

AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND



# CLIMATE AND GREEN GROWTH STRATEGY AND POLICY

*Simplified Version*



**African Climate  
Reality Project**



**STRATEGIC  
YOUTH NETWORK  
FOR DEVELOPMENT**



The Climate Change and Green Growth Strategy Framework is a document that contains how the African Development Bank (AfDB) intends to drive meaningful results on climate change adaptation and mitigation and green growth.

This abridged or simplified version by the Strategic Youth Network for Development (SYND) is intended to sensitize or educate members of civil society and the general public on the bank's laid down strategies to drive climate Action. The paper shall also be used to engage and sensitise the Youth in Natural Resources and Environmental Governance (Youth-NREG) Platform members which is convened by SYND as well as serve as educational material for Climate Reality Leaders in Africa in partnership with the African Climate Reality Project (ACRP)..

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# INTRODUCTION

The African Development Bank Group (AfDB) has had a long-standing commitment to action on climate change. The Bank recognizes that Africa's hard-won development gains will be diluted and further progress stymied, unless the threat is curbed and African nations are better able to manage the consequences.

The Bank is adopting an ambitious Climate Change and Green Growth Strategic Framework. This will better position the Bank to drive meaningful results on climate change adaptation and mitigation and green growth. It aims at operationalizing the Paris Agreement through its external-facing initiatives and in its internal institutional activities.

The Strategy for 2021–2030 is a key element of the Bank's Climate Change and Green Growth Strategy Framework. It lays out how the Bank will contribute to the actualization of the objectives of the Paris Agreement while achieving sustainable, decarbonized development in Africa.

Many parts of our continent are warming faster than the global average and facing above-average sea-level rise (IPCC, 2021). Climate change will also amplify existing stress on water availability in Africa. Increased rainfall over Northern Africa and South-Western Africa will increase drying and agricultural and ecological droughts. African countries have to prepare themselves for significant shifts in their ecosystems and biodiversity due to elevated carbon dioxide (CO<sub>2</sub>) and climate change. These shifts could negatively affect socio-

economic sectors and livelihoods that depend on such ecosystems and natural resources. Additional complexity comes from the fact that different regions of Africa do not face the same climate threats and stresses.

Risks for Africa's food security at a global mean temperature increase of 4°C are assessed as very high, with limited potential for risk reduction through adaptation. Climate change is expected to increase the challenges of pests, weeds, and diseases that affect crops and livestock. It may increase the burden of a range of climate-relevant health outcomes through its impact on climate sensitive diseases (such as malaria and meningococcal meningitis) and waterborne illnesses. Climate change is projected to increase the threat of malnutrition with the most harmful impacts likely to fall on children.

Climate change is expected to cause significant changes in key economic sectors across Africa. Such changes are expected to result in economic loss and damage across the continent. A rise in temperature of 3°C across Africa could result in an 8.2% decrease in intercontinental GDP and a 4°C increase which could lead to an even more damaging 12.1% GDP reduction.

Climate change risks for Africa include shifts in biome distribution, reduced crop productivity, adverse effects on livestock, vector- and waterborne diseases, undernutrition and migration.

# VISION OF THE BANK'S CLIMATE CHANGE AND GREEN GROWTH STRATEGY

The vision of the Bank's Climate Change and Green Growth Strategy is to help create a **climate-resilient, low-carbon, green, inclusive, integrated and prosperous Africa** that is well-positioned to meet the challenges and seize the opportunities presented by climate change and green growth and justly transformed for the benefit of all Africans

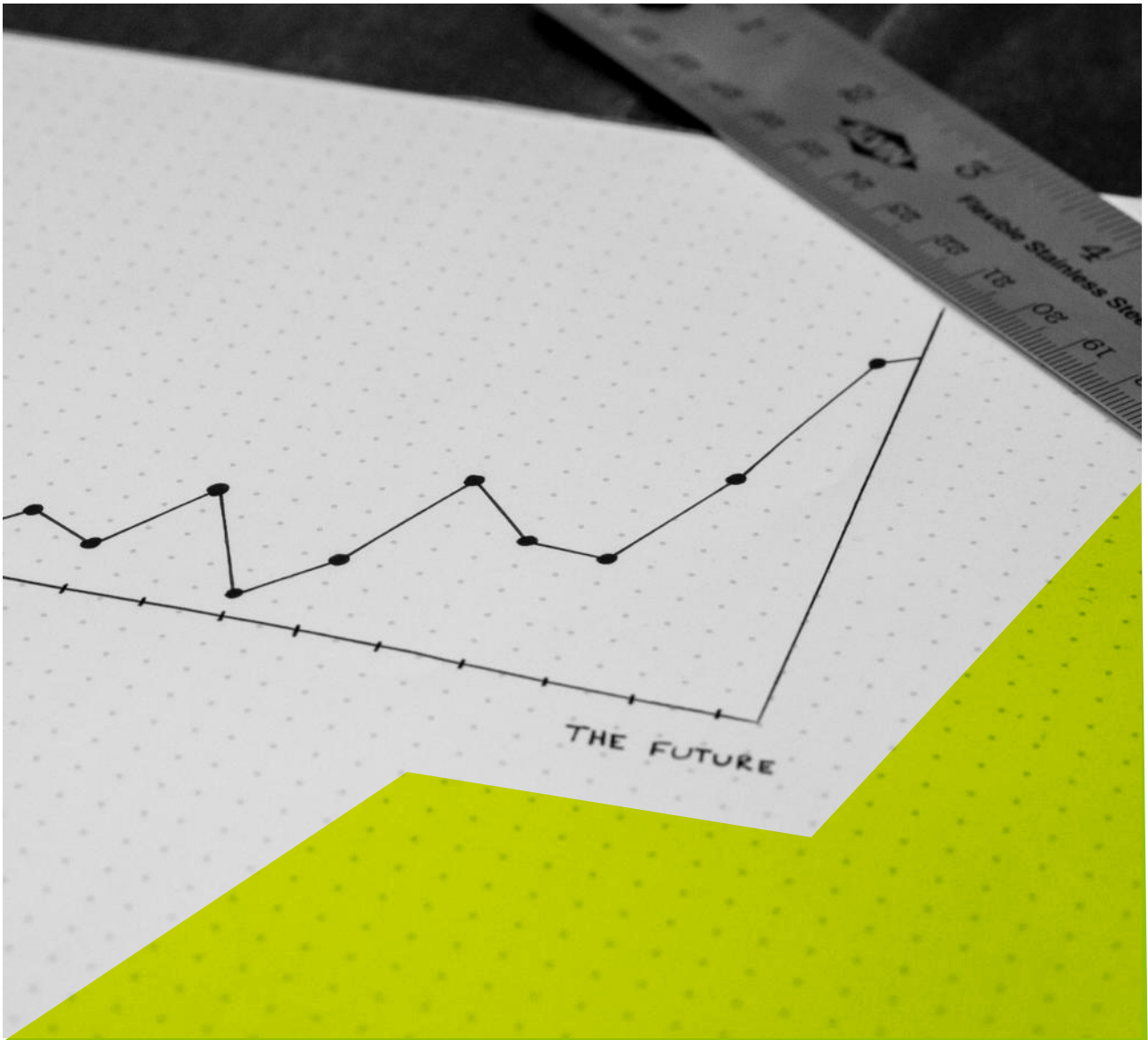
## OBJECTIVES OF THE STRATEGY

- a. **To give effect** to the Bank's Climate Change and Green Growth Policy through the Bank's operations and in everyday practice.
- b. **To mainstream** and operationalize climate change and green growth in all the Bank's complexes, departments, programs, projects and activities.
- c. **To guide** the Bank to achieve strong and visible progress towards aligning new operations with the first three building blocks of the Multilateral Development Bank (MDB) Paris Alignment Framework by the end of 2023, with 100% alignment with the remaining three building blocks by December 2025.
- d. **To facilitate** the achievement and reporting of clear and measurable results from the implementation of the Bank's Climate Change and Green Growth Policy.

## STRATEGIC PILLARS

- 1. **Adaptation:** Boosting climate resilience and adaptation to climate change and reducing fragility.
- 2. **Mitigation:** Promoting low-carbon development and mitigation.
- 3. **Finance:** Leveraging climate finance and mobilising public and private sector resources for climate action and green growth.
- 4. **Enabling environment:** Creating enabling environments for climate actions and green investments.





## STRATEGIC AREAS OF SPECIAL EMPHASIS

### 1. Transition to green growth:

The Bank developed its Green Growth Framework in 2014, which outlined the planned strategy for Green Growth as well as actionable principles and major entry points.

### 2. Gender, youth and social inclusion:

The Gender Strategy (2014-2018) and Gender Plan of Action of the Bank were chosen as the primary sources for decision-making regarding the gender elements of climate change.

### 3. Private sector development and participation:

One of the African Development Bank's five main areas in its corporate ten-year strategy is engaging the private sector, notably to improve financial flows. With the private sector accounting for about 33% of climate finance payments in 2019, the Bank successfully increased engagement with private sector recipients.

### 4. Robust and resilient recovery:

Since widespread resilience in societies and communities will serve to increase adaptive ability to climate change, the Bank's investments in the post-COVID era must enable a robust, green and resilient recovery.



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# STRATEGIC ACTIONS

The four strategic pillars as well as the four areas of special emphasis, are all covered by the Bank's strategic actions. Thematic clusters are used to organise the strategic actions. The four action clusters are further explained in the action plan.

## 1. Resource mobilisation, spending, and targets

With a goal to increase climate finance allocations even further in the second half of the decade through the following strategic actions, the Bank is committed to aiming for a significant impact in five years from 2021-2025 through more ambitious resource mobilisation and spending commitments:

**i. To increase the share of internal climate finance within its total allocations, the Bank will:**

- Aim to mobilise \$25 billion in total in climate finance over the course of five years, between 2020 and 2025, and maintain the requirement that at least 40% of its yearly financing can be identified and reported as climate finance using the Multilateral Development Bank (MDBs') climate finance tracking methodology.
- Maintain the Climate Change Action Plan's (CCAP-II) parity target between adaptation and mitigation at the very least.
- From the 2020 baseline, aim to continuously increase internal green growth spending in each sector.

**ii. To mobilise greater volumes of external climate finance from all sources, the Bank will:**

- Persistently seek opportunities to make use of alternative financial resources.
- Bolster its extensive expertise in laying the groundwork for private sector investments through the use of blended finance instruments, risk mitigation strategies, and credit-enhancing tools like green bonds.
- Improve coordination with other multilateral development banks to prevent and eliminate resource duplication for African countries while aiming to boost partner co-investment in climate change projects.
- Aid African countries in their efforts to gain access to existing and new sources of climate finance.

- Utilise and enhance new and existing platforms and tools to help design solutions and mobilise private capital for climate action.

**iii. To catalyse greater levels of financial resources for climate change and green growth, from market and non-market mechanisms, the Bank will:**

- Test-drive the Internationally Transferred Mitigation Outcomes (ITMOs) instruments and other market-based instruments developed under the Paris Agreement.
- In addition to green banks and national climate change funds, scale-up and widely implement adaptation benefits mechanisms.

## 2. Investment portfolio and pipelines

Under Investment Portfolio and Pipelines, the Bank will actively pursue the following recommended strategic measures.

### **i. To give effect to its commitment to alignment with the Paris Agreement, the Bank will:**

- By 2023, achieve 100% alignment with the MDBs' joint framework for alignment with the Paris Agreement in the areas of mitigation, adaptation and climate finance.
- Make significant and noticeable efforts to align with country strategies, engagement and policy development, reporting and alignment of internal activities by 2023 and guarantee 100% alignment by the end of 2025.
- Utilise policy-based financing to manage its portfolio in accordance with Article 4.1 of the Paris Agreement, the Long Term Strategies (LTSS) and corresponding NDCs of African countries, and the mid-century aim of achieving net-zero global emissions by 2050 (UNFCCC, 2015).

### **ii. To generate a more robust pipeline of bankable climate change and green growth investments, the Bank will:**

- Boost project origination and planning support through currently operating facilities and others especially suitable to investments in climate change adaptation, climate change mitigation, or green growth.

- Assist African countries and local economies with technical and financial development of regional climate change adaptation, mitigation, and green growth project preparation facilities and funding mechanisms.
- Serve as a centre of excellence for project developers and African countries to provide knowledge about enhancing bankability and financial innovation.
- Make sure that any mechanism for carbon pricing and its implementation are suitable for the African context.
- The African Development Bank must revise its Green Growth Framework to include a clear definition of green growth that explains how it relates to the circular economy and blue economy, as well as specifics on what the definition entails in relation to the Bank's range of activities and investments, and communicate the definition across the Bank.
- Create an inventory or database of projects for green growth with clear guidelines for what qualifies as green growth, based on the definition that has been adopted.
- Increase the volume and value of investments in green growth and tackling climate change in vulnerable areas, paying special emphasis to investment components that support and sustain

local communities' need for green jobs.

- Enhance the overall socio-economic resilience of governments, communities, and business models, strengthen the connections between green growth and social and environmental safeguards.
  - Make the mainstreaming of climate change and green growth for the Paris Agreement a prerequisite for project appraisal and approval, much like the disclosure of environmental and social safeguards.
  - Establish eligibility standards for projects that are neutral on land degradation and biodiversity as part of the portfolio for tackling climate change.
  - Ensure that investments that consider indigenous knowledge systems and practices in climate change resilience are given active consideration.
- ### **iii. To accelerate the development of Paris-aligned investments, and investments consistent with the African Development Bank's Climate Change and Green Growth Policy, the Bank will:**
- Utilise policy-based finance and give climate adaptation investments top priority in high-priority, climate-sensitive sectors where greater resilience is essential.



- Develop or revise sectoral guidance on the project categories for climate change adaptation that should receive funding priority.
- The sectoral guidance will include examples of potential, non-exhaustive climate change adaptation projects such as, **Agriculture, Water Resources, Sustainable Energy, Urban Development, Infrastructure, Public Health, Climate services and underpinning operational systems, Disaster Risk Reduction and Management.**
- Engage in policy-based lending and prioritise investments in climate change mitigation in carbon-intensive, high greenhouse gas emitting sectors that African countries have recognized as high priority sectors where greenhouse gas abatement and sequestration are essential.
- Develop or revise sectoral guidance on the types of climate change mitigation projects that should receive funding priority.
- The sectoral guidance will contain examples of potential, non-exhaustive climate change mitigation projects, like, **Urban development, Industries, Water systems, Energy efficiency, Power generation, transmission, and distribution, Agriculture, forestry, and other land use, Greenhouse gas information systems and climate services for energy.**



### 3. Convening power, partnerships and activation of key actors

The Bank will actively pursue the following recommendations for using its convening power and fostering relationships with both traditional and non-traditional partners:

#### **i. To create an exponential impact on climate change and green growth through the African Development Bank's partnerships, the Bank will:**

- Be engaging in significant activities and generating tangible results, strengthen its partnerships with organisations that integrate comparative advantages and complementary skills, like the Africa Office of the GCA.
- Strengthen and regularly engage in partnerships with the African Union, the African Ministerial Conference on the Environment, NEPAD-African Union Development Agency (AUDA), the African Climate Policy Centre, UNECA, the World Meteorological Organisation, other UN agencies, the Global Green Growth Institute and the European Commission.
- Maintain and strengthen partnerships with other MDBs and international financial institutions.
- Explore and develop new partnerships with governments and companies beyond Africa, especially with a view on technology transfer and guidance and advice on the greatest technologies now available.
- Explore and form new alliances with the governments and companies of the more technologically advanced countries of Africa.

- Explore and develop new partnerships that will have a significant impact with African researchers, academic institutions, civil society organisations, universities and third sector organisations.

- Engage in projects and partnerships, such as the UNDP's Biodiversity Finance Initiative, to strengthen the Bank's internal knowledge capacity.
- Establish a formal conversation and partnership with the African Continental Free Trade Area (AfCFTA) with the goal of using the AfCFTA to advance trade and investments in Africa that are focused on promoting green growth and combating climate change.

#### **ii. To drive thought leadership and knowledge generation, including through its strategic partnerships, the Bank will:**

- Bolster partnerships with African universities, research centres and academic institutions.
- Facilitate greater best practice dissemination and knowledge sharing, increase the membership and substantive activities of collaborative platforms such as the AFAC, the ADRiFi initiative, and the Africa Nationally Determined Contributions Hub.

- Keep track of how best practices and knowledge exchanged through these platforms are used and put into effect, as well as the usefulness and added value of these knowledge networks.

- Produce and publish at least two significant thought leadership knowledge products each year that advance understanding of critical issues like climate change and green growth.
- Provide more user-friendly decision-support tools to African nations so they may integrate climate change issues into their investment planning and budgeting.

#### **iii. To make the benefits of the African Development Bank's investments more inclusive, and to expand the involvement of women, girls, young entrepreneurs, and other vulnerable or marginalised groups in climate-smart and green innovations, the Bank will:**

- Conduct a baseline analysis of previous initiatives to encourage the participation of women, girls, youth and marginalised populations in the Bank's activities and investments.
- Develop guidelines that portfolio, program, and project managers can follow to determine the marginalised and vulnerable groups that are pertinent to each investment or activity on an individual basis.

- Strengthen the foundation of knowledge about climate change and green growth among women, girls, youth and marginalised populations by making targeted investments in formal and informal education.
- Provide business development, business incubation, business acceleration, business promotion and scale-up help to women, youths, and marginalised populations who are starting climate responsive and green business in order to reduce the risk associated with such start-ups.
- Support the development of bankable, innovative, and gender-transformative projects that are mainstreamed in the NDCs, NAPs and associated adaptation strategies of African countries.
- Support the identification and strengthening of national institutions to gain access to funding for gender-transformative climate change initiatives from the Adaptation Fund, the GCF, and the GEF.
- Give funds and technical support for project preparation to investments in climate change and green growth made by women, youths, and marginalised populations.
- Increase the number of women, girls, youths, and marginalised groups among the target beneficiaries of investments, as measured by outputs and outcomes at the project and activity scale.
- Design and develop by collaborating together with Bank units having a mandate for the youth-targeted program and the Climate Change and Green Growth Department.
- Develop green growth financing models and products that are especially geared at youth and customised to their financial profiles.
- Regularise the usage of the Bank's checklist for mainstreaming gender and climate change and make sure that all of the Bank's operations across the entire project cycle address the climate-gender nexus.



## 4. Institutional and Regional Member Country (RMC) capacity enhancement

The following are recommended strategic actions that the Bank will actively pursue:

**i. To augment the Bank's staffing capacity to keep pace with the demands for enhanced climate change and green growth mainstreaming across its projects and strategies, increased climate finance resource mobilisation, and the heightened need for advisory services to African countries, the Bank will conduct a staffing assessment and review, with the intent to:**

- Increase staff headcount within the PECG with a provision for more supplemental expertise, strengthening the institution's staffing for climate change and climate finance in light of the commitment to making significant and observable progress toward aligning new operations with the goals of the Paris Agreement by December 2023.
- Create a Green Growth Investment Officer position within the PECG to support the identification and pipeline development of green growth investments as well as the implementation of the recommendations of the independent evaluation on green growth from 2021.
- In the Climate Change and Green Growth Department (PECG), appoint a Sustainable Livelihoods Officer who will serve as a bank advisor by identifying and integrating opportunities for climate-compatible green jobs into investments and projects being prepared.

- Choose a PECG officer to act as a liaison with the Transition Support Facility (TSF). The officer will be in charge of integrating climate change and green economic development into TSF projects.
- Identify a PECG officer with knowledge of green recovery. This officer will serve as a point of contact for regional offices and be in charge of mainstreaming climate change and green growth into regional initiatives for crisis management, emergency response and post disaster recovery.

**ii. To strengthen the Bank's technical capacity and to ensure that its human capital is well equipped to contribute to the success of its climate change and green growth priorities, the Bank will:**

- Mandate the mainstreaming of climate change and green growth into all other Bank corporate, institutional, and sectoral policies to preserve policy alignment between the Climate Change and Green Growth Strategic Framework and other governing documents.
- 'Domesticate' Paris alignment guidance developed on the six Building Blocks of the MDBs' joint framework for alignment with the Paris Agreement issued by the MDBs' joint working groups.

- Develop practical guidelines for incorporating climate change risks into the Bank's balance sheet and train staff responsible for keeping such records every six months.
- Update the Bank's Climate Safeguards System and other climate-related decision support tools to facilitate alignment with the Paris Agreement and train staff on the best ways to use these tools every six months.
- Conduct training every six months on climate finance resource mobilisation for relevant staff in other Bank departments.
- Provide annual training to regional offices on the integration of climate change and green growth into programs, projects, and initiatives in their region related to fragility.
- Annually train regional offices on how to integrate climate change and green growth into their region's programs, projects, and initiatives for emergency response and disaster recovery.
- Provide annual training to relevant Bank staff on innovative financial instruments to ensure that the mechanisms are deployed effectively.
- Support in the generation of knowledge and the delivery of knowledge services to relevant Bank staff, including yearly training on the Paris Agreement on Climate Change and the conceptual framework for green growth.

**iii. To support African countries in mobilizing higher volumes of climate finance, access international funds, establish green funds, deploy domestic finance for climate change and green growth action, and bring more climate change and green growth investments to bankability, the Bank will:**

- Increase the consulting services and technical support offered to public and private actors in African countries, particularly but not solely for the development of investment pipelines, through: **Assistance on project origination, concept development, appraisal and proposal development.**
- Improve the advisory services and technical support offered to governments so they may develop and implement domestic market- and non-market-based mechanisms for resource mobilisation related to climate change and green growth.
- Expand the capacity of the Bank's regional staff by adding a resource mobilisation officer for climate financing in each region, and where feasible, increase the number of climate finance staff at the national level.
- Enhance the Bank's regional staff capacity with the addition of a climate change project preparation advisor in each region.
- Increase staffing numbers and capacity in regional hubs and work towards an expanded country presence, to include more specialists with a mandate and technical background on green growth.

- Train regional Bank staff who directly help African countries on how to incorporate climate change adaptation, mitigation and green growth factors into investment planning every six months.

**iv. To strengthen institutional capacity in African countries – in national governments and key financial institutions – to develop progressive, inclusive, and effective climate change and green growth policies, including domestic and international commitments, the Bank (a trusted advisor to African countries on policy) will:**

- Increase grant financing for initiatives aimed at enhancing government and major financial institutions' capacity to address climate change while taking into account the various national conditions and needs of various countries.
- Provide yearly training on establishing and executing budget coding and tracking for climate change adaptation and mitigation to ministries of finance or treasury departments and principal budgeting officials.
- Make sure that African countries establish and put into effect specific anti-corruption measures on climate finance.
- Increase grant funding for initiatives related to global climate change, biodiversity, land degradation, and environmental negotiations to aid nations in participating in and negotiating at international forums on climate change and green growth.

- Increase grant funding and technical support for African countries to help them strengthen their Long-Term Strategies (LTSs), NDCs and NAPs and integrate them into national development plans.

- Provide countries financial and technical support so they can more effectively carry out their UNFCCC commitments to address gender and climate change.

- Organise policy discussions with the African Group of Negotiators on Climate Change and representatives of relevant African countries, with a focus on the needs and priorities for climate finance.

- Support the establishment and development of national climate funds and green banks in African countries and the region.

- Expand on the work done with African Financial Alliance on Climate Change (AFAC) to support African countries and their regulators in developing a sustainable finance framework and regulations on disclosure of climate risk.

**v. To improve tracking, measurement, and reporting of outcomes of climate change adaptation investments, climate change mitigation investments, and green growth investments, the Bank will:**

- Develop, establish and completely execute a system for monitoring, evaluating, reporting and learning that is thorough and effective and that contains data on the targets and outcomes of green growth and climate change at the: **Institutional, Program, Project and Activity levels.**

- With improved and cogent definitions of climate change adaptation and mitigation, establish a clear theory of change and an integrated results measurement framework.
  - Ensure annual reporting on the findings of impact and process indicators in a way that is completely compliant with the definitions and guidelines for adaptation and mitigation under the joint framework of the Multilateral Development Banks (MDBs) for the Paris Agreement.
  - Establish a database of Bank projects that incorporate climate change adaptation, mitigation, and green growth into their plans, with clear criteria and a system to increase the "Paris Alignment" and "greenness" of activities both within the Bank and during project implementation phases.
  - Create a methodology to identify and track the number of climate-compatible, climate-responsive, and green jobs supported by Bank investments and make sure that this number keeps rising year over year.
  - Include climate change-linked and green jobs created as an indicator of success in results frameworks for programmes and projects, incentivizing investment managers to accelerate job growth.
  - Provide relevant Bank staff with training on monitoring, evaluating, reporting and learning related to climate change and green growth every six months.
  - Establish indicators for biodiversity and land degradation neutrality co-benefits of projects.
- vi. To leverage synergies to improve tracking, measurement and reporting of climate and gender outcomes, the Bank will:**
- Strengthen and update gender mainstreaming guidelines and policies in line with climate change mainstreaming tools and guidelines.
- vii. To reduce the Bank's own resource footprint (including carbon footprint), consistent with the principles of its Climate Change and Green Growth Policy, the Bank will:**
- Develop an internal institutional transformation strategy for the Bank's own operations to improve climate compatibility and green growth. This will entail developing and carrying out the subsequent initiatives: **An institutional framework, A framework for monitoring and reporting and strengthened staffing commitments.**
  - As necessary, conduct an audit or assessment to establish the institution's baseline resource use and water and carbon footprints to better understand the patterns and volumes of consumption.
  - Prepare a strategy for institutional reform that focuses on transforming the African Development Bank's operations to consume less resources, operate more efficiently, and eventually have a net-zero environmental impact.
  - Develop a results framework with an appropriate monitoring, evaluation, reporting and learning system to monitor its performance in relation to strategic goals and targets.
  - Adopt a framework for accountability that ensures regular updates on progress and sharing of where and reasons for progress and setbacks.

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