-term adaptation to climate change in Africa.

III. IMPLEMENTATION ARRANGEMENTS

3.1 Establishment of the CDSF

3.1.1 Upon approval by the Board of Governors, the Bank will establish the ClimDev-Africa Special Fund and manage it according to its rules and procedures. The Bank will host the CDSF as a Special Fund, similar to the previously mentioned Funds that are currently hosted by the Bank.

3.1.2 A Governing Council shall be created that will provide technical oversight of the **CDSF**, while the implementation shall be subject to Bank rules and procedures. The operation of the fund will be supported by a lean Coordinating Unit that will be established at the Bank with appropriate level of staffing deemed necessary to implement its activities.

3.1.3 The Bank will, on a cost recovery basis, provide support to the CDSF in terms of staff, services, office space and operating costs. As is the practice with similar funds, the Bank will charge an administrative fee fixed as a percentage of the resources held by the Special Fund, in accordance with Bank regulations to cover expenses related to supporting the CDSF. Based on provisional staffing assumptions of a Coordinator, 3 professional staff (including one posted to the ClimDev-Africa Program Secretariat in Addis Ababa), 1 Secretary and 1 Assistant, the roughly estimated operating costs for the first phase (2009-2012) should be approximately US\$ 5.5 million.³

3.2 Financing and Cost Sharing

3.2.1 The CDSF will be established as a multi-donor special fund given the international interest in helping Africa address the challenges of climate change. The Fund will be implemented in two phases. The First Phase (2009 – 2012) has an indicative budget of about US\$136 million. The follow up phase of the project (up till 2020) are estimated to cost about US\$800 million.

3.2.2 The budget for the ClimDev-Africa program is estimated at about \$135 million for the first phase (2010-2013). DFID has pledged £10 million to fund ClimDev-Africa activities, out of which, it has already disbursed £3.8 million to help establish ACPC and support start-up activities. DFID has indicated that it will commit additional resources once the CDSF becomes operational. Other countries such as Denmark, Norway and Sweden have signaled interest in financially supporting the CDSF, with Norway proposing about 60 million Kroner. The EU has made the ClimDev-Africa program the centre-piece of its joint EU-Africa Climate Change Program and is poised to commit substantial financial resources to support the program. AUC in collaboration with UNECA and the Bank are planning a donor pledging meeting for the Fund early in 2010.

3.2.3 In the future, the Bank will consider committing resources from its net income into the CDSF where all African countries can benefit. This would further strengthen donor commitment

³ This rough estimate is derived from the experience of the Congo Basin Forest Fund.

to the CDSF. At the moment, the Bank will provide in-kind support to the Fund by providing office space to host the Fund Coordinating Unit.

3.2.4 To enhance ownership, beneficiary governments, communities, and/or other beneficiary entities will be invited to share CDSF project implementation costs of up to five (5) percent. This could be in cash or in kind such as through human resources and/or materials.

3.3 Expanding and Leveraging the Resources of the CDSF

3.3.1 Considering that the currently pledged resources are insufficient to implement the full objectives of the CDSF, it is important to continually seek support from RMCs and the international community to replenish the CDSF. The AUC will take the lead, working with UNECA and the Bank, in organizing pledging meetings to replenish the CDSF as necessary.

3.3.2 The CDSF will also catalyse the use of other resources made available by the international donor community to address the challenges of climate change in Africa, particularly the funds under the United Nations Framework Convention on Climate Change, such as the Adaptation Fund and the Global Environment Facility (GEF).

3.4 Eligibility for Funding

3.4.1 Projects that are eligible for funding must satisfy the following criteria:

- (i) Consistency with objectives of the CDSF; priority will be given to regional projects to encourage capacity-building, co-operation and coherence at a regional level;
- (ii) Can demonstrate that they support and do not duplicate other activities already underway through other vehicles;
- (iii) Can demonstrate positive impacts on the livelihoods of stakeholders (particularly the poor, women and vulnerable communities and population groups) and on the environment;
- (iv) That their activities clearly demonstrate how lesson-learning and knowledge on climate change will be shared between organisations and states, and reach end users; and,
- (v) That all data and information generated by the funded projects will be publicly accessible.

3.4.2 The weighting of these criteria and how they apply to the various beneficiary groups and the specific selection process for projects will be described in detail in the Operational Guidelines.

3.5 Roles and Responsibilities

3.5.1 Decision-Making: Decision-making with regards to the operations of the CDSF will be carried out by consensus through two main organs: the Governing Council and the Bank's governance structure. The roles and responsibility of each partner institution is presented below while the implementation arrangement for the CDSF is presented in Figure 3.

3.5.2 The Commission of the African Union (AUC): The AUC, will provide political leadership for the CDSF by coordinating continental policy response and ensuring buy-in from

African governments. The AUC shall also participate in the decision-making process for the staffing of the ClimDev-Africa secretariat and the CDSF Coordinating Unit. It shall lead resource mobilization efforts as well as chair the Governing Council. The Commission's Climate Change and Desertification Control Unit shall lead in the implementation of advocacy-related projects supported by the CDSF.

3.5.3 *The Governing Council:* The Governing Council is a multi-stakeholder organ composed of decision-making members drawn from AUC, UNECA and AFDB and donor representative(s) and non-voting members drawn from the Regional Economic Communities, civil society and other relevant stakeholder groups. The exact number and how membership will be determined will be elaborated in the Fund's operational manual. The Governing Council shall exercise technical oversight of the CDSF by endorsing projects that qualify for funding and making decisions on allocation of the resources of the CDSF. In particular, the Governing Council shall:

- (i) Set strategic direction of and exercise financial oversight over the CDSF
- (ii) Be responsible for the approval and control of annual work plans and Fund budgets;
- (iii) Endorse proposals for funding
- (iv) Review the annual report of activities financed from the resources of the CDSF.

3.5.4 *The United Nations Economic Commission for Africa (UNECA). The Africa Climate Policy Centre (ACPC) of UNECA* shall host the Secretariat for the ClimDev-Africa Program, shall be responsible for implementing national level investments and all policy-related projects under Component 2. Nonetheless, since ACPC is not a separate legal entity, any formal agreements and transactions shall be entered into between the CDSF and UNECA. Considering that the work of the ACPC will not be limited to supporting the ClimDev-Africa program, the setting up and administration of the ACPC shall not be funded by the CDSF. The Centre shall raise its own financial resources to cover its administrative and operational costs for activities that do not directly support the ClimDev-Africa program. The ACPC, through UNECA shall be responsible for generating the demand for the ClimDev-Africa program from potential recipients, as well as support the Bank in analytical issues regarding project implementation. Specifically, the ACPC shall:

- (i) Support the integration of climate change into economic development and planning processes in Africa;
- (ii) Provide policy guidance to African states on climate change and development;
- (iii) Contribute to strengthening the human and institutional capacities of African countries and RECs to formulate, analyse and implement sound climate change policies and programmes;
- (iv) Lead in the assessments of climate vulnerability, risks and impacts, and analysis and formulation of policy options;
- (v) Facilitate cooperation between African and international knowledge providers (universities and research institutes);
- (vi) Ensure that climate information and climate related studies, reports and policy briefs are widely and easily accessible.
- (vii) Preparation of ClimDev-Africa annual work plans and budget.

3.5.5 The African Development Bank shall:

- (i) Receive funds for the ClimDev-Africa Special Fund (consistent with its own Articles of Agreement, specifically Article 8) and manage the funds in accordance with its own rules and regulations;
- (ii) Execute regional level investment operations financed by the CDSF using Bank rules and procedures.
- (iii) Procure goods, works, and services using the resources of the CDSF in accordance with the AfDB's rules and regulations;
- (iv) Create a small Coordinating Unit for the CDSF within the Bank to be headed by a Coordinator with suitable qualifications and experience in managing similar climate change Funds. Other staff will include up to four (3) professional staff, one (1) Secretary and one (1) Assistant. Some of the staff in this Unit may be seconded to the Unit by UNECA and/or the AUC. Early actions beyond staffing of the Coordinating Unit will include the following:
 - Together with the ACPC and the Climate Change and Desertification Control Unit of the AU, finalizing the preparation of the Operational Guidelines for the CDSF;
 - Establishing Monitoring & Evaluation Guidelines and a results framework including specific indicators that will be used to assist the performance of the CDSF.

3.6 Funding Approval Process

3.6.1 Details of how funding approvals will be managed will be elaborated in the CDSF's Operational Guidelines. However, generally the CDSF funding approval process will pass through the following indicative stages and/or steps:

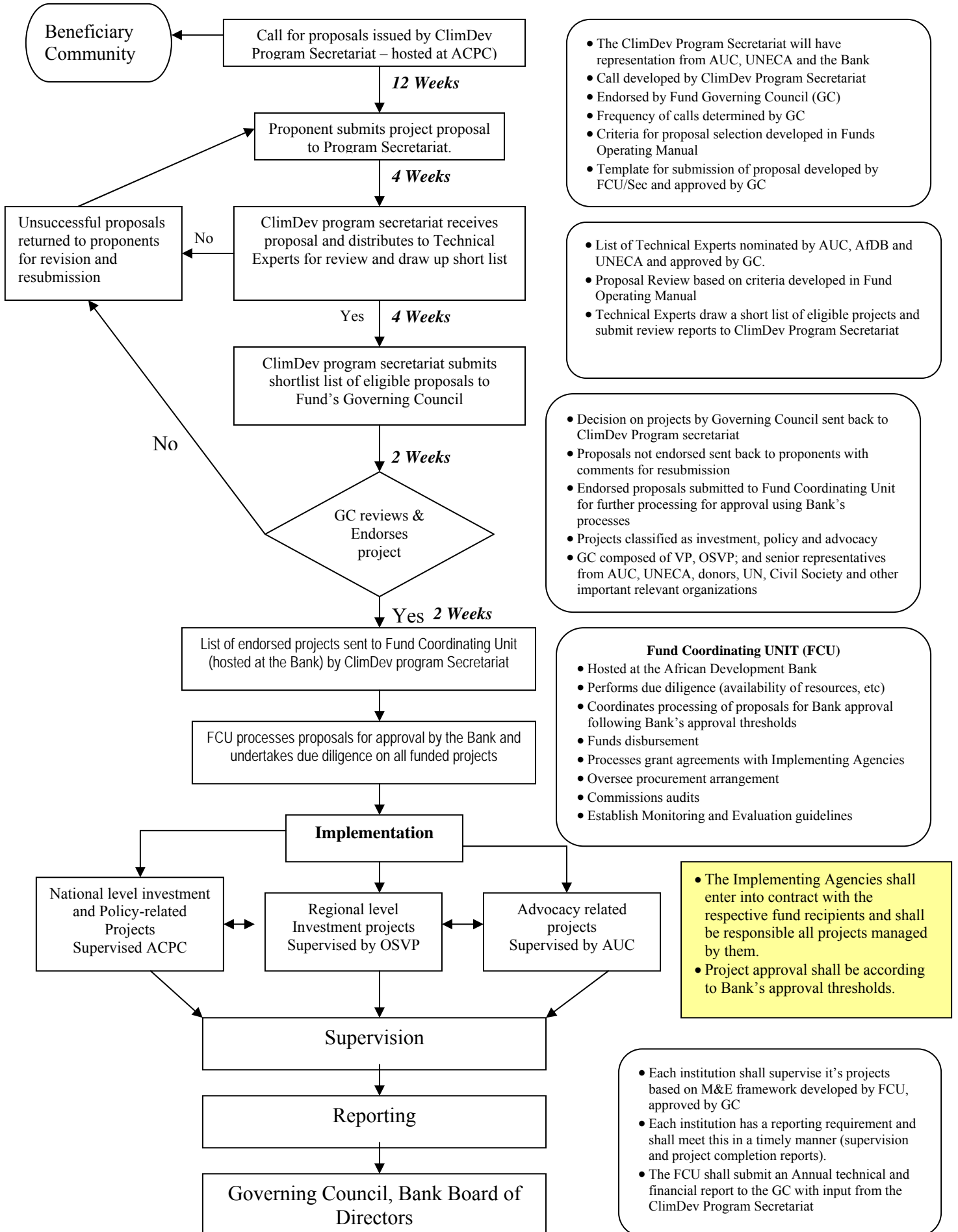
- a) The ClimDev-Africa Program Secretariat issues calls for proposals. The frequency of such calls will be established by the Governing Council
- b) Project proposals prepared by Interested Parties (governments, NGOs, civil society, private sector entities, research entities, technical partners) using templates approved by the Governing Council are submitted to the ClimDev-Africa Program Secretariat for review.
- c) The ClimDev-Africa Program Secretariat submits the proposals to Technical Experts (selected and approved by the Governing Council) for review and short-listing of candidate / tentative projects for funding. Unsuccessful proposals are returned to proponents for further refinement and could be re-submitted at subsequent calls.
- d) The tentative proposals are submitted to the Governing Council for endorsement and clearance. Projects not endorsed but with strong potential as determined by the Governing Council are returned to the proponent for refinement and resubmission.
- e) Successful proposals are sent to the CDSF Coordinating Unit for approval following Bank procedures.
- f) Successful proposals are further classified as Investment-related, Policy-related and Advocacy-related for purposes of determining which Agencies shall be responsible for their implementation. The Bank will serve as the Implementing Agency for regional

investment projects, UNECA for national investments and policy related projects while the AUC, through its Climate Change and Desertification Control Unit shall lead in advocacy related projects.

- g) The candidate projects documents are finally sent for approval to the appropriate level (Director, Vice-President, President or Board)⁴.
- h) A floor of US\$ 250,000 and a ceiling of US\$ 10,000,000 will be applied for any financing from the CDSF operations. However, subject to availability of funds, and based on the strategic direction provided by the Governing Council, the CDSF may occasionally consider financing requests for amounts outside this window.

⁴ The current approval thresholds in US dollars are as follows : <500,000 - OSAN Director; 500,000-1,000,000 - Vice-President; 1,000,000-2,000,000 - President; 2,000,000 -15,000,000 - Board of Directors on a lapse of time basis; >15,000,000- Board of Directors Meeting..

Figure 3: Implementation arrangement for the ClimDev-Africa Fund



3.7 Audit

The CDSF shall be subject to the internal and external audit procedures of the Bank, including an annual audit to be conducted by the external auditors of the Bank. Upon the written request of the Governing Council, the CDSF Coordinating Unit shall cause the accounts and records of any specific activity financed with the resources of the CDSF to be audited by the Bank's external auditors. The costs of such audits shall be charged to the resources of the CDSF.

3.8 Monitoring and Evaluation

The availability of timely and regular monitoring and evaluation systems and results will enhance the efficient management of CDSF. Support will be provided for a number of activities including: (i) assessment of the overall situation regarding the CDSF; (ii) development of baselines and monitoring indicators (iii) establishment of national monitoring and evaluation systems.

3.9 Results Framework

A results framework will be developed for the CDSF by the Coordinating Unit in line with the broad indicators presented in Annex I. Indicators of progress shall include at least 12 African countries with Adaptation to Climate Change integrated into development plans by 2012 and 20 by 2015; a 30% increase in number of sectors in national development programs that include adaptation to climate change in 2012 and 50 % by 2015, 50% increase in number of adaptation to climate change training delivered and number of information networks in 2012 and 80 % by 2015; at least 15 countries with pilot projects for climate resilience.

3.10 Reporting

The Coordinating Unit shall present to the Governing Council an Annual Report on the activities of the CDSF. The Annual Report shall consist of two parts: A technical report and a financial report. The technical report shall present a brief description of the operations financed with the resources of the CDSF in the preceding year and the status and outcomes of such operations. The financial report shall include a statement of assets and liabilities of the CDSF, a statement of cumulative receipts and expenditure, and a statement of the use of resources of the CDSF, with such explanatory notes as may be pertinent.

3.11 Participatory Process / Public consultations

Participatory processes through extensive stakeholder consultations have been undertaken in the design of the CDSF. The CDSF design process included the following stakeholder consultations:

- The GCOS and UNECA Addis Ababa April 2006 Stakeholders workshop, with the formulation of a strategy and Action Plan for "Climate for Development in Africa";
- The UNFCCC Conference of the Parties (COP-12 and 13) of November 2006 and December 2007;
- The AU January 2007 Summit;
- A Special Working Group, including 25 eminent experts in Climate and Development, convened by AUC on 18-19 March 2008 in Addis-Ababa,

- The approval of the establishment of ACPC by the first Joint AU-UNECA Annual Conference of Ministers of Planning, Finance and Economic Development in April 2008.
- The endorsement from the 12th Session of the African Ministerial Conference on the Environment (AMCEN) in Johannesburg 10-12 June 2008.

3.12 Reforms and Conditions

3.12.1 In the design of the CDSF, a thorough review of all existing climate change interventions and Funds in the continent have been undertaken and the lessons learnt from these programs have been incorporated in the design as well as the gaps that are yet to be addressed by existing programs and projects. The CDSF directly aligns with the Bank structure and policies.

3.12.2 The CDSF presents a window to implement one of the pillars of the Bank's approved Climate Risk Management Strategy. The three institutions recognize that climate change will seriously undermine the attainment of sustainable development in Africa, including meeting the MDGs and other internationally, regionally and nationally agreed development goals. The three institutions are increasingly receiving mandates from the AU Heads of State and Government to lead and steer continental climate change initiatives, including in global climate negotiations. The establishment of the CDSF at the Bank, the African Climate Policy Centre at UNECA, the Climate Change and Desertification Control Unit at the AUC are aimed at addressing these challenges. The partnership among the Bank, UNECA and the AUC is a response to the reforms in these three institutions. The design of CDSF will further benefit from establishing linkages with broader regional and national reforms such as the ongoing re-organization within the River Basin Organizations and Regional Economic Communities (RECs) to incorporate the challenges of climate change.

3.13 Environmental and Social Safeguards

No major adverse environmental and social impacts are expected as a result of the Program. On the contrary, the Program is designed to be entirely positive from both environmental and social points of view. Most program activities are knowledge based and considered "soft" (policy changes, institutional arrangements, building and strengthening capacity, sharing best practices in climate sensitive sectors). However, sub-projects financed by the CDSF will be subject to the Bank's environmental screening procedures.

3.14 Gender

3.14.1 It is commonly recognized that climate change exacerbates existing inequalities in the key dimensions that are not only the building blocks of livelihoods, but are also crucial for coping with change, including: wealth; access to and understanding of technologies; education; access to information; and access to resources. For example, men may have greater access to vital information on climate change mitigation or adaptation strategies for cultural reasons, or because women are too busy with caring and other domestic responsibilities. This lack of information and lack of opportunity to feed their own knowledge into community or national-level adaptation and mitigation strategies could jeopardize larger processes of reducing climate change and its impacts.

3.14.2 Efforts shall be made to support the provision of information that addresses the gendered dimensions of climate change. This shall be taken into consideration right from the consultation stages for project identification and development. Gender sensitivity in consultation and

decision-making is essential for effective mitigation and adaptation responses to climate change. More than simply thinking about how these processes can be tailored to the specific needs of poor and vulnerable men and women, projects financed by CDSF will recognize the capacity of women and men, girls and boys, to contribute important knowledge and insights. With more participative processes, these strategies and interventions through the CDSF will truly identify and meet the needs of those they aim to assist. In this way, processes can be forged that respond to local realities while feeding into a broader vision of decelerating climate change.

3.15 Risks

The following risks to the successful implementation of the Special Fund have been identified as well as mitigation measures taken to reduce its potential negative impact on the functionality and operational capacity of the Special Fund:

- An important risk to the achievement of the overall goal of the CDSF is that the Post-Kyoto climate regime may be unfavourable to African country concerns. The main attenuation measure is that the CDSF will support African climate negotiators to bring voice to African concerns and negotiate a favourable climate change agreement.
- Another risk to achieving the Program purpose is a fragmentation and duplication of efforts in marshalling common African positions and inter-agency cooperation. Attenuation measure is that the CDSF will support nascent climate networks and policy coordination efforts at regional and continental level to foster greater understanding and cooperation.
- A main risk that is foreseen in the achievement of the objectives of Component 1 (See Section 2.4.2 of this document) is a possible lack of interest and commitment of African researchers to the climate agenda. To attenuate this risk, the CDSF will provide small grants through RECs, RBOs and policy research organisations which will be demand-driven and aim at fostering competition and greater recognition of the subject matter.
- A second identified risk in achieving the outputs stems from the fact that competing national priorities could sideline the climate agenda from national development budgets. To attenuate this risk, the CDSF will provide additional financial flows from donors and implement no-regrets strategies which should foster greater appreciation of the benefits to investing in climate resilient growth.
- The third risk is the non-availability of viable baselines to demonstrate and measure the value of mainstreaming climate change into development plans. To attenuate this risk, the CDSF will build upon existing Bank portfolio and pipeline which will assure that high quality interventions are piloted.

IV. ROAD MAP FOR IMPLEMENTATION

4.1 Following the endorsement of the proposed hosting arrangements by the Board of Directors, all required documentation will be submitted for approval by the Board of Governors' by postal ballot.

4.2 Pending the approval by the Board of Governors for the establishment of the Special Fund, available DFID start-up funding will be channelled through UNECA to allow inception activities to begin.

4.3 Following the establishment of the Special Fund, Operational Guidelines will be developed by the CDSF Coordinating Unit, in consultation with UNECA and AUC and approved by the Governing Council to guide its operations. These Guidelines will provide details on project cycle activities, as well as processes for the operation of the CDSF, which will be largely in-line with Bank procedures, except for particular modifications tailored to the specificities of the CDSF, and the need to ensure rapid but transparent responses to requests. The Guidelines will be cleared by the Governing Council. An indicative time frame for the implementation of the CDSF is given in Table 1.

Table 1: Implementation Road Map

Item	Activities	Responsibility	Elapsed time (months)
1	Endorsement of the hosting by Board of Directors	AfDB	
2	Approval of hosting by Board of Governors	AfDB	M
3	Drafting of the CDSF Establishing Instrument	AfDB	M+2
4	Establishment of a Coordinating Unit	AfDB	M + 4
5	Constitution of the Governing Council	Joint Secretariat	M+ 6
6	Fund mobilization and effectiveness	Donors	M + 6
7	Establishing Monitoring & Evaluation Guidelines with selected indicators	Bank/ACPC	M + 7
8	Finalization and adoption of Operational Guidelines	Bank/ACPC	M + 7
9	Preparation of an annual work plan and budget	AUC/AfDB/ACPC	M + 7
10	Formal meeting of the Governing Council	AUC/AfDB/ACPC	M + 9
11	Formal launching of the CDSF with calls for proposals	AUC/ AfDB/ACPC/Governing Council	M + 12

V. SUNSET CLAUSE

It is proposed that the CDSF operates over a period of 12 years, in two phases, until the year 2021, with possible extension and termination taking effect on the same day and month as its establishment, unless otherwise decided by the Board of Governors, after the recommendation of the Governing Council of the CDSF. A review of the CDSF will be undertaken at the end of the first phase (2010-2012) of the operation of the CDSF in 2012 and necessary adjustments will be made after the current climate change negotiations would have come into effect. This date will allow for newly negotiated resolutions to be taken on board. After the Sunset date, only necessary winding-up activities, as well as any activities with prior approval, may be conducted.

VI. CONCLUSIONS AND RECOMMENDATION

6.1 Climate change is emerging as the most important international development challenge of the 21st century. It is a serious risk to poverty reduction and threatens to undo decades of development efforts in Africa. The lack of adequate climate information has been identified as one of the greatest impediments to addressing the climate change challenge in Africa.

6.2 The CDSF is being created as the principal financing mechanism in Africa to overcome the endemic lack of necessary information, analyses and options required by policy and decision-makers at all levels to effectively integrate climate change in development planning. By accepting to manage the resources of the CDSF, the Bank will contribute to addressing the climate change challenges faced by all African states.

6.3 The Bank recognizes that no single institution can successfully address the challenges of climate change in Africa. The Bank is progressively forging active partnerships with other institutions and initiatives to address the challenges of climate change in Africa. The partnership with the Commission of the African Union and UNECA on the ClimDev-Africa program gives an indication of the highest level of political and economic leadership that the Bank seeks to engage in its bid to tackle the threat of climate change in Africa.

6.4 The Special Fund and its primary objectives are consistent with the Bank's mission, and would complement, harmonize and further enhance the visibility of the Bank's current efforts to address natural resources and environmental management concerns, climate change effects and poverty alleviation. The Fund will also help sustain current and future Bank investments following portfolio screening.

6.5 In view of the foregoing considerations, the Board of Directors is invited to consider and recommend the proposal for the Bank to host and manage the ClimDev-Africa Special Fund for approval by the Board of Governors.

LOGICAL FRAMEWORK FOR CDSF

HIERARCHY OF OBJECTIVES	EXPECTED RESULTS	REACH (BENEFICIARIES)	PERFORMANCE INDICATORS / SOURCE & METHODS	INDICATIVE TARGET / TIMEFRAME	RISKS and ATTENUATION MEASURES
I. GOAL:					
LONG TERM: beyond 2016					
1. Contribute to sustainable development, and in particular, poverty reduction by implementing climate-resilient development programs that mainstream climate change information into development planning at all levels in Africa.	1.1 Increased efficiency and effectiveness in policy-making that integrates adaptation into account in developmental practices 1.2 More effective African engagement in the international climate change arena.	RECs and River Basin Organizations (RBOs); Climate, weather and water organizations; Government climate Negotiators; Local governments; Financial / development institutions; Vulnerable communities and population groups;	1.1.1 No. of countries and regional organizations that have mainstreamed adaptation to climate change into development policies and plans. 1.2.1 Number of Africans that participate in the international climate change arena <u>Sources of Information</u> AUC Resolutions; Regional policies and plans; National Dev. Plans (incl. PRSPs) and budgets; Private sector investment plans; Post-Kyoto climate regime	1.1.1.1 Adaptation to climate change is fully integrated into all major national development policies, strategies and plans of action in at least 75% of the African countries by 2020. 1.1.1.2 Adaptation to climate change is reflected in national budgets in at least 75% of the African countries by 2020 1.2.1.1 100% increase in the number of Africans that participate in international climate change fora and scientific publications over baseline.	Assumption: Anticipated increases in climate variability and change will not overwhelm attempts to integrate adaptation to climate change into sensitive sectors. Risk: Post-Kyoto climate regime unfavourable to African country concerns; Attenuation Measure: support to African climate negotiators will bring voice to African concerns
II. PROGRAM OBJECTIVE:					
MEDIUM TERM (2013 - 2016)					
2. Strengthen the institutional capacities of national and sub regional bodies to formulate and implement effective climate-sensitive policies.	2.1.1 Established systems, structures, partnerships and networks for more coherent, informed and inclusive policy-making on Adaptation to Climate Change at national, sub-regional and regional levels. 2.1.2 Increased recognition of the need for Adaptation to Climate Change and capacity development at regional, country and local level. 2.1.3 Well-formulated Africa-based positions and more effective African participation in international climate change negotiations.	RECs and RBOs; National Assemblies and governments; Climate, weather and water organizations; Universities and policy research institutes; African Climate Negotiators;	2.1.1 Number of climate change partnerships and networks established or strengthened for more effective adaptation to climate change 2.2.1 Number of sectoral and national development plans where Adaptation to climate change is integrated. 2.3.1 Number of African-produced, well-written and timely inputs to delegations in international negotiations <u>Sources of Information</u> National development plans; River Basin Organization's development plans; REC policy, strategy and development plans; African Union Commission deliberations and ensuing resolutions.	2.1.1.1 Twelve(12) African countries with ACC integrated into development plans and national budgets by 2012 and 20 by 2015; 2.2.1.1 At least 2 African RBOs with climate resilient development plans by 2012; 2.2.1.1 At least 4 RECs with Climate resilient development plans by 2012; 2.3.1 An AUC Resolutions on a common African position to global climate architecture;	Assumption: Governments and institutions at regional, national and local levels commit to work together to address the challenges of climate change. Risk: Fragmentation and duplication of efforts in marshalling common African positions and inter-agency cooperation Attenuation Measure: support to nascent climate networks and policy coordination efforts at regional and continental level will foster greater understanding and cooperation
III. INPUTS / ACTIVITIES:					
SHORT TERM (2009 - 2012)					
3.1 Generate and widely disseminate reliable and high quality climate information ✓ Strengthen data collection and	3.1.1 The institutional capacities of regional climate centres are built to match their mandates. 3.1.2 Reliable climate data are produced and properly packaged to	Climate, weather and water organizations, Universities and research institutions	3.1.1.1 Number of African countries that meet international standards in climate data generation and management. 3.1.1.2 Number of African climate institutions that are able to develop	3.1.1.1 At least 30% of African countries meet international standards by 2012. 3.1.1.2 At least three (3) African climate institutions are able to	Assumption: African researchers and climate institutions have sufficient interest in climate change issues

HIERARCHY OF OBJECTIVES	EXPECTED RESULTS	REACH (BENEFICIARIES)	PERFORMANCE INDICATORS / SOURCE & METHODS	INDICATIVE TARGET / TIMEFRAME	RISKS and ATTENUATION MEASURES
<p>management capacities.</p> <ul style="list-style-type: none"> ✓ Rescue historical data ✓ Strengthen capacity for early warning and seasonal forecasting ✓ Strengthen capacity for the development of long term climate projections 	<p>meet the needs of intended users.</p> <p>3.1.3 Policy makers, policy support organizations and the population at large have access to comprehensive and understood climate information</p>		<p>downscaled climate projections.</p> <p>3.1.2.1 Number of well-functioning early warning systems in place.</p> <p>3.1.2.2 Number of climate information products in traditional languages (newspaper articles, brochures, radio programs).</p> <p>3.1.3.1 Number of policy makers that have access to climate information.</p>	<p>develop regional climate projections by 2012.</p> <p>3.1.2.1 At least one (1) well-functioning sub-regional early warning system in each of the five-sub-regions by 2012.</p> <p>3.1.2.2 Each regional climate institution in Africa produces and disseminates climate information in at least one local or widely spoken national language.</p> <p>3.1.3.1 Fifty percent increase in the number of policy makers that have access to climate information</p>	<p>Risk: Lack of interest and commitment of African researchers to the climate agenda</p> <p>Attenuation Measure: provision of small grants through RECs, RBOs and policy research organisations should foster competition and greater recognition of the subject matter</p>
<p>3.2 Capacity building of policy makers and policy support institutions to integrate climate change into development plans.</p> <ul style="list-style-type: none"> ✓ Develop and implement a knowledge management system ✓ Risk, vulnerability, impact and cost/benefit analyses and assessments ✓ Development of decision support tools ✓ Policy reviews and identification and analyses of policy options ✓ Capacity building for mainstreaming climate change 	<p>3.2.1 Well-functioning publicly-accessible information and knowledge management system established and maintained.</p> <p>3.2.2 Climate change effects and opportunities are analysed and reported for climate sensitive sectors.</p> <p>3.2.3 Decision-support tools capable of answering ‘what if’ questions developed for climate sensitive sector applications</p> <p>3.2.4 Enhanced capacity to mainstream climate change into development policies and plans</p>	<p>Climate weather and water organizations, RECs and RBOs, Universities and research institutions, national sectoral ministries, civil society organizations.</p>	<p>3.2.1 Number of Knowledge Management System established and continuously operated.</p> <p>3.2.2 Number of climate risks assessments carried out.</p> <p>3.2.3 Number of decision support tools developed and implemented.</p> <p>3.2.4 Number of policy reviews conducted and reports written.</p> <p>3.2.5 Number of policy dialogues held.</p>	<p>3.2.1 Knowledge management system established by 2010 and continuously operated after then.</p> <p>3.2.2 Fifty (50) study reports by 2012.</p> <p>3.2.3 At least 4 decision support tools developed for the following sectors: agriculture, water resources, health and infrastructure by 2012.</p> <p>3.2.4 At least 50 policy reports and reviews produced by 2012.</p>	<p>Assumption: Proven commitment of National Governments in promoting adaptation to climate change policies.</p> <p>Risk: competing national priorities sideline the climate agenda from national development budgets.</p> <p>Attenuation Measure: additional financial flows from donors and no-regrets strategies should foster greater appreciation of the benefits to investing in climate resilient growth</p>
<p>3.3. Implement pilot adaptation projects.</p> <ul style="list-style-type: none"> ✓ Participatory identification of at risk projects and identification of adaptation options. ✓ Capacity building to use Bank’s CRMA ris ✓ Implementation of adaptation options in selected sectors. ✓ Identify best practices that can be replicated. 	<p>3.3.1 Best management practices for climate sensitive sectors developed for all levels.</p> <p>3.3.2 Improved coordination among key stakeholders to implement country-specific climate resilient programs.</p>	<p>Local communities, policy support institutions, NGOs, sectoral Ministries, women groups</p>	<p>3.3.1 Number of countries participating in the pilot adaptation program.</p> <p>3.3.2 Number of best practices developed and disseminated</p>	<p>3.3.1.1 At least 15 countries with pilot projects for climate resilience;</p> <p>3.3.2.1 At least one best practice in implementing adaptation in each of agriculture, health, water resources and infrastructure are developed and disseminated by 2012.</p>	<p>Assumption: Availability of baseline data to demonstrate the added value of mainstreaming adaptation.</p> <p>Risk: non-availability of viable baseline operations to build climate resilience activities</p> <p>Attenuation Measure: existence of Bank portfolio and pipeline assures quality interventions to be piloted</p>

MANDATES OF THE CLIMDEV-AFRICA PROGRAM

In January 2007 the **Africa Union Eighth Ordinary Session**⁵ endorsed the April 2006 “Action Plan for Africa”, and urged “Member states and regional Economic Communities (RECs) in collaboration with the private sector, civil society and development partners to integrate climate change considerations into development strategies and programmes at national and regional levels”. The Session requested “*the Commission, the Economic Commission for Africa, and the African Development Bank to develop and implement the Plan on Climate Change and Development in Africa and to report on progress biannually*”.

At the **Conference of African Ministers of Finance, Planning and Economic Development** (Fortieth Session of the Commission, Addis 2-3 April 2007)⁶ reinforced the AUC’s request. The Conference noted “*that the ECA, AUC and AfDB within the framework of the joint secretariat, and in collaboration with the development partners, are currently developing the “Climate Information for Development in Africa (ClimDev-Africa) adaptation programme to be implemented by the relevant African and regional institutions*”. They specifically requested “*ECA, in partnership with AUC, AfDB and in collaboration with relevant African and international institutions, take appropriate action for the effective development and implementation of the programme and to report on progress at each session of the Conference of the Commission*”.

At the **First Joint Annual Meeting of the African Union Conference of Ministers on the Economy and Finance in April 2008, and the Conference of African Ministers of Finance, Planning and Economic Development of the UNECA** held in Addis Ababa also discussed climate change. The joint session noted “with appreciation” the ClimDev-Africa program, and specifically welcomed and endorsed “*the establishment of the African Climate Policy Centre with the objective of providing policy guidance to member countries and urges ECA to take the necessary action for immediate operationalisation*”. The Joint meeting went on to request “*the ECA, in collaboration with the AUC and the AfDB to take the necessary measures for the effective implementation of CLIM-DEV Africa through relevant national, sub-regional and regional institutions.*” They also requested “*the ECA and its proposed ACPC to provide the necessary support to strengthen its partnership with the African Centre of Meteorological Applications to Development (ACMAD)*”

The **12th Session of the African Ministerial Conference on the Environment, (AMCEN)** held in Johannesburg 10th – 12th June 2008⁷ specifically supported “*the process of developing the CLIMDEV Africa programme*” and requested “*the AUC, UNECA and the AfDB to accelerate the finalization of the programme document and the dissemination of this information to ensure the participation of AMCEN in the Climate for Development in Africa programme*”. They went on “*to welcome and support the establishment of the ACPC at the UNECA, emphasizing its role in supporting the integration of climate change into economic development and planning processed in Africa, and to call upon the UNEP, the WMO an other relevant institutions to play an active role in this initiative*”.

⁵ Decision on Climate Change and Development in Africa (DOC.ASSEMBLY/AU/12(VIII))

⁶ Resolution (E/ECA/COE/26/L6) later ref 852 (L)

⁷ UNEP/AMCEN/12/9 12 June 2008

DRAFT
SUBJECT TO APPROVAL BY THE
BOARD OF GOVERNORS OF THE BANK

CLIMATE FOR DEVELOPMENT IN AFRICA

INSTRUMENT

FOR THE ESTABLISHMENT OF THE

CLIMDEV-AFRICA SPECIAL FUND

(ADMINISTERED BY THE AFRICAN DEVELOPMENT BANK)

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**INSTRUMENT FOR THE ESTABLISHMENT
OF THE CLIM-DEV AFRICA SPECIAL FUND
(ADMINISTERED BY THE AFRICAN DEVELOPMENT BANK)**

PREAMBLE

WHEREAS:

1. In January 2007, the Africa Union Eighth Ordinary Session endorsed the April 2006 “Action Plan for Africa”, and requested “*the Commission, the Economic Commission for Africa, and the African Development Bank to develop and implement the Plan on Climate Change and Development in Africa and to report on progress biannually*”.
2. At the Conference of African Ministers of Finance, Planning and Economic Development in April 2007 it was noted that: “*the Economic Commission for Africa, African Union Commission and African Development Bank within the framework of the joint secretariat, and in collaboration with the development partners, are currently developing the “Climate Information for Development in Africa (ClimDev-Africa) adaptation programme to be implemented by the relevant African and regional institutions*”;
3. The First Joint Annual Meeting of the African Union Conference of Ministers on the Economy and Finance and the Conference of African Ministers of Finance, Planning and Economic Development of the UN Economic Commission for Africa held in Addis Ababa in April 2008, requested: “*the Economic Commission for Africa, in collaboration with the African Union Commission and the African Development Bank to take the necessary measures for the effective implementation of CLIM-DEV Africa through relevant national, sub-regional and regional institutions*”;
4. In June 2008, the 12th Session of the African Ministerial Conference on the Environment specifically supported “*the process of developing the CLIMDEV Africa programme*” and requested “*the African Union Commission, Economic Commission for Africa and the African Development Bank to accelerate the finalization of the programme document and the dissemination of this information to ensure the participation of the African Ministerial Conference on the Environment in the Climate for Development in Africa programme*”.

5. The African Development Bank (the "Bank") is a significant and committed contributor to development in Africa and in particular was established by its members comprising all of the countries of Africa as well as certain non-African countries, for the purpose of contributing to the sustainable economic development and social progress of its African member states, and in this regard, the Bank has accepted the request to establish the ClimDev-Africa Special Fund and to administer its resources;
6. In accordance with Article 8 of the Agreement establishing the Bank (the "Bank Agreement"), the Bank may establish or be entrusted with the administration of Special Funds which are designed to serve the purpose of the Bank and come within its functions;
7. The Board of Directors of the Bank has approved this Instrument, subject to the approval of the Board of Governors of the Bank;

It is hereby resolved as follows:

CHAPTER I OBJECTIVES AND PURPOSES

Section 1.1 Establishment. There is hereby established a Special Fund under Article 8 of the Agreement Establishing the Bank to be known as the ClimDev-Africa Special Fund (hereinafter called the "CDSF" or the "Fund"), which shall be constituted with resources mobilized from donors, to be administered in accordance with the provisions of this Instrument and, when applicable, the Agreement Establishing the Bank.

Section 1.2 Purpose. The purpose of the CDSF shall be to pool the resources mobilized from donors to finance climate-resilient development programs that mainstream climate change information at all levels in Africa.

Section 1.3 Areas of Intervention. The resources of the CDSF shall be devoted primarily to:

- (a) the generation and wide dissemination of reliable and high quality climate information in Africa;
- (b) capacity enhancement of policy makers and policy support institutions to integrate climate change information into development programs; and
- (c) implementation of pilot adaptation practices that demonstrate the value of mainstreaming climate information into development.

CHAPTER II ADMINISTRATION

Section 2.1 Administration. The Bank shall be the Trustee for the CDSF, and in this capacity shall, as legal owner, hold in trust the funds, assets and receipts which constitute the resources of the CDSF, and manage and apply them for the purpose of, and in accordance with, the provisions of this Instrument. The Bank shall keep the resources of the CDSF separate and apart from all other accounts and assets of, or administered by, the Bank.

Section 2.2 Use of the Bank's Facilities. Except as otherwise provided herein, the Bank shall administer the CDSF through its own organisation, services, facilities, officers, staff and such other experts and consultants as may be necessary. The Bank shall in no event delegate responsibility for the administration of the CDSF.

Section 2.3 Expenses of Administering the CDSF. The Bank shall keep an account of the expenses incurred in the administration of the CDSF, as follows:

- (i) Direct costs incurred by the Bank for the CDSF;
- (ii) Indirect costs incurred by the Bank in the administration of the CDSF.

Section 2.4 Payment of Administrative Costs. To meet the costs and expenses of administering the CDSF, the Bank shall charge an administrative fee set at a minimum of five percent (5%) of the resources held by the Fund.

Section 2.5 Commitments. The Bank shall adopt measures to avoid commitments in excess of the available resources of the CDSF, and shall seek to keep administrative costs of the CDSF at a minimum.

Section 2.6 Privileges and Immunities. The privileges and immunities accorded to the Bank under its Articles of Agreement shall apply to the property, assets, archives, income, operations and transactions of the CDSF.

Section 2.7 Reporting. (a) The Bank shall present to the Governing Council an Annual Report on the activities of the CDSF. The Annual Report shall contain a brief description of the activities of the CDSF during the preceding financial year, including all the operations financed from resources of the CDSF, and the outcomes of such operations. The Annual Report shall also include a statement of assets and liabilities of the CDSF, a statement of cumulative receipts and expenditure, and a

statement of the use of resources of the CDSF, with such explanatory notes as may be pertinent.

(b) The comments which the members of the Governing Council may consider appropriate to make in respect of the statements and information referred to in paragraph (a) of this Section, shall be presented as soon as possible and in any case within thirty (30) days following the receipt of the respective reports.

Section 2.8 Audit. The CDSF shall be subject to the internal and external audit procedures of the Bank, including an annual audit to be conducted by the external auditors of the Bank. Upon the written request of the Governing Council, the Bank shall cause the account and records of any specific activity financed with the resources of the CDSF to be audited by its external auditors. Notwithstanding Section 2.4 of this Agreement, the costs of such special audit shall be charged to the resources of the CDSF.

CHAPTER III STRUCTURE AND GOVERNANCE

Section 3.1 Structure. The CDSF shall have a Governing Council, as well as a Coordinator and other staff considered necessary to carry out the objectives of the Fund.

Section 3.2 Participation. Any member country of the Bank, any country which is eligible to become a member of the Bank, and any organization acceptable to the Bank, may become a participant in the CDSF. Participation in the CDSF shall be effected by submitting an Instrument of Participation, and acceding to the terms of this Instrument. Participation in the CDSF shall be a prerequisite for representation in the decision-making organ of the Fund.

Section 3.3 Governing Council: Composition. The Governing Council shall have nine (9) members comprising: one (1) representative each from the Bank, the UN Economic Commission for Africa (“UNECA”) and the African Union Commission (“AUC”), one (1) representative from the World Meteorological Organization, one (1) representative from the Global Climate Observation System, one (1) member appointed by Donors to the CDSF who are not otherwise represented on the Governing Council, two (2) stakeholder representatives who may be selected from civil society organisations by agreement between the Principal Partners (AUC, UNECA and the Bank), and the Coordinator, who shall be an *ex-officio* member.

Section 3.4 Governing Council: Functions. The Governing Council shall be responsible for determining the general policy direction of the CDSF. In particular, the Governing Council shall:

- (a) Set strategic direction of and exercise financial oversight over the CDSF
- (b) Be responsible for the approval and control of annual work plans and CDSF budgets;
- (c) Endorse proposals for funding; and
- (d) Review the annual report of activities financed from the resources of the CDSF.

The Bank shall consult regularly with the Governing Council.

Section 3.5 Governing Council: Chairperson. The representative of the AUC shall serve as Chairperson of the Governing Council.

Section 3.6 Governing Council: Procedure. The Governing Council shall adopt its Rules of Procedure at its inaugural meeting. The Coordinator of the Africa Climate Policy Centre shall serve as Secretary for the Governing Council.

Section 3.7 Governing Council: Meetings. The Chairperson of the Governing Council, in close consultation with the Bank and the Secretary of the Council, may convene meetings at such places and at such times as may be required. Decisions of the Governing Council also may be taken by correspondence.

Section 3.8 Decision-Making. Decisions of the Governing Council shall be taken by consensus. Where a consensus appears unattainable, a decision may be taken by the vote of a simple majority of the members of the Governing Council. Each member of the Governing Council shall have one (1) vote, except the Coordinator of the CDSF, who shall not be assigned a vote. The Chairperson shall however have a casting vote in the event of an equal division.

Section 3.9 The Coordinator. The Bank shall recruit a person to serve as Coordinator of the CDSF, as well as an operational and administrative team to assist the Coordinator. The Bank shall also provide adequate office facilities to the Coordinator and the team.

Section 3.10 The Coordinator: Appointment and Functions. The Coordinator of the CDSF shall be a person with considerable senior management experience in the management of climate change and related funds. The Coordinator shall be appointed by the President of the Bank and shall be accountable to the President or other officer of the Bank designated by the President. The Coordinator shall serve as the administrative head of the CDSF within the organisational structure of the Bank and shall perform such related functions as may be assigned by the Bank.

CHAPTER IV FINANCIAL ARRANGEMENTS

Section 4.1 Resources (a) The resources of the CDSF shall consist of contributions obtained from donor countries or organizations (the "Donor(s)"). Contributions may be made in kind, to the extent acceptable by the Bank, taking into consideration the relevance and ease of valuation of the contribution.

(b) All sums received: (i) in the form of additional resources from Donors, (ii) in connection with the operations financed out of the resources of the CDSF, or (iii) which accrue to the CDSF by way of interest, dividends, fees, sale of assets or from other sources, shall be added to the *corpus* of the CDSF for use by the Bank as part of the CDSF.

Section 4.2 Contributions. A member country of the Bank, or any country eligible to be a member country, as well as an organization acceptable to the Bank, may make contributions to the CDSF to be utilized for achieving its purpose. The Bank will receive contributions for use in accordance with the terms of this Instrument. Contributions will be effected by a deposit of an Instrument of Commitment, stating the specific amount of the contribution, and the payment schedule agreed with the Bank.

Section 4.3 Denomination and Payment. (a) Contributions shall be paid in any one of the lending currencies of the Bank.

(b) The financial statements and accounts of the CDSF shall be denominated in one of the lending currencies of the Bank, as determined by the Governing Council.

Section 4.4 Separation of Resources. (a) The Bank shall at all times hold, utilise, commit, invest or in any other manner dispose of the resources of the CDSF, independently of the resources of the Bank itself, or of any other resources entrusted to the Bank for administration.

(b) The Bank shall keep separate accounts and records of the resources and operations of the CDSF in such a way as to permit the identification of the assets, liabilities, income, costs and expenses pertaining to the CDSF.

Section 4.5 Replenishment. The resources of the CDSF may be replenished from time to time. The Bank, however, shall inform the Governing Council, and initiate discussions for a general replenishment of the resources of the CDSF, when it so determines, taking into consideration the commitment capacity and rate of utilization of the resources of the Fund.

CHAPTER V OPERATIONS

Section 5.1 Recipients. Regional member countries of the Bank or any organization, institution, agency and other undertaking in the territory of a regional member country shall be eligible to receive financing or other assistance from the resources of the CDSF.

Section 5.2 Approval. Financing or other form of assistance provided from the resources of the CDSF shall be approved, individually, or as part of a group of projects, by the Board of Directors of the Bank, in accordance with the general voting rules set forth in the Agreement Establishing the Bank. The Bank, in consultation with the Governing Council, shall adopt operational procedures for operations financed with the resources of the CDSF, which shall in particular, be designed to ensure a fast-track process for the review, approval and implementation of operations financed with the resources of the CDSF.

Section 5.3 Operational Principles. Except as otherwise provided herein, or in operational procedures adopted by the Bank for purposes of the CDSF, the Bank, in its administration of the CDSF, shall apply the same principles and criteria that are applicable to financing provided from its own ordinary resources, particularly those contained in Article 17 of the Agreement establishing the Bank.

Section 5.4 Recipient's Contribution. In considering applications for financing from the resources of the CDSF, the Bank shall give due regard to the relevant self-help measures being taken by the recipient and, where the recipient is not a member country of the Bank, by both the recipient and the member or members intended to benefit from the proposed financing.

Section 5.5 Procurement. Procurement of goods, works and services using the resources of the CDSF shall be carried out in accordance with the Rules of the Bank. Procurement shall be limited to member countries of the Bank as well as those Donor States that are non-members of the Bank.

Section 5.6 Supervision. Supervision of the operations carried out with the resources of the CDSF shall be the responsibility of the Bank.

Section 5.7 Currencies. Financing out of the resources of the CDSF shall be denominated and disbursed in the lending currency of the Bank in which the account(s) of the CDSF is denominated. Any reimbursements or, related charges, whenever applicable, shall be made in the currency of disbursement.

Section 5.8 Financing Agreements. Financing agreements concluded by the Bank obligating the resources of the CDSF shall indicate clearly that the financing has been provided by the CDSF.

Section 5.9 Non-obligation of the Bank. Financing granted by the Bank under this Instrument shall not involve any financial obligation on part of the Bank, and except as otherwise provided for in this Instrument, the Bank shall not derive any financial benefits from the CDSF.

CHAPTER VI GENERAL PROVISIONS

Section 6.1 Establishment and Effectiveness. (a) The CDSF shall be established as of the date of adoption of this Instrument by the Board of Governors of the Bank, in accordance with Article 8 of the Agreement establishing the Bank.

(b) This Instrument shall become effective and the CDSF operational on the date when the Bank shall have Instruments of Commitment pledging contributions in an aggregate amount equivalent to 20 million Units of Account (UA 20,000,000), as defined in the Agreement establishing the Bank; provided, however, that such date shall not be later than 31 December 2010 or such later date as may be determined by the Bank.

Section 6.2 Consultation and Information. Participants in the CDSF shall cooperate fully to assure that the purposes of the CDSF are accomplished.

Section 6.3 Financial Year. The financial year of the CDSF shall be the calendar year.

Section 6.4 Notices and Requests. (a) Notices or requests to the CDSF shall be in writing and shall be delivered at the address below, or such other address as may be notified by the Bank:

The ClimDev-Africa Special Fund
*(a Special Fund Administered by the
African Development Bank)*
01 B.P. 1387
Abidjan 01
Ivory Coast
Telephone: (+225) 20 20 44 44
Telefax: (+225) 20 20 49 59

E-mail: climdev@afdb.org
Telex AFDEV Abidjan
Attention: The Coordinator

During the period of the Temporary
Relocation of Operations of the Bank:

The ClimDev-Africa Special Fund
*(a Special Fund Administered by the
African Development Bank)*
Agence Temporaire de Relocalisation

15 Avenue du Ghana, Angle Rues Hedi Nouria

& Pierre de Coubertin
B.P. 323 Tunis
1002 Tunis Belvedere, Tunisia
Tel: (+216) 71 10 2468
Fax: (+216) 71 10 3721
E-mail: climdev@afdb.org
Attention: The Coordinator

(b) Notices and requests to the Bank or any other participants in the CDSF shall be in writing and shall be delivered to the address provided in the respective Instruments of Participation or any other address as shall be notified in writing by such participant.

Section 6.5 Settlement of Disputes. (a) In the event of a dispute concerning the interpretation or implementation of the terms of this Instrument, such dispute shall be submitted by notification in writing to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Bank, another by the other disputing party, and the two (2) parties shall appoint the third arbitrator, who shall be the Chairperson. If, within forty-five (45) days of receipt of the request for arbitration, either party has not appointed an arbitrator, or if, within thirty days of the appointment of the two (2) arbitrators, the third arbitrator has not been appointed either party may request the Chairperson of the African Union Commission to appoint the arbitrator not yet appointed. The procedure of arbitration shall be fixed by the arbitrators, but the third arbitrator shall have full power to settle all questions of procedure in any case of disagreement with respect thereto.

(b) The Tribunal shall afford to all parties a fair hearing and shall render its award in writing, such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each of the disputing parties. Any such award rendered in accordance with the provisions of this Section shall be final

and binding upon such parties, and the participants Donors and recipients. Each of the disputing parties shall abide by and comply with any such award rendered by the Tribunal in accordance with the provisions of this Section.

(c) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Tribunal shall convene, the Tribunal shall fix such amount as shall be reasonable under the circumstances. Each of the disputing parties shall defray its own expenses in the arbitration proceedings. The cost of the Tribunal shall be divided between, and borne equally by the parties. Any question concerning the division of the expenses of the Tribunal or the procedure for payment of such expenses shall be determined by the Tribunal.

Section 6.6 Withdrawal from Participation. Any participant may, however, withdraw from participation in the CDSF by written notice to the Facility. The withdrawal shall become effective six (6) months after the date of receipt of the notice. The participant shall, however, remain liable for the payment of any portion of the amount of its commitment, on the basis of which the CDSF has made commitments to recipients.

Section 6.7 Amendments and Termination. (a) Amendments or additions may be made to this Instrument by a decision of the Bank and the Governing Council.

(b) This Instrument shall be in effect for twelve (12) years, provided however that this period may be extended or shortened by a decision of the Board of Governors of the Bank, upon the recommendation of the Board of Directors acting in consultation with the Governing Council. The effectiveness of this Instrument will also terminate upon the occurrence of the event contemplated in Article 47, Section 1 of the Bank Agreement.

(c) On the date of expiration or the date of termination (each hereinafter referred to as the "Termination Date"), the Bank shall cease all activities relating to the resources of the CDSF, except those incidental to their orderly realisation, conservation and preservation and settlement of the direct or contingent obligations to which they may be subject.

(d) The Bank shall also present to the Governing Council a list of all operations in progress, as of the Termination Date, and such operations shall continue to be processed until the respective processing is concluded.

(e) The Bank shall within a reasonable period after the termination of the CDSF transfer to the donors such of the resources of the CDSF as are in possession of the Bank and are not required for the purpose of settlement of any outstanding

obligations, and shall thereafter, transfer the balance of such resources as and when received by the Bank.

(f) In the event of termination, the Bank shall, prior to transferring funds in its control to the relevant donors, withhold such portion of the funds as shall correspond *pro rata* to the administrative fee agreed by the Governing Council, to be paid to the Bank during the period of liquidation of the CDSF.

AFRICAN DEVELOPMENT BANK

BOARD OF GOVERNORS

Resolution B/BG/2010/[]

**Adopted at the [] Sitting of the Forty-Fifth Annual Meeting
of the African Development Bank, on [] May 2010**

Establishment of the ClimDev-Africa Special Fund

THE BOARD OF GOVERNORS,

HAVING REGARD to: (i) the Agreement Establishing the African Development Bank (the "Bank"), in particular Articles 2 (Functions), 8 (Special Funds), 10 (Special Resources), 11 (Separation of Resources), 17 (Operational Principles), 29 (Board of Governors: Powers) and 32 (Board of Directors: Powers); (ii) the Financial Regulations of the Bank, in particular Regulations 3.2 (The Separation Principle) and 3.3 (Financial Administration of Special Funds);

HAVING CONSIDERED:

- (i) Document ADB/BG/WP/2009/[] of the Board of Directors, entitled "Framework Document for the Establishment of the ClimDev-Africa Special Fund", and the recommendation therein for this Board to establish the ClimDev-Africa Special Fund for resources mobilized from donors for purposes of financing climate-resilient development programs that mainstream climate change information at all levels in Africa; and
- (ii) The proposed Instrument for the Establishment of the ClimDev-Africa Special Fund (the "Instrument");

HEREBY:

- (i) Establishes the ClimDev-Africa Special Fund, on the terms and conditions contained in the Instrument attached hereto as Annex I; and
- (ii) Authorizes the Board of Directors and the President to take such administrative measures as may be necessary or expedient for the implementation of this Resolution, having regard to the functions and powers of the Board of Directors and the President, as set out in the Agreement establishing the Bank, the General Regulations, and other subsidiary instruments of the Bank.