Description and Objective

A CAD 132.9 million Special Fund structured as a blended climate change facility including an Investment Facility (IF) aimed at extending concessional loans to eligible projects plus a Technical Assistance Facility (TAF) that seeks to address the increased complexity, coordination requirements and reporting obligations related to climate change projects.

- CACF’s objective is to extend large-scale, long-term concessional loans to climate mitigation and adaptation projects that embed gender equality principles throughout the various phases of the project cycle, particularly the empowerment of women and girls.
Timeline

July 2020
SCP Endorsement

August 2020
SMCC Endorsement

December 2020
Conclusion of Fund’s Term Sheet

January 2021
Conclusion of Legal and Commercial negotiations

February 2021
Approval by the Board of Directors

March 2021
Approval by the Board of Governors

March 2021
Signature of the CACF Arrangement

April 2021
Donor transfers contribution in full

April 2021
Fund set-up and drafting of Operational Guidelines begin

July 2022
Start of Operations

December 2020
Beginning of Legal and Commercial negotiations

January 2021
Beginning of Legal and Commercial negotiations

March 2021
Beginning of Legal and Commercial negotiations

April 2021
Beginning of Legal and Commercial negotiations

July 2022
Beginning of Legal and Commercial negotiations
Fund Structure

CAD 122.9 million
IF

- Senior Concessional Loans
- Concessional Loans

- Non-Sovereign Operations
- Sovereign Operations

CAD 10 million
TAF

- Project Preparation
- Supervision, Research and Learning
- Gender and Human Rights Advancement
- Coordination and Facilitation
CACF’s governance structure was developed with the goal of allowing the Bank to quickly and effectively provide support to eligible projects while meeting its procedural requirements and avoiding situations of conflict of interest that can damage the Bank’s reputation and our partnership with Canada.

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approves Loans under the Investment Facility</td>
</tr>
<tr>
<td>Approves TAF grants above USD 1 million</td>
</tr>
<tr>
<td>Approves amendments to the Arrangement</td>
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<table>
<thead>
<tr>
<th>TRC</th>
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<tbody>
<tr>
<td>Review, ensures quality and endorse for approval all TAF Grant proposals</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Annual Consultations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review the progress of CACF and discuss issues of mutual interest, including reviewing changes to the financial model and the pipeline as well as changes to the Monitoring &amp; Evaluation Framework.</td>
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<table>
<thead>
<tr>
<th>CACF Coordination Unit</th>
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</thead>
<tbody>
<tr>
<td>Delivery and Administrative Secretariat of CACF</td>
</tr>
<tr>
<td>Lead Donor engagement</td>
</tr>
<tr>
<td>Responsible for screening, implementing and supervising CACF activities</td>
</tr>
<tr>
<td>Organize TRC meetings and Annual Consultations</td>
</tr>
<tr>
<td>Participate in the PATs of targeted projects to ensure alignment with CACF requirements and Bank obligations</td>
</tr>
<tr>
<td>In cooperation with the Bank’s Blended Finance Coordinator, propose financial terms for NSOs</td>
</tr>
<tr>
<td>When applicable, implement TAF grants.</td>
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</table>
Sectors and Areas of Focus

A main area of focus of CACF given Canada’s Feminist Foreign Policy as well as the responsibilities of the Bank as captured in the Arrangement establishing the Fund is Gender.

**MITIGATION**
- Renewable Energy
- Energy Efficiency
- Green Infrastructure
- Sustainable Cities
- Sustainable Transport

**ADAPTATION**
- Off-grid Solar Energy
- Clean Cooking
- Climate-smart Agriculture
- Nature-based Solutions
Concentration and Co-Investment Limits

- Single Obligor
- Country Limit
- Regional Limit
- Sovereign Guaranteed Loans
  - Portfolio Share
  - CACF Co-Investment Limit
  - Credit Rating Distribution
  - HIPC
- Non-Sovereign Guaranteed Loans
  - Portfolio Share
  - Co-Investment Limit
  - Credit Rating Distribution

**Investment Facility**

- 20%
- 20%
- 50%
- Up to 40%
- Less or equal to AfDB’s exposure
- B or higher
- 20% with a score of low or moderate sovereign debt risk distress
- 60% or more
- Up to 50%
- UP to 40% B- / 60% equal or above B
Long-term concessional loans are the only instrument available under the Investment Facility. These can be deployed over a commitment period of 5 years from March 2021 onwards.

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>NSOs</th>
<th>SOs</th>
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</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td>See concentration limits</td>
<td>See concentration limits</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>Up to 16 years</td>
<td>Up to 25 years</td>
</tr>
<tr>
<td><strong>Grace Period</strong></td>
<td>Up to 5 years</td>
<td>Up to 8 years</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>1.5% (floor rate)</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Late Payment Fees</strong></td>
<td>In line with Bank rules</td>
<td>USD 0</td>
</tr>
<tr>
<td><strong>Other Fees</strong></td>
<td>USD 0</td>
<td>USD 0</td>
</tr>
<tr>
<td><strong>Bank Co-financing Requirement</strong></td>
<td>AfDB + CAF up to 50% of total cost</td>
<td>At least match CACF</td>
</tr>
<tr>
<td><strong>Seniority</strong></td>
<td>Senior</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Sculpted Repayment Profile</strong></td>
<td>Yes, if applicable to the Bank’s loan</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>
The TAF is aimed at addressing the increased technical complexity, coordination requirements and reporting obligations related to climate finance operations, as well as support project preparation activities that accelerate project development towards bankability by enabling projects with a strong gender-responsive component.

<table>
<thead>
<tr>
<th>Component</th>
<th>Budget</th>
<th>Description</th>
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<tbody>
<tr>
<td>Project Preparation</td>
<td>CAD 3.5 million</td>
<td>Enhance Project Bankability</td>
</tr>
<tr>
<td>Coordination and Facilitation</td>
<td>CAD 2.0 million</td>
<td>Offset the expensive coordination and facilitation costs during the various phases of the project cycle</td>
</tr>
<tr>
<td>Gender and Human Rights Advancement</td>
<td>CAD 2.0 million</td>
<td>Ensure that gender and human rights considerations are embedded into CACF loans</td>
</tr>
<tr>
<td>Supervision, Research and Learning</td>
<td>CAD 2.0 million</td>
<td>Improve capacity to operationalize evidence-based monitoring and evaluation systems while supporting evaluative activities</td>
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