



AFRICAN DEVELOPMENT BANK GROUP

Green Bonds

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IN THIS ISSUE

Highlights p.1

Allocation of proceeds p.2

Project evaluation and selection p.3

Latest developments p.4

Selected green projects approved in 2014 p.5

Impact report p.6-7

Contacts p.8



"We are pleased to present the second edition of the AfDB's annual Green Bond newsletter highlighting recent developments and achievements in our SRI activities. Green Bond issuance has substantially increased over the past three years and we are delighted to have been one of the early issuers of Green Bonds. Our Green Bonds not only support the achievement of our ten-year strategy's 'green growth' objective, but also helps raise awareness of the work we are doing in Africa to combat climate change. We are committed to maintaining a pivotal role in the development of this market and build upon the successes of our prior interventions."

Charles Boamah

Vice President, Finance

African Development Bank Group

Who we are

Founded in 1964, the African Development Bank (AfDB) Group is comprised of 54 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.

Highlights

July 2015: The African Development Bank is working to join the Green Climate Fund's (GCF) newly accredited agencies in order to become a key multilateral implementing agency to channel much-needed funding to the continent.

March 2015: Following investor demands for greater transparency, the AfDB collaborated with a group of other leading multilateral development banks (MDBs) active in the Green Bond market to work towards a harmonized framework for impact reporting on projects to which Green Bond proceeds have been allocated to, with a focus on the areas of renewable energy and energy efficiency. The conclusions have been summarized and can be found on our Green Bond website.

December 2014: AfDB was classified as "**Prime**" according to the ESG rating methodology of Oekom Research.

July 2014: Vigeo assessed the Bank with regard to its practices and performance on a range of environmental, social and governance ("ESG") issues and provided an overall corporate social responsibility performance score of 53/100 which is considered **robust** in absolute terms. The high overall score and excellent ranking within the supranational peer group (3 out of 8) is testament to the importance placed by the Bank on the management of its ESG responsibilities.

For more information on the AfDB's Green Bond Program, please contact:
fundingdesk@afdb.org
<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bond-program/>



What are AfDB Green Bonds?

AfDB Green Bonds, rated Aaa/AAA/AAA, are aligned with the Bank's corporate priority of green growth through the financing of eligible climate change mitigation and adaptation projects.

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 green projects.

Box 1: Use of proceeds language in bond documentation

An amount equal to the net proceeds of the issue of the Notes will be allocated within the Issuer's treasury to a sub-portfolio that will be linked to the Issuer's lending operations in the fields of climate change adaptation and mitigation (Eligible projects). So long as the Notes are outstanding, the balance of the sub-portfolio will be reduced at the end of each semi-annual period by amounts matching the disbursements made during such semi-annual period in respect of Eligible projects. Pending such disbursements, the net proceeds of the issue of the Notes will be held in the Issuer's liquidity portfolio.



List of outstanding Green Bond benchmarks

Currency	Amount	Issue Date	Maturity Date	Coupon	Allocation to eligible projects*
USD	500 million	18-Oct-2013	18-Oct-2016	0.750%	80.0%
SEK	1 billion	24-Feb-2014	24-Feb-2019	FRN	7.0%
SEK	1 billion	12-Mar-2014	12-Mar-2019	1.750%	12.5%

* As of 1st February 2015

Project evaluation and selection criteria

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.

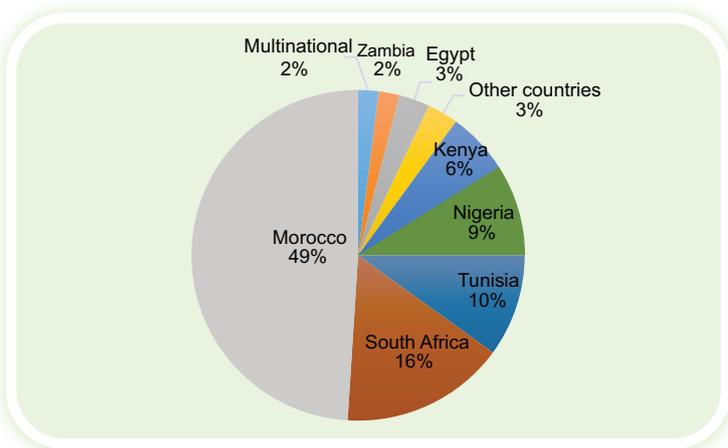
Secondly, projects that have passed the initial screening have the following additional

criteria applied to them for the specific purpose of the AfDB Green Bond portfolio.

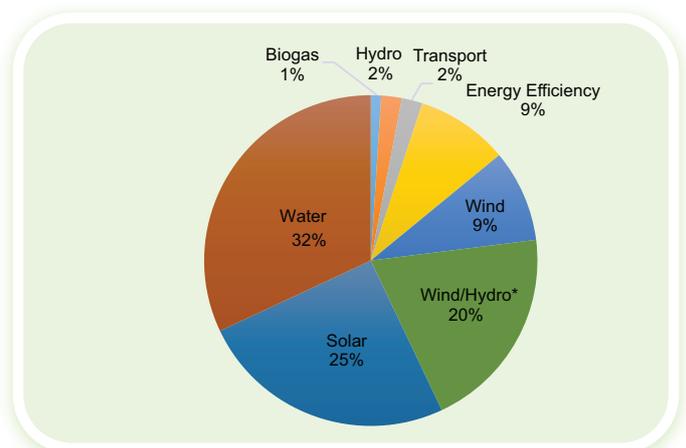
- i. Projects whose financing can be qualified in full (100%) as promoting either low-carbon or climate resilient development.
- ii. Projects that will lead to significant accumulated GHG emissions reduction over the lifetime of the asset.

Outstanding Green Bond project portfolio breakdown

By country



By sector



* ONEE Integrated wind/hydro project

Box 2: Examples of eligible mitigation and adaptation projects

- Renewable energy generation
- Energy efficiency
- Vehicle energy efficiency fleet retrofit or urban transport modal change
- Biosphere conservation projects
- Solid waste management
- Fugitive emissions and carbon capture
- Urban development
- Water supply and access
- Low carbon transport



In compliance with the Green Bond Principles recommendations on external assurance, 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.

For more information on the AfDB's Green Bond Program, please contact:
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<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bond-program/>



Latest developments

Africa's largest concentrated solar power plant takes shape

A cherished flagship project of the Bank's Green Bond program, the Ouarzazate Solar Complex project in Morocco, aims to expand Morocco's solar energy capacity and increase the share of renewable energy within the national energy mix by 2020, thus mitigating greenhouse gas emissions. The project

is comprised of two successive phases, both of which the Bank is involved in. Phase I of the Ouarzazate solar complex (NOORo I) received EUR 100 million from the Bank's own resources, in addition to a concessional loan of USD 100 million granted through the Clean Technology Fund (CTF). NOORo I is expected to

have an installed capacity of 160 MW, **reduce annual GHG emission by 270,000 tonnes of CO₂**, and create 850 jobs. According to the latest joint supervision mission, the project is on track with a completion rate of over 72%. Commissioning of NOORo I is expected in October 2015.

Full press release of this project can be found online at: <http://www.afdb.org/en/news-and-events/article/afdb-is-financing-a-real-sector-in-morocco-ouarzazate-solar-power-plant-takes-shape-13635>



Eskom's Sere wind farm commercially operational



Another flagship project of the Bank's Green Bond program, Eskom's Sere wind farm set up in the Western Cape province of South Africa, seeks to reduce the country's dependency on coal-fired power while responding to the growing demand for electricity. AfDB provided USD 45 million of financing to

the project which is expected to add 100 MW of capacity to the national power grid and contribute to saving nearly **6 million tonnes of GHG emissions over its 20 year lifespan**. As of March 2015, Sere wind farm achieved full commercial operational capacity with all 46 wind turbines turning and generating electricity.

Full press release of this project can be found online at: <http://www.afdb.org/en/news-and-events/article/eskoms-sere-wind-farm-in-south-africa-financed-by-the-afdb-and-cif-now-in-full-commercial-operation-14420/>

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Selected green projects approved in 2014

Morocco

Ouarzazate Solar Complex Project - Phase II (NOORo II and NOORo III power plants)

AfDB financing: EUR 100 million



Ouarzazate phase I is already well underway with the first 160 MW solar power plant (NOORo I) expected to be operational by late-2015. The objective of Phase II is to achieve a total capacity of approximately 500 MW by constructing two new

concentrated solar thermal power stations with a total capacity of approximately 350 MW and a cumulative average output of over 1,100 GWh/year. These are a 200 MW parabolic trough power plant (NOORo II) and a 150 MW solar tower

power plant (NOORo III). Thanks to the project, several hundred jobs will be created and **emissions of approximately 522,000 tonnes of CO2 will be avoided**, thus helping to mitigate the effects of climate change.

Full appraisal report of this project can be found online at: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/MOROCCO-AR_-_Ouarzazate_Solar_Complex_Project_Phase_II_-_12_2014.pdf

South Africa

Xina Solar One Project

One of Africa's largest project finance deals

AfDB financing : ZAR 880 million



The Xina Solar One Project entails the design, construction, operation and maintenance of a concentrated solar power plant with installed capacity of 100 MW located in the Northern Cape Province. The plant will use parabolic trough technology and a superheated steam cycle with a storage

capacity of 1,650 MWh. The project has significant positive development effects and is expected to create 1,370 jobs and save about **400,000 tonnes of CO2 emissions and 188,000 tonnes of coal per year**, thereby contributing to South Africa's carbon abatement strategy.

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List of renewable energy/energy efficiency projects and impact report

This report was produced in accordance with the recommendations of the informal working group of four multilateral development banks (the African Development Bank, the European Investment Bank, the International Finance Corporation and the World Bank) for a harmonized framework for impact reporting on renewable energy and energy efficiency projects to which Green Bond proceeds have been allocated to.

Further details on this initiative can be found here: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Green_Bonds_-_Working_Towards_a_Harmonized_Framework_for_Impact_Reporting_-_March_2015.pdf

Table 1

Renewable Energy (RE) and Energy Efficiency (EE)	Country	Sector	Total project cost (USD mn)	AfDB financing (USD mn)	AfDB share of total project financing (%)	Allocated amount to Green Bonds (USD mn)	Project economic lifetime (years)	Annual energy output/savings (GWh)	Renewable energy capacity constructed or rehabilitated (MW)	Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent)*	Jobs created
Ouarzazate Solar Complex Project - Phase II (NOORo II and NOORo III power plants)	Morocco	Solar	2,384	118**	5%	0	25	1,100	350	522,000	1,800 jobs
Xina Solar One Project	South Africa	Solar	908	97	8%	0	20	383	100	400,000	1,415 jobs
Lake Turkana Wind Power Project	Kenya	Wind	699	136	19%	1.6	20	1,249	300	736,615	750 jobs
Ouarzazate Solar Power Station Project - Phase I (NOORo 1 power plant)	Morocco	Solar	1,489	198	8%	58	25	497	160	271,366	850 jobs
ONEE Integrated Wind/Hydro and Rural Electrification Programme	Morocco	Wind/Hydro	2,389	423	18%	105	20-30***	2,496	1,270	3,250,000	4,350 jobs
Ithezi-Tezhi Power Project	Zambia	Hydro	239	34	14%	0	40	611	120	560,654	820 jobs
Eskom Renewable Energy Project - Sere Wind Facility	South Africa	Wind	338	44	13%	4.2	20	219	100	238,000	1,521 jobs
Eskom Renewable Energy Project - Upington CSTP	South Africa	Solar	883	214	24%	0	20	531	100	570,000	1,550 jobs
Kiwuatt Project	Rwanda	Biogas	128	24	19%	23	25	107	25	53,655	n/a
Cabeólica Wind Power Project	Cape Verde	Wind	85	18	20%	15	20	98	25.5	67,444	90 jobs
Electricity Distribution Networks Rehabilitation and Restructuring Project	Tunisia	Energy Efficiency	74	56	76%	44	20	0.22	n/a	110	n/a
Power Transmission and Distribution Development Project	Morocco	Energy Efficiency	171	129	75%	57	20	376	n/a	183,000	n/a
Buseruka Hydropower Project	Uganda	Hydro	14	8.8	63%	7.3	40	52	9	26,070	294 jobs

Note: Exchange rates used as of 30 June 2015

* GHG accounting calculated by the AfDB using the relevant CDM methodology

** Amount approved

*** This programme contains two components including 4 wind farms, Tangier 2 and Koudia, financed by the Bank and which have respectively a lifespan of 20 years and 30 years

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fundingdesk@afdb.org

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Corporate
Responsibility

Prime

rate by

oekom research

Selected list of water projects

Table 2

Water	Country	Sector	Total project cost (USD mn)	AfDB financing (USD mn)	AfDB share of total project financing (%)	Allocated amount to Green Bonds (USD mn)	Project economic life-time (years)	Impact indicators
Transforming Rural Livelihoods in Western Zambia - (NRWSSP) Phase II	Zambia	Water	35	15**	43%	0	15	12,501 jobs created
Project to Improve the Quality of Treated Water	Tunisia	Water	46	38	82%	4	30***	100 million m3 of water saved
Gabal El-Asfar Wastewater Treatment Plant - Stage II, Phase II Project	Egypt	Water	299	63	21%	15	25	6.5 MW installed 186,528 tonnes of CO2 avoided* 550 jobs created
The National Irrigation Water Saving Programme Support Project (PAP-NEEI)	Morocco	Water	77	63	82%	29	30	69 million m3 of water saved

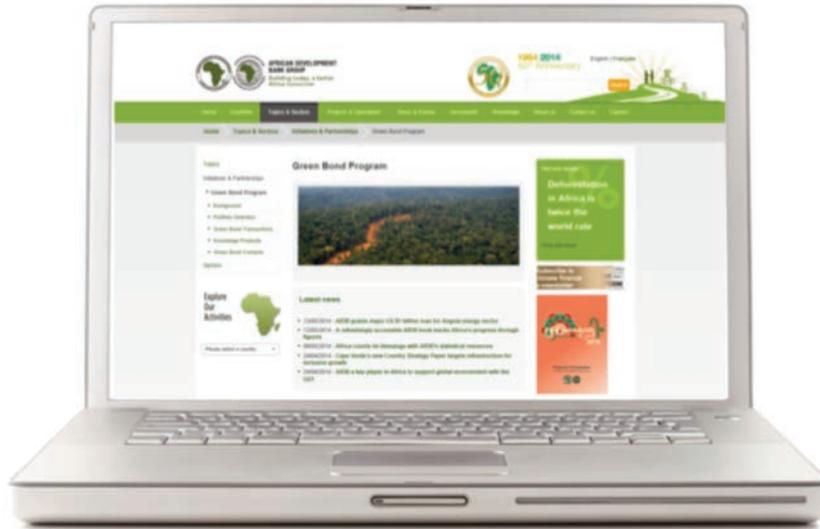
Note: Exchange rates used as of 30 June 2015

* GHG accounting calculated by the AfDB using the relevant CDM methodology

** Amount approved

*** The lifespan of these two projects are estimated at 30 years for Civil Engineering. However, the average lifespan of equipments for the project to improve quality of treated water is estimated at 12 years and 10 years for the other RDWS project

More information on AfDB Green Bonds is available at www.afdb.org



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INVESTOR CONTACT
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