African Development Bank
Climate Change and Green Growth Department
2021 ANNUAL REPORT

Improving Access to Financing for Green Growth



With a review of the Climate Change and Green Growth Strategy (2021–2030)

Climate Change and Green Growth Department

AFRICAN DEVELOPMENT BANK GROUP

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Contents

Abbreviations vi
Foreword vii

Section 1: Introduction 1

1.1 Setting the scene 2
1.2 Commitment to adaptation 2
1.3 Commitment to mitigation 3
1.4 Commitment to climate and green finance 3
1.5 Commitment to green growth 4
1.6 Commitment to an enabling environment 4

Section 2: Performance and achievements in 2021 6

2.1 Key achievements 7
2.2 Mobilizing external climate finance 7

Section 3: Climate change mainstreaming 9

3.1 Mainstreaming climate change and green growth into bank-funded projects 10
3.2 Mainstreaming in Country Strategy Papers and Regional Integration Strategy Papers 10
3.3 Climate finance 10
Climate finance from Bank-approved projects 11
Climate finance by sector 12
Climate finance flow by region 13
3.4 Overview of climate finance sources and instruments 13
Climate finance disaggregated by type of financing instrument 13
3.5 Financing climate-resilient development – Adaptation projects 16
3.6 Financing low-carbon building development – Mitigation projects 19
3.7 Spotlight on successful climate change outcomes 19
Reducing energy waste and reliance on fossil fuel-generated electricity in South Africa 19
Program to Build Resilience for Food and Nutrition Security in the Horn of Africa 20
Technologies for African Agricultural Transformation (TAAT) 21
Climate and Development Special Fund (CDSF) 21
The Desert to Power Initiative (DtP) 21

Section 4: Mobilizing climate and green finance 23

4.1 Sources of climate and green finance 24
4.2 Spotlighting key initiatives 24
A new facility to support the transition to clean energy 24
African Green Finance Facility Initiative 25
Financial sector credit facility for SMEs 25

4.3 External climate finance mobilization 25
Green Climate Fund 25
Global Environment Facility 26
Climate Investment Funds 26
Main challenges 27
4.4 Financing Africa's green recovery 27
The Adaptation Benefits Mechanism 28

Section 5: Promoting an enabling environment for climate action in Africa 29

5.1 The Bank approach 30
5.2 Bank support for NDC implementation 30
The Africa NDC Hub 30
The African Financial Alliance on Climate Change 31
5.3 Strategic interventions 31
Paris alignment building blocks 31
The Africa Adaptation Acceleration Program 32
Circular economy 32
Private sector investment for NDCs in Africa 33
PECG monitoring, evaluation, reporting and learning system 33
5.4 Knowledge products 34
5.5 Key events 35
Key events by month 35
COP26, November 2021 36
Capacity-building events 36
5.6 Trust fund case studies 37
The Desert to Power initiative 37
Training for development finance institutions on climate finance action, strategy and management 37
Financing climate-resilient agricultural practices in Ghana 38
Gender activities by Climate Investment Funds 38
5.7 Key initiatives 39
Gender and Climate Action Fast Track Initiative 39
Gender and climate resilience stories 39

Section 6: Climate change and green growth: Policy and strategy 41

6.1 The strategic framework 42
6.2 The Climate Change and Green Growth Policy 42
6.3 The Climate Change and Green Growth Strategy (2021–2030) 43
New commitment under climate change strategy 43
6.4 The Climate Change and Green Growth Action Plan (2021–2025) 43

List of Tables

Table 1: Quantitative achievements 7
Table 2: Qualitative achievements 8
Table 3: Total volume and ratios on various dimensions of climate finance by sector 12
Table 4: Total volume and ratios for climate finance by region 13
Table 5: Share of climate finance in selected projects and initiatives 14
Table 6: Internal and external sources of climate finance 15
Table 7: Approvals versus climate finance by source of finance and their relative contributions 15
Table 8: Climate finance by instrument of financing 16
Table 9: Examples of RDGC projects with significant adaptation outcomes 17
Table 10: Examples of RDGE projects with significant adaptation outcomes 18
Table 11: Examples of RDGN projects with significant adaptation outcomes 18
Table 12: Examples of RDGS projects with significant adaptation outcomes 18
Table 13: Examples of RDGW projects with significant adaptation outcomes 19
Table 14: Examples of approved projects with significant mitigation outcomes 20
Table 15: The MDB building blocks approach to Paris alignment 32
Table 16: 2021 knowledge products 34

List of Figures

Figure 1: Proportion of Bank projects based on climate-informed design 10
Figure 2: Share of Bank investments allocated to climate finance 11
Figure 3: Climate finance versus non-climate finance 11
Figure 4: Adaptation versus mitigation finance 12
Figure 5: Approvals versus climate finance by sector 12
Figure 6: Approvals versus climate finance by region 13
Figure 7: Approval versus climate finance by source 15
Figure 8: 2021 approvals by source (%) 16
Figure 9: Climate finance by source (%) 16
Figure 10: Sample of African Development Bank-CIF key results in 2021 27
Figure 11: Climate change and green growth pillars and special emphasis 42

Abbreviations

AAAP	Africa Adaptation Acceleration Program
AADFI	Association of African Development Finance Institutions
ABM	Adaptation Benefits Mechanism
ACCF	Africa Climate Change Fund
ACEA	African Circular Economy Alliance
ACEF	Africa Circular Economy Facility
ACSA	Africa Climate Smart Agriculture
ACT	Accelerating Coal Transition
ADB	African Development Bank
ADF	African Development Fund
ADF-15	15th replenishment of the African Development Fund
ADRiFi	Africa Disaster Risk Financing Programme
AFAC	African Financial Alliance on Climate Change
AFAWA	Affirmative Finance Action for Women in Africa
AGTF	Africa Growing Together Fund
CACF	Canada-African Development Bank Climate Fund
CCAP2	Second Climate Change Action Plan
CCGG	Climate change and green growth
CDSF	Climate and Development Special Fund
CF	Climate finance
CIF	Climate Investment Funds
COP	Conference of the Parties
COVID-19	Coronavirus disease 2019
CSA	Climate-smart agriculture
CSP	Country Strategy Paper
CSS	Climate Safeguard System
DRC	Democratic Republic of Congo
DtP	Desert to Power
FAPA	Fund for African Private Sector Assistance
FBA	Farmer-based association
FIP	Forest Investment Programme
GAFSP	Global Agriculture and Food Security Programme
GCA	Global Center on Adaptation
GCF	Green Climate Fund
GEF	Global Environment Facility
IFAD	International Fund for Agricultural Development
IPCC	Intergovernmental Panel on Climate Change
LTS	Long-term Strategy
MDB	Multilateral development bank
MSME	Micro, small and medium enterprise
NDC	Nationally Determined Contribution (under the Paris Agreement on Climate Change)
NTF	Nigeria Trust Fund
PBL	Policy-based loan
PECG	Climate Change and Green Growth Department (African Development Bank)
PIFD	Financial Sector Development Department (African Development Bank)
PSF	Private Sector Credit Enhancement Facility
RDGC	General Directorate – Central Africa Region
RDGE	General Directorate – East Africa Region
RDGN	General Directorate – North Africa Region
RDGS	General Directorate – Southern Africa Region
RDGW	General Directorate – West Africa Region
REI	Renewable Energy Integration
RISP	Regional Integration Strategy Paper
RMC	Regional member country
SDG	Sustainable Development Goal
SME	Small and medium enterprise
SOFF	Systematic Observations Financing Facility
SSW	Supplemental Support Window
SEFA	Sustainable Energy Fund for Africa
TAAT	Technologies for African Agricultural Transformation
TFP	Trade Facilitation Programme
TRACE	Transition Africa Towards a Circular Economy
TSF	Transition Support Facility
UMDF	Urban Municipal Development Fund
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WCEF	World Circular Economy Forum

Foreword

The year 2021 began and ended on a note of renewed hope that the world's leaders would successfully set the planet on a trajectory towards net zero emissions. In Africa, Libya ratified the Paris Agreement, becoming the last African nation to do so; over 60% of African countries submitted updated Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change during the year, demonstrating Africa's commitment to and solid leadership on climate change issues. On a global level, the year ended with the Glasgow Climate Pact and 26th Conference of the Parties (COP26) outcomes on scaling climate ambitions, including a financial pledge to support South Africa's Just Energy Transition. However, despite the new initiatives and pledges announced in Glasgow, one vital pledge – that developed countries will commit $100 billion[1] per year by 2020 for climate finance in developing countries – was missed, yet again! This lack of ambition on climate finance is out of step with the 'code red for humanity' alert raised by the Intergovernmental Panel on Climate Change in their sixth assessment report published in 2021. For Africa, the report predicts dire climate-triggered risks resulting in reduced food production, increased heat-related mortality, and flooding from sea-level rises. The report is unequivocal in calling for bold and immediate action to save the planet.

The impacts of climate change are felt heavily in African Development Fund (ADF) recipient countries,[2] with slow-onset and extreme weather events such as increasing average temperatures, and droughts, floods and tropical cyclones happening more often. Changes in climate and weather have the most pronounced impact on the agricultural sector, which provides more than 600 million Africans with food and income. Agriculture, which is critical to the ADF countries' economic growth, faces a serious threat. Climate impacts could destabilize local markets, increase food insecurity, limit economic growth, and increase risk for investors in the agricultural sector.

In urban areas, up to 70% of the population lives in slums where climate vulnerability is very high, amplified by environmental degradation and flooding associated with poor urban planning and access to services. Women, girls, and youth are disproportionately impacted by climate change due to gendered roles and responsibilities, and issues such as lack of access to resources, collateral and decision-making processes.

Lack of access to climate finance has always been the biggest barrier to comprehensively addressing climate change in African countries. It is in recognition of this challenge that the Bank's management has historically set demanding internal climate finance targets, disbursing increasing volumes of climate finance – nearly $25 billion over the last 10 years. Given the importance of climate finance, the Bank's management made an ambitious commitment to double climate finance, from $12.5 billion in the period 2016–2020 to $25 billion in 2020–2025. To meet the growing demand for climate finance, the Bank's management has developed innovative financial initiatives such as the Africa Adaptation Acceleration Program (AAAP) and the Africa Disaster Risk Financing Programme (ADRiFi) to support and accelerate climate adaptation action in the continent. The 15th replenishment of the African Development Fund (ADF-15) has been instrumental in expanding the geographical scope of ADRiFi from two to five countries, and this is expected to continue under the next ADF cycles.

In this regard, ADF resources are expected to play a vital role in addressing climate vulnerability in the context of sustainable development and green recovery. ADF resources can leverage international and domestic public and private finance, catalysing adaptation investment at speed and to scale. With more resources, ADF could help to scale up existing adaptation programmes such as ADRiFi and support the development of new and transformational adaptation projects across ADF countries. In partnership with the Global Center on Adaptation, the African Development Bank will host the Innovative Financing Facility under the AAAP to scale up adaptation investments in climate-resilient agriculture and infrastructure; engage youth, for example through the YouthADAPT challenge, to develop green jobs for young Africans, women, and girls; and create new financing instruments such as green financing facilities and the Adaptation Benefits Mechanism.

1 '$' indicates US dollars.

2 The 37 ADF countries include Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé & Príncipe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

Despite the economic recession triggered by the Coronavirus disease 2019 (COVID-19), the Bank has remained committed to financing Africa's climate adaptation and its adaptation finance has continued to grow, from 63% of total climate finance in 2020 to 67% in 2021 (see Figure 4).

In 2021, the Bank developed its Change and Green Growth Policy Strategic Framework 2021–2025, which outlines its vision, strategic direction and guidance on enhanced climate action ambition for the next 10 years. This strategic framework will guide the Bank's Paris Alignment agenda as well as interventions to direct capital flows at scale to deliver the continent's transformational programmes such as AAAP. The Strategic Framework will help the bank to achieve its commitment of $25 billion in climate finance by 2025 and to allocate at least 40% of its annual investments to climate finance. In addition, the Policy commits the Bank to aligning all investment projects with the adaptation and mitigation goals of host countries and supporting the development of enabling environments by 2023. The Strategic Framework further enables the Bank to scale up the mobilization of climate financing for adaptation and mitigation in line with the NDCs and National Adaptation Plans of ADF countries.

The Strategic Framework also includes a clear mandate to get the private sector financing climate action by strengthening the African Financial Alliance on Climate Change and supporting national Green Banks and carbon markets. Operationalizing the Climate Change and Green Growth Strategic Framework (2021–2030) will require additional resources and a calibration of internal processes to support regional member countries in their low-carbon and climate-resilient development journeys.

In this regard, the Bank is helping to advance African countries' NDCs and Long-Term Strategies – their climate action plans – through investment in priority sectors and in development, implementation, review, progress-tracking and updates, mainstreaming them into national development plans. The Bank's new investments will be 'Paris Aligned' by 2023 and the Bank estimates that Africa's commitments to the Paris Agreement present a $3 trillion investment opportunity between now and 2030. This includes tremendous greenfield investment opportunities that will support sustainable development and climate action across key economic sectors. These opportunities are underpinned by Africa's young workforce, its percentage of untapped arable land (which is the largest in the world), its abundant natural resources including renewable energy, rare-earth metals and minerals, its growing urbanization and consumer base, and the acceleration of digital solutions. With around 30% of global mineral reserves and 60% of the world's uncultivated arable land, Africa offers huge investment potential, particularly in energy and agriculture.

While Africa has been relatively slow to capitalize on development opportunities born of the Agricultural and Industrial Revolutions, the continent is now in a strong position to capitalize on green growth by harnessing the numerous low-carbon, climate-resilient opportunities and technologies available today. In this way, Africa is uniquely placed to leapfrog other nations in its adoption of technology and green growth in an efficient and sustainable way.

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Section 1

Introduction

1.1 Setting the scene

Mounting evidence shows that Africa is more vulnerable than any other continent to the adverse impacts of climate change. According to the latest climate vulnerability index 2021, nine of the ten most vulnerable countries in the world (Chad, Central African Republic, Eritrea, Guinea Bissau, Democratic Republic of Congo, Sudan, Niger, Afghanistan, Liberia, and Somalia) are in sub-Saharan Africa.

More recently, the Sixth Assessment Report[3] of the Intergovernmental Panel on Climate Change (IPCC) confirmed that most parts of Africa are hotspots for human vulnerability to climate change. The economic toll of climate vulnerability on Africa is already very high; since 2020, Africa has been losing an estimated $7–15 billion every year to the devastating effects of climate change. This could rise to about $50 billion per year by 2030, and up to 7% of Africa's GDP on average. This dire situation has been exacerbated by the economic impacts of the COVID-19 pandemic and the unexpected impact of the crisis in Ukraine on fuel and food imports. The triple crisis calls for concerted global efforts to minimize regressions in extreme poverty by accelerating funding for pro-poor transformative programmes. The United Nations Environment Programme (UNEP) 2021 Adaptation Gap Report[4] highlights the urgent need to step up climate adaptation finance. The estimated cost of adaptation in developing countries is five to ten times greater than that of current public adaptation finance flows, and the adaptation finance gap continues to widen.

Historically, Africa's carbon footprint remains relatively small compared with that of other parts of the world. The continent's carbon footprint is derived largely from deforestation and poor land use practices. This trend is set to continue if the continent does not make the transition to greener growth with adequate financing for climate action. It should be noted that Africa's access to climate finance remains very low (only 3%), with a focus on small-scale, fragmented, and uncoordinated operations concentrated mostly in middle-income countries.

The African Development Bank acknowledges that climate finance is crucial for Africa to be able to adapt to the growing impacts of climate change. However, Africa still faces other challenges that have limited its access to climate finance, namely weak capacity among governments, lack of governance and coordination among relevant agencies, lack of prioritization of climate change in national development plans, and limited implementation capacities. The Paris Agreement and Glasgow Climate Pact offer a way forward that supports Sustainable Development Goal (SDG) 13 on climate action and the broader 2030 Agenda for Sustainable Development. In this regard, the Bank continued to help its regional member countries (RMCs) to promote climate action in 2021 with a number of bold commitments, including the following.

1.2 Commitment to adaptation

At the beginning of 2021, The Bank launched the Africa Adaptation Acceleration Program (AAAP) as a bold and ambitious programme to scale up adaptation across Africa, in partnership with the Global Center on Adaptation (GCA). This transformative programme, endorsed by African leaders, aims to mobilize $25 billion for adaptation by 2025, half of which will be provided by the Bank and the rest mobilized through partnerships. AAAP is the largest and most comprehensive initiative supporting African countries' post-pandemic, climate-resilient economic recovery. Through the initiative, the Bank has already engaged with GCA and other partners to strengthen climate adaptation and resilience in new investments worth over $1.6 billion, including investments in climate-smart agriculture, resilient infrastructure, youth and jobs, and innovative financial initiatives.

The Bank is also supporting efforts to enhance food security by implementing climate-smart agriculture and forestry, and sustainable waste management programmes. The Bank-funded flagship programme, Africa Climate Smart Agriculture (ACSA), aims for a sustainable transformation of African agriculture that will ensure food security and resilience in the context of climate change. The programme will see 10 million producers adopting climate-smart agriculture (CSA) technologies and practices; create over 500,000 green jobs; and mobilize $1 billion in CSA projects in Africa. Through the Technologies for African Agricultural Transformation (TAAT) initiative, the Bank supports the private sector in developing and distributing heat-tolerant and drought-resistant crop varieties to African farmers.

3 IPCC (2022). Climate Change 2022: Impacts, Adaptation and Vulnerability, https://www.ipcc.ch/report/ar6/wg2/

4 UNEP (2021). Adaptation Gap Report, https://www.unep.org/resources/adaptation-gap-report-2021

Furthermore, in response to the need for more accurate climate information and services, the Bank invested over $60 million in modernizing and strengthening Africa's regional climate modelling centres to provide reliable forecasts and deploy early warning systems. This high modelling capacity has been used for tracking and curtailing the spread of desert locusts in eastern Africa and providing early warnings to flood-prone areas in West Africa.

1.3 Commitment to mitigation

Historically, most African countries have contributed minimally to global greenhouse gas emissions, particularly in terms of fossil fuel-related emissions; emissions from land use, land-use change and forestry represent a dominant share of most nations' emissions profiles. Nevertheless, in the interests of African countries' commitments to the Paris Agreement – including the long-term goal of limiting the average global temperature rise to well below 2°C (and ideally to 1.5°C) – African nations have opted for a gradual decarbonization and to decouple economic growth from greenhouse gas emissions. Achieving and sustaining the growth needed to end poverty and give all Africans fair opportunities, while moving towards net zero emissions along context-specific pathways, calls for strategic investments in climate mitigation technologies. This is particularly true of carbon-intensive sectors such as energy, transport, industry, manufacturing, waste and agriculture (both livestock and cropping). Being rich in renewable energy resources, Africa has the potential to make rapid transformations through the innovative application of new technology, even though the requisite economic and social infrastructure may yet to be built. Electricity from renewables as well as green and blue hydrogen is yet another opportunity for both market growth on the continent and export to the European market.

The Bank recognizes that its investments must be increasingly aligned with the Paris Agreement, and that its internal operations must also be updated to reduce its carbon footprint. Institutionally, the Bank has already announced that it will cease to invest in coal altogether. Beyond this, the Bank will ensure that all its investments accelerate the transition towards a cleaner, decarbonized future.

1.4 Commitment to climate and green finance

According to the Bank's analysis, the Nationally Determined Contributions (NDCs) developed by African countries represent an estimated $3 trillion of investment by 2030. The Bank recognizes that the private sector's ability to contribute to Africa's climate-resilient and green recovery agenda is constrained by its limited technical capacity, lack of bankable projects, inability to raise climate funds and the poor availability of reliable climate information. To address this, the Bank opened a dialogue with Africa's private sector to create an enabling environment for private sector participation in climate action. The Bank conducted training and capacity building sessions to raise climate awareness in the private sector and financial industry, engaging small and medium enterprises (SMEs), commercial banks, etc. Targeted capacity-building activities in countries including Côte d'Ivoire, Ghana, Kenya, Liberia, and Nigeria helped African SMEs and commercial banks to identify climate risks and opportunities in their businesses and estimate the impact of their business activities on greenhouse gas emissions.

In the wake of COVID-19 recovery efforts, significant progress was made in terms of mobilizing climate finance through the following climate finance windows: $320 million through the Green Climate Fund (GCF); $30 million through the Global Environment Facility (GEF); $69 million through Climate Investment Funds (CIF); $0.4 million through the Africa Climate Change Fund (ACCF); and CA$110 million through the Canada Africa Climate Finance Facility.

To further support private and financial sector participation in climate action, the Bank launched several new initiatives in 2021, including the Private Sector Investment Initiative for NDCs in Africa. This initiative has identified several entry points for the private sector to participate in NDC implementation in seven priority sectors, including agri-business and forestry, renewable energy and energy efficiency, waste management, water and irrigation, green buildings and cities, transport and infrastructure, and the financial sector.

The Bank also developed dedicated toolkits for micro, small and medium enterprises (MSMEs) and financial institutions to mainstream climate resilience and green growth. These toolkits enable African MSMEs to mainstream climate change consideration into their businesses, while mobilizing climate finance

and participating in green investments. These tools are expected to enhance the capacity of the private sector and MSMEs in Africa to attract internal and external climate finance.

The Bank is working to develop the African Green Bank Initiative to help existing financial institutions in Africa through the Green Bank model, which involves raising and blending capital from a variety of sources – including concessional climate finance and domestic funds – to invest in green projects. Recipients of these funds will include MSMEs, which make up most of the African economy. Key areas of investment will be climate-resilient agriculture and closely related fields. This includes off-grid and mini-grid energy solutions, such as solar for agricultural use to power water pumps, and the processing and storage of produce. These interventions build resilience in households, communities and economies, and can greatly improve quality of life. The Bank will also support the creation of Green Banks, to develop and implement a range of green finance instruments that are suited to the needs of the national economy and can facilitate fundraising and lending in the local currency.

The Bank also launched the Adaptation Benefits Mechanism (ABM), which attaches value to resilience and incentivizes the private sector to invest in adaptation. ABM is designed to help African MSMEs invest in adaptation projects by providing a credible and transparent means by which developed countries and consumers can provide finance to make adaptation technologies bankable.

1.5 Commitment to green growth

For the Bank, investing in green growth requires both policy interventions and adequate financing, especially given that green growth investments require significant upfront financing to harness innovative environmental solutions and clean technologies. The goal is to build resilient and low-carbon economies, smart and sustainable cities, green industrialization and climate-resilient infrastructure. Harnessing Africa's potential to achieve this goal will require significant effort and commitment to a strategic vision and governance structure, including sectoral planning, allocating adequate budgetary resources, and establishing sound institutional and coordination arrangements.

The Bank emphasizes that its investments are green and focus on targeted interventions that enhance livelihoods and economic activities in the major development sectors, including agriculture, water, energy, and transport, among others. In addition, the Bank has significantly increased its investments in natural assets to ensure that Africa's natural capital is managed efficiently and sustainably while addressing the existing environmental threats such as desertification, loss of biodiversity, land degradation, and drought. While green growth offers many benefits, most African countries' capacity for achieving it is limited by the lack of readiness and absence of an appropriate enabling environment. Overall, the Bank is committed to Africa's green transformation, which is expected to provide hundreds of millions of green and decent jobs, particularly enhancing the role of youth and women in the labour market and providing opportunities for the next generation.

In this regard, the Bank conducted a joint a study with the Global Green Growth Institute and developed the African Green Growth Readiness Assessment study, which aims to foster a common understanding of the status of green growth implementation in Africa and identify the best ways forward. The study assessed the current state of and trends in green growth in Africa, including green growth readiness levels, to make recommendations for advancing green growth, using Long-term Strategies (LTSs), NDCs, SDGs and green recovery mechanisms.

1.6 Commitment to an enabling environment

Through the Africa NDC Hub, the Bank has established a strong collaborative platform with 20 other international and regional organizations to help RMCs revise and implement their NDCs under the Paris Agreement. The Hub focuses on fostering long-term climate action, mobilizing means of implementation including climate finance, and building partnership and advocacy. Hosted by the Bank, the Hub has helped several African countries including Côte d'Ivoire, Guinea and Guinea Bissau to revise their NDCs. The Hub has also mobilized funds to develop long-term, low-carbon and climate-resilient visions in Botswana, Gabon, Lesotho, Liberia, and Senegal.

The African Financial Alliance on Climate Change (AFAC) is a platform developed by the Bank which fosters climate action by promoting knowledge sharing, green financial instruments, climate risk disclosure and climate finance flows among African financial institutions that lend to the African private sector. It helps these institutions to align their financial flows to support low-carbon and climate-resilient

projects. The Alliance works with stock exchanges, institutional investors, treasuries, development finance institutions and others to raise awareness of the importance of green investments.

The Bank actively participated in the United Nations Framework Convention on Climate Change (UNFCCC) 26th Conference of the Parties (COP26) in Glasgow, United Kingdom in November 2021. After approval in January 2021 of the Bank's internal Approach Paper for the new Climate Change and Green Growth Strategic Framework, significant progress was made in developing the high-level policy and the Bank's Long-Term Climate Change Strategy. At COP26, the Bank officially announced its new strategic framework, adopted by the Board of Directors in October 2021, which sets out its renewed commitments and ambitions to respond to climate change and promote green growth in Africa. The framework includes the high-level policy, LTS (2021–2030), and a five-year action plan (2021–2025) on climate change and green growth. Through this framework, the Bank further committed to making all new Bank operations and sector strategies fully Paris-aligned by 2023, with country-level and internal alignment by 2025. The Board of Directors also adopted an amendment to the Bank's Energy Sector Policy of 2012, aligning the Energy Policy with the Bank's commitment on coal-free financing.



Section 2

Performance and achievements in 2021

2.1 Key achievements

The Climate Change and Green Growth Department (PECG) spent much of the year preparing for the UNFCCC COP26 in Glasgow, UK in November 2021; furthering the Paris Alignment agenda; finalizing the Climate Change and Green Growth Strategic Framework; and launching special initiatives such as the AAAP.

Tables 1 and 2 below summarize the main achievements (quantitative and qualitative) for each key performance indicator during the year. The Bank aimed to ensure that all projects approved in 2021 not only mainstreamed climate change and green growth but were also based on climate-informed design. During the year, the Board of Directors approved 121 projects, 92% of which were based on a climate-informed design.

This section showcases PECG's achievements in 2021, with Table 1 illustrating the quantitative and Table 2 the qualitative achievements.

2.2 Mobilizing external climate finance

The Bank committed to mobilize $610 million from different climate-dedicated funds (ACCF, CIF, GCF and GEF). The Bank mobilized $519 from different climate-dedicated funds, representing 85% of its commitments. The funds were mobilized through the following climate finance windows:

- **Green Climate Fund (GCF)** – Desert to Power G5 Sahel Facility: The Desert to Power Funding Proposal was approved by the GCF Board for $150 million, with strong support from Board members.
- **Global Environment Facility (GEF)** – GEF7 is coming to an end in June 2022, and three proposals were submitted for a total of $44 million: TRACE ($25 million), Sao Tome and Principe ($9 million) irrigation and fisheries ($4 million), and a farm project with UNEP ($5 million). In 2022, a further $18.25 million is targeted.

Table 1: Quantitative achievements

Goal	Indicator	Target	Achievement
Mainstreaming climate change and green growth into all Bank projects	Proportion of approved Bank projects with climate-informed design	100%	92%
Mainstreaming climate change and green growth into all Bank Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs)	Proportion of Bank CSPs/RISPs with climate-informed design (Comoros, Mali, Senegal, Seychelles and The Gambia)	100%	100%
Mainstreaming climate change and green growth into African Development Fund (ADF) projects	Proportion of ADF-approved projects with climate-informed design	100%	97%
Share of climate finance in all Bank project approvals	Percentage of Bank's climate finance	40%	41%
Externally mobilized climate finance	GCF		$320m
	GEF (Council)		$10m
	GEF (CEO)		$20m
	CIF		$69m
	ACCF		$0.4m
	Canada-African Development Bank Climate Fund (CACF)		CA$110m
	Total amount mobilized from climate-dedicated funds (ACCF, CIF, GCF and GEF)	$610m	$519m
Ensuring parity between adaptation finance and mitigation finance	Percentage of Bank's adaptation finance	50% (60/40)	67/33
Delivering on Bank pledge of $25 billion annual climate finance by 2025	Volume of annual climate finance	$3b	$2,152b

Table 2: Qualitative achievements

Workstream	Achievements
Africa NDC Hub	Supported Korea-Africa Economic Cooperation climate finance training for 70 graduates (43 anglophone, 9 lusophone, 18 francophone). Established a website for the Hub. Launched flagship report[5] on Africa's NDC journey and the imperative for climate finance innovation at COP26. Proposals for LTS development in five countries were accepted.
African Financial Alliance on Climate Change (AFAC)	Launched a flagship report on climate risk regulation in Africa's financial institutions at COP26, presented at the Africa Reinsurance Forum. Initiated partnership with UNEP Finance Initiative, GCA, the Bank's Financial Sector Development Department (PIFD) and the African Insurers Organization. Sector training for the Association of African Development Finance Institutions (AADFI) on climate change mainstreaming, with Fund for African Private Sector Assistance (FAPA) funding. Recruited firm to prepare in-depth analysis of climate risk regulation and classification in Africa's financial institutions (ongoing).
Advocacy and outreach	Participated in the virtual Africa Climate Week in March and September 2021. Participated in COP26 (November 2021) in Glasgow. Participated in various virtual events throughout the year (fora, webinars, high-level gatherings).
African Circular Economy Facility (ACEF)	Finalized legal negotiations for establishing ACEF.
African Circular Economy Alliance (ACEA)	Extended ACEA membership to three new countries (Benin, Burkina Faso and Sudan) and two new partners (Footprints Africa and Local Governments for Sustainability Africa). Organized regional awareness and knowledge-sharing seminars including three fora (World Circular Economy Forum [WCEF] + Climate, WCEF2021, World Resource Forum), one annual meeting and three technical committee meetings. Policy advocacy, including one policy brief (approved by co-chairs), market research, and working groups implemented in line with the Five Big Bets for the circular economy. Website launched. Mobilized resources, submitting funding proposals (European Commission, FAPA, Konrad Adenauer Foundation, United States of America) and two budget proposals (project coordination for Platform for Accelerating the Circular Economy and World Resources Institute circular food systems project, and the GEF Transition Africa Towards a Circular Economy [TRACE] programme).
Climate Change and Green Growth Strategic Framework	Adopted and brought into force the Climate Change and Green Growth Policy/Strategy/Action Plan.
AAAP	Launched and operationalized the AAAP.
Paris Alignment	Began preparations for the Bank's Paris Alignment Roadmap as part of its engagement on the Paris Alignment.
Great Green Wall Initiative	Engagement on the Initiative.
Financial sector credit facility for SMEs	Began development of the Financial Sector Credit Facility for SMEs with PIFD.
COP26	Successful coordination, preparation and delivery of the Bank's COP26 activities.
Monitoring, evaluation, reporting and learning system	Development of the PECG system.

- **Climate Investment Funds (CIF)** – A Technical Assistance Grant of $1 million was approved for the technical preparatory studies for the implementation of a sustainable district heating and cooling project in Bab Saadoun Medical Complex in Tunis, Tunisia. In addition, the Bank submitted 15 proposals to the CIF Administrative Unit for funding country engagement in the 2022 financial year.
- **Canada-African Development Bank Climate Finance Facility (CACF)** – The CA$132.9 million CACF, a transformative special fund aimed at providing concessional loans to climate change-related projects, was signed in March 2021. Preparation of the Fund's operational guidelines is under way; once they are complete, the fund will be operational.

5 Africa NDC Hub (2021). Africa's NDC journey and the imperative for climate finance innovation, https://africandchub.org/sites/default/files/2021-11/211103_ANDC%20Hub_Africa%E2%80%99s%20NDC%20journey%20and%20climate%20finance_.pdf



Section 3

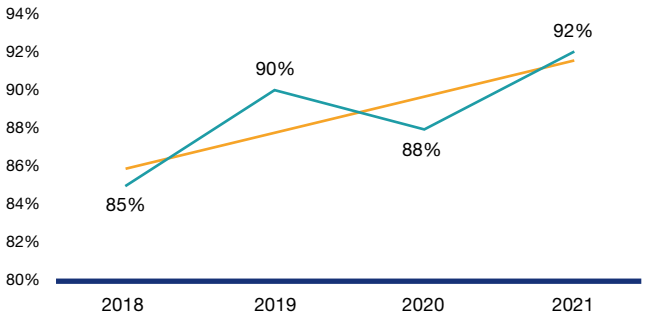
Climate change mainstreaming

3.1 Mainstreaming climate change and green growth into bank-funded projects

The Bank helps African countries to evaluate their carbon and climate risk exposure through climate change mainstreaming and policy support to implement climate-resilient and low-carbon risk reduction strategies.

Since climate variability and change has emerged as a major challenge to development efforts, potentially undermining and complicating past and present development efforts as well as increasing social problems, the Bank has worked with member countries to evaluate their carbon exposure and develop reduction strategies. Climate change mainstreaming responds to the high-level corporate objectives of the Bank. Since 2016, the Bank has made significant progress in mainstreaming climate change and green growth into its projects and policy documents. The Bank has increased the percentage of climate-screened projects over the years in relation to portfolio growth. Since 2016, the percentage of Bank projects based on climate-informed considerations has increased from 77% of all approvals in 2016 to 92% in 2021. The Bank's ambition is to screen all projects against climate risk by the end of 2025. Figure 1 illustrates the trend from 2018 to 2021.

Figure 1: Proportion of Bank projects based on climate-informed design



The mainstreaming of climate change considerations into the Bank's projects is achieved through the Climate Safeguard System (CSS) and Greenhouse gas Accounting Tool. The tool helps to estimate long-term greenhouse gas emissions associated with the construction and operation of a proposed project, thereby helping governments/clients to decide if they can 'afford' to run the project or its assets for its economic lifetime, and providing a greenhouse gas emission intensity figure to help show whether the asset helps to mitigate greenhouse gas emissions in the long term. The CSS helps to screen projects for potential climate risks and to build adaptation, resilience and mitigation measures into projects from the start, with a view to protecting the Bank's investments from climate risks and promoting opportunities for climate action and green growth. Of the 121 projects approved in 2021, 92% applied the CSS tool, indicating an increasing use of the tool among project teams.

3.2 Mainstreaming in Country Strategy Papers and Regional Integration Strategy Papers

With the Guidance Document for Mainstreaming Climate Change in the Country Strategy Papers (CSPs), Regional Integration Strategy Papers (RISPs) and the CSS and Greenhouse gas Accounting Tool, the Bank is actively engaging in a more climate-resilient and low-carbon development pathway, as per the objectives of the Paris Agreement.

During the development stage of a CSP or RISP, climate change is mainstreamed at various stages – most notably during the design of the Country Diagnostic Notes, and when policy documents are reviewed for climate change and green growth considerations. Any Bank CSP or RISP now covers the entire CSP/RISP programming cycle, which includes the concept note stage, the preparation of the CSP/RISP and dialogue, the implementation and monitoring of the CSP/RISP, the midterm review, and the CSP/RISP completion. At each stage, climate change experts support and undertake key activities, including climate change and green growth mainstreaming. CSPs and RISPs also evaluate the extent of integration of NDCs, development plans, SDG plans and relevant green growth policies. In addition, they highlight how the development community is working together with the RMCs to address climate change, and which leading initiatives the RMC is participating in, such as the NDC Partnership, the 2050 Pathways Platform, Carbon Pricing Leadership Coalition, Partnership for Market Readiness, Reducing Emissions from Deforestation and Forest Degradation (REDD+), etc.

3.3 Climate finance

Climate finance is one of the primary policy instruments used to advance climate action in the region. The bulk of the Bank's climate finance

(83%) comes from internal sources, including the two funding windows of the Bank (the African Development Bank itself and ADF). External climate funds, which include global climate and environmental funds (for which the Bank is an implementing entity) and internal trust funds hosted at the Bank, accounted for 17% of total Bank climate finance in 2021. As the Bank raises its climate finance ambitions for the coming Decade of Action – a pivotal period for achievement of the Paris Agreement goals – it will scale up climate finance from current sources, and external sources.

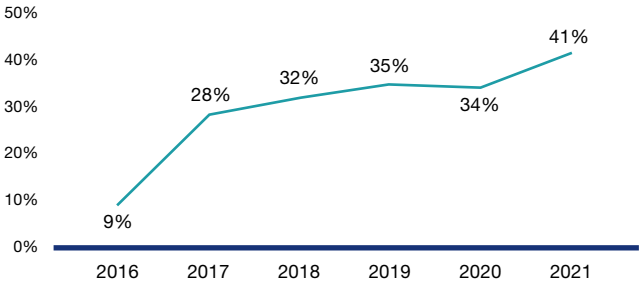
To meet the challenge of increased climate finance, the Bank will strive to raise the proportion of global climate finance coming into Africa to 10% by 2030 (from the current 3%). The Bank will achieve this goal by significantly expanding its own climate finance; increasing funding from external climate funds including CIF, GCF, and GEF; developing and capitalizing more thematic funds and instruments; and catalysing climate finance to unlock domestic and international capital for investment in Africa, promoting and increasing domestic investment.

The Bank has reported jointly with other multilateral development banks (MDBs) on climate finance since 2011 using a joint methodology for tracking climate finance. This is based on harmonized principles and agreed methodologies for tracking adaptation climate finance, mitigation climate finance, and projects with dual benefits. Consequently, it includes both greenfield and brownfield renewable energy and transport modal shift projects. The data and statistics used in reporting on climate finance result from the uniform application of the methodologies developed by the MDBs for their portfolios.

The MDB methodologies for climate finance tracking align with the Common Principles for Climate Change Mitigation Finance Tracking, as jointly agreed by the MDBs and the International Development Finance Club in March 2015 and first published in July 2015.

Under the Second Climate Change Action Plan (CCAP2), the Bank committed to allocating 40% of annual approvals (expected to be $25 billion between 2020 and 2025) as climate finance by 2020. The Bank also committed to reaching parity between adaptation and mitigation, closing the historical gap of more mitigation than adaptation finance. The Bank's climate finance performance grew from 9% in 2016 to 28% in 2017, 32% in 2018 and 35% in 2019, before falling slightly to 34% in 2020 and rising again to 41% in 2021 (Figure 2). In 2020, the Bank met its target of 20% (which was revised down from 40% due to the unanticipated need to redirect resources to the COVID-19 pandemic response).

Figure 2: Share of Bank investments allocated to climate finance



As a proportion of Bank approvals, climate finance resources reached 41% in 2021, up from 34% in 2020. Meanwhile, the split between adaptation and mitigation financing has changed over time, and in 2021 67% of Bank climate finance went to adaptation. This raised the profile of adaptation within and outside the Bank. Currently, the Bank is the only MDB which has achieved parity between adaptation and mitigation.

CLIMATE FINANCE FROM BANK-APPROVED PROJECTS

In 2021, Bank climate finance totalled $2,412 million in volume. Of that, $1,616 million went to adaptation and resilience building across 10 Bank operational sectors.

Figure 3 shows the proportion of climate finance versus non-climate finance disbursed in 2021. Figure 4 illustrates adaptation versus mitigation finance.

Figure 3: Climate finance versus non-climate finance

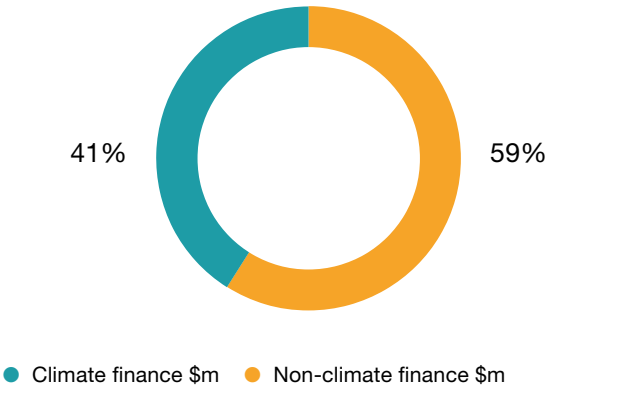
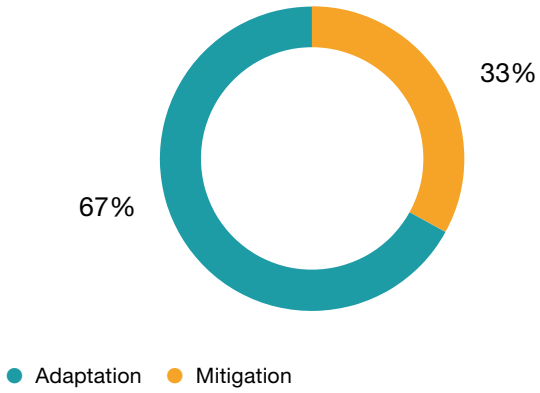


Figure 4: Adaptation versus mitigation finance



CLIMATE FINANCE BY SECTOR

During the reporting period, multi-sector projects ranked the highest (26%), followed by transport (21%) and agriculture (17%) in terms of total Bank investment approvals. Energy and power, water supply and sanitation, and agriculture are the three sectors with the greatest climate action, where climate finance accounted for about 83%, 70%, and 58% of sector approvals, respectively (see Table 3 and Figure 5 below). Together, agriculture (24%), energy and power (21%), and transport (16%) accounted for about 61% of all climate finance for the year 2021.

Table 3: Total volume and ratios on various dimensions of climate finance by sector

	Approvals $m	Climate finance (CF) $m	Adaptation finance $m	Mitigation $m	% CF	Share of CF %	Share of approvals %
Multi-sector	1,520	295	212	83	19%	12%	26%
Transport	1,237	388	212	176	31%	16%	21%
Agriculture	997	578	578	—	58%	24%	17%
Finance	674	185	99	86	28%	8%	12%
Energy/power	600	497	73	424	83%	21%	10%
Water and sanitation	409	287	287	—	70%	12%	7%
Industry, mining and quarrying	162	43	18	25	27%	2%	3%
Environment	120	100	100	—	83%	4%	2%
Social	76	25	25	—	33%	1%	1%
Urban development	64	13	12	1	20%	1%	1%
Information and communication technology	2	—	—	—	0%	0%	0%
Total	5,861	2,411	1,616	795	41%	100%	100%

Figure 5: Approvals versus climate finance by sector

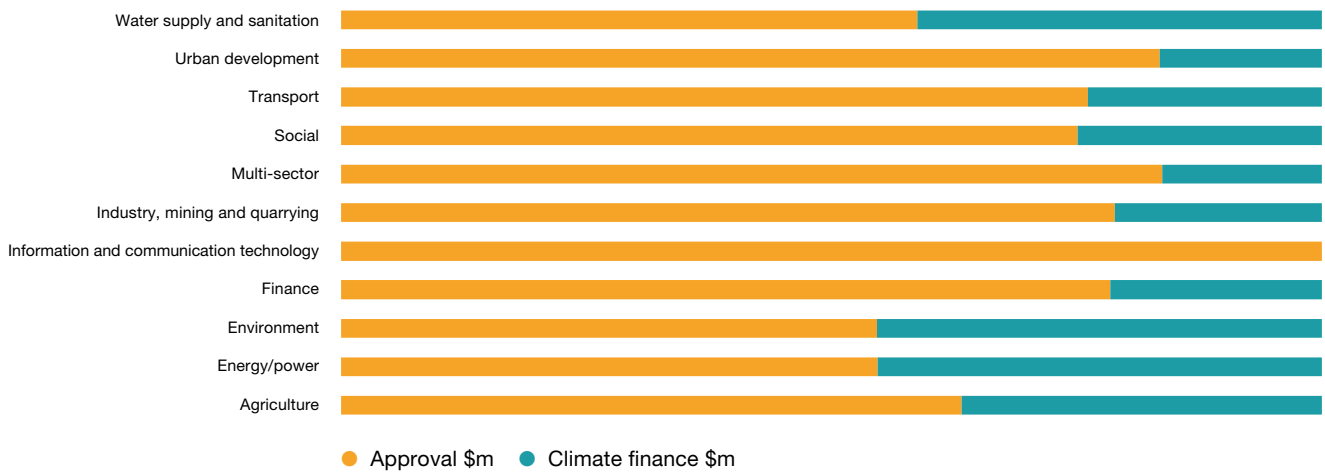


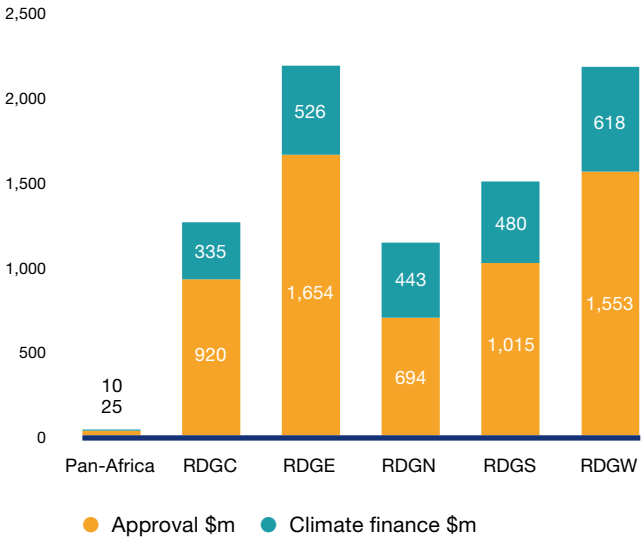
Table 4: Total volume and ratios for climate finance by region

Region	Approvals $m	Climate finance (CF) $m	Adaptation finance (AF) $m	Mitigation $m	% CF	Share of CF %	% AF	Share of approvals %
Pan-Africa	25	10	5	5	38%	0%	50%	0%
RDGC	920	335	278	58	36%	14%	83%	16%
RDGE	1,654	526	298	228	32%	22%	57%	28%
RDGN	694	443	169	274	64%	18%	38%	12%
RDGS	1,015	480	405	75	47%	20%	84%	17%
RDGW	1,553	618	463	155	40%	26%	75%	27%
Total	5,861	2,412	1,618	795	41%	100%	67%	100%

CLIMATE FINANCE FLOW BY REGION

About 54% of the Bank's overall investment approvals were in the Eastern Africa (RDGE) and West Africa (RDGW) regions. Likewise, 68% of the Bank's climate finance flow was to East Africa, West Africa, and Southern Africa (RDGS), as shown in Table 4. The Bank's climate finance to RDGW, RDGS, and Central Africa (RDGC) was predominantly adaptation finance, while climate finance in North Africa (RDGN) was predominantly mitigation. Figure 6 shows approvals versus climate finance by region. Table 5 shows the share of climate finance in selected projects and initiatives.

Figure 6: Approvals versus climate finance by region



3.4 Overview of climate finance sources and instruments

The Bank's climate finance in 2021 came from 4 internal and 16 external sources. The internal sources – the public sector, private sector, ADF, and the Nigeria Trust Fund (NTF) – accounted for 79% of approvals and 83% of climate finance. The 16 external financing sources accounted for 21% of all approvals and 17% of total climate finance for 2021 (see Tables 6 and 7, and Figures 7, 8, and 9). The Bank public sector and ADF contributed 71% of climate finance in terms of volume while the Transition Support Facility (TSF) – Supplemental Support Window (SSW) (Pillar I, Africa Growing Together Fund) and CIF contributed the most in terms of climate finance by volume from external sources.

CLIMATE FINANCE DISAGGREGATED BY TYPE OF FINANCING INSTRUMENT

The Bank uses several financing instruments (see Table 8 for those used in 2021). Among them, loans, grants, and policy-based loans (PBLs) were the most important in 2021, both in terms of total volume and in terms of climate finance, accounting for 84% of all approvals and 92% of climate finance. Most climate finance from these three instruments – loans (70%), grants (57%), and PBLs (100%) – is adaptation finance, and the remainder is mitigation finance. In general, the climate finance portfolio mix of 2021 suggests that the volume and impact of climate finance depends on the smart use of these three instruments.

Table 5: Share of climate finance in selected projects and initiatives

Project description	Country	Region	Sector	Financing source	Instrument	Approvals $m	Climate finance %	Mitigation $m
Spark+ Africa Fund, a clean-cooking ecosystem fund	Multinational	Pan-Africa	Energy-power	Sustainable Energy Fund for Africa (SEFA)	Equity participation	5	100%	5
Proposed Risk Participation of the Private Sector Credit Enhancement Facility in the loan to Nachtigal Hydro Power Company	Cameroon	RDGC	Energy-power	Private Sector Credit Enhancement Facility	Risk participation	10	100%	10
Kinguele Aval Hydropower Project	Gabon	RDGC	Energy-power	ADB private sector	Loan	24	100%	24
Kinguele Aval Hydropower Project	Gabon	RDGC	Energy-power	Africa Growing Together Fund	Loan	12	100%	12
Kinguele Aval Hydropower Project	Gabon	RDGC	Energy-power	SEFA	Loan	11	100%	11
ECCAS: Support Project for the Development of the Institutional and Regulatory Framework for Electricity in Central Africa	Multinational	RDGC	Energy-power	ADF	Grant	7	100%	7
Establishment of a Regional Project Acceleration Unit in Central African Power Pool	Multinational	RDGC	Energy-power	ADF	Grant	3	100%	3
Transmission System Reinforcement and Last Mile Connectivity Project	Rwanda	RDGE	Energy-power	ADF	Grant	49	50%	24
Ethiopia Djibouti Second Power Interconnection Project, Phase II	Multinational	RDGE	Energy-power	ADF	Grant	71	100%	71
Ethiopia Djibouti Second Power Interconnection Project, Phase II (Additional financing)	Multinational	RDGE	Energy-power	ADF	Grant	14	100%	14
Energy Access Project Phase 1	Burundi	RDGE	Energy-power	Transition Support Facility Pillar I	Grant	17	100%	17
Kom Ombo Solar PV Project	Egypt	RDGN	Energy-power	ADB private sector	Loan	27	100%	27
Egypt National Railway Modernization Project	Egypt	RDGN	Transport	ADB	Loan	176	100%	176
Electricity and Green Growth Support Program II	Egypt	RDGN	Energy-power	ADB	Loan	101	70%	71
Mozambique Energy for All	Mozambique	RDGS	Energy-power	ADF	Grant	17	100%	17
Mozambique Energy for All	Mozambique	RDGS	Energy-power	ADF	Grant	20	100%	20
Energy Sector Reform Support	Zimbabwe	RDGS	Energy-power	ADF	Grant	4	100%	4
Desert to Power Initiative West Africa Regional Energy Program Phase I	Multinational	RDGW	Energy-power	ADF	Grant	4	100%	4
Desert to Power Electrification and Power Connection Development Project	Burkina Faso	RDGW	Energy-power	ADF	Loan	50	100%	50
Desert to Power – Electrification and Power Connection Development Project	Burkina Faso	RDGW	Energy-power	ADF	Grant	21	100%	21

Note: ECCAS = Economic Community of Central African States; ADB = African Development Bank.

Table 6: Internal and external sources of climate finance

Internal sources	External sources
ADB public sector	Africa Digital Financial Inclusion Facility
ADB private sector	ADRiFi Multi-Donor Trust Fund
ADF	Africa Growing Together Fund (AGTF)
NTF	European Union-Africa Infrastructure Trust Fund
	Global Agriculture and Food Security Program (GAFSP) trust fund
	International Fund for Agricultural Development (IFAD)
	Multi-Donor Trust Fund for Zimbabwe
	OPEC Fund for International Development
	Private Sector Credit Enhancement Facility (PSF)
	Special Relief Fund
	SEFA
	TSF – SSW (Pillar I)
	TSF – Arrears Clearance Window (ACW) (Pillar II)
	Women Entrepreneurs Finance Initiative
	Youth Entrepreneurship and Innovation Multi-Donor Trust Fund
	CIF

Table 7: Approvals versus climate finance by source of finance and their relative contributions

Source of finance	Approvals $m	Climate finance (CF) $m	Adaptation $m	Mitigation $m	% CF	Share of CF	Share of approvals %
INTERNAL RESOURCES							
ADB	2,245	930	661	269	41%	39%	38%
ADB private sector	656	307	169	138	47%	13%	11%
ADF	1,716	760	500	261	44%	32%	29%
NTF	5	5	5	—	100%	0%	0%
Total internal resources	4,622	2,002	1,335	668	43%	83%	79%
Total external resources	1,240	409	282	127	33%	17%	21%
Bank total	5,862	2,411	1,617	795	41%	100%	100%

Figure 7: Approval versus climate finance by source

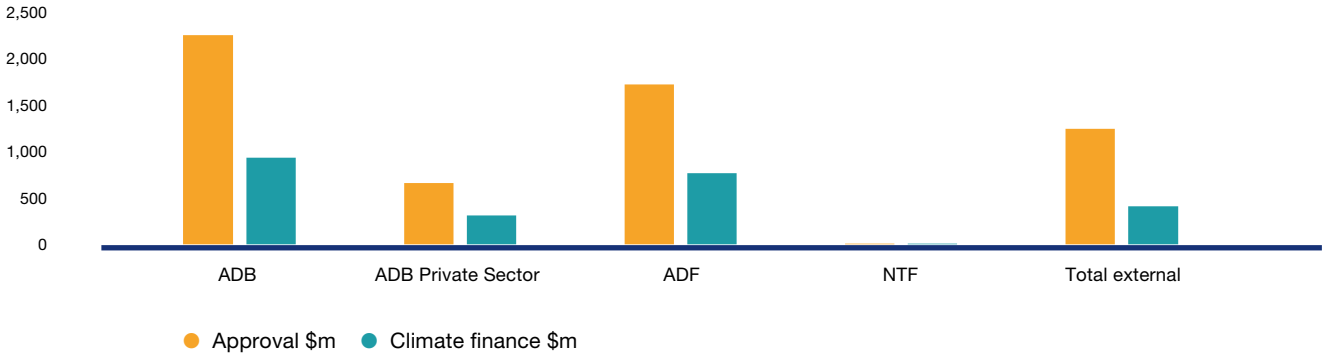


Figure 8: 2021 approvals by source (%)

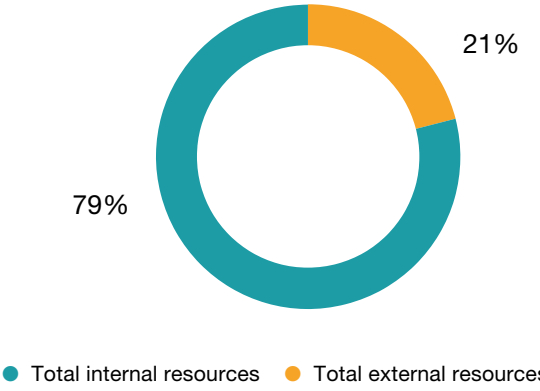


Figure 9: Climate finance by source (%)

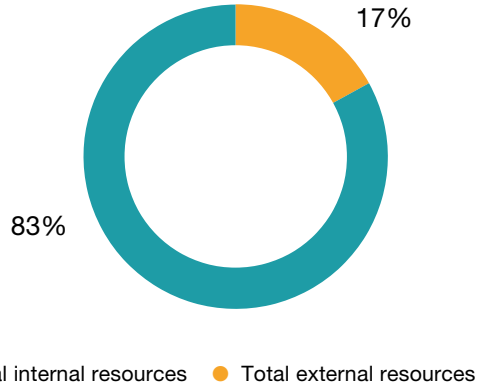


Table 8: Climate finance by instrument of financing

	Approvals $m	Climate finance (CF) (CF) $m	Adaptation finance (AF) $m	Mitigation $m	% CF	Share of CF %	Share of approvals %	% AF
Risk participation	148	29	29	—	19%	1%	3%	100%
Arrears clearance programme	424	—	—	—	0%	0%	7%	0%
Equity participation	39	19	5	14	49%	1%	1%	26%
Grant	1,336	663	376	288	50%	28%	23%	57%
Line of credit	216	83	14	69	38%	3%	4%	17%
Loan	2,739	1,393	977	416	51%	58%	47%	70%
Partial credit guarantee	40	20	12	8	50%	1%	1%	59%
PBL	846	205	205	—	24%	8%	14%	100%
TFP – Soft Commodity Finance Facility loan	75	—	—	—	0%	0%	1%	0%
Total	5,863	2,412	1,618	795	41%	100%	100%	67%

Note: TFP = Trade Facilitation Programme.

3.5 Financing climate-resilient development – Adaptation projects

The Bank's commitment to climate change adaptation sets it apart from other MDBs and illustrates the Bank's global role as a champion for climate adaptation and resilience. The Bank has recognized and is acting on the need for parity between climate adaptation and mitigation finance. The Bank achieved its target during the CCAP2 period and, through its ongoing commitment, aims to make adaptation finance account for at least half of its approved operations.

In 2021, the Bank approved several projects contributing to climate change adaptation and resilience building in Central Africa:

- **Central African Republic:** The Resilience, Food and Nutrition Security Support Project in Kemo and Ouaka prefectures has approved funding of $26 million, of which $18 million is adaptation finance.
- **Democratic Republic of the Congo (DRC):** The Project for the Reinforcement of Socio-Economic Infrastructure in the Central Region, which works mainly in the water supply and sanitation sector, has approved funding of $70 million, of which around $35 million is for adaptation and resilience building.
- **Cameroon:** The Yaoundé City Sustainable Enhanced Drainage and Sanitation Project has an

Table 9: Examples of RDGC projects with significant adaptation outcomes

Project description	Country	Sector	Financing source	Instrument	Approvals $m	Climate finance $m
Resilience, Food and Nutrition Security Support Project in Kemo and Ouaka prefectures	Central African Republic	Agriculture	ADF and Global Agriculture and Food Security Program Trust Fund	Grant	26	18
Integrated Agricultural Value Chains Development Project	Congo	Agriculture	CIF	Loan	6	6
Project to support the productivity and competitiveness of meat and dairy value in Chad	Chad	Agriculture	Transition Support Facility – SSW (Pillar I)	Grant	21	11
Economic Reforms Support Programme	Gabon	Multi-sector	ADB	PBL	59	30
Project for the Reinforcement of Socio-Economic Infrastructure in the Central Region – Phase II	DRC	Water and sanitation	ADF	Loan	70	35
Yaoundé City Sustainable Enhanced Drainage and Sanitation Project	Cameroon	Water and sanitation	ADF	Loan	38	38

approved total outlay of $38 million and a full cost of $38 million. The project aims to build a climate-resilient storm water conveyance system and sanitation services for Yaoundé City.

Table 9 lists some examples of projects in Central Africa with significant adaptation outcomes.

Several projects in the Eastern Africa region will have climate adaptation and resilience-building outcomes (Table 10). For instance:

- The multinational Program to Build Resilience for Food and Nutrition Security in the Horn of Africa (Djibouti, Kenya, Somalia, and South Sudan) has total approved funding of $116 million, of which about $96 million focuses on climate change adaptation and resilience-building measures, in particular to counter the human and livelihood costs of frequent and intense drought.
- The multinational project ARCH[6] Cold Chain Solutions East Africa is financed through the Bank's private sector window with equity participation of $10 million, of which about $5 million is climate finance. The project will improve Eastern Africa's cold chain capacity, thereby enhancing agricultural resilience.
- In Sudan, the ADRiFi Programme has total funding of $5 million, all of which is climate finance.
- In Ethiopia, productivity enhancement support to the Integrated Agro-Industrial Parks and Youth Employment project is approved with a total of $47 million in funding, all of which aims to increase the resilience of smallholder farmers by building new business models and ecosystems.

As in other regions, the Bank's investment in North Africa contributes positively to climate change adaptation and resilience building. In Mauritania, the Promotion of Gender-Sensitive Agricultural Value Chains to Support the Agricultural Transformation Support Programme has approved total funding of $5 million and aims to build resilience among smallholders in the target community. Similarly, in Morocco, the Inclusive and Sustainable Development Project for Agricultural and Rural Areas has an approved total outlay of $132 million, of which $119 million is allocated to building resilience in rural areas (Table 11).

In Southern Africa, initiatives such as the Mozambique Climate Insurance Finance and Resilience Project and the South Africa-Lesotho Highlands Water Project (Phase II) are deploying innovative adaptation solutions. In Mozambique, the Climate Insurance Finance and Resilience Project, approved with a total amount of $43 million, aims to build resilience among businesses and smallholders in the agriculture sector. The collaborative, cross-border South Africa-Lesotho Highlands Water Project, aims to increase water security in South Africa by tapping the potential of Lesotho (Table 12). Similar projects are approved in West Africa (Table 13).

6 ARCH Emerging Markets Partners Limited is a specialist emerging markets investment adviser.

Table 10: Examples of RDGE projects with significant adaptation outcomes

Project description	Country	Sector	Financing source	Instrument	Approvals $m	Climate finance $m
Multi-Sectoral Approach for Stunting Reduction Project	Ethiopia	Social	ADF	Grant	32	16
ADRiFi Programme	Sudan	Agriculture	ADF	Grant	5	5
Productivity enhancement support to the Integrated Agro-Industrial Parks and Youth Employment – Revised Version	Ethiopia	Agriculture	ADF	Grant	47	47
Energy Access Project - Phase II	Burundi	Energy-power	ADF	Grant	12	12
ARCH Cold Chain Solutions East Africa	Multinational	Agriculture	ADB private sector	Equity participation	10	5
Programme to Build Resilience for Food and Nutrition Security in the Horn of Africa (Djibouti, Kenya, Somalia, and South Sudan)	Multinational	Environment	ADF Transition Support Facility (TSF) - SSW (Pillar I)	Grant	116	96

Table 11: Examples of RDGN projects with significant adaptation outcomes

Project description	Country	Sector	Financing source	Instrument	Approvals $m	Climate finance $m
Promotion of Gender-Sensitive Agricultural Value Chains to Support the Agricultural Transformation Support Programme	Mauritania	Agriculture	NTF	Loan	5	5
Water Access Sustainability Security Project – additional financing	Morocco	Water and sanitation	ADB	Loan	21	21
Inclusive and Sustainable Development Project for Agricultural and Rural Areas	Morocco	Agriculture	ADB	Loan	132	119

Table 12: Examples of RDGS projects with significant adaptation outcomes

Project description	Country	Sector	Financing source	Instrument	Approvals $m	Climate finance $m
Climate Insurance Finance and Resilience Project	Mozambique	Agriculture	TSF - SSW (Pillar I)	Grant	43	43
Lesotho Highlands Water Project Phase II	South Africa	Water and sanitation	ADB	Loan	86	86
Programme for Improving Fisheries Governance and Blue Economy Trade Corridors in the Southern African Development Community	Multinational	Agriculture	ADF	Grant	9	5
ETC Group Limited Trade and Agri-Finance Facility	Multinational	Agriculture	ADB private sector	Loan	75	75
Chiansi Smallholder Outgrower Support Project	Zambia	Agriculture	ADF	Loan	10	6

Table 13: Examples of RDGW projects with significant adaptation outcomes

Project description	Country	Sector	Financing source	Instrument	Approvals $m	Climate finance $m
Société Internationale de Plantations d'Hévéas Regional Investment Programme	Multinational	Industry, M and Q	ADB private sector	Loan	36	19
Water Valorisation for Value Chains Development Project	Senegal	Agriculture	OPEC Fund	Loan	20	12
Smallholder Agriculture Development for Food and Nutrition Security	Liberia	Agriculture	GAFSP trust fund	Grant	8	5
Project to Improve Sanitation and the Living Environment in the Autonomous District of Abidjan	Côte D'Ivoire	Water and sanitation	ADB	Loan	57	57
Leraba Plain Management and Development Project	Burkina Faso	Agriculture	IFAD	Loan	10	10
NSIA Bank	Côte D'Ivoire	Finance	ADB private sector	Line of credit	60	30
Gambia Agriculture and Food Security Project	The Gambia	Agriculture	GAFSP trust fund	Grant	16	10
Special Agro-Industrial Processing Zone Project	Liberia	Agriculture	ADF	Loan	11	6
Special Agro-Industrial Processing Zone Project	Sierra Leone	Agriculture	TSF - SSW (Pillar I)	Grant	15	7

3.6 Financing low-carbon building development – Mitigation projects

In 2021, the Bank approved $862 million in mitigation finance, which represents about 36% of the climate finance for the reporting year. The Bank's mitigation finance is predominantly in the energy sector, while contributions to the transport sector are also substantial.

Examples of mitigation projects approved in 2021 (Table 14):

- Egypt National Railway Modernization Project: Approved funding of $176 million
- Ethiopia Djibouti Second Power Interconnection Project: Approved funding of $86 million
- Burkina Faso Desert to Power Electrification and Power Connection Development Project: Approved funding of $71 million
- South Africa - Eskom Distributed Battery Energy Storage Project: Approved funding of $58 million.

3.7 Spotlight on successful climate change outcomes

In 2021, several special initiatives achieved significant progress in fostering climate action across the continent. Some of these are highlighted below.

REDUCING ENERGY WASTE AND RELIANCE ON FOSSIL FUEL-GENERATED ELECTRICITY IN SOUTH AFRICA

The Distributed Battery Energy Storage Project will support Eskom Holdings SOC Ltd. – South Africa's public electricity utility, and Africa's largest – to harness battery storage technology. This technology will increase electricity generation from reliable and efficient renewable energy sources.

- Funding of $57.7 million was mobilized from the Clean Technology Fund, a multi-donor trust fund under the CIF. Other co-financers include the World Bank and the New Development Bank.
- The project involves the development of 200 megawatts of battery storage with four hours of energy storage capacity per day, equivalent to 800 megawatt hours in total, at seven sites.
- Once onstream, Eskom will be able to dispatch electricity sourced from variable renewable energy that would otherwise have been wasted, reducing reliance on fossil fuel-generated electricity at peak times of the day.

Table 14: Examples of approved projects with significant mitigation outcomes

Project description	Country	Region	Sector	Financing source	Instrument	Approvals $m	Mitigation $m
Private Sector Credit Enhancement Facility in the Loan to Nachtigal Hydro Power Company	Cameroon	RDGC	Energy-power	PSF	Risk participation	10	10
Kom Ombo Solar PV Project	Egypt	RDGN	Energy-power	ADB private sector	Loan	27	27
Egypt National Railway Modernization Project	Egypt	RDGN	Transport	ADB	Loan	176	176
Electricity and Green Growth Support Program II	Egypt	RDGN	Energy-power	ADB	Loan	101	71
Kinguele Aval Hydropower Project	Gabon	RDGC	Energy-power	ADB private sector, AGTF and SEFA	Loan	48	48
Ethiopia Djibouti Second Power Interconnection Project, Phase II	Multinational	RDGE	Energy-power	ADF	Grant	86	86
Desert to Power - Electrification and Power Connection Development Project	Burkina Faso	RDGW	Energy-power	ADF	Loan	71	71
Energy Access Project Phase 1	Burundi	RDGE	Energy-power	TSF - SSW (Pillar I)	Grant	17	17
Mozambique Energy for All	Mozambique	RDGS	Energy-power	ADF	Grant	37	37
ESKOM Distributed Battery Energy Storage Project	South Africa	RDGS	Energy-power	CIF	Loan	58	58

- The operation will inform the rollout of similar projects in other African countries.

PROGRAM TO BUILD RESILIENCE FOR FOOD AND NUTRITION SECURITY IN THE HORN OF AFRICA

This programme was approved in 2021 as a follow-on to the Drought Resilience and Sustainable Livelihoods Programme in the Horn of Africa. It will be implemented in six countries, namely, Djibouti, Ethiopia, Kenya, Somalia, South Sudan, and Sudan. Due to an uncertain security situation, programme implementation will be deferred in two of the countries, Ethiopia and Sudan, until the environment improves. The total programme cost is UA 97.6 million,[7] benefiting around 3 million pastoralists and farmers.

The main expected outcomes include:

- improved agro-pastoral land management practices, leading to the rehabilitation of more than 410,000 ha of degraded rangeland/pasture
- enhanced access to digital and non-digital climate-resilient innovations and technologies benefiting over 630,000 farmers, herders and communities
- strengthened climate services infrastructure for climate-responsive planning at the community, national and regional levels
- adoption of climate risk finance and insurance that directly benefits over 5 million farmers and pastoralists
- strengthened operational capacity for resilience building to climate change at the community, national and regional levels.

In total, these measures will contribute towards:

- the transition to low carbon
- climate-resilient development pathways in communities
- strengthened climate services infrastructure for climate-responsive planning at the community, national and regional levels
- adoption of climate risk finance and insurance that directly benefits over 5 million farmers and pastoralists
- strengthened operational capacity for resilience building to climate change at the community, national and regional levels.

7 UA is the official currency for African Development Bank projects.

TECHNOLOGIES FOR AFRICAN AGRICULTURAL TRANSFORMATION (TAAT)

This programme seeks to double the productivity of nine priority African agricultural commodities in a sustainable manner, in the face of climate change and invasive pests. TAAT's objective is to deliver food production technologies to 40 million smallholder farmers.

- Overall, the programme has improved the livelihoods of smallholder farmers. It has already facilitated the production and dissemination of 191,947 tonnes of certified seeds of wheat, maize, rice, sorghum, and common beans to 10.6 million smallholder farmers.
- These climate-adapted wheat varieties helped to more than double Sudan's wheat production from 450,000 tonnes in the 2016/2017 wheat season to 1.1 million tonnes in the 2019/2020 wheat season, and helped to reduce Ethiopia's wheat imports by almost half.
- Through its Livestock Compact, TAAT resulted in a 129% increase in the revenues of smallholder farmers from sheep, from an average of $81 in 2018 to $186 in 2020 for a fattened sheep.
- TAAT leveraged a total of UA323 million in co-financing from the World Bank, IFAD, Islamic Development Bank, GEF and others.

TAAT is instrumental in helping ADF countries to cope with weather and climate patterns linked to climate change. Given the success of this agricultural innovation programme, it should be scaled up to all ADF countries, with a focus on promoting climate-smart technologies such as drought-resistant maize, heat-resistant wheat and high-yielding seed varieties, all of which are essential for food security and climate resilience in Africa.

CLIMATE AND DEVELOPMENT SPECIAL FUND (CDSF)

CDSF was established by the Bank in 2009 as the investment arm of the Climate for Development in Africa Program. The Fund invests in building the continent's capacity to generate, share and use high-quality, reliable climate and weather information.

CDSF achievements include:

- Communication: The Hydromet Gap Report – Through CDSF, the Bank supported the preparation of this report with two country case studies, Liberia and Sierra Leone. The report was launched in July 2021.
- Governance/Coordination: Technical ClimDev Joint Woking Group, work programmes and budgets – The Bank was part of the Technical Committee of the ClimDev Joint Working Group, which developed and adopted its work programmes and budgets for 2021 and 2022.
- Negotiation: Liberia Climate Early Warning Project – The Bank completed country negotiations for the Liberia Climate Early Warning Project in September 2021. The final project documents were submitted to the Board for approval as part of the conditions to sign the Funded Activity Agreement with GCF.
- Resource mobilization: Third Funders Forum and Systematic Observations Financing Facility (SOFF) – The Bank mobilized resources through the third Funders Forum and donor round table of SOFF. Among the proposals considered, it was proposed that CDSF should serve as the access entity for African countries and CDSF was nominated to sit on the SOFF advisory board.
- Ongoing engagement: Global Center on Adaptation (GCA) – The Bank continues to work with GCA on elaborating the Digital Climate Advisory Services and terms of reference for baseline studies in four countries due to start in October 2021.
- Funding commitment: Climate and weather services – Thanks to the work of CDSF, the seven Horn of Africa countries committed $7.2 million of ADF-15 resources to improving climate and weather information services in the region.

THE DESERT TO POWER INITIATIVE (DTP)

With support from ADF-15 and other donors, this programme seeks to turn the 11 Sahel countries into a region-wide solar powerhouse, harnessing its high solar potential to create the world's largest solar zone. The first phase of the programme is focused on the G5 Sahel countries (Burkina Faso, Chad, Mali, Mauritania, and Niger).

- In Burkina Faso, the Yeleen on-grid and off-grid projects are expected to generate 72 megawatts, supplying renewable energy to 300,000 beneficiaries. The related Electrification and Power Connection Development Project will construct 3,000 km of distribution infrastructure to absorb the generation from Yeleen.
- In Chad, the Djermaya Solar project's 32 megawatts installed capacity will provide 10% of the country's power generation.
- Through the DtP West Africa Regional Energy Program, approved in July 2021, the West African Power Pool is undertaking pre-feasibility studies for a Sahel Backbone transmission project.
- The Sustainable Energy Fund for Africa (SEFA), the Transition Support Facility (TSF) and the CIF Scaling Up Renewable Energy Program are supporting technical studies on the grid integration of variable renewable energy and feasibility assessments for solar hybridization of existing isolated grids.

The DtP initiative is supported by an increasing number of partners and has so far mobilized resources from a range of investors, including GCF ($150 million towards a $1 billion DtP Financing Facility); the Government of Sweden ($20 million equivalent); the Rockefeller Foundation ($100 million); and co-financing from various other partners. Ultimately, DtP's contribution to the SDGs will depend on it receiving sufficient concessional financing to provide affordable green baseload alternatives to conventional electricity generation. For example, the G5 Sahel currently has an installed capacity of about 1,400 megawatts of oil-based generation.



Section 4

Mobilizing climate and green finance

4.1 Sources of climate and green finance

In 2021, while achieving its climate finance targets of 40%, the Bank made great progress in mobilizing external climate finance, including $322 million from the Green Climate Fund, $69 million from CIF and $136 million new donor commitments to SEFA, to name a few.

Last year, Canada established the Canada-African Development Bank Climate Finance Facility (UA 72.3 million) to support the Bank's operational priorities for climate finance through co-financing. Denmark pledged UA 21.8 million to the Africa Water Facility operations for a special programme – Improving Access to Climate Resilient Water Supply and Sanitation Services in the Sahel and Horn of Africa – to support Burkina Faso, Mali, Niger, and Somalia.

Further, the Bank has reaffirmed its commitment to doubling its climate finance from the CCAP2 period to $25 billion over the period of 2020–2025. To this end, through the implementation of the Climate Change and Green Growth Strategic Framework (2021–2030), the Bank will mobilize $12.5 billion from its own resources and another $12.5 billion in partnership with GCA ($25 billion in total) to support investments aligned with the Paris Agreement and in support of the African Union Green Recovery Action Plan and Africa Green Stimulus Programme.

In particular, the Bank has been working closely with its partners to scale up climate finance and to strengthen capacity within RMCs and the private sector through:

- finance support mechanisms such as the Africa Climate Change Fund (ACCF)
- the Climate and Development Special Fund (CDSF)
- the Africa Water Facility
- the African Climate Smart Agriculture Programme (ACSA)
- the DtP initiative
- the Urban and Municipal Development Fund (UMDF).

The Bank's partnership with GCA seeks to deliver the African Adaptation Acceleration Program (AAAP), which aims to mobilize $25 billion by 2025. New instruments that will benefit from the AAAP include Green Banks and national climate change funds, the Adaptation Benefits Mechanism (ABM) and the continent's first Resilience Bond (under preparation).

The Bank has also been working on issuing green bonds, the proceeds of which finance or refinance projects with mitigation and adaptation benefits, such as the Cabeolica wind farm in Cape Verde, the Gabal El Asfar wastewater treatment plant in Egypt, and the Moringa Forestry Fund. Since the establishment of its Green Bond framework in 2013, the Bank has raised some $2.5 billion in green bonds through nine transactions denominated in US dollars, Swedish krona, and Australian dollars.

Other initiatives include the following:

- The Bank is piloting an ABM designed to channel private sector finance into adaptation (see section 4.4 below).
- The Bank is advocating for the International Monetary Fund's Special Drawing Rights funds to be allocated to catalytic climate action and green investment in Africa; pursuing debt-easing solutions that benefit the environment, such as debt-for-climate swaps; and developing a new facility to support the transition to clean energy.
- The African Green Finance Facility Initiative will provide technical assistance to governments and financial institutions in creating and promoting green facilities, co-invest alongside them in green projects, and provide de-risking instruments to increase private sector mobilization.
- Through the Africa SME Programme, the Bank worked with local financial institutions to address supply and demand shortcomings in the local financing market.

4.2 Spotlighting key initiatives

The following initiatives reflect the breadth and scope of the Bank's work in mobilizing climate and green finance in 2021.

A NEW FACILITY TO SUPPORT THE TRANSITION TO CLEAN ENERGY

The COP26 Energy Transition Council was established in 2020. It is a platform for high-level multilateral engagement between governments and development partners (including the Bank, as a Council member) and aims to accelerate the transition to clean energy and restrict global average temperature increases in line with the Paris Agreement. In 2021, as part of a pledge to support RMCs participating in the

COP26 energy transition process, the Bank approved a $1 million grant for the COP26 Energy Transition Rapid Response Facility. This will enable RMCs to access advisory services, including:

- gap analysis in sector governance, and in policy and regulatory frameworks
- assessment of options for integrating large shares of renewable energy generation
- identification of financing mechanisms and appropriate business models.

Expected outputs include updated renewable energy generation capacity targets and proposed modalities for implementing utility-scale independent power producer auctions of renewable energy, incorporating associated financing approaches.

AFRICAN GREEN FINANCE FACILITY INITIATIVE

This is promoting the Green Bank model in Africa, an innovative mechanism that aims to mobilize external and domestic funds through a blended finance model that will leverage and increase private sector climate-related investments, especially in adaptation projects. Through its three pillared approach, it will support:

- provision of technical assistance to help in the design and setting up of green finance facilities
- provision of equity capital to replenish local green finance facilities
- co-financing of green finance facilities' sustainable transactions by providing de-risking mechanisms and concessional resources.

In 2021, The Bank worked closely with its partners on the following joint initiatives:

- raising awareness about Green Banks by organizing several meetings and webinars around this subject
- launching a joint CIF-African Development Bank scoping report evaluating Green Banks' potential in six African countries (Benin, Ghana, Mozambique, Tunisia, Uganda and Zambia) at COP 26
- mainstreaming green finance facilities into the AAAP Pillar 4: Innovative financial initiatives for Africa.

FINANCIAL SECTOR CREDIT FACILITY FOR SMEs

PECG and PIFD have joined forces to create a green credit facility for SMEs. This will help African financial institutions and SMEs access climate finance and promote green investment in the continent. The overarching goal is to boost private sector participation in the implementation of NDCs through green investment. This will be achieved by mobilizing concessional and non-concessional resources, and channelling them into African SMEs through financial institutions.

The facility will include a grant component for technical assistance to financial institutions and SMEs to enable them to build bankable pipelines of green investments using tools that have already been developed by the Bank. The Bank will also provide capacity building support to enable SMEs to develop bankable climate-informed projects and mobilize climate finance.

4.3 External climate finance mobilization

Key achievements in external climate finance mobilization are summarized below.

GREEN CLIMATE FUND

Funded by GCF; 2021 target: $300 million; 2021 achievement: $340 million.

- The Africa Integrated Climate Risk Management Programme is building the resilience of smallholder farmers in the face of climate change in seven Sahel countries. The programme was approved on 19 March 2021 at the 28th GCF board meeting for $82,849.9 million, of which the Bank will receive $19.1 million. Beneficiary countries include Burkina Faso, Chad, Mali, Mauritania, Niger, Senegal, and The Gambia.
- The Leveraging Energy Access Finance Framework was approved on 1 July 2021 at the 29th meeting of the GCF board for $170.9 million. Beneficiary countries include Ethiopia, Ghana, Guinea, Kenya, Nigeria, and Tunisia.
- The DtP G5 Sahel Facility was approved on 6 October 2021 at the 30th GCF board meeting for $150 million. Beneficiary countries include G5 Sahel countries: Burkina Faso, Chad, Mali, Mauritania, and Niger.

GLOBAL ENVIRONMENT FACILITY

Funded by GEF; 2021 target: $50 million; 2021 achievement: $26.8 million

- Improving water availability in The Gambia's rural and peri-urban communities for domestic and agricultural use: $8.9 million (endorsed by the Chief Executive Officer).
- Strengthening the adaptive capacity and resilience of communities in Uganda's watersheds: $8.9 million (endorsed by the Chief Executive Officer).
- Co-management of climate extremes for agriculture resilience via innovative technologies for irrigation in São Tomé and Príncipe: $8,932,420 (Council approved).

CLIMATE INVESTMENT FUNDS

Funded by CIF; 2021 target: $50 million; 2021 achievement: $68.99 million Bank approved (effective), $1 million committee approved.

In 2021, the CIF resource mobilization target was exceeded by $63.99 million. This was made possible by the Bank's approval of the following.

- $57.67 million for ESKOM Distributed Battery Energy Storage Project in South Africa
- $8 million for the Community Agroforestry and Wood Energy Project in Republic of Congo.

During the same period, four technical assistance projects were approved by the Bank, following approval by the CIF governing body. These projects will seek to support the implementation of the Pilot Programme for Climate Resilience Investment Plans of Ethiopia, Malawi, Mozambique and Zambia. The sub-committee approved a further $1 million technical assistance grant for the implementation of a sustainable district heating and cooling project in Tunisia.

Additional highlights include:

- At the end of 2021, the Bank's CIF portfolio had grown to encompass 33 approved projects in 16 countries benefiting from a total of $945 million of CIF resources and $1.98 billion in Bank co-financing.
- Following the design and establishment of the new strategic CIF programmes in 2020, Kenya, Mali, and South Africa were selected to develop investment plans. In 2021, the Bank contributed significantly to launching these new CIF programmes. Among others, the Bank supported the Accelerating Coal Transition investment programme in South Africa and the Renewable Energy Integration into power systems in Kenya and Mali.
- The Bank played a critical role in preparing the request for expressions of interest and in supporting RMC applications to the programmes. It was also actively engaged in the independent evaluation groups that ranked interested countries.
- During the reporting period, four projects reached full completion while two others reached physical completion and were awaiting completion reports, with a total funding of $86.25 million.

In 2021, the Bank's various ongoing CIF projects were implemented in line with Bank rules and procedures as well as those of the various CIF governing bodies to ensure they support target countries in shifting to low-carbon and climate-resilient development; accelerating climate action and empowering transformations in clean technologies, energy access, climate resilience and sustainable forests through the four programmes (see Figure 10). CIF has therefore realized a number of outcomes:

- **People:** The Bank has created over 21,000 green jobs, including 1,800 jobs for women across eight countries, and helped over 1.4 million people to cope with the effects of climate change and climate variability, including 560,000 women across three countries.
- **Land, resources, and assets:** Over 226,000 ha of land across five countries is now under sustainable forestry and/or improved land management; and the Bank has funded construction or improved access with over 350 km of climate-resilient roads across three countries.
- **Renewable Energy:** The Bank has installed over 1,000 megawatts of renewable energy across six countries and generated over 2,000 gigawatt hours of clean energy annually across two countries.
- **Policies:** Over 100 climate-responsive tools, policies, information systems, and studies have been developed across six countries.

Figure 10: Sample of African Development Bank-CIF key results in 2021

People

- Created over 21,000 green jobs, including 1,800 jobs for women across 8 countries
- Helped over 1.4m people to cope with the effects of climate change and climate variability, including 560,000 women across 3 countries

Land, resources, and assets

- Over 226,000 ha of land covered through sustainable forestry and/or improved land management across 5 countries
- Constructed or improved access of over 350 km of climate-resilient roads across 3 countries

Renewable energy

- Over 1,000 MW installed capacity from renewable energy across 6 countries
- Over 2,000 GWh clean energy generated annually across 2 countries

Policies

- Over 100 climate-responsive tools, policies, information systems, and studies developed across 6 countries

MAIN CHALLENGES

The COVID-19 pandemic hampered progress across the board. For GEF, it had a negative impact on the ability of the unit to develop new projects. Some of the Bank's baseline projects did not materialize and, as a result, the unit had to find alternative options. At GEF level, the implementation of temporary measures due to COVID-19 led to the automatic extension of all projects at Chief Executive Officer endorsement stage by six months. Moreover, GEF allowed for an extension of the deadline for the submission of such endorsements. All these measures significantly slowed down project development.

4.4 Financing Africa's green recovery

The Bank has worked closely with its partners to scale up climate finance and to strengthen capacity within RMCs and the private sector through several mechanisms and initiatives.

- Finance support mechanisms such as ACCF, CDSF, the Africa Water Facility, the ACSA Programme, the DtP initiative, and UMDF.
- Instruments such as the Canada-African Development Bank Climate Finance Facility and the Africa Circular Economy Multi-donor Trust Fund supported by Finland and the Nordic Development Fund.
- Issuance of green bonds, the proceeds of which finance/refinance projects with mitigation and adaptation benefits, for example, the Cabeolica wind farm in Cape Verde, Gabal El Asfar wastewater treatment plant in Egypt, the Moringa Forestry Fund, etc. Since the establishment of its Green Bond framework in 2013, the Bank has raised around $2.5 billion in green bonds through nine transactions denominated in US dollars, Swedish krona, and Australian dollars.
- Piloting the ABM to channel private sector finance into adaptation (see box).
- Partnership with GCA to deliver AAAP, which aims to mobilize $25 billion by 2025. New instruments that will benefit from AAAP include Green Banks and national climate change funds, ABM and the continent's first Resilience Bond (under preparation).
- The ADRiFi programme has provided grant financing of $23 million to Madagascar, Mauritania, Niger, The Gambia, and Zimbabwe. An early dividend is the payout of about $3.5 million to Madagascar and Zimbabwe in 2020 to support communities affected by drought in the two countries.

THE ADAPTATION BENEFITS MECHANISM

ABM is an example of an initiative developed by the Bank to address the challenges associated with financing small-scale, context-specific adaptation projects. Based on requests from African countries for support to develop adaptation projects, the Bank has developed a credible and transparent process to pay private sector project developers to deliver certified adaptation benefits. Valuing adaptation benefits and signing a purchase agreement with a project developer enables the developer to raise finance to implement the project. Developers bring equity, technology, innovation and expertise, and they use the purchase agreement to raise debt. Project hosts, meanwhile, bring non-financial resources such as land, biodiversity, labour, and indigenous technical knowledge. ABM was piloted in 2021.

The implementation of the ACCF-funded project Cocoa Livelihood Resilience – piloting the ABM in Côte d'Ivoire, in collaboration with the World Agroforestry Centre, and Implementing regional and national adaptation priorities in Central and West Africa, commissioned by the International Climate Initiative of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, in collaboration with the German Agency for International Cooperation, progressed in 2021. The latter project will fund four ABM activities in Benin, Burkina Faso, Mali, and Republic of Congo.

In 2021, collaboration between the African Development Bank and the West African Development Bank was strengthened in the area of climate action and support as well as international cooperative approaches to adaptation, such as the ABM, carbon markets, and other sources of climate finance.

Also in 2021, the interim ABM Executive Committee, an independent senior-expert body hosted and facilitated by the PECG, met remotely on six occasions, advancing the operationalization of the ABM with relevant tools and guidelines. Half of the ABM activity cycle is not yet operational, but the Committee established an ABM Methodology Panel and a Roster of Experts, which assessed the first submitted ABM methodology.

The costs were as follows:

- Annual costs for ABM institutional arrangements of $190,000 were covered by PECG administration budgets and CIF funding ($50,000).
- Two studies providing a baseline for the demand and financing potential of ABM were delivered, including a market study, funded by the PECG administrative budgets ($60,000).
- $400,000 was mobilized via the ACCF for an ABM demonstration project in Lagos, Nigeria.
- Proposals for the delivery of $11 million for the ABM were submitted to the ACCF ($700,000), the Fund for African Private Sector Assistance (FAPA) ($300,000) and the GCF ($10 million).

Resource mobilization for the preparation of ABM methodologies and the implementation of demonstration projects will continue in 2022, including through the establishment of an African Adaptation Benefits Fund, as envisaged at COP27 in Sharm el-Sheikh, Egypt, which will secure the longer-term continuation of the ABM. In 2022, the Bank will also facilitate the growing number of African countries championing the ABM in their efforts to anchor it in the framework for non-market approaches under Article 6 of the Paris Agreement.



Section 5

Promoting an enabling environment for climate action in Africa

5.1 The Bank approach

Effective action on climate change and green growth cannot be undertaken without an enabling environment where the support structures promote success. The Bank CCAP2 defines an enabling environment as comprising the requisite technology, capacity development, partnerships, institutional and policy reform, and knowledge development. It also identifies a wide range of measures that can support it, including strengthening readiness for accessing climate finance; enhancing RMC capacity for National Adaptation Plan, NDC and LTS development, mainstreaming, financing and implementation; developing methods, guidance, and tools for climate change action; enabling technology transfer and innovation; creating green jobs; and fostering scientific research in climate change mitigation and adaptation. By all accounts, the Bank has taken great strides towards each of these.

While there are many institutional actors working to strengthen the enabling environment and enhance capacity in Africa, the Bank – as a multilateral institution with a membership comprising African countries – is ideally positioned to bolster the enabling environment across the continent. It works directly with governments and other financial institutions and is deeply embedded in agenda-setting processes at the continental and regional levels.

Achieving the vision of Africa as espoused by the Bank will require national stakeholders – including governments, the private sector, and civil society organizations – to be engaged, empowered, and equipped to assume ownership of their development agendas over the long term. The Bank has a successful track record of supporting enabling environments at the country level, such as through the preparation of CSPs and RISPs; through policy dialogues that shape national and sectoral governance instruments; and through trust fund investments that directly target capacity building within national and regional institutions.

The Bank's approach to creating enabling environments for climate action and green investment – through knowledge, bridging capacity gaps, strengthening country dialogue and partnerships, and engaging at the continental and global levels – was strengthened in 2021. The Bank is playing a vital role in helping RMCs develop LTSs, and update their NDCs and translate them into bankable investments.

5.2 Bank support for NDC implementation

THE AFRICA NDC HUB

The Africa NDC Hub, hosted by the Bank, is a collaborative platform of 21 development partner institutions, which aim to support African countries with NDC revision, and the development of NDC investment plans and LTSs. Through the NDC Hub, the Bank has engaged in policy dialogue with several African countries regarding NDC development. The Hub has demonstrated strength in partnerships, driving action and delivering on country climate commitments, for example through joint programming to support the revision of NDCs in Guinea Bissau, Côte d'Ivoire, and Nigeria, and capacity building on climate finance access for African countries. The Africa NDC Hub is expected to be a prominent platform through which the Bank will continue to strengthen partnerships and support the enabling environment for climate change on the continent. At present, 20 partner organizations use the Hub to coordinate their climate change support interventions and the Bank plans to channel resources through the NDC Hub over the next decade to effectively boost support to African countries for the development and financing of their LTSs, in addition to their NDCs. LTSs outline how countries will achieve net zero emissions and climate resilience by 2050 or during the second half of the century, depending on their circumstances. Without LTSs, NDCs lack clear direction and vision.

Through the ACCF, the Bank is helping Cameroon, Namibia, São Tomé and Príncipe, and Uganda to implement NDCs and is helping Botswana, Gabon, Lesotho, and Liberia to develop their LTSs. The Bank, in partnership with Korea-Africa Economic Cooperation, has supported a continent-wide training of trainers' programme to build expertise in Africa on climate project development, benefitting 27 RMCs. With support from the Indian Trust Fund, the Bank is also providing capacity-building and training activities to African countries on developing bankable renewable energy projects for GCF.

In response to the COP26 outcome urging countries that have not revised NDCs and submitted LTSs to do so by COP27, the Bank developed a funding proposal for a three-year LTS and NDC investment plan support programme with a budget of $20.8 million.

The programme aims to support 21 countries with LTS development and to help 19 countries to develop their NDC investment plans.

At COP26, the Bank, in partnership with GCA and the UNEP Finance Initiative, published a report analysing climate risks in Africa's financial sector and related financial regulatory frameworks. This body of work is currently being developed into a revamped strategy for AFAC.

Under the Special Initiatives theme, the Africa NDC Hub launched a website for the African NDC Hub and offered LDC support for LTS development in five countries. A concept note was approved by the ACCF secretariat to support LTS development in Botswana, Gabon, Lesotho, Liberia and Uganda, with a total budget of $500,000.

THE AFRICAN FINANCIAL ALLIANCE ON CLIMATE CHANGE

AFAC brings together the entire African financial industry (development banks, commercial banks, central banks, insurance companies, sovereign wealth and pension funds, stock exchanges, and regulators) to finance low-carbon and climate-resilient innovations. Through AFAC, the Bank intends to raise awareness of the Paris Agreement and the need to move away from fossil fuel investments and those that are prone to climate-related risks, and to encourage the African financial sector to invest in low-carbon and climate-resilient assets.

Climate finance data shows that most climate finance is sourced domestically. Alongside international sources of private finance, African private finance can make a significant contribution to the continent's climate finance needs. Bank support, in the form of readiness activities, project preparation, business development, and technical assistance, will also be critical in ensuring that African countries can access a growing share of global climate finance. Further details on the Bank's external climate finance mobilization are provided in the Bank's Third Climate Change and Green Growth Action Plan (2021–2025).

5.3 Strategic interventions

PARIS ALIGNMENT BUILDING BLOCKS

The Bank created a team within PECG to contribute to the development of each of the six building blocks of the joint MDB Paris Alignment Framework. For the Bank to be considered Paris aligned, some systemic changes will have to be undertaken, especially in project prioritization and design, and there is a need to make climate change mainstreaming a mandatory process for Bank project approvals.

The Bank is committed to aligning its financial flows and investments with the objectives of the Paris Climate Agreement. Along with other MDBs, the Bank is actively contributing to the design of a dedicated framework that will help to operationalize the Paris Agreement's goals through six MDB building blocks. The framework is expected to align all future investments with the goals of the Agreement. It is worth noting that the Paris Alignment Framework is likely to have significant implications for the Bank's future investments as all investments will need to be 'Paris aligned', meaning that they have the potential to contribute to both mitigation and adaptation objectives and are in line with countries' climate priorities. In this regard, the Bank defines Paris Alignment as: "the provision of support to African countries that is aligned with the objectives of the Paris Agreement and countries' NDCs, long-term strategies (LTSs) and other national climate commitments, and consistent with low-carbon and climate-resilient development pathways".[8]

To realize public commitments and maintain its influence in directing global attention and financial flows to climate change in Africa, the Bank is one of the MDBs working towards a joint framework for alignment with the Paris Agreement. The principles of Paris alignment for MDBs (including guidelines, methodologies and tools) are being developed under six building blocks. Each building block represents a significant undertaking in terms of operational changes, new and enhanced institutional capacities, the adoption of new protocols and systems, and the need for strengthening corresponding staff skillsets.

In recognition of this, and to lend momentum to Paris alignment by all MDBs, the Bank commits to fully aligning new operations with building blocks 1, 2 and 3 by 2023, and to target full alignment with the remaining building blocks by 2025 (see Table 15). These targets will give the Bank a more definitive understanding of what measures it needs to adopt to achieve full alignment.

8 African Development Bank Group (2022). Climate and Green Growth Strategic Framework: Projecting Africa's Voice – Strategy 2021–2030, https://www.afdb.org/en/documents/climate-and-green-growth-strategic-framework-projecting-africas-voice-strategy-2021-2030

Table 15: The MDB building blocks approach to Paris alignment

1	**Alignment with mitigation goals** Operations consistent with national low-emissions development pathways and compatible with objectives of the Paris Agreement
2	**Adaptation and climate-resilient operations** Operations systematically screened for climate risks and integrates measures to mitigate those risks Supports an increase in clients' ability to adapt to climate change
3	**Accelerated contribution to the transition through climate finance** Further scale-up of climate finance, operationalize new approaches to support NDCs and accelerate realization of ambitions agreed under UNFCCC and in line with science-based evidence identified by IPCC
4	**Strategy, engagement and policy development** Develop new services to support clients putting in place long-term strategies for low-emission and climate-resilient development while ensuring consistency with SDGs
5	**Reporting** Develop tools and methods for characterizing, monitoring, and reporting on Paris-aligned activities
6	**Align internal activities** Progressively ensure that internal operations, including facilities and other internal policies, are in line with the Paris Agreement

THE AFRICA ADAPTATION ACCELERATION PROGRAM

The Bank, in partnership with GCA, launched AAAP in January 2021. The goal of the programme is to mobilize $25 billion by 2025 to accelerate adaptation action in Africa through interventions in four priority areas: (i) agriculture; (ii) infrastructure; (iii) youth innovation and job creation; and (iv) innovative finance. To reach the $25 billion goal, the Bank will mobilize $12.5 billion for adaption action through its normal investment operations and raise an additional $12.5 billion of adaptation finance in partnership with GCA.

The Bank established the AAAP Upstream Financing Facility to support the design and preparation of all investment operations and special initiatives under AAAP, to attract adaption finance at scale. Hosted by GCA, the Upstream Financing Facility has been working with the Bank to strengthen climate adaptation and resilience design in over $1.6 billion of the Bank's new investments in climate-smart agriculture, resilient infrastructure, youth and jobs, and innovative financial initiatives. As of 6 April 2022, GCA had approved $5.7 million to support the design and preparation of 30 of the Bank's investment operations and special initiatives with high climate change adaptation potential. Of this approved sum, $1.3 million has supported digital agriculture solutions; $2.2 million has supported climate-resilient infrastructure; $1.6 million has supported youth entrepreneurship and job creation; and $0.7 million has supported the development of innovative financial instruments to mobilize adaptation finance at scale.

Through AAAP, the Bank has developed a concept note to establish the AAAP Innovative Financing Facility – a multi-donor facility to be housed at the Bank and accessible to MDBs in Africa. The Facility, which will serve as the prime receptacle for adaptation finance in Africa, has a direct capitalization target of $1.75 billion. It will be used to leverage additional adaption finance at a ratio of 1 to 4. The plan is to launch the facility in 2022 ahead of COP27, subject to the commitment of at least two donors. The establishment of this fund is officially led by the Resource Mobilization and External Finance Department Director, in partnership with PECG.

AAAP featured at COP26. It generated a lot of interest and buy-in from African youth in quarter three of 2021 after the Africa Youth Adaptation Solutions Challenge was launched. Over 2,000 youth-led businesses responded to the call by the Bank and GCA for innovative climate change adaptation solutions. Fifteen youth-led businesses were selected and announced as winners at COP26 in Glasgow. The winners are currently receiving mentorship, training and up to $100,000 each in cash grants to scale up their adaptation solutions. The Challenge was funded by the Bank's Youth Entrepreneurship and Innovation Multi-Donor Trust Fund and GCA.

AAAP remains Africa's response to adaptation challenges. It was endorsed by African leaders at the African Leaders' Dialogue in April 2021 and continues to garner support as an Africa-owned and Africa-led programme.

CIRCULAR ECONOMY

The Bank is committed to establishing a circular economy in Africa. Notably, it hosts the secretariat of the African Circular Economy Alliance (ACEA), a government-led coalition of African nations that

promote the mission to spur Africa's transition to a circular economy. To this end, ACEA has launched the Africa Circular Economy Facility (ACEF), a multi-donor trust fund to support circular economy solutions and green growth in Africa.

The ACEA platform intends to achieve its goal by supporting the transition to a circular economy at the national, regional, and continental levels through the following intervention areas:

- **Policy development:** Sharing best practices for the creation of legal and regulatory frameworks that support a circular economy.
- **Leadership and advocacy:** Advocating for and raising awareness of the circular economy at national, regional, and global levels.
- **Scaling circular economy businesses and projects:** Encouraging collaboration within or between countries for increased financing and design of circular economy projects.

The Alliance was founded by Nigeria, Rwanda, and South Africa, which currently serve as co-chair countries. In 2019, Côte d'Ivoire and Ghana joined the Alliance, and in 2021, Benin, Burkina Faso, and Sudan also became members. The Alliance is supported by 12 strategic partners, including the Bank. The Alliance has conducted market research to identify gaps and opportunities for the circular economy in Africa, which led to identifying the 'five big bets': five thematic areas with high potential for circularity in the continent. These include food systems, plastic and packaging, fashion and textiles, the built environment and electronic waste. Working groups for each thematic area are being set up to push for priority interventions by member countries and strategic partners in key areas of the Alliance. In September 2021, the Alliance partnered with the Finnish Innovation Fund Sitra, and the Canadian Government, for the World Circular Economy Forum 2021. The Alliance is coordinating a scoping study to inform the creation of a Business Incubation Programme for Circular MSMEs in collaboration with two strategic partners, Footprints Africa and the African Circular Economy Network.

The ACEF is a collaboration between the Bank, the Finnish Ministry of Foreign Affairs, the Finnish Innovation Fund and the Nordic Development Fund to support the creation of enabling environments such as national circular economy roadmaps and bankable circular economy investments in Africa. It is the result of extensive negotiations between the Bank, the Government of Finland, the Finnish Innovation Fund Sitra and the Nordic Development Fund, initiated at the 2019 World Circular Economy Forum in Helsinki, Finland. This strategic partnership will enable the creation of a €4 million multi-donor trust fund at the Bank to support a five-year continental programme (2021–2025) dedicated to creating fertile ground for the diffusion of circular practices and innovations in RMCs. ACEF will operate at both the continental and national levels, and will focus on three intervention areas to build the case for the circular economy:

- Institutional capacity building to support whole-of-society transformations that will enable the uptake of circular innovations and practices.
- Enabling circularity in the private sector through differentiated business skills development programmes for start-ups and SMEs.
- Promoting country ownership by strengthening ACEA, whose secretariat is hosted by PECG.

PRIVATE SECTOR INVESTMENT FOR NDCS IN AFRICA

PECG, with support from FAPA, is implementing a technical assistance initiative, the Private Sector Investment Initiative for NDCs in Africa. Its overarching goal is to enhance private sector participation in NDC implementation through green investments and it covers six pilot countries: Angola, Egypt, Morocco, Mozambique, Nigeria, and South Africa. The key outcome of the Initiative is the creation of a $500 million financial sector green facility for SMEs. The facility has been programmed in the Bank's 2022 pipeline and is expected to be co-financed by GCF. It will target youth-led SMEs, paying particular attention to SMEs led by young women.

PECG MONITORING, EVALUATION, REPORTING AND LEARNING SYSTEM

The Bank is developing a monitoring, evaluation, reporting, and learning system to track progress, measure performance, and provide evidence to evaluate the impact of the Bank's climate outcomes (e.g. climate change and green growth mainstreaming in CSPs, RISPs and projects, as well as climate finance tracking). The system will also help to learn lessons and ensure results can show how change is occurring – at the PEGC departmental level, at the organizational level across the Bank, and at the RMC level – to support low-carbon and climate-resilient development through green growth. It will embed an organizational culture of evaluative thinking and learning at the Bank, and make it possible for data and analytical reports to be extracted by a range of stakeholders to inform their own climate change adaptation and mitigation efforts.

5.4 Knowledge products

Table 16 lists the knowledge products produced and disseminated during 2021. All are produced in English unless otherwise specified.

Table 16: 2021 knowledge products

Annual reports
PECG 2020 Annual Report https://www.afdb.org/en/documents/climate-change-and-green-growth-2020-annual-report
CIF 2021 Annual Report https://www.afdb.org/en/documents/afdb-cif-annual-report-2021
ACCF 2020 Annual Report https://www.afdb.org/en/documents/africa-climate-change-fund-annual-report-2020
First annual report of the interim ABM Executive Committee (2019-2020) https://www.afdb.org/en/documents/first-annual-report-interim-adaptation-benefits-mechanism-executive-committee-2019-2020
Brochures
CIF brochure 2021 English: https://www.afdb.org/en/documents/towards-climate-smart-africa-afdb-and-cif-partnership-october-2021 French: https://www.afdb.org/fr/documents/vers-une-afrique-climato-intelligente-le-partenariat-de-la-banque-africaine-de-developpement-et-les-fonds-d-investissement-climatiques-octobre-2021
ACCF brochure 2021 https://www.afdb.org/sites/default/files/news_documents/accf_brochure_2021.pdf
Strategy documents
Climate and Green Growth Strategic Framework https://www.afdb.org/en/documents/climate-and-green-growth-strategic-framework-projecting-africas-voice-strategy-2021-2030
Climate and Green Growth Strategic Framework: Projecting Africa's Voice - Policy https://www.afdb.org/en/documents/climate-and-green-growth-strategic-framework-projecting-africas-voice-policy
Other knowledge products
Climate risk regulation in Africa's financial sector and related private sector initiatives - Baseline study November 2021 https://www.afdb.org/en/documents/climate-risk-regulation-africas-financial-sector-and-related-private-sector-initiatives-baseline-study-november-2021
West African Countries' ITMO Readiness Scoping Assessment https://www.afdb.org/en/documents/west-african-countries-itmo-readiness-scoping-assessment
Market study on the willingness to use and demand for Adaptation Benefits to support adaptation to climate change in Africa https://www.afdb.org/en/documents/market-study-willingness-use-and-demand-adaptation-benefits-support-adaptation-climate-change-africa
Potential for Green Banks and National Climate Change Funds in Africa - Scoping report English: https://www.afdb.org/en/documents/potential-green-banks-national-climate-change-funds-africa-scoping-report French: https://www.afdb.org/fr/documents/le-potentiel-des-banques-vertes-et-des-fonds-nationaux-pour-le-changement-climatique-pour-lafrique-rapport-dorientation Portuguese: https://www.afdb.org/fr/documents/potencial-para-bancos-verdes-fundos-nacionais-para-alteracoes-climaticas-em-africa
NDC Implementation in Africa through Green Investment by Private Sector https://www.afdb.org/en/documents/ndc-implementation-africa-through-green-investments-private-sector-scoping-study Country scoping reports: Egypt: https://www.africandchub.org/private/egypt-scoping-study Morocco: https://www.africandchub.org/private/morocco-scoping-study Mozambique: https://www.africandchub.org/private/mozambique-scoping-study Nigeria: https://www.africandchub.org/private/nigeria-scoping-study South Africa: https://www.africandchub.org/private/south-africa-scoping-study
Gender technical assessment of opportunities to improve implementation of plastics and waste management in Uganda https://www.afdb.org/en/documents/gender-technical-assessment-opportunities-improve-implementation-plastics-and-waste-management-ugandan-municipality
Five Big Bets for the Circular Economy in Africa https://www.afdb.org/en/documents/five-big-bets-circular-economy-africa
Africa Green Growth Readiness Assessment https://www.afdb.org/en/documents/africa-green-growth-readiness-assessment

Joint publications
Joint MDB 2020 Climate Finance Report https://www.afdb.org/en/documents/2020-joint-report-multilateral-development-banks-climate-finance
Needs of African Countries Related to Implementing the UN Framework Convention on Climate Change and the Paris Agreement https://unfccc.int/sites/default/files/resource/Needs%20Report_African%20counties_AfDB_FINAL.pdf
A Better World – Volume 8 https://www.afdb.org/en/documents/better-world-volume-8
Africa Adaptation Acceleration Programme
A Global Call from African Leaders on the Covid-19-Climate Emergency and the Africa Adaptation Acceleration Programme https://www.afdb.org/sites/default/files/2021/10/20/a_global_call_from_african_leaders_on_the_covid-19-climate_emergency_and_the_africa_adaptation_acceleration_program.pdf
The Africa Adaptation Acceleration Program (AAAP): Questions & Answers – Supplemental to the AAAP Brief https://www.afdb.org/sites/default/files/2022/04/22/aaap_qa_-_02.02.221-gw.pdf
COP26 Leaders' Event: Africa Adaptation Acceleration Summit https://www.afdb.org/sites/default/files/2021/10/31/concept_note_cop26_leaders_event_-_africa_adaptation_acceleration_summit_updated.pdf
Africa Adaptation Acceleration Program (AAAP) – Strategic support to Ghana https://www.afdb.org/sites/default/files/2022/04/22/africa_adaptation_acceleration_program_aaap_gh_ff.pdf
The Africa Adaptation Acceleration Program (AAAP): Questions & Answers – Supplemental to the AAAP Note https://www.afdb.org/sites/default/files/2021/10/29/aaap_qa_v3-gwkk_00000003_f.pdf

5.5 Key events

Events in 2021 saw a number of highlights for PECG, culminating with COP26 in Glasgow. Links to press releases and articles are included where available.

KEY EVENTS BY MONTH

January

- African Development Bank Group president joins global leaders at One Planet Summit to promote climate action in Africa: https://www.afdb.org/en/news-and-events/events/african-development-bank-group-president-join-global-leaders-one-planet-summit-promote-climate-action-africa-40138
- African Development Bank Group president joins global leaders at Climate Adaptation Summit 2021 to accelerate adaptation action in Africa: https://www.afdb.org/en/news-and-events/events/african-development-bank-group-president-join-global-leaders-climate-adaptation-summit-2021-accelerate-adaptation-action-africa-40535
- Virtual Gobeshona Global Conference

February

- Live webinar on strengthening gender mainstreaming in Kenya's energy sector: https://www.afdb.org/en/news-and-events/events/strengthening-gender-mainstreaming-kenyas-energy-sector-42179

April

- African Development Bank and Global Center on Adaptation host virtual Leaders' dialogue on the Africa Covid-Climate Emergency: https://www.afdb.org/en/news-and-events/events/african-development-bank-global-center-adaptation-host-virtual-leaders-dialogue-africa-covid-climate-emergency-42905

June

- Annual Meetings 2021: Climate Change and Green Growth: https://www.afdb.org/en/news-and-events/events/annual-meetings-2021-climate-change-and-green-growth-44273
- Webinar on the women-led plastic recycling market to launch the CIF-funded gender technical assessment of opportunities to improve implementation of plastics and waste management in a Ugandan municipality

July

- NDC private sector reports for Africa: https://www.afdb.org/en/news-and-events/events/ndc-private-sector-reports-africa-42115
- Webinar on climate change adaptation amid Covid-19: https://www.afdb.org/en/news-and-events/events/webinar-climate-change-adaptation-amid-covid-19-44413

September

- Leaders of global organizations issue climate emergency call: https://www.afdb.org/en/news-and-events/events/leaders-group-global-organizations-issue-climate-emergency-call-45378

- African Youth Adaptation Solutions Challenge: https://www.afdb.org/en/news-and-events/events/african-youth-adaptation-solutions-challenge-45597
- Youth Adaptation Solution Challenge Information Session: https://www.afdb.org/en/news-and-events/events/youth-adaptation-solution-challenge-information-session-45641
- ACEA and Circular Economy Coalition for Latin America and the Caribbean Regional Deep Dive: Africa, Latin America and the Caribbean Joining Forces for Circularity: https://www.afdb.org/en/news-and-events/events/regional-deep-dive-africa-latin-america-and-caribbean-joining-forces-circularity-45515
- Africa Climate Week: Africa Climate Week: https://www.afdb.org/en/news-and-events/events/africa-climate-week-45754
- Ninth Conference on Climate Change and Development in Africa: https://www.uneca.org/sites/default/files/ACPC/CCDA9/CCDA-IX%20Concept%20Note.pdf
- Pros and Cons of Nature-Based Carbon Offsets for Conservation Financing: https://www.iucncongress2020.org/programme/official-programme/session-43273

October

- Second Malian Renewable Energy Week, funded by CIF and hosted in Abidjan alongside the Regional Energy and Sustainable Development Fair: https://www.afdb.org/en/news-and-events/press-releases/salon-de-lenergie-dabidjan-les-energies-renouvelables-moteurs-du-developpement-en-afrique-46262
- Global leaders gather in Nairobi ahead of COP26 to share new research on benefits of adaptation action in Africa: https://www.afdb.org/en/news-and-events/events/ahead-cop26-global-leaders-gather-nairobi-share-new-research-benefits-adaptation-action-africa-46241

COP26, NOVEMBER 2021

The Bank maintained a prominent presence throughout COP26, with high-level engagement in critical events, side events and announcements on key initiatives of the Bank, regular press releases and an active social media voice, all of which amplified Africa's voice and set priorities on climate change.

- The African Pavilion hosted 45 events held in partnership with the African Union Commission, African Union Development Agency – New Partnership for Africa's Development, United Nations Economic Commission for Africa, African Risk Capacity and other regional partners. Other spaces such as the MDB Pavilion and Francophonie Pavilion were also used to showcase the Bank's action. A wide range of more than 50 bilateral meetings took place over the course of the summit.
- Participation in high-level dialogue, including the World Leaders Summit, Energy Transition Council, Africa Day, Great Green Wall Dialogue, Africa Adaptation Acceleration Summit and Ministerial Dialogue on Adaptation Financing Agriculture.
- The Bank's flagship initiatives (including AAAP, ADRiFi and ABM) received particular attention at COP26.
- Leading up to COP27 in Egypt, the Bank will consider the event as an African COP and seek to:
  - engage in a structured dialogue with African climate change stakeholders
  - provide technical support to Egypt, in accordance with the COP27 presidency priorities
  - organize the Africa Pavilion at COP27, in coordination with key African institutions and the host country, with a view to enhancing Africa's position and visibility
  - develop a roadmap for a permanent dialogue with and support to African civil society organizations involved in climate actions in Africa, with a view to speaking with one voice at COP27
  - have a concrete support mechanism for NDC revisions and LTSs development by setting up a basket fund for technical assistance
  - continue engaging with partners and support engagement with key COP platforms such as the Energy Transition Council (which was extended beyond COP26)
  - explore opportunities to establish an African 'loss and damage' finance facility.

CAPACITY-BUILDING EVENTS

- The NDC Hub also offered capacity building for training of trainers on climate finance funded by the Korea-Africa Economic Cooperation. The training produced a total of 70 graduates (43 anglophone, 9 lusophone, 18 francophone).

- AFAC provided capacity-building activities for the Association of African Development Finance Institutions (AADFI) on mainstreaming climate actions into African development finance institutions' interventions (see box).

5.6 Trust fund case studies

THE DESERT TO POWER INITIATIVE

With support from ADF-15 and other donors, the DtP initiative seeks to turn the 11 Sahel countries into a solar powerhouse, harnessing its high solar potential and creating the world's largest solar zone. The first phase of the programme is focused on the G5 Sahel countries (Burkina Faso, Chad, Mali, Mauritania, and Niger). In Burkina Faso, the Yeleen suite of on- and off-grid projects are expected to generate 72 megawatts of power, supplying renewable electricity to 300,000 beneficiaries. The related Electrification and Power Connection Development Project will construct 3000 km of distribution infrastructure to absorb generation from the area. In Chad, the Djermaya Solar project's 32 megawatt installed capacity will provide 10% of the country's generation. Through the DtP West Africa Regional Energy Programme, approved in

TRAINING FOR DEVELOPMENT FINANCE INSTITUTIONS ON CLIMATE FINANCE ACTION, STRATEGY AND MANAGEMENT

The African Development Bank and AADFI jointly hosted a three-day virtual workshop to train development finance experts in Africa on climate finance action, strategy and management. This was held on 4 June 2021. The training aimed to equip participants, particularly those from the financial and private sectors, with knowledge on how to scale up climate actions. Over 200 participants took part and gained a deeper understanding of the roles of national development finance institutions in climate risk management.



Post-training activities included evaluation and reporting on the outcome of the training as well as providing further support to delegates through the circulation of training and other relevant materials. In total, 513 individuals registered for the workshop from a range of high-profile organizations such as the World Bank, United States Agency for International Development, UNEP, universities including the University of South Africa, United Nations Convention to Combat Desertification, United Nations Development Programme, West Africa Capitals Coalition Hub, and a host of multinational organizations, development finance institutions and other local financial institutions across Africa. Of the 513 registrants, 251 participants were recorded on the first day, and 228 and 181 on the second and third days respectively. This far exceeded the organizers' expectations.

By the end of the workshop, participants – and therefore their institutions – were better able to identify investment opportunities that align with the goals of the Paris Agreement and had a better understanding of the concessional finance options available to development finance institutions for climate action, among other things. In their feedback, participants expressed their satisfaction with the workshop's content and methodology, the training facilitators' knowledge of their subjects, and the support received from the Bank. They also recommended that the Bank consider hosting more capacity-building programmes on mainstreaming climate change in the lending operations of financial institutions.

See https://www.afdb.org/en/news-and-events/events/3-day-climate-action-workshop-development-finance-institutions-africa-43792 for more information.

July 2021, the West African Power Pool is undertaking pre-feasibility studies for a regional transmission project known as the Trans-Sahelian Backbone. Additional technical assistance – mobilized from SEFA, TSF, and the CIF Scaling Up Renewable Energy Programme – is provided to support studies on grid integration of variable renewable energy and feasibility assessments for solar hybridization of existing isolated grids. DtP is being supported by a growing number of partners and has so far mobilized $150 million from GCF for the approximately $1 billion DtP Financing Facility, equivalent to $20 million from the Government of Sweden and $100 million from the Rockefeller Foundation, as well as co-financing from various other partners.

FINANCING CLIMATE-RESILIENT AGRICULTURAL PRACTICES IN GHANA

Following a $20 million funding proposal, the Bank administered resources consisting of: (i) a $13.25 million senior line of credit to Ecobank Ghana; (ii) a $5.25 million climate technology grant; and (iii) $1.5 million in technical assistance from GCF, with the Bank acting as the accredited entity for the Affirmative Finance Action for Women in Africa (AFAWA) programme in Ghana. Technical assistance of $600,000 came from the Bank's ordinary resources as an in-kind contribution for financing the project management component.

AFAWA aims to provide affordable local currency loans, climate technology grants and technical assistance to women-led, farmer-based associations; MSMEs; and Ecobank Ghana staff, along the entire agricultural value chain in the most vulnerable agro-ecological zone of Ghana.

The programme also hopes to improve access to other agricultural inputs such as solar pumps and efficient irrigation systems to address scarcity and variability of rainfall, particularly during periods of drought. Due to the incremental costs of these climate-resilient activities and low-carbon technologies, it was considered appropriate to develop an inclusive loan product with below-market rate and a longer tenure, to facilitate adoption by targeted women-led MSMEs. The technical assistance will help to train Ecobank Ghana staff on climate and gender finance and to develop reporting tools that will track the achievements of the GCF funding. The technical assistance will also benefit the targeted women-led MSMEs and famer-based associations to increase uptake of agricultural lending and capacity building, and will be implemented over the 15 years of the programme.

GENDER ACTIVITIES BY CLIMATE INVESTMENT FUNDS

Global launch of gender and sustainable energy data for East Africa: The Bank, CIF and ENERGIA organized a global launch of the Gender and Energy Country Briefs for Kenya, Rwanda, Tanzania, and Uganda at the end of 2020, and held country-level workshops and webinars in all four countries in 2021. These events presented key data on the nexus between gender and energy in the four countries and provided recommendations for policies that will further mainstream gender into energy interventions. This tailored dissemination provided policymakers and practitioners with recommendations to effectively integrate gender into energy planning, implementation and monitoring.

Role of women in Uganda's plastic recycling economy: In 2021, the Bank and CIF published the study Gender Technical Assessment of Opportunities to improve Implementation of Plastics and Waste Management in a Ugandan Municipality, which examines gender challenges in waste management and plastic recycling. The study was launched during a webinar on the women-led plastic recycling market in Africa, hosted by the African Development Bank on 29 June. During the event, experts underscored the role of women in waste management as important agents of change. The session also highlighted best practices for the involvement of women in plastic waste management in Africa.

Gender integration in Cameroon: Gender is considered a crosscutting sector in Cameroon's Forest Investment Programme (FIP) Investment Plan, which is focused on ensuring that the needs and priorities of men and women of different demographic groups are identified and addressed in all FIP sectors. However, beyond gender mainstreaming within the FIP document, it is important to ensure that all FIP support programmes at the national level are gender sensitive and include concrete/specific actions for women and men. The objective of the proposed activity was to assess gender mainstreaming in Cameroon's FIP to support the development and implementation of gender-specific actions within selected FIP programmes. An evaluation of the integration of gender in the investment plan was carried out during 2021. Dissemination of the study's findings and follow-up discussions with the government will be organized in 2022.

Decision to support granular gender and climate hotspot mapping in Rwanda: In 2020, the African Development Bank conducted a gender and climate change hotspot analysis at the continental level in

Africa, but the results were not sufficiently detailed to provide country-specific recommendations for action. Thus, it has been decided to cascade the hotspot mapping down to the country level to unearth geographical variances, social differences, different political systems and sectoral variations that will facilitate tailored gendered climate-resilient responses. The Bank recruited the African Centre for Technology Studies to develop its preliminary study, deepening the analysis at the local level by developing a mapping tool that is scalable to other countries. The results of this analysis will help with decision-making in the roll-out of National Adaptation Plans, NDCs, and LTSs, among other key climate and development-related actions. The proposed country of intervention is Rwanda, as its strategic programme for climate resilience priorities fits neatly with the objectives of the proposed concept and hotspot mapping tool.

5.7 Key initiatives

GENDER AND CLIMATE ACTION FAST TRACK INITIATIVE

The 2030 Agenda does not draw an explicit link between SDG 5 on gender equality and SDG 13 on climate action. Rather, it makes a link between gender and various aspects of women's and girls' capacities to adapt to climate change, e.g. land ownership, access to finance, and climate education. Indeed, the interlinkages between gender and environmental issues have been documented since the rise of feminist movements in the 1970s. As such, the three Rio Conventions – on Biodiversity, Climate Change, and Desertification – all include gender action plans. The link between gender and the environment was also laid out in the Beijing Platform for Action.

The Gender and Climate Action Fast Track Initiative is a joint initiative between the European Bank of Reconstruction and Development, the African Development Bank and the French Development Agency. The initiative aims to develop a study for identifying policy objectives and joint priorities to unlock equal opportunities for women and gender equality through fast-tracking climate action and to meet the Paris Agreement targets and key SDGs, such as SDG 5 on Gender Equality and SDG 13 on Climate Change. The initiative was launched in 2022 during the 66th Commission on the Status of Women held by UN Women. All partners involved in the initiative participated in a roundtable championed by the Arab Republic of Egypt. They presented the study's goal, which is to contribute to meeting global climate and gender targets through prioritizing selected outcome areas, including: (i) women in climate leadership; (ii) gender-responsive corporate climate governance; and (iii) policy engagement related to international gender and climate action commitments. The study is expected to analyse the gaps in promoting gender in climate action, and to highlight opportunities to address these gaps through investment and policy engagement in a final report. This is a strategic umbrella collaboration of partners aiming to accelerate and scale up gender-responsive climate change action and it is anticipated that the final report will be presented at COP27 in Egypt.

GENDER AND CLIMATE RESILIENCE STORIES

Empowering Women in Agriculture Transformation through ICT in Côte D'Ivoire: The economy in Côte d'Ivoire is dominated by agriculture. Women represent 67% of the workforce and provide 60–80% of food production, according to the Ministry of Women, Child Protection and Solidarity. As highlighted at the 2021 United Nations Convention to Combat Desertification COP15 in Abidjan, women are leading actors in the fight against land degradation. Women have the potential to be strong agents of change and to drive adaptation and mitigation actions through their agriculture practices. Their power as agents of change comes from their access to means of agricultural production (inputs, extension services and credit), markets, funding, and capacity-enhancing opportunities such as training, technical assistance, information and communication techniques. The current lack of access to these climate-related assets prevents them from taking substantial climate action and the situation has been worsened by the impact of COVID-19.

The project, empowering women in the agricultural sector through ICT in Côte d'Ivoire, was designed to facilitate women's access to appropriate information and technology to strengthen their agricultural resilience in the context of climate change. The project's expected impact is to improve the socio-economic conditions of women through resilient agriculture and the use of ICT. Funded by the Korean Trust Fund, it is implemented in Côte d'Ivoire by UN Women. One of the results achieved so far is the mapping of women's groups and cooperatives to facilitate their access to ICT. The project has also conducted a study on the cassava value chain to identify where women have a comparative advantage, and where the gaps are and how to address them.

Rural Livelihoods Adaptation to Climate Change in the Horn of Africa (Phase II) in Sudan: Sudan's National Adaptation Plan emphasizes the rural dimension of poverty and focuses on three sectors: agriculture, water resources, and public health. Therefore, this project focuses on a wide range of interdependent technologies and methods such as the introduction of solar energy for communal services like water pumping, new irrigation methods for agriculture, rangeland rehabilitation, and the introduction of veterinary services. The objective of this project is to improve the climate resilience of communities in specific economic sectors (mainly agriculture and livestock husbandry), as climate change has a significant impact on them, and its effects are mostly felt by women and children. In addition to this, the adaptive technologies envisaged by the project will reduce the workload of women and children, who are often charged with water collection for households and livestock.

The project's activities focus on women's empowerment and capacity building, and range from awareness-raising activities to the introduction of adaptation techniques and training. The project includes significant gender-responsive measures and has thus far been able to incorporate 23 women's organizations, representing 700 women across the different states. Through relevant partnerships with gender focal points in each ministry, each state's gender unit and the Rural Development Department, these women's groups are developing their climate adaptation plans to include water pumps at tree nurseries, farms and households to help people grow vegetables and meet their daily needs. They will also be supported by the project to develop leadership skills and improve their capacity to access financial institutions.



Section 6

Climate change and green growth: Policy and strategy

6.1 The strategic framework

The mandate of the African Development Bank Group is to contribute to the sustainable economic development and social progress of African countries, individually and collectively. The Bank has long recognized that climate action is a core component of the sustainable development it seeks to promote. In this regard, the Bank has recently developed a strategic framework for climate change and green growth. The framework aims to strengthen the Bank's ambition and vision in these areas.

The framework comprises a high-level policy, a 10-year strategy (2021–2030), and a five-year action plan (2021–2025). The framework emphasizes the role and importance of green growth and, by following it, the Bank will systematically align its future investments and operations with the Paris Agreement and SDGs, while positioning green growth as a key priority area and delivering on its ambitious climate finance targets, including the provision of $25 billion in climate finance by 2025.

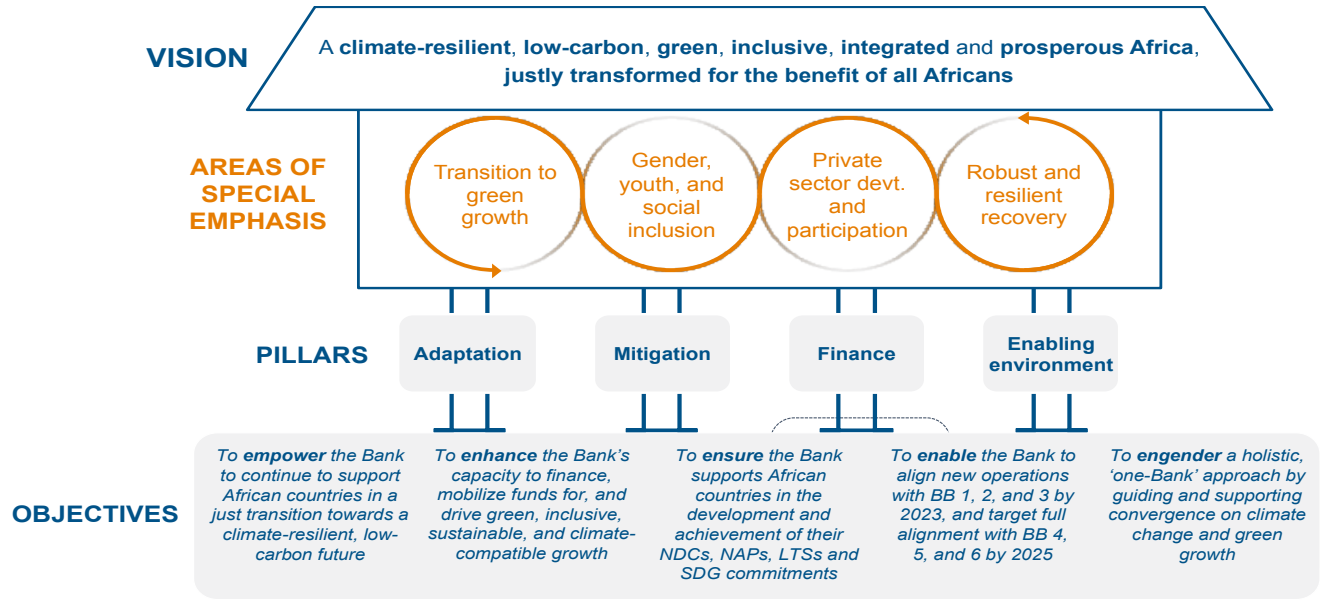
6.2 The Climate Change and Green Growth Policy

The policy sets out a clear vision for a climate-resilient, low-carbon, green, inclusive, integrated, and prosperous Africa, justly transformed for the benefit of all Africans. It builds on its comparative advantage and lessons learned, focusing on four fundamental pillars and four key areas of special emphasis across its sustainability agenda (Figure 11). Its vision is built on the foundations of six building blocks (see Table 15), which together will align the Bank's financial flows and investments with the objectives of the Paris Climate Agreement.

The Bank Climate Change and Green Growth Policy is underpinned by the recognition that African countries have contributed negligibly to global CO_2 emissions. Under the policy, the Bank has set out a clear vision that recognizes the following facts:

- The African Development Bank's position on climate change and green growth is consistent with those of other MDBs but different from them in terms of priority strategic measures, targets, and timeframes, in much the same way that African nations face different national circumstances and present different capabilities, as reflected in their NDCs.
- The Bank's commitment to aligning financing flows with the objectives of the Paris Agreement, and the timeline thereof, will be consistent with African nations' NDCs and LTSs. This manifests as a commitment to ensuring 100% alignment of new operations with building block 1 (mitigation), building block 2 (adaptation) and building block 3 (climate finance) by December 2023, and 100% alignment with the remaining building blocks: 4 (countries' strategy, engagement and policy development), 5 (reporting), and 6 (alignment of internal activities), by December 2025.
- The level of ambition articulated in this strategic framework – beyond the Bank's own target of 40%

Figure 11: Climate change and green growth pillars and special emphasis



Note: BB = building block (see Table 15).

of commitments as climate finance – is contingent on adequate resources (global climate finance) being channelled to African countries, capacity building, technical capacity, and technology transfer.

- The Bank's view of a just transition for the continent is one that fully supports Africa's socio-economic development aspirations.

The vision of the bank is a climate-resilient, low-carbon, green, inclusive, integrated, and prosperous Africa, justly transformed for all Africans and strongly positioned to meet the challenges it faces and to harness the opportunities offered by climate change and green growth.

6.3 The Climate Change and Green Growth Strategy (2021–2030)

The strategy identifies key strategic actions including: (i) resource mobilization, spending, and targets; (ii) investment portfolios and pipelines; (iii) convening power, partnerships, and activation of key actors; and (iv) institutional capacity and RMC capacity enhancement.

Key issues of the strategy:

- **Continued emphasis on adaptation:** The Framework underscores the centrality of climate change adaptation in Africa by requiring the Bank to spend at least 50% of its climate finance allocation on climate adaptation and resilience.
- **The level of ambition of the Bank's climate finance targets:** Pursue the 40% target and the aggregate climate finance target of $25 billion between 2020 and 2025 and improve the joint MDB tracking and reporting methodologies.
- **The need to adopt a timeframe for full Bank alignment with the Paris Agreement:** To lend momentum to Paris alignment by all MDBs, the Bank commits to fully aligning new operations with building blocks 1, 2, and 3 by December 2023, and shall diligently and ambitiously pursue full alignment with the Paris Agreement by December 2025, subject to the completion and testing of the remaining building blocks: 4 (countries' strategy, engagement, and policy development), 5 (reporting), and 6 (alignment of internal activities).
- **Strong commitment to support NDCs and LTSs:** A core Bank priority for the next decade and beyond is to help African countries meet the objectives of the Paris Agreement by delivering on their existing commitments articulated in their NDCs and raising ambition through their LTSs.
- **A monitoring, evaluation, reporting, and learning framework** is being developed to help track progress and measure performance in achieving the desired outcomes set out in the strategic framework. The strategy has a dedicated and high-level results measurement framework. A detailed operational results management framework is provided in the draft action plan.
- **Signalling the Bank's shift away from coal**, a simple amendment of the existing energy policy excluding any future investments into new coal projects is currently under consideration by the Board on a lapse-of-time basis. This shift is further affirmed in the new Climate Change and Green Growth Framework. Other energy issues, notably the role of natural gas, will be addressed in the development of a new energy policy that will begin in 2022.

NEW COMMITMENT UNDER CLIMATE CHANGE STRATEGY

The Bank's Climate Change and Green Growth Strategy will be instrumental in realizing a climate-resilient, low-carbon, green, inclusive, integrated, and prosperous Africa. Under the strategy, the Bank is committed to:

- mainstreaming and operationalizing climate change and green growth in all the Bank's networks, departments, programmes, projects and activities
- achieving strong and visible progress towards aligning new operations with the first three building blocks of the MDB Paris Alignment Framework by the end of 2023, with 100% alignment with the remaining three building blocks by December 2025
- facilitating the achievement and reporting of clear and measurable results from the implementation of the Bank's Climate Change and Green Growth Policy
- screening all Bank projects for climate risk assessment and opportunities by 2025.

6.4 The Climate Change and Green Growth Action Plan (2021–2025)

The action plan is the operational component of the Climate Change and Green Growth Strategic Framework. It provides granular detail on each of the strategic actions articulated in the strategy, all of which spring from the principles and priorities underscored in the policy, and further emphasizes investments in green infrastructure that will be delivered by the Bank. It is currently being finalized and is expected to be published in 2022.

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