HOW TO PREPARE BANKABLE PROJECTS
FOR FINANCING CLIMATE CHANGE ADAPTATION IN
TRANSBOUNDARY BASINS

Dakar, Senegal, 21-23 June 2017

Preparing projects in River/Transboundary Basin

Regional experiences from AfDB perspectives

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African Development Bank
Presentation Outline

I. Regional experiences related to Climate and River Basin
II. Financing options for transboundary/river basin projects
  - The Global Environment Facility (GEF)
  - The Africa Climate Change Fund (ACCF)
  - The Adaptation Fund (AF)
  - The Green Climate Fund (GCF)
  - The African Water Facility (AWF)
IV. Capacity considerations of recipients to manage and implement projects
V. Q&A
Regional experiences related to Climate Change and River/Lake Basins (1/2)

Case 1 - Lake Chad Basin

Lake Chad Basin Vision 2025

2008 - Transboundary Diagnostic Analysis (TDA)

1. Variability of hydrological regime and fresh water availability
2. Water pollution
3. Decreased viability of biological resources
4. Loss of biodiversity
5. Loss and modification of ecosystems
6. Sedimentation in rivers and water bodies and
7. Invasive species

Project preparation funded by GEF IW

SAP - Strategic Action Program (updated in 2017)

1. Improved quantity and quality of water in the Lake Chad Basin
2. Restoration, conservation and sustainable use of bio-resources in the Lake Chad Basin
3. Conservation of biodiversity in the Lake Chad Basin
4. Restoration and preservation of ecosystem resources in the Lake Chad Basin
5. Strengthened participation and capacity of stakeholders and institutional and legal frameworks for environmental stewardship for the Lake Chad Basin

Investments funded by multiple donors

Donors and LCBC interventions

- AfDB (PRODEBALT & PRESIBALT)
- WB
- UNDP
- GIZ & BGR
- AFD
- GEF co-financing
- Lake Chad Countries investments

Funding provided by LCBC countries
Exemple of intervention

<table>
<thead>
<tr>
<th>Lake Chad Basin Sustainable Development Program (PRODEBALT)</th>
<th>Multinational – Program to Rehabilitate and Strengthen the Resilience of Lake Chad Basin Systems (PRESIBALT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation period: 2009-2016</td>
<td>Implementation period: 2016-2020</td>
</tr>
<tr>
<td>Total cost: UA 60.07 million jointly financed by an ADF grant for an amount of UA 30 million and other donors (GTZ, BGR, EU, World Bank, and ISB). In USD 90.96 million.</td>
<td>Total cost: $110.4 million of which UA 53.82 million from ADF resources and USD20mln from GEF.</td>
</tr>
<tr>
<td>The program aims at the rehabilitation and conservation of the productive capacities of Lake Chad basin ecosystems so as to adapt the production systems to climate change.</td>
<td>Program objective: To build the resilience of socio-ecological systems for sustainable and inclusive development in the Lake Chad Basin</td>
</tr>
<tr>
<td>Component 1: Protection of Lake Chad and its Basin (i) Soil conservation; (ii) Fight against invasive species; (iii) Conservation of biodiversity</td>
<td>Component 1: Preservation and development of water resources (i) Preservation and development of water resources; (ii) Rehabilitation of agro-hydro-meteorological surveillance networks; (iii) Drinking water and sanitation</td>
</tr>
<tr>
<td>Component 2: Adaptation of production systems to climate change (i) Integrated Management of Water Resources; (ii) Sustainable Management of forest and pasture resources; (iii) Fish stock development and management; (iv) Support to Local Development Initiatives</td>
<td>Component 2: Development of ecological resources, services and value chains (i) Creation of a cross-border protected area and a world heritage site; (ii) Development of value chains for the main basin outputs; (iii) Social dimension of resilience</td>
</tr>
<tr>
<td>Component 3: Institutional Support</td>
<td>Component 3: Institution building and program management</td>
</tr>
</tbody>
</table>
2002 - Preliminary Study done to find solutions to the constantly shifting border caused by the changing river course.

2003 – Phase 1: Songwe River Basin Development Program (SRBDP) Feasibility Study, MoU, funded by NDF.

2012-2015 – Phase 2: Detailed design and preparation, financed by the Nordic Development Fund (NDF), African Water Facility, and NEPAD-IPPF.

2015-now – Phase 3: Ten Year Songwe River Basin Development Program (SRBDP), funded by multiple donors.

Regional experiences related to Climate Change and River/Lake Basins (1/2)

Songwe River Basin (Malawi/Tanzania)
## Funding phase for SRBDP and Vision 2050

### Strategic Framework for Long-term Integrated Development of Songwe River Basin

<table>
<thead>
<tr>
<th>Component</th>
<th>Funding phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dam and other infrastructure</td>
<td>Investment</td>
</tr>
<tr>
<td>Rural electrification</td>
<td>Investment</td>
</tr>
<tr>
<td>Agriculture and irrigation</td>
<td>Fondation</td>
</tr>
<tr>
<td>Water supply</td>
<td>Fondation</td>
</tr>
<tr>
<td>Conservation and natural resources management</td>
<td>Intermediary</td>
</tr>
<tr>
<td>Community development (schools, health centers, roads)</td>
<td>Fondation</td>
</tr>
<tr>
<td>Institutional capacity building</td>
<td>Fondation</td>
</tr>
</tbody>
</table>
Lessons learnt for River/Transboundary Basin programs

- Consultation with all relevant stakeholders is key
- Identification of problems and needs as a basis for all interventions (TDA)
- Importance of an Investment Framework to guide action (SAP)
- Identification of relevant funding windows (preparation vs investment windows)
- Capacity of host organization for coordination, monitoring and implementation (Basin organisation, etc)
- Political buy-in by all parties (countries and institutions) via a charter, convention or any other agreement
- Stability of financial resources for sustainability
Financing options for transboundary/River basin projects
Water related Climate Finance at the AfDB

The AfDB manages or has access to different Facilities that provide multiple instruments (preparation grant, grants, concessional debt, equity, etc.) which ultimately enhance project bankability, build resilience to climate change and support transition to green growth in Africa.

AfDB’s role

- Bank’s Own Trust Fund
- External Funds (AfDB Implementing Entity)

Facilities:
- Sustainable Energy Fund for Africa
- Africa Climate Change Fund
- African Water Facility
- Green Climate Fund
- Climate Investment Funds
- The Global Environment Facility
- The Adaptation Fund
Financial Instruments at each project cycle

These are targeted at different stages of the project development cycle and up to financial close. These range from preparation grants to long-term project financing instruments as well as equity and insurance products (e.g. guarantees).

AfDB maximizes value-added by ensuring complementarity across different facilities and its own financial products.

- Grants for Technical Assistance and Capacity Building for Public Sector clients
- Grants for Technical Assistance and Capacity Building for Private and Public Sector clients
- Grants
- Sovereign Guaranteed Loans
- Senior Concessional Loans
- Subordinated Concessional Loans
- Guarantees (PRGs, PCGs)
- Indirect Equity
- Junior Equity
### Public Sector Preparation and Enabling Environment

- **Grants**
  - Green Climate Fund
  - Global Environment Facility

- **Concessional Debt**

- **Quasi-Equity and Junior Equity**

### Project Development Phase

- **Grants**
  - Green Climate Fund
  - Global Environment Facility

- **Concessional Debt**

- **Quasi-Equity and Junior Equity**

### Project Finance Phase

- **Grants**
  - Green Climate Fund
  - Global Environment Facility

- **Concessional Debt**

- **Quasi-Equity and Junior Equity**
The Global Environment Facility
The Global Environment Facility

1991
$1 billion pilot program in the WB

1992
At the Rio Earth Summit, negotiations started to restructure the GEF out of the WB

1994
Instrument for the Establishment of the Restructured GEF
Initial partners: WB, UNDP, UNEP

2007 - AFDB
GEF serves as financial mechanism for:
- CBD
- UNFCCC
- Stockholm Conv. on POPs
- UNCCD
- Mercury (NEW)

Also, although not linked formally to the Montreal Protocol, the GEF supports its implementation in transition economies.

2014
GEF6
2014-2018
$4.4 bln

2018 - 2022
GEF7
World’s largest public funder of projects and programs to benefit the global environment

 Guidance

- GEF Assembly
- Conventions
  - CBD
  - UNFCCC
  - Stockholm (POPs)
  - UNCCD
  - Montreal Protocol
  - Mercury

 Operations

- STAP
- GEF Council
  - Countries: Council Members/Constituencies

 Action

- GEF Trustee
- GEF Agencies (18)
  - UNDP
  - UNEP
  - WB
  - ADB
  - AfDB
  - EBRD
  - FAO
  - IaDB
  - IFAD
  - ....
- Projects
  - Countries:
    - GEF OFPs / PFPs
    - Convention FPs
    - Other Gov’t
    - NGOs / CSOs
    - Private Sector

- Evaluation Office
- GEF Secretariat
### Accessing Funds

**The GEF**

<table>
<thead>
<tr>
<th>Adaptation Funds</th>
<th>GEF TF</th>
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</thead>
<tbody>
<tr>
<td>LDCF</td>
<td>Focal Areas</td>
</tr>
<tr>
<td>SCCF</td>
<td>1. Biodiversity</td>
</tr>
</tbody>
</table>

#### Focal Areas

1. **Biodiversity**
2. **Sustainable Forest Management (SFM)**
3. **International waters**
4. **Land degradation**
5. **Waste & Chemicals**
6. **Climate change mitigation**

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1. **Reduce vulnerability** to the adverse impacts of climate change – e.g. reduced risks to economic losses through implementation of adaptation measures

2. **Increase adaptive capacity** to respond to the impacts of climate change – e.g. within relevant development sectors and natural resources; diversified and strengthened livelihoods and sources of income

3. **Promote** transfer and adoption of **adaptation technologies** – as defined under the Climate Convention
Delivering GEF International Waters
Global Environment Benefits

Foundational Capacity
Building/Enabling environments, Basic Policy and cooperation framework

Strengthening policy and legal and institutional frameworks

Transformational Change

Full-scale SAP Implementation

Strategic Action Program (SAP)

Transboundary Diagnostic Analysis (TDA)
International Waters GEF-6 Strategy

Goal: To promote collective management of transboundary water systems and implementation of the full range of policy, legal and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services.

Objective 1: Catalyze Sustainable Management of Transboundary Waters

1. Foster Cooperation for Sustainable use of Transboundary Water Systems & Economic Growth

2. Increase Resilience & Flow of Ecosystems Services in Context of Melting High Altitude Glaciers

Objective 2: Balance Competing Water-uses in the Management of Transboundary Surface and Groundwater

3. Advance Conjunctive Management of Surface & Groundwater systems


Objective 3: Rebuild Marine Fisheries, Restore and Protect Coastal Habitats, and Reduce Pollution of Coasts and LMEs

5. Reduce Ocean Hypoxia

6. Prevent the Loss and Degradation of Coastal Habitat

7. Foster Sustainable Fisheries
The Africa Climate Change Fund
The Africa Climate Change Fund (ACCF)

- Established in 2014 as a Bank-managed bilateral thematic fund with Germany (EUR 4.725m) and converted to a multi-donor trust fund in 2017 with the joining of Italy (EUR 4.7m) and Flanders (EUR 2m)

- ACCF provides small grants to support RMCs in their transition to climate resilient and low carbon development, in line with their Nationally Determined Contributions (NDCs) and to enable the Bank to scale up its climate change activities.

- **Beneficiaries** of ACCF grants include:
  - African governments
  - NGOs
  - Research institutions
  - Regional institutions
  - Funds
  - Bank departments
ACCF objectives

- Building capacity of African stakeholders on climate change, climate finance and green growth and scaling up access to climate finance by African countries
- Integrating climate change into development strategies and policies and developing and co-financing projects and programs to advance climate resilient and low carbon development
- Supporting African countries to effectively engage in the UNFCCC process
- Contributing to the implementation of the Bank’s climate change and green growth priorities, including the Bank’s Climate Change Action Plan

Eligible activities include:

- Consultants
- Trainings, workshops, meetings
- Communication, outreach, advocacy, translation
- Studies, strategies, analytical work
- Office equipment and transport
- Administrative costs
The Adaptation Fund
Establishment of the Adaptation Fund (AF)

- Set up under the Kyoto Protocol of the UNFCCC and launched in 2007
- **AfDB accredited by AF** in September 2011 and just reaccredited last month (April 2017)
- Financed from a **2% share of the Credit Emission Reduction (CER) proceeds** on the Clean Development Mechanism (CDM) project activities and other sources of funding
- **Secretariat**: GEF on an interim basis; **Trustee**: World Bank on an interim basis
- Direct access to AF resources for eligible countries
- NIE and MIE shall meet the **fiduciary standards** established by the AF Board
- AF funding provided on **full adaptation costs basis** of projects and programmes which aim to **adapt and increase climate resilience**
Accessing AF funding

For projects larger than USD 1M, a choice of a one step (full proposal) or two step process (concept approval and project document)

For small-scale projects (below USD 1M) one-step process

Option to provide Project Formulation Grant to NIE proponents of endorsed concepts; for MIEs under discussion

Proposals to be endorsed by a Designated Authority. As of today, 50 countries have nominated one

Proposals need to be submitted at least 9 weeks before a Board meeting

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**Direct Access Modality**

- Direct submission to AFB through NIE
- Nomination by Parties of regional and sub-regional entities as implementing entities in lieu of NIE

**MIE Access Modality**

Parties can submit their proposals through an accredited MIE
The Green Climate Fund
The Green Climate Fund

✓ Largest climate finance created in 2010 as a global platform to respond to climate change by investing in low-emission and climate-resilient development

✓ No dedicated window for IW but funds various projects

✓ Includes a PPF, PSF, readiness program and others

✓ **The AfDB was accredited on March 9, 2016** as an International Entity to handle large size (> $250 million) funded activities with High risk (Category A/I-1) Intermediation

✓ Accreditation for Fiduciary Standards – (a) **grant award** and/or funding allocation mechanisms; (b) **on-lending and/or blending** and (c) **project management**.
What is the Initial GCF Proposal Approval Process?

1. Generation of funding proposals
2. Concept development (voluntary)
3. Submission of funding proposal
4. Analysis and recommendation
5. Board Decision
6. Trustee

Source: GCF Secretariat. Based on Board decision B.07/03
### GCF Strategic Impact Areas

#### Adaptation:
- Livelihoods of people, communities and regions
- Health and well-being of people, food and water security
- Infrastructure and built environment
- Ecosystems and related services

#### Mitigation:
- Low-emission energy and electricity
- Low-emission modes of transport
- Buildings, cities, industries and appliances energy intensity
- Land use and forests
## GCF Investment Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Potential</td>
<td>Potential of the programme/project to contribute to the achievement of the GCF’s objectives and result areas</td>
</tr>
<tr>
<td>Paradigm shift potential</td>
<td>Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment</td>
</tr>
<tr>
<td>Sustainable development potential</td>
<td>Wider benefits and priorities, including environmental co-benefits</td>
</tr>
<tr>
<td>Needs of the recipient</td>
<td>Vulnerability and financing needs of the beneficiary country and population</td>
</tr>
<tr>
<td>Country ownership</td>
<td>Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)</td>
</tr>
<tr>
<td>Efficiency and effectiveness</td>
<td>Economic and, if appropriate, financial soundness of the programme/project</td>
</tr>
</tbody>
</table>
Preparing GCF Full Funding Proposals (1)

**Step 1: Generation of Funding Proposals**
- An accredited entity can submit projects either in response to a call for proposals or spontaneously.
- Funding proposals are developed in close consultation with NDAs or focal points.

**Step 2: Submission of a Concept Note (optional)**
- The concept note provides basic information about a project or programme.
- The Secretariat needs at least 2 weeks to review a Concept Note.

**Step 3: Submission of a Funding proposal (FP):**
- It is standard practice for Accredited Entities to submit funding proposals to GCF.
- Once submitted, the Secretariat needs at least 1 month to review a FP.
- FPs are subject to a rigorous review process before GCF Board consideration.
- FPs must include an Impact Assessment published 120 days before the Board decision for category A (high risk) projects and 30 days for category B (medium risk) projects.
- FP submission must include a no objection letter submitted within 30 days of the proposal itself, but can be separate from the proposal. It must be signed by the relevant country NDA.
- The GCF Secretariat undertakes an initial completeness check.
Preparing GCF Funding Proposals (2)

Step 4: Analysis and recommendation to the GCF Board

• Assessment by the GCF Secretariat
  – GCF Secretariat undertakes a more detailed assessment, including how the proposal matches GCF investment criteria
  – The Secretariat also assesses compliance with GCF policies: Fiduciary standards; Risk management; Environment and Social Standards (ESS); Monitoring and Evaluation criteria; Gender policy; Legal standards

• Assessment and Recommendation by the Independent Technical Advisory Panel (ITAP):
  – ITAP is an independent technical advisory body made up of 6 international experts that makes a technical assessment of the funding proposals against the six GCF investment criteria, and makes recommendations to the Board.
  – ITAP may ask Accredited Entities to provide clarifications, while liaising with the GCF Secretariat.
Preparing GCF Full Funding Proposals (3)

Step 5: GCF Board decision

• The GCF Board generally meets 3 times a year - considers funding proposals based on consensus.
• The GCF Board makes its decision based on funding proposal package submitted by the GCF Secretariat.
• Accredited Entities may be requested to provide additional clarification - based on the GCF Secretariat and ITAP assessments.
• The GCF Board can choose one of three possible decisions: i) Approve funding; ii) Approve funding with conditions pending some modifications to the project; and iii) Reject the funding proposal.

Step 6: Legal arrangements

• Following GCF Board approval, the GCF Secretariat negotiates with the Accredited Entity in order to sign a Funded Activity Agreement (FAA).
• The FAA lays the groundwork for the implementation phase of the project or programme.
GCF Project Preparation Facility

- **Application:** PPF requests are developed by the accredited entity in collaboration with the respective NDA / focal point, and with support from the GCF Secretariat

- **Submission:** It is optional to first submit a **concept note** together with PPF proposal template, No objection letter, and Project information (concept note, or a funding proposal, or a completion of the annex in the PPF application). Applications can be sent to the GCF Secretariat at ppf@gcfund.org

- **Review and Approval:** The GCF Secretariat reviews the request and the Executive Director may decide to approve based on following criteria: i) Assessment against the GCF investment criteria; ii) Justification of needs; and iii) Consistency with relevant GCF policies.

- **Grant agreement:** Following approval, legal arrangements are concluded in the form of a grant agreement with the grant recipient, with Standard Conditions, a Legal Opinion and a Letter of Authorization confirming disbursement arrangements under the grant agreement

- **Implementation:** Projects which have been developed using funding from the PPF should be submitted to the Board within 2 years from the approval date for the PPF request, unless there is sufficient justification for an extension to this deadline.
Who are we

Creation
An Initiative of African Ministers’ Council on Water (AMCOW).
Operational since 2006

Administration
Hosted and administered by the African Development Bank (AfDB)

Mission
To assist African countries to mobilise and apply resources to ensure water security and adequate sanitation, for the implementation of the Africa Water Vision 2025 and the SDGs.
AWF Key Dates

2004
AWF Establishment
by the Board of Governors of the AfDB on request by AMCOW

2005
First Financial Donation
a total of €12.9 Million provided by Canada. Followed by €45 Million by Austria, Danemark, Norway & Sweden

2006
First AWF Project
The establishment of the Volta Basin Authority launched the AWF operations

2010
First Private Foundation joining AWF
Bill & Melinda Gates Foundation join the AWF

2012
AWF Strategy for 2012-2016
Focusing on the preparation of bankable projects, strengthening water governance & knowledge on water

2015
AWF 10 years Anniversary
€923 Million invested in follow-on infrastructure projects

2016
Adoption of AWF Strategy 2017-2025
**Vision**

A water secure Africa where the continent’s water resources are developed and managed equitably and sustainably for poverty alleviation, socio-economic development, regional cooperation, environment protection and climate change resilience.

**Mission**

The primary water instrument in Africa that supports & facilitates resources mobilization to meet the huge investment gap for water infrastructure development.

**Goal 2025**

To mobilise resources to ensure water security in Africa contributing to meeting the goals and targets established by the Africa Water Vision and the SDGs.

**Pillars**

- **Investment Promotion (10%)**
- **Catalytic Investments (15%)**
- **Project Preparation (75%)**

**Climate Change & Gender Social Equity & Fragile States & Private Sector**
Strategic Priority 1: Project Preparation

**Objective**
Financing the preparation of Water Resources Development projects & securing follow-on investment for implementation

**Activities**
Covering all aspects of the project preparation cycle

**PROJECT PREPARATION**
- Feasibility studies
- Project Design
- Project Structuring
- Scaling up innovative solutions
- Bankable projects for blended/commercial finance

**WRD PLANS**
- National & Transboundary IWRM planning
- Assessment of WR potential & management needs

**ENABLING ENVIRONMENT FOR INVESTMENTS**
- Governance frameworks & tools
- Regulation
- WR data & information
- TWRM cooperation arrangements
Strategic Priority 2: Catalytic Investments

Objective
Diffusing innovation & providing evidence for private stakeholders to invest by deploying small but catalytic investments, cofinancing with public & private entities.

Activities
Deploying small but catalytic investments, that enable projects to be implemented

Max. 33% of project investment

REPLICATING & PILOTING INNOVATIVE SOLUTIONS
Investments to trigger implementation of innovative projects
- Business models, technologies & financing mechanisms
- Priority to projects that address gender, pro-poor, social inclusion

PROVIDING VIABILITY GAP FUNDING
Investments to leverage commercial finance
- Generally strengthen the project company’s balance sheet
- Targeted subsidies such as financing guarantees or interest rate subsidies
Strategic Priority 3: Investment Promotion

Objective
To increase the number of public and private investment opportunities beyond the reach of specific AWF-funded projects

Activities

**INVESTMENT OPPORTUNITY DIAGNOSTICS**
- Assessments of infrastructure investment needs & preparedness
- Inventory/ pipeline of potential projects
- Creditworthiness assessments of project owners

**NETWORKING PLATFORM**
- Establish a water investment networking platform
- Market project opportunities to potential investors
- Share investment-related experiences & innovation

**GUARANTEE BROKERAGE**
- Raise awareness for risk mitigation instruments
- Establish an guarantee brokerage/ advisory function: liaise with guarantors to help project sponsors obtain the necessary guarantees/ insurances
Questions ?