

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

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## Preparing projects in River/Transboundary Basin

## Regional experiences from AfDB perspectives

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## **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

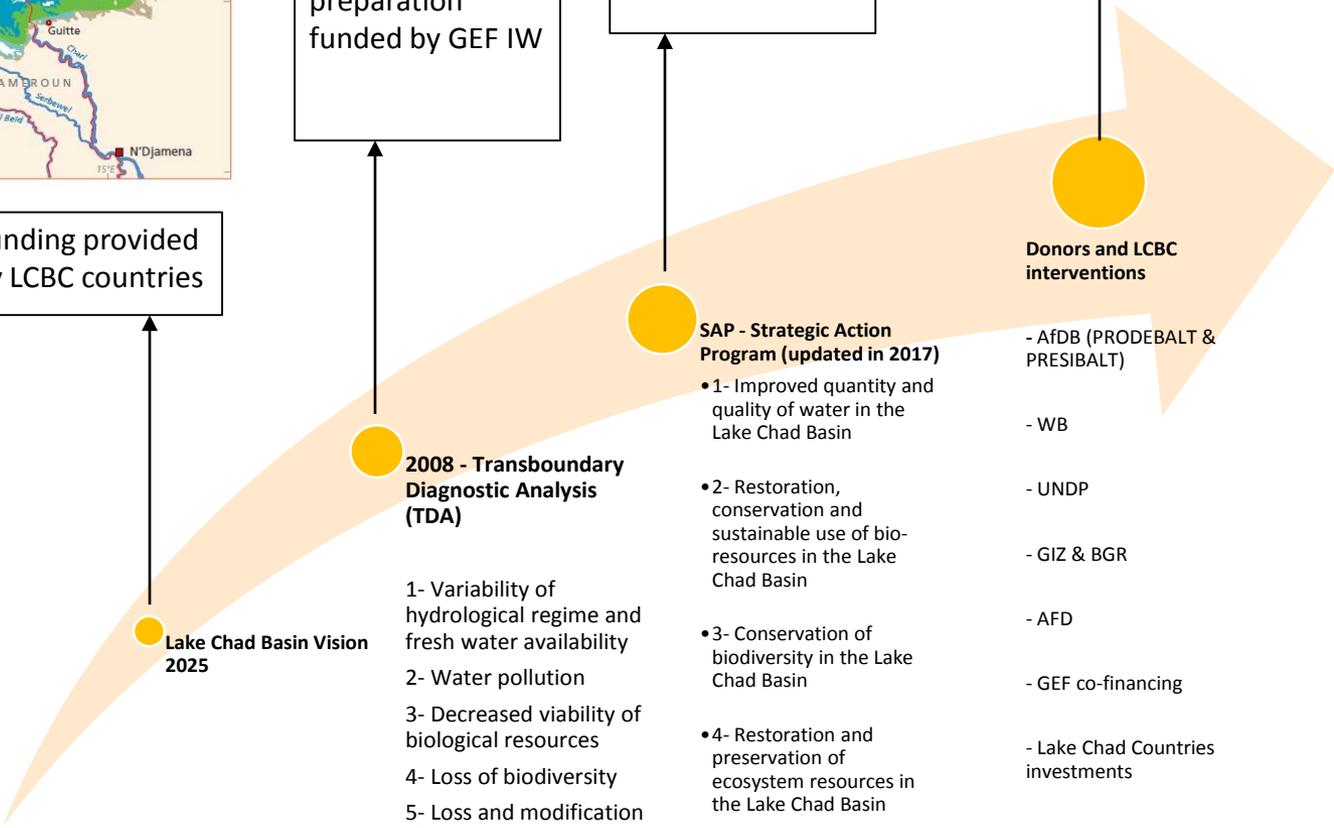


Funding provided by LCBC countries

Project preparation funded by GEF IW

Project preparation funded by GEF IW

Investments funded by multiple donors



Lake Chad Basin Vision 2025

- 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

2008 - Transboundary Diagnostic Analysis (TDA)

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

Donors and LCBC interventions

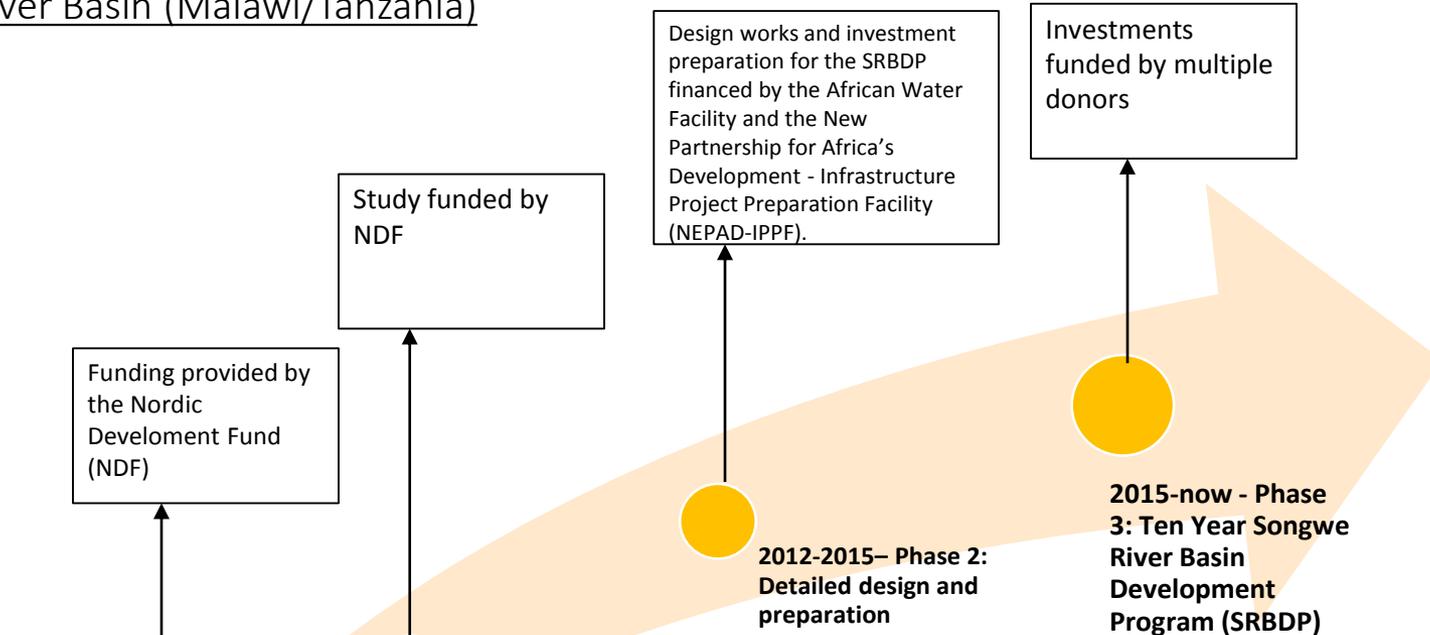
- AfDB (PRODEBALT & PRESIBALT)
- WB
- UNDP
- GIZ & BGR
- AFD
- GEF co-financing
- Lake Chad Countries investments

# Exemple of intervention

<p><b>Lake Chad Basin Sustainable Development Program (PRODEBALT)</b> Implementation period: 2009-2016</p>	<p><b>Multinational – Program to Rehabilitate and Strengthen the Resilience of Lake Chad Basin Systems (PRESIBALT)</b> Implementation period: 2016-2020</p>
<p>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.</p>	<p>Total cost: \$110.4million million of which UA 53.82 million from ADF resources and USD20mIn from GEF.</p>
<p>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.</p>	<p>Program objective: To build the resilience of socio-ecological systems for sustainable and inclusive development in the Lake Chad Basin</p>
<p>Component 1: Protection of Lake Chad and its Basin (i) Soil conservation; (ii) Fight against invasive species; (iii) Conservation of biodiversity</p>	<p>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</p>
<p>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</p>	<p>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</p>
<p>Component 3: Institutional Support</p>	<p>Component 3: Institution building and program management</p>

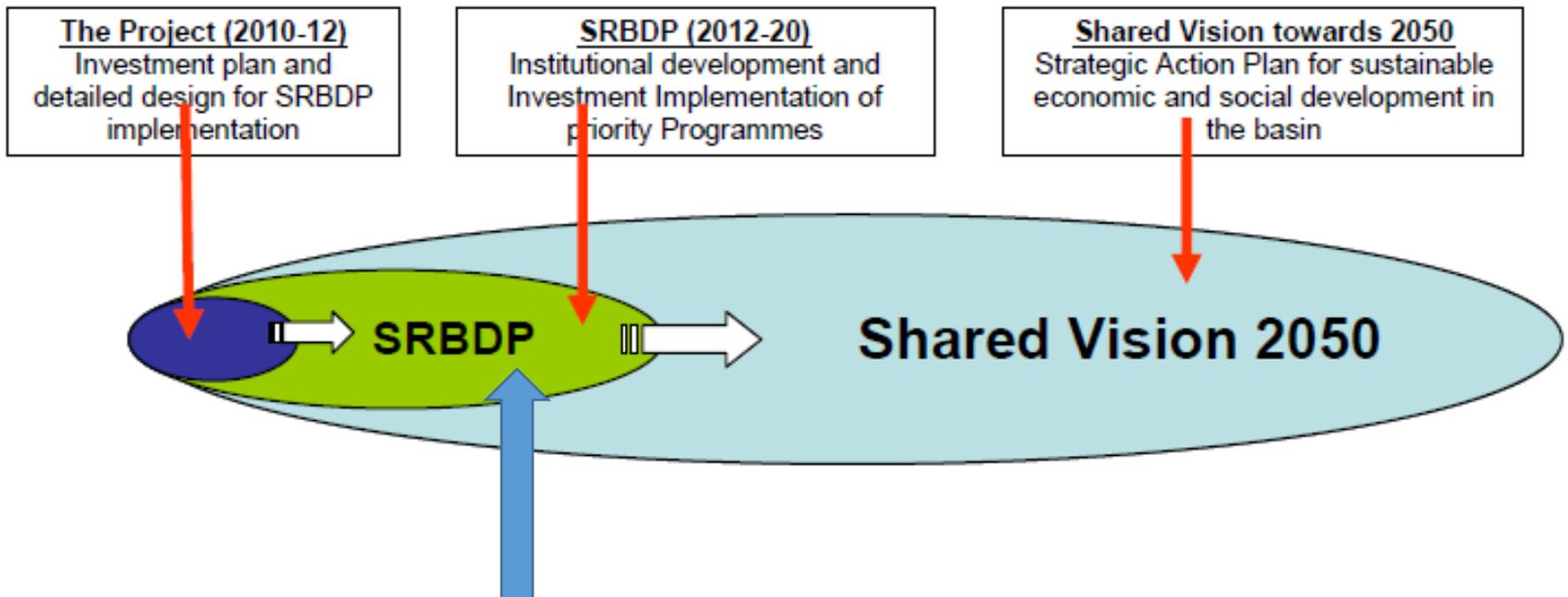
# Regional experiences related to Climate Change and River/Lake Basins (1/2)

## Songwe River Basin (Malawi/Tanzania)



# Funding phase for SRBDP and Vision 2050

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



Component	Funding phase
Dam and other infrastructure	Investment
Rural electrification	Investment
Agriculture and irrigation	Fondation
Water supply	Fondation
Conservation and natural resources management	Intermediary
Community development (schools, health centers, roads)	Fondation
Institutional capacity building	Fondation

# 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 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)

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

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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.



Public Sector  
Preparation and  
Enabling Environment

Project  
Development Phase

Project Finance  
Phase

Grants



Concessional  
Debt



Quasi-Equity  
and Junior  
Equity

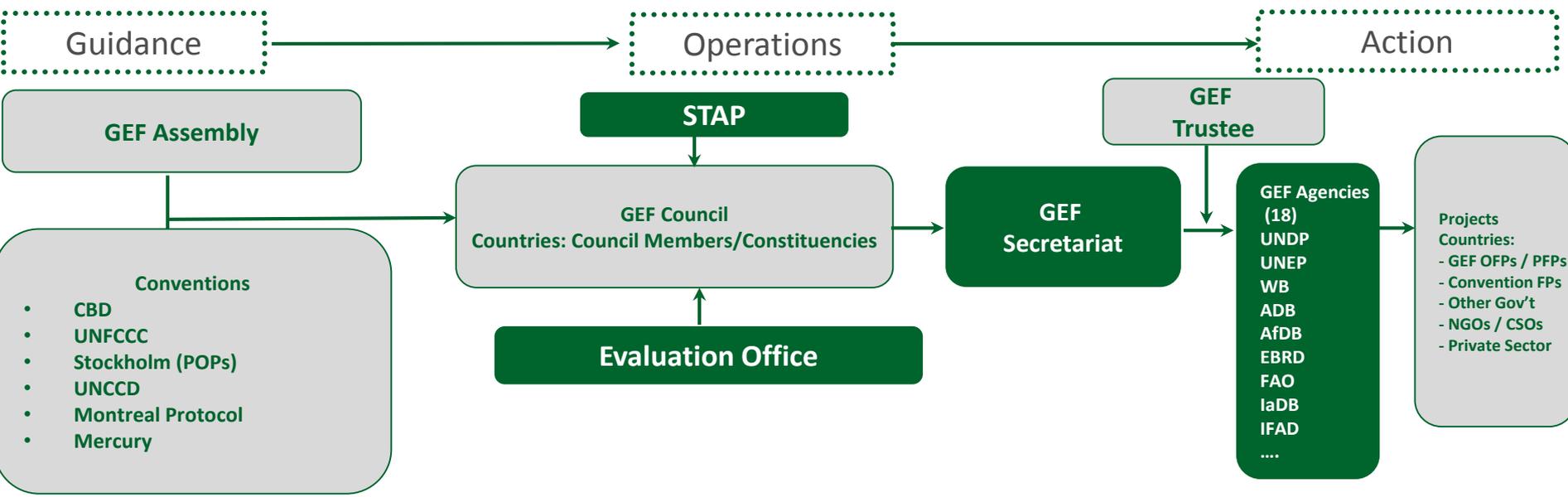
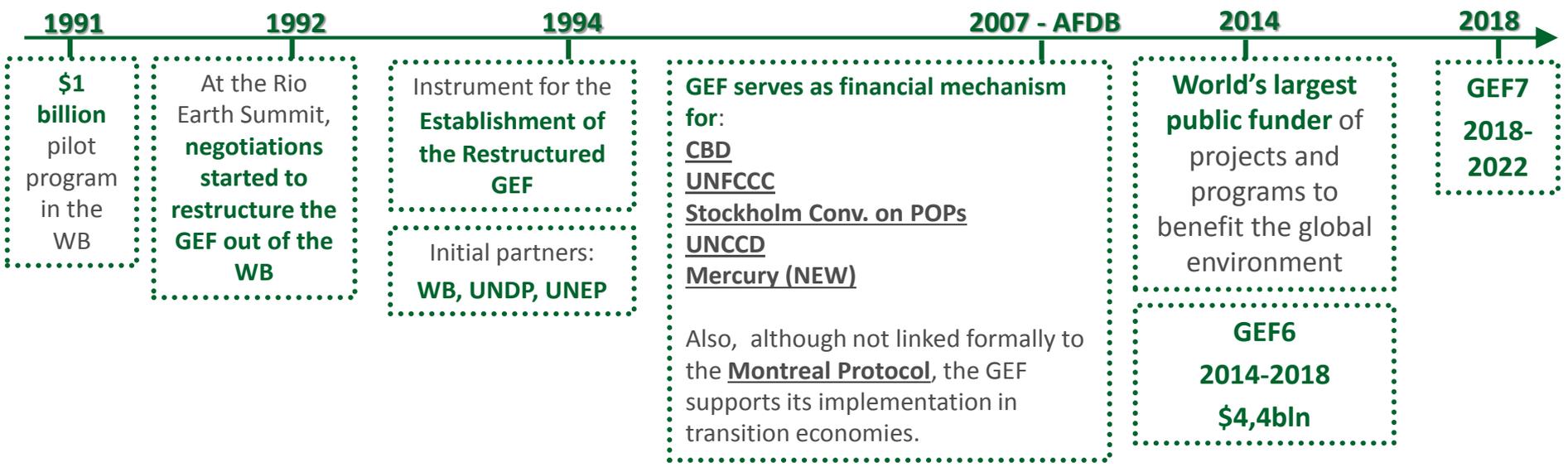


# The Global Environment Facility



**GLOBAL ENVIRONMENT FACILITY**  
INVESTING IN OUR PLANET

# The Global Environment Facility



## Accessing Funds

### The GEF

#### Adaptation Funds

LDCF

SCCF

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

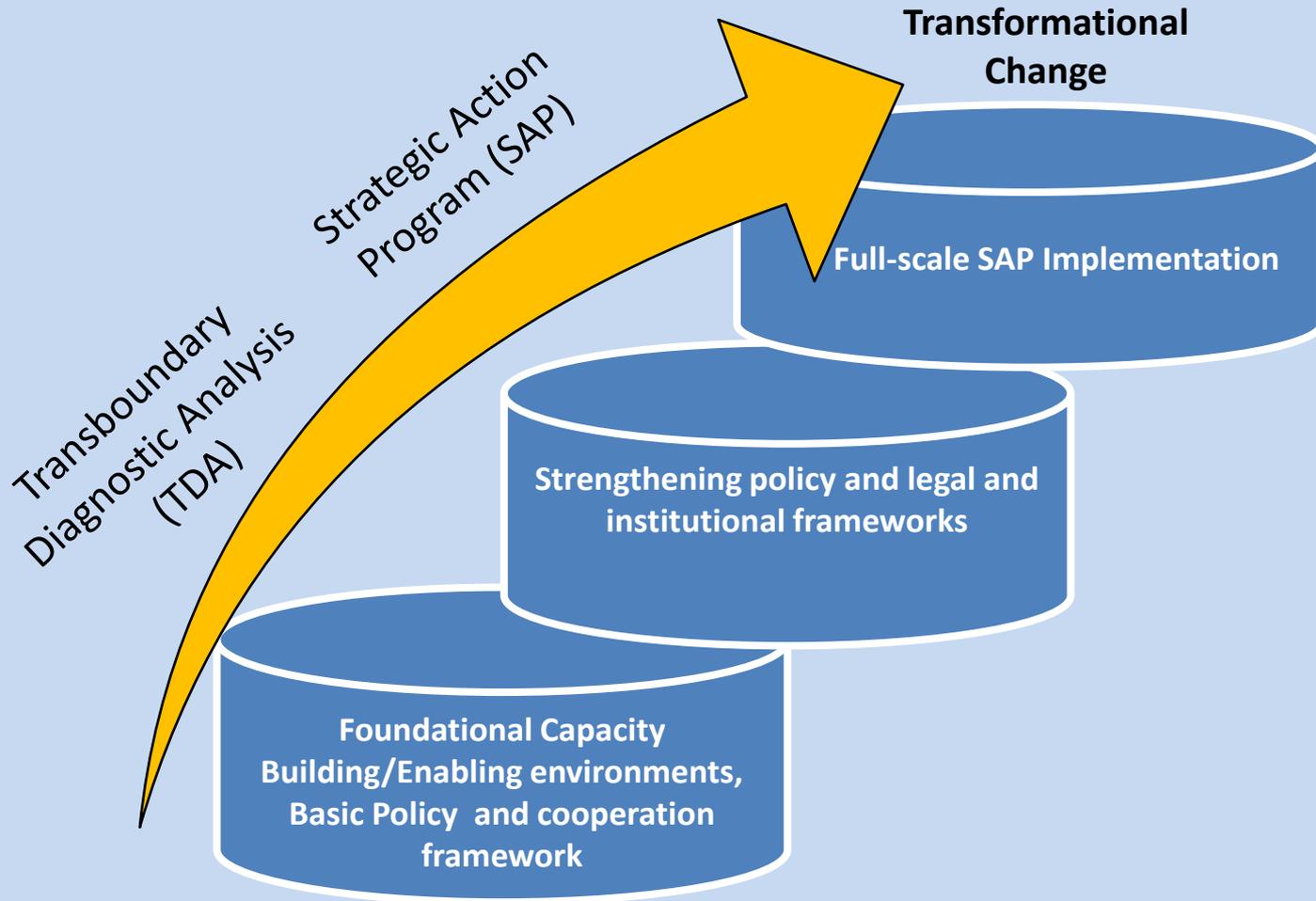
#### GEF TF

Focal Areas

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

# GEF IW investment modality

Delivering GEF International Waters  
Global Environment Benefits



# 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

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

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



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



3. Advance Conjunctive Management of Surface & Groundwater systems



5. Reduce Ocean Hypoxia

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

4. Water/Food/Energy/ Ecosystem Security Nexus

6. Prevent the Loss and Degradation of Coastal Habitat

7. Foster Sustainable Fisheries

# The Africa Climate Change Fund



# The Africa Climate Change Fund (ACCF)

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- 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

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- **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



ADAPTATION FUND

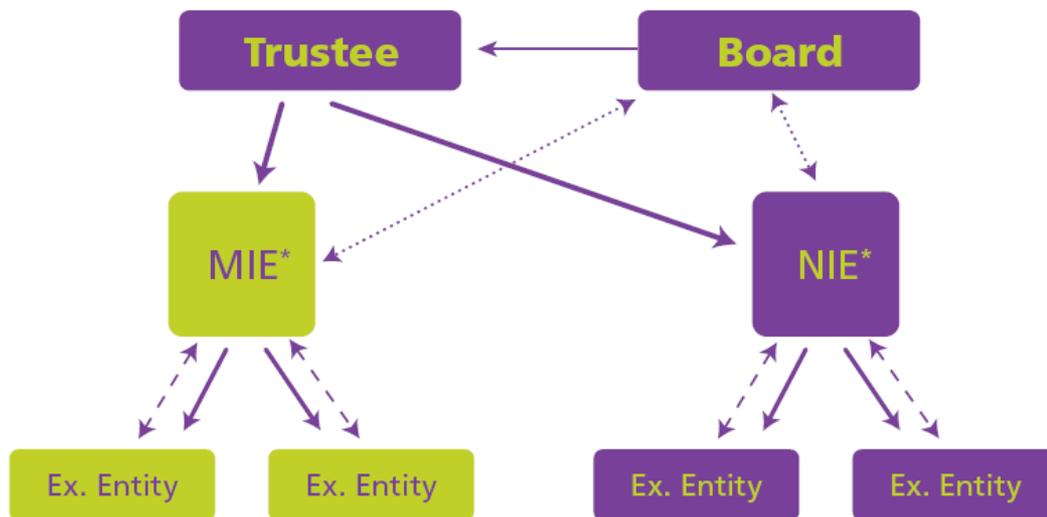


ADAPTATION FUND

# 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***

FIGURE 1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



- FINANCIAL FLOW
- PROPOSAL SUBMISSION AND CONTRACT
- PROPOSAL ELABORATION AND OVERSIGHT
- INSTRUCTION FROM THE BOARD TO THE TRUSTEE
- DIRECT ACCESS MODALITY

\* A Party nominates a National Implementing Entity or it may also nominate a Multilateral entity.

# 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

## 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



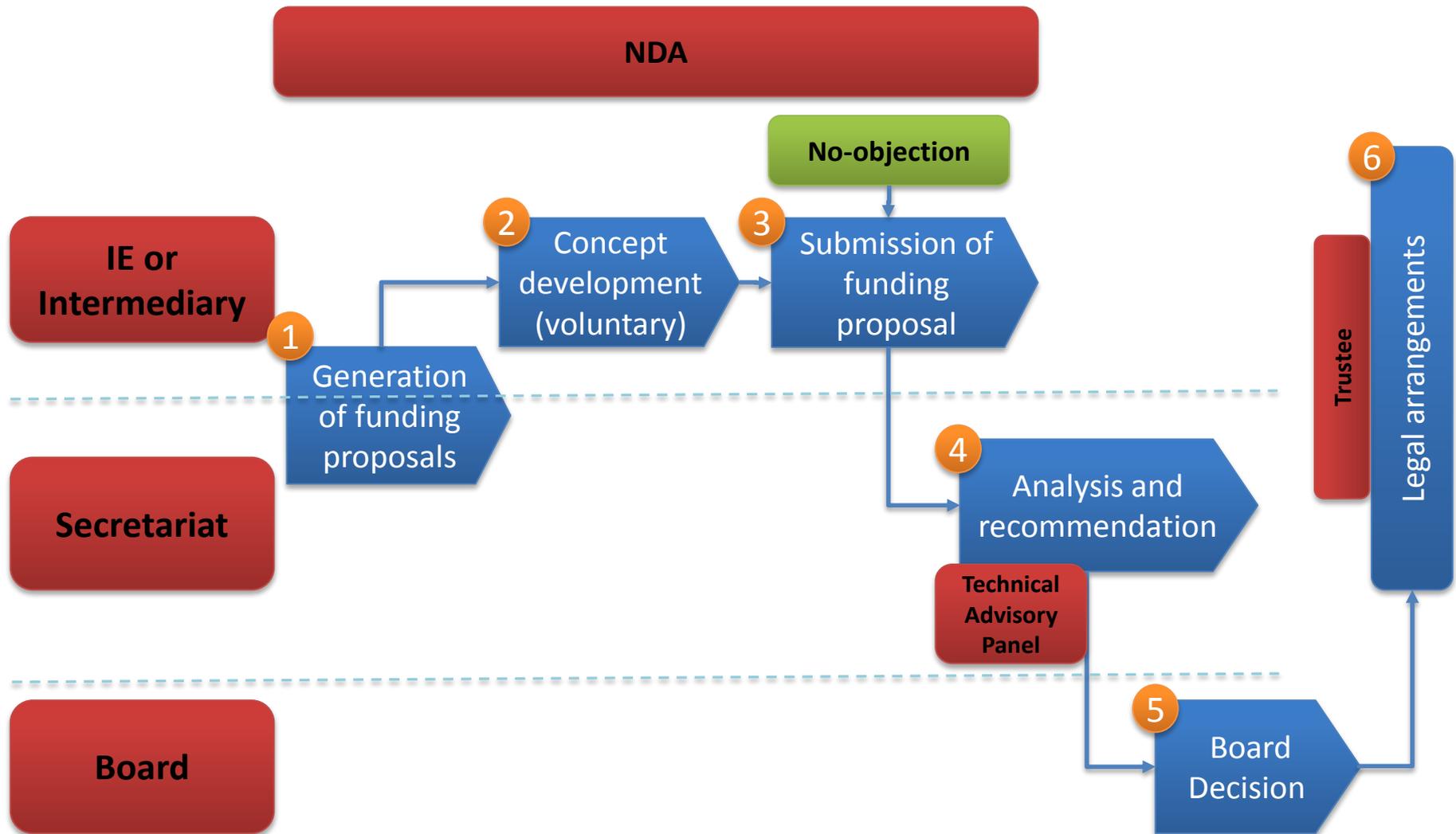
GREEN  
CLIMATE  
FUND



# 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 ?



## 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

## Impact Potential

- Potential of the programme/project to contribute to the achievement of the GCF's objectives and result areas

## Paradigm shift potential

- Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment

## Sustainable development potential

- Wider benefits and priorities, including environmental co-benefits

## Needs of the recipient

- Vulnerability and financing needs of the beneficiary country and population

## Country ownership

- Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)

## Efficiency and effectiveness

- Economic and, if appropriate, financial soundness of the programme/project



## 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](mailto: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.

# The African Water Facility



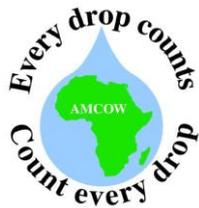
# Who are we

## Creation

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An Initiative of African Ministers' Council on Water (AMCOW).

Operational since 2006



African Ministers' Council on Water

## Administration

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Hosted and administered by the African Development Bank (AfDB)



## Mission

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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  
establishmen  
t 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**

# 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

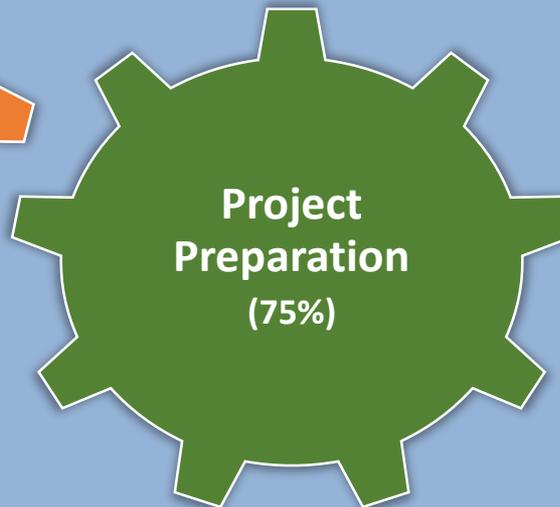
## Mission

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



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

*embedded in project prep*

- 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 Promotic



## Objective

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

## Activities

### Undertaken directly by AWF

#### 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 ?**