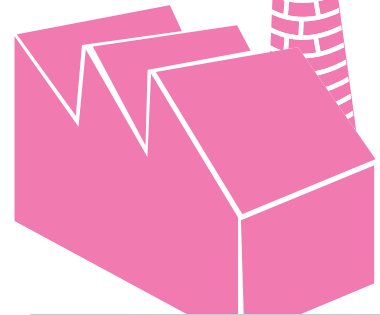




Africa Green Fund

The 'new' Fund for Africa?



Climate change & climate finance

What you need to know

Climate change is becoming the most serious threat facing the planet and its people. Africa contributes little to the problem - it emits less than 4% of global greenhouse gas (GHG) emissions - yet it is most vulnerable to the impacts of climate change. It is projected that by 2020, rain-fed agriculture in the region could be reduced by up to 50% as a result of climate change, and 75 to 250-million people across the continent could face severe water shortages. Given that most Africans rely on agriculture for survival, this will mean increased hunger, famine and disease. The costs are estimated to be between 1.5% to 3% of Africa's gross domestic product (GDP) each year by 2030.

The African Group of Negotiators have asked the international community for \$67-billion per year by 2020 in order to cope with the impacts. At the same time, developing countries will have to balance the need to increase access to reliable energy and decrease poverty with a shift to low-carbon, sustainable development models. These mitigation costs are estimated to be between \$140 and \$175-billion a year over the next 2 decades.

Rich countries owe poor developing ones a climate debt because they are most responsible for the climate crisis and they need to compensate the poor who are most impacted. For exploiting the natural resources in developing countries (mostly in the global south) and reducing the planet's capacity to absorb GHG, rich (mostly in the global north) developed countries owe an 'emissions debt'. For the damaging effects of these emissions they owe an 'adaptation debt'.

Purpose of this brief

- To give you some basic information about the Africa Green Fund (AfGF)
- To help you question whether we need the AfGF
- To tell you who will be likely be in charge and how it will operate
- To let you know where the money will likely come from
- To give you an idea of what some of the next steps will be to establish the AfGF

What is the Africa Green Fund?

The African Development Bank (AfDB) has proposed the Africa Green Fund (AfGF) as a new fund exclusively for Africa to manage and deliver the continent's share of climate finance. The stated goal of the AfGF is to support country-owned and country-led climate compatible development in Africa. The activities to be funded are mitigation, adaptation, technology development and transfer, and capacity building. The AfDB wants to continue to host its existing climate funds but will simply add the AfGF to the mix in what it calls an Africa Green Fund Platform.

Why do we need the AfGF?

Africa has received the least amount of money from the climate funds available for mitigation and adaptation. Adaptation is generally poorly funded, getting six times less money than for mitigation and Africa's share here too has only been \$132-million from 2004 to 2011. The Bank also says that the current funds are hosted, governed, and administered outside of Africa with difficult procedures to access and they lack an African voice in decision-making and funding priorities. For these reasons, the African Union called on AfDB at a meeting in June 2011 to complete the design of AfGF ahead of COP17. Ethiopian Prime Minister Meles Zenawi has also been important in getting this message of a new fund across in his role as co-chair of the High-Level Advisory Group on Finance.

But is another climate fund really necessary? There are already many funds with an African focus operating but not delivering. For example, Africa has direct access to Adaptation Fund decision-making (See Brief 1), but the money is just not coming as promised. Isn't there a need to improve such funds before starting a new one?

Furthermore, after years of calls by the international community for a fund to serve developing countries' funding requirements, the Green Climate Fund (GCF) was established and is being designed this year (See Brief 2) to provide a balanced allocation to mitigation and adaptation projects. There is no clear idea of what the different roles of each fund will be and there is, therefore, a possibility that the AfGF will conflict or overlap with the GCF. Some options are being considered as to how this could work. For example, it has been proposed that the GCF channels the allocated money to the African Development Bank as host and implementing agency of the AfGF. Although the Bank has had some consultations on the proposed new fund, it is clear that more discussion and thought are needed.



What is the African Development Bank?

It is a public development bank that gives loans and grants to African governments and private companies investing in the continent. It is owned and run by member countries, but there is also significant representation on its board by donor countries. It is supposed to finance activities that reduce poverty and promote sustainable development. However, it has been criticized for implementing policies and projects that have the opposite effect. It recently approved a big loan to support the Medupi coal-fired power plant in South Africa, an investment that helps the country continue polluting when it should be drastically reducing its greenhouse gas emissions. The Bank is also looking to support investments in big dams to generate electricity such as the Inga Dam in the DRC and the Mphanda Nkuwa Dam on the Zambezi River, which will displace thousands of people while depriving local people of access to the electricity generated. The Bank is currently positioning itself to play a big role in climate change and climate finance on the continent. A mega solar project in the North of Africa is in the Bank's sights to fund as a renewable energy project but this too is aimed at providing Northern countries with electricity and not the energy needs of poor locals.

Partially adapted from the Bank Information Centre Examining the African Development Bank: A primer for NGOs, May 2007

How will it operate and who will be in charge?

The design of the AfGF was initiated by the African Development Bank and done in consultation with a range of different groups mostly over this year, 2011. Whilst the Bank says that it has a revised proposal describing the details of the AfGF, we only have access to the August 2011 version. In this proposal the Bank says that the Fund will be a new and independent instrument. However, it also foresees itself as having several roles as trustee, secretariat, technical support provider, being an implementing entity, as well as making decisions on the governing council (see below). So while the Fund will certainly be new, there is a distinct danger that the Bank may 'capture' it.

A governing council (GC) will ultimately be in charge of the AfGF. It will consist of 9 voting members, each with one vote, with an equal number of representatives of African countries and donors (4 each) and a representative from the bank occupying the ninth seat. AfGF governance replicates the structures of the World Bank's Climate Investment Funds and that of the GCF. In its role as trustee, the Bank will manage the fund, do financial reporting and the execution of legal agreements. The Bank says that it has experience in being a trustee and host of other climate funds. Its role as secretariat sees the Bank as being responsible for project screening, disbursements, monitoring and evaluation. Importantly, the Bank's power to make recommendations to the GC on who gets funds while the criteria for accessing funds are still vague leaves much to the discretion of the Bank. The Bank will receive a 5% administration fee for the funds that it manages.

The disbursement of funds will be through implementing entities and the Bank hopes to be one of these. Whether new entities to disburse the AfGF funds will be created is unclear. If the Fund channels money from other funds it will potentially make access more difficult for countries as there will be another layer of bureaucracy to go through to receive funds.

There is a potential conflict of interests with the Bank assuming so many strategic roles in the fund. Basically it will mean that the AfDB will have a say in designing the fund, in its day-to-day running, and in its strategy. This is not desirable if the governance of the Africa Green Fund is to be in any way democratic. There are also many parallels to how the World Bank operates in the GCF (see Brief 2).

The Bank does talk about safeguards, which is welcome, but it assumes that the Bank will ensure them; i.e. self-regulation. Experience in the Bank's portfolio shows that there is an uneven application of its current self-regulation policies and it is doubtful that the fund will be successful without a strong system of checks and balances, as is normal in democratic institutions.

Where does the money come from?

The Bank wants to control all fast-start (\$30-billion total globally) and long-term (\$100-billion per year globally) finance promised for Africa through the new fund and through its existing funds. So the Bank will receive, manage, and deliver all money for Africa in the short, medium and long-term, and will become the permanent intermediary for African countries to access funds. The money will presumably come from donor countries and the private sector, although the Bank will likely have a preference for the latter, given that it is also the preference of the donors. The provision of these funds hinges on international negotiations, where there is significant dispute on whether the \$100-billion will actually be raised or will remain an empty promise.

Given its proposed governance and disbursement structure, the Bank will have a lot of power to decide who deserves funds and the allocation of funds between adaptation and mitigation. The money will come in the form of concessional and non-concessional lending, grants, guarantees and equity: This money could come with conditions to change country policies (much like the World Bank's structural adjustment).

What next steps to create the AfGF?

There is an expectation that the Fund will be launched at the COP17 in Durban. However, the Fund's future hinges on other decisions being made at COP17, including the fate of the GCF and how to secure the \$100-billion commitment. The Bank also needs to consult with affected communities to ensure that the Fund will address their needs, especially given its checkered legacy with development financing.

Meaning of climate terms used in this brief

Mitigation refers to efforts that are aimed at reducing the concentrations of greenhouse gases (GHG) in the atmosphere in order to curb global warming.

Adaptation refers to efforts that are aimed at helping humans respond to climate change in a way that protects, reduces harm, and increases their resilience.

United Nations Framework Convention on Climate Change (UNFCCC) is the international agreement adopted in 1992 which binds 192 countries (currently 195) to support efforts to tackle climate change. It recognises that the polluter must pay and that there is common but differentiated responsibility amongst countries.

Kyoto Protocol (KP) is the first international agreement to set legally binding targets to reduce GHG amongst parties to the UNFCCC and provides a mechanism with which to reach those targets. It came into force in 2005 and the first commitment period ends in 2012.

The **COP** is the Conference of Parties to the UNFCCC

Climate finance refers very broadly to any funding of climate change mitigation and adaptation activities. It is regarded as largely being undertaken by parties of the UNFCCC.

This brief aims to provide information and analysis for civil society and community activists working on climate change issues in Africa. It is part of a series of 3 briefs that review different climate funds in operation (Adaptation Fund), those being designed (Green Climate Fund), and others being proposed (Africa Green Fund).

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