Who we are

Founded in 1964, the African Development Bank (AfDB) Group is comprised of 53 African or regional member countries (RMCs) and 26 non-African countries whose overarching objective is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction.

AfDB is rated Aaa/AAA/AAA by all major credit rating agencies, carries a 0% risk weighting under Basel II, and is Tier 1 under Basel III.

AfDB’s Strategy for 2013-2022

The strategy for 2013-2022 reflects the aspirations of the entire African continent. It is designed to place the Bank at the center of Africa’s transformation and to improve the quality of Africa’s growth. The ten-year Strategy is built around the two objectives of inclusive growth, and the transition to green growth, supported by five operational priorities in which the Bank has unmatched advantage, expertise, access and trust. When growth is inclusive as well as “green”, it creates the jobs that the continent needs now and that it will need in ever greater numbers as millions more young people enter the job market, with energies and aspirations to match.

Green Bonds

Supporting the AfDB’s ten-year strategy

Climate change is one of the greatest challenges confronting the developed and developing world today. Its impacts are widespread and permeate across Africa’s key economic sectors thereby seriously threatening sustainable development, poverty reduction, and the achievement of the MDGs. By helping Africa gradually transition to “green growth”, AfDB’s investments protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources and spur innovation, job creation and economic development.

The AfDB Green Bond program facilitates the achievement of the Bank’s corporate priority of green growth through the financing of eligible climate change projects. Investors are able to make a difference with their investment by financing climate change solutions through AfDB’s Green Bonds.

To date, outstanding AfDB Green Bonds (incl. green-themed undashi bonds) amount to USD 993 million against a total eligible project pipeline of USD 1.5 billion.

More information on the AfDB’s Green Bond Program can be found online at: http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bond-program/

Allocation of proceeds

Proceeds raised through the sale of AfDB Green Bonds are allocated to a sub-portfolio within the Treasury’s liquidity portfolio until they are disbursed to eligible projects.

“We have two challenges, fighting global poverty and fighting climate change. Fail one, fail the other.”

Donald Kaberuka
President
African Development Bank Group
Project evaluation & selection

As part of its Green Bond Framework, the AfDB has adopted a two-step approach when selecting eligible investments for its green bond project portfolio.

Firstly, all projects are screened according to the AfDB’s methodology for tracking climate adaptation and mitigation finance. Climate change mitigation projects are defined as activities that target a reduction in emissions of Greenhouse Gases (GHG) into the atmosphere or absorption of them from the atmosphere against a “no-project” baseline. Climate change adaptation projects are defined as activities that target the reduction in the vulnerability of human or natural systems to the impacts of climate change related risks by maintaining or increasing adaptive capacity and resilience.

Secondly, projects that have passed the initial screening have the following additional criteria applied to them for the specific purpose of the AfDB Green Bond portfolio.

i. Projects that are eligible for financing under the AfDB window only.

ii. Projects whose financing can be qualified in full (100%) as promoting either low-carbon or climate resilient development.

iii. Projects that will lead to significant accumulated GHG emissions reduction over the lifetime of the asset.

Examples of eligible mitigation and adaptation projects:

- Renewable energy generation
- Energy efficiency
- Vehicle energy efficiency fleet retrofit or urban transport modal change
- Biosphere conversation projects
- Solid waste management

Examples of eligible adaptation projects:

- Fugitive emissions and carbon capture
- Urban development
- Water supply and access
- Low carbon transport

Examples of eligible Green Bond project portfolio:

AfDB Green Bonds help finance 11 projects in over 7 countries in Africa

Country breakdown:

- Egypt 5%
- Kenya 10%
- South Africa 17%
- Tunisia 4%
- Zambia 2%
- Multinational 2%
- Cape Verde 1%
- Morocco 5%

Sector breakdown:

- Water 10%
- Hydro 2%
- Renewable Energy 2%
- Wind 14%
- Solar 29%
- Energy Efficiency 14%
- Wind/Hydro 29%

An independent research institute, the Center for International Climate and Environmental Research (CICERO) based in Oslo, has provided a second opinion on the Bank’s green bond framework and its approach to climate financing.

“A clear impression of an institution that is well aware of the challenges posed by climate change as well as other environmental and social concerns that may be associated with investments projects. In particular we are pleased with the consciousness shown towards the external impacts of projects both across space and time”

CICERO, 1st September 2013

Notable green projects approved in 2013

Kenya
Lake Turkana
Africa’s largest wind power project

AfDB financing EUR 115 million

The Turkana Wind Power Project in Kenya will add 300MW to power generation capacity and will benefit Kenya by providing clean and affordable energy that will reduce the overall energy cost to end consumers. Furthermore, the project will allow the landlocked Great Rift Valley region to be connected to the rest of the country through the improved infrastructure linked to the wind farm, including a road, fibre-optic cable and electrification. This Clean Development Mechanism (CDM) registered project will contribute to closing the energy gap in the country, enhancing energy diversification and saving over 700,000 tonnes of CO2 emissions per year compared to a fossil fuel fired power plant.

AfDB financing USD 25 million

The African Renewable Energy Fund (AREF), a dedicated renewable energy fund focused on Sub-Saharan Africa, is expected to commit USD 100 million of capital to support small- to medium-scale independent power producers (IPPs) thereby contributing to an additional 274 MW of installed capacity and 1,200 GWh of power generation. The AfDB and its Sustainable Energy Fund for Africa (SEFA) are AREF’s lead sponsors and catalytic investors who mobilized a total package amounting to around USD 65 million. The fund is targeting a final close of USD 200 million within the next 12 months to be invested in grid-connected development stage renewable energy projects including small hydro, wind, geothermal, solar, biomass and waste gas. The fund will target IPPs with an ideal size of between 5 and 50 MW and a commitment per project of between USD 10 million and USD 30 million, with the capacity to source further funding from co-investors where necessary for a larger investment. It is estimated that the fund’s investments will contribute around 600,000 tonnes of CO2e* emission reductions per year.

Multinational
African Renewable Energy Fund (AREF)
A dedicated renewable energy fund focused on Sub-Saharan Africa

Full press release of this project can be found online at: http://www.afdb.org/news-and-events/article/afdb-facilitates-energy-diversification-and-access-to-clean-energy-with-the-approval-of-a-eur115-million-loan-to-turkana-wind-power-project-in-kenya-11704/


* CO2 equivalent
AfDB’s inaugural syndicated Green Bond

“The African economy is growing fast and through the green bonds we get exposure to this interesting market. Green bonds that help to finance the transition to green growth in Africa is important for us as a long term investor” says Christina Hillesöy, Head of Communications & Sustainable Investments at Third Swedish National Pension Fund

On Thursday, 10th October 2013, the AfDB launched its debut syndicated Green Bond transaction, raising USD 500 million that will be allocated to support the financing of low carbon and climate resilient projects in line with AfDB’s long term strategy which focuses on inclusive and green growth.

The transaction saw strong interest from socially responsible investment portfolios with 84% of the deal being bought by investors motivated by the green format, including:

- Third Swedish National Pension Fund
- AP4
- BlackRock
- California State Teachers’ Retirement System (CalSTRS),
- Calvert Investment Management
- Nordea Investment Management
- Pictet Asset Management
- Praxis Intermediate Income Fund
- State Street Global Advisors (SSgA) participating in buying the bond for their High Quality Green Bond Fund
- TIAA-CREF
- Trillium Asset Management

The success of this transaction underscores the growing demand from institutional investors, particularly out of the US, for green bonds from triple-A rated supranational entities. It also demonstrates the Bank’s commitment to financing Africa’s transition to green growth.

Full press release of this transaction can be found online at: http://www.afdb.org/en/news-and-events/article/afdb-launches-3-year-usd-500-million-inaugural-green-bond-12359/

Transaction Summary
AfDB 0.75% due October 2016

- Format: Global
- Amount: USD 500,000,000
- Trade Date: 10/10/2013
- Settlement Date: 18/10/2013
- Maturity Date: 18/10/2016
- Issue Price: 99.707%
- Coupon: 0.75%
- Reoffer vs. MS: plus 5 basis points

Green Bond distribution

Distribution by region

- Asia 9%
- Americas 52%
- EMEA 39%

Distribution by investor type

- Funds 43%
- Central Banks/OIs* 28%
- Banks 1%
- Insurance/Pension 28%

* Official Institutions
Accessing Scandinavian sustainable investors with the Green Bond format

“This is a fantastic opportunity for us to invest in order to both generate returns for our customers and at the same time contribute to sustainable growth in Africa. The continent has tremendous growth potential and more and more companies are getting established in the region. AfDB is an excellent partner for us in channeling investment into Africa in a sensible and sustainable way”, says Staffan Hansen, CEO at Storebrand Asset Management.

In 2014, the AfDB successfully accessed the Swedish Krona (SEK) market for the first time with two SEK 1 billion 5-year Green Bonds in both floating and fixed-rate formats. These two transactions represent the AfDB’s second and third Green Bond transactions under the new Green Bond framework.

The floating rate note, which was launched on Monday, 17th February 2014, was subscribed in full by SPP, the wholly-owned Swedish Life Insurance and Asset Management company of Storebrand.

The fixed-rate note, which was launched on Thursday, 6th March 2014, was placed with 16 investors including:

- AP2
- AP3
- Landstinget Västmanland
- SAAB Pensionsstiftelse
- SEB Fonder
- SPP/Storebrand
- Svenska Kyrkan
- Systembolaget AB

Swedish domestic demand accounted for the majority of the transaction and non-domestic investors attracted by AfDB’s SEK Green Bond participated with 15% of the orderbook.

The Swedish Krona market investor base is one of the largest for sustainable investments and has been actively used by the supranational community. The pricing of the inaugural transactions sets an excellent reference point for the AfDB among its peers, for its future transactions in the Swedish market.

Transaction Summary

AfDB FRN due February 2019

- Format: Global
- Amount: SEK 1,000,000,000
- Trade Date: 17/02/2014
- Settlement Date: 24/12/2014
- Maturity Date: 24/02/2019
- Issue Price: 100.00%
- Coupon: 3-month STIBOR


AfDB 1.75% due March 2019

- Format: Global
- Amount: SEK 1,000,000,000
- Trade Date: 06/03/2014
- Settlement Date: 12/03/2014
- Maturity Date: 12/04/2019
- Issue Price: 99.456%
- Coupon: 1.75%
- Reoffer vs. MS: flat

Measuring the impact of AfDB’s Green Bond interventions

<table>
<thead>
<tr>
<th>Amount invested</th>
<th>Lifetime GHG emissions reduced or avoided (in tonnes CO2e)</th>
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</thead>
<tbody>
<tr>
<td>$1,000</td>
<td>21 tonnes</td>
</tr>
<tr>
<td>$10,000</td>
<td>208 tonnes</td>
</tr>
<tr>
<td>$100,000</td>
<td>2,078 tonnes</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>20,783 tonnes</td>
</tr>
<tr>
<td>$5,000,000</td>
<td>103,917 tonnes</td>
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<tr>
<td>$10,000,000</td>
<td>207,833 tonnes</td>
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List of eligible projects in the Green Bond portfolio

<table>
<thead>
<tr>
<th>Name of project</th>
<th>Country</th>
<th>Type</th>
<th>Total project cost (USD)</th>
<th>ADB finance (USD)</th>
<th>Green bond allocation as of 01 February 2014 (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa Renewable Energy Fund (AREF)</td>
<td>Multinational</td>
<td>Renewable Energy</td>
<td>200,000,000</td>
<td>25,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Lake Turkana Wind Farm</td>
<td>Kenya</td>
<td>Wind</td>
<td>809,524,222</td>
<td>146,459,974</td>
<td>-</td>
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<tr>
<td>Ouarzazate I</td>
<td>Morocco</td>
<td>Solar</td>
<td>1,489,000,000</td>
<td>240,000,000</td>
<td>13,782,981</td>
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<tr>
<td>ONEE Wind/Hydro Energy</td>
<td>Morocco</td>
<td>Wind/Hydro</td>
<td>2,389,000,000</td>
<td>448,391,000</td>
<td>71,484,547</td>
</tr>
<tr>
<td>Ithezi Tezhi Hydro</td>
<td>Zambia</td>
<td>Hydro</td>
<td>239,000,000</td>
<td>35,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Eskom Renewable Energy Project - Sere Wind</td>
<td>South Africa</td>
<td>Wind</td>
<td>369,600,000</td>
<td>44,367,400</td>
<td>4,293,576</td>
</tr>
<tr>
<td>Eskom Renewable Energy Project - Upington CSTP</td>
<td>South Africa</td>
<td>Solar</td>
<td>967,120,000</td>
<td>216,909,000</td>
<td>-</td>
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<tr>
<td>Cabeólica Wind Power Project</td>
<td>Cape Verde</td>
<td>Wind</td>
<td>84,704,271</td>
<td>19,852,564</td>
<td>18,446,281</td>
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<tr>
<td>Gabal El-Asfar Wastewater Treatment Plant -</td>
<td>Egypt</td>
<td>Water</td>
<td>327,465,600</td>
<td>74,782,400</td>
<td>17,648,646</td>
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<tr>
<td>Stage II, Phase II Project</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Electricity Distribution Networks Rehabilitation and Restructuring Project</td>
<td>Tunisia</td>
<td>Energy Efficiency</td>
<td>80,711,400</td>
<td>65,203,600</td>
<td>50,916,233</td>
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<td>Power Transmission and Distribution Development Project</td>
<td>Morocco</td>
<td>Energy Efficiency</td>
<td>187,941,600</td>
<td>154,000,000</td>
<td>52,213,747</td>
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<td>National Irrigation Water Saving Programme Support Project</td>
<td>Morocco</td>
<td>Water</td>
<td>94,647,357</td>
<td>73,959,637</td>
<td>17,006,997</td>
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</table>
More information on AfDB Green Bonds is available at www.afdb.org