



Nordic Development Fund

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C145: Africa Regional - Climate Resilient Cities: Urban and Municipal Development Fund II Final Project Proposal

Board of Directors meeting IV/2022
on 8 December 2022 in Helsinki
Agenda no. 5.2.

PROJECT INFORMATION SHEET

Project Name	Climate Resilient Cities: Urban and Municipal Development Fund II
Project Number	C145
Partner/Lead Agency	African Development Bank
Target countries/ regions	Africa
Project description	<p>Rapid urbanization in Africa is challenging. Weak local administrations are overwhelmed by the sheer magnitude of urban development, and together with national governments they find themselves amidst competing priorities, limited resources and with rapidly growing service and infrastructure deficits. Managing such rapid urban development requires a long-term concerted effort, especially with climate change increasingly threatening local and national development. The UMDF aims to respond to urban challenges and emerging needs of countries and cities, to improve governance, planning, mobilise investments and build capacity for more climate resilient, liveable and productive urban development in Africa. The UMDF is structured around four outcome areas: 1) Improving municipal governance; 2) Improving urban planning; 3) Improving urban infrastructure and essential services; and 4) Increased capacity for integrated urban development. After a successful pilot phase of the Urban and Municipal Development Fund (UMDF), the AfDB has decided that it is time to scale-up. The proposal is to replenish the UMDF for a new five-year phase.</p>
Project duration	2023-2027 Five years
Sector	CRS Code: Urban development and management – 43030

PROJECT COST AND FINANCING PLAN

Total Project Cost	EUR 50 million
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NDF commitment	EUR 10 million ¹	
Financing Plan		
Financiers	Amount	Instrument
NDF	EUR 10 million	Grant
Denmark MFA	DKK 200 million (approx. EUR 29.58 million) (TBC)	Grant
Switzerland SECO	CHF 4.9 million (approx. EUR 5 million)	Grant
Spain	EUR 5 million	Grant
Total	EUR 49.58	Grant
Mode of Finance	Joint co-financing	
Type of Legal Agreement & Contract	Multi-donor Trust Fund hosted by AfDB	

STRATEGIC ALIGNMENT		
Geographic	X	Least Developed Countries (LDCs)
	X	Lower Middle-Income Countries (LMICs)
	X	Sub-Saharan Africa
	X	Countries in Fragile Situations
	X	Small Island Developing States (SIDS)

¹ Exchange rate 27 October 2022 EUR 1.0 = USD 1.022

Climate Objectives	Mitigation	Rio Marker: 1
	Adaptation	Rio Marker: 2
RMF Outcome Areas	<p>Outcome: Climate- and disaster-resilience and adaptability of cities and human settlements strengthened</p> <p>Output 1: Cities and human settlements equipped with solutions for increasing climate- and disaster-resilience and adaptability.</p> <p>Output 2: Climate- and disaster-resilient infrastructure assets and/or services established and/or improved.</p> <p>End of Project: Tons of carbon dioxide equivalent emissions reduced, avoided or removed/sequestered (tCO₂eq).</p>	
Sustainable Development Goals	SDG 1 (end poverty), SDG 5 (gender equality), SDG 9 (industry, innovation, and resilient infrastructure), SDG 11 (sustainable cities and communities), SDG 13 (Climate Action), and SDG 17 (partnerships for the goals).	
Gender Equality Policy	Yes, alignment.	
Environmental and Social Policy	<p>NDF Minimum Standards: (WB ESS); Project type: (Regular)</p> <p>Compliance: (Yes); Risk Category: (moderate, substantial); Conditions: (acceptance of NDF exclusion list); Compliance Supervision:(tbd)</p>	
NDF Added Value: Strategic Pathways & 3Cs	X	Nordic leadership brings competencies and knowledge and create synergies in strategic partnerships.
	X	Early-stage interventions concentrate funding to where some of the greatest and more innovative high-impact projects can be found.
	X	Catalytic financing and partnerships increase the funding volumes, scales and impact.
	X	Co-create structures and projects with high potential, while drawing on previous experience from similar projects.

	X	Convene like-minded providers of funding to obtain momentum, economies of scale, and critical financing thresholds.
	X	Complement to enable sufficient scales of investment and to bring projects across critical financing thresholds.

Risk Category	
Risk	Rating
Technical / operational	Moderate
Political & governance	High
Financial	Low
Environmental & social	Substantial
Integrity Due Diligence	Moderate

Clearance / Quality Assurance		
E&S Safeguards [QAR]	13/10/2022	Juha Seppälä
RMF [QAR]	27/10/2022	Sofia Chaichee
Gender Policy [QAR]	13/10/2022	Juha Seppälä
Financial Administration [QAR]	25/10/2022	Mats Slotte
IDD Check [LAS]	09/11/2022	Isa Kujansuu

Processing Schedule

Clearance in Principle	30 September 2022
Final Project Proposal for Board Consideration	8 December 2022
Signature and Effective	January 2023

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ABBREVIATIONS

AAAP	Africa Adaptation Acceleration Programme
AC	Advisory Committee
ACEF	Africa Circular Economy Facility
ACP	African Cities Program
AfDB	African Development Bank
AFRI-RES	Africa Climate Resilient Investment Facility
AIIB	Asian Infrastructure Investment Bank
AU	Africa Union
AUSIF	Africa Urban Sanitation Investment Fund
AWF	African Water Facility
CFO	Chief Financial Officer
CRP	City Resilience Program
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESCI	Emerging and Sustainable Cities Initiative
EUR	Euro
FCS	Fragile and Conflict-Affected States
FIRM	Resource Mobilization and Partnerships Department
GCA	Global Center on Adaptation
GCF	Green Climate Fund
GDP	Gross domestic product
IPRR	Implementation Progress and Results Report
IPCC	The Intergovernmental Panel on Climate Change
LDC	Least Developed Countries
LTS	Long Term Strategies
MFA	Ministry of Foreign Affairs
NAP	National Adaptation Plans
NDC	Nationally Determined Contributions
NDF	Nordic Development Fund
OC	Oversight Committee
PPF	Project Preparatory Facility
PPP	Public Private Partnerships
RMC	Regional Member Countries
RMF	Results Management Framework
SDG	Sustainable Development Goals
SECO	State Secretariat for Economic Affairs
SME	Small and medium-sized enterprises
SUDAP	Sustainable Urban Development Action Plan
TA	Technical Assistance
ToC	Theory of Change
TRC	Technical Review Committee
UMDF	Urban and Municipal Development Fund
UNECA	UN Economic Commission for Africa
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States dollars
WB	World Bank

1. RELEVANCE AND STRATEGIC CONTEXT

1.1 Geographic Focus

The present document is a proposal to replenish the Urban and Municipal Development Fund (UMDF) at the African Development Bank (AfDB). Following a successful pilot phase, the AfDB has decided that it is time to scale-up the UMDF. The long-term objective is that UMDF will contribute to building more liveable, prosperous and climate resilient cities in Africa.

There are 54 countries in Africa and 33 countries are classified as Least Developed Countries (LDC) out of the 46 LDCs globally. Furthermore, 21 out of the world's 36 Fragile and Conflict-Affected States are in Africa. There are six African Small Island Developing States (SIDS).

Africa's population is expected to reach 2 billion by 2050 and more than 60% will live in urban areas². More than a quarter of the world's 100 fastest-growing cities are found on the continent. In addition to three megacities with more than 10 million people – Cairo, Kinshasa, and Lagos – Africa is also home to 74 urban agglomerations with more than 1 million inhabitants, and an estimated 550+ cities already have a population of more than 100,000 people. More than half of the population live in cities, and the main GDP is produced by cities. While the growth in urban population provides economic opportunities, it also intensifies the risk of climate related disasters, as vulnerable informal settlements and activities dominate the urban space with growth encroaching unplanned and risky areas.

However, despite this increasing wealth in cities, 70% of city dwellers lack reliable access to at least one core service, like housing, water, or electricity.³ Currently, the frequency and intensity of climate risks are increasing across all regions of Africa. For example, more than 2 000 climate related disasters were recorded in Africa between the 1970s and 2018, with close to half of such disasters happening in the past 10 years⁴. Lacking urgent and appropriate actions, rapid urban growth and climate change will continue to threaten African cities' development and resilient futures. Therefore, having African cities become more sustainable and climate-friendly is the most direct and effective way to unlock the enormous sustainable development potential of Africa with due consideration to the poverty, gender, youth, and climate issues. To reach these goals, the planning, governance and capacities of cities and towns must be significantly strengthened, and systems designed enabling subnational entities to plan, fund and operate investments in essential services and resilient and low-carbon infrastructure themselves.

1.2 Nexus between Climate and Development

Africa stands as the most affected continent in terms of climate change, despite representing just 17% of the world's population and emitting less than 5% of global carbon emissions historically; even today, the continent has a very small carbon footprint.

² UN-Habitat 2018: *The State of African Cities*. Nairobi

³ World Resources Institute 2021: *Seven Transformations for More Equitable and Sustainable Cities. Towards a More Equal City*. Washington, DC

⁴ World Bank/GFDRR 2019: *Annual Report 2018, Bringing Resilience to Scale*. Washington DC

Globally, 2021 was the sixth warmest year, according to NOAA⁵, with temperatures 0.84° Celsius above the 20th-century normal. However, in Africa, this trend is more pronounced, and 2021 was the third-warmest year on record. In 2021, the annual temperature was 1.33°C above average for the continent. Higher temperatures lead to a rise in extreme weather events, like floods, droughts and storms, which impact massively on cities' basic infrastructure and services, housing, human livelihoods, and health. The majority of African countries depend heavily on climate sensitive agro- and urban ecosystems for their populations' livelihoods and economic development. They have low levels of adaptive capacity, with weak information systems, technologies, and in particular, limited climate resilient infrastructure. This vulnerability compromises the continent's development and threatens millions of Africans and their livelihoods.

Climate-related displacement is widespread in Africa, with increased migration to urban areas in sub-Saharan Africa linked to decreased rainfall in rural areas, increasing urbanisation and affecting household vulnerability. Much of this growth occurs in informal settlements which are growing due to both climatic and non-climatic drivers, and which often house temporary migrants, including internally displaced people. Such informal settlements are located in areas exposed to climate change and variability and are vulnerable to floods, landslides, sea level rise and storm surges in low-lying coastal areas, or alongside rivers that frequently overflow, thereby exacerbating existing vulnerabilities.⁶ A new study on global flood risk found that flood exposure coincides with poverty most widely in Sub-Saharan Africa, where 74.7 million people are both flood-exposed and living in extreme poverty.⁷

Development and climate change are closely related. The Intergovernmental Panel on Climate Change (IPCC) states in their latest assessment report that African economies are losing on average 5% of GDP because of climate change, increasing up to 15% in some countries.⁸ African cities increasingly drive national economies, and to be the engines of growth and socio-economic development, the planning, governance and capacities of cities and towns must be significantly strengthened. This goal implies that systems are designed to enable cities to plan, fund and operate investments in essential services and climate resilient and low-carbon infrastructure themselves. The UMDF supports African cities and municipalities to become more climate resilient, liveable, and productive. This support may be the most direct and effective way to unlock the development potential of Africa. To achieve this goal, the fund supports improving urban governance, urban planning, climate-resilient essential services and infrastructure, and develop capacities for integrated and inclusive urban development. When working with cities across the continent, UMDF applies an integrated approach with climate change embedded into all activities including project planning and design⁹.

⁵ The U.S. National Oceanic and Atmospheric Administration (NOAA): *State of the Climate: Global Climate Report for Annual 2021*.

⁶ Satterthwaite, D. et al., 2020: *Building Resilience to Climate Change in Informal Settlements*. One Earth, 2(2), 143–156,

⁷ Jun Rentschler et al: *Flood exposure and poverty in 188 countries*, NATURE COMMUNICATIONS 2022 13:3527

⁸ IPCC 6th Climate Change Assessment Report 2022: *Impacts, Adaptation and Vulnerability. Chapter 9: Africa*. Cambridge, UK

⁹ Climate change is inextricably intertwined with development and if we only focus on the adaptation deficit and not addressing the development deficit, we may end up causing maladaptation. If cities do not have a sound financing base, they will never be able to operate and maintain the infrastructure being financed. Therefore, an integrated city approach is necessary.

The Rio Markers¹⁰ score would be 2 for adaption and 1 for mitigation. UMDF supports urban climate risk management and the development of climate action plans with vulnerability assessments in cities, in addition to the preparation of investments to improve flood and coastal protection, as well as drainage measures and urban wetlands restoration. While climate change adaptation and resilience is a key focus, there will also be investment preparation for low carbon development such as transit oriented urban development to reduce emissions, climate resilient water and sanitation infrastructure. It is expected that the low-carbon development activities, to be supported by UMDF, will avoid or reduce 500,000 Tons CO² equivalent.¹¹

Strategic Alignment: The UMDF is nested in the overarching objective of the AfDB to spur sustainable economic development and social progress in its regional member countries (RMCs), contributing to poverty reduction. The UMDF's strategic framework links the SDGs, the Paris Agreement on Climate Change, the African Union's Strategy 2063, the Bank's 10-year strategy, High-5s, and sector policies. The UMDF is specifically aligned with the following goals and UMDF support will help achieve related targets: **SDG 1** - End poverty in all its forms everywhere; **SDG 5** – Gender equality; **SDG 9** – Helping African countries and cities build their capacity and ensure adequate infrastructure development; **SDG 11** – Supporting and facilitating inclusive, integrated, resilient, and sustainable urban development; **SDG 13** – Focus on the climate dimension of city engagements, such as adaptation, resilience and low-carbon development; and **SDG 17** – Help cities link to new partners and sources of financing, including private, to achieve these Goals.

All AfDB Regional Member Countries have ratified the **Paris Agreement on Climate Change** and submitted to the UNFCCC their Nationally Determined Contributions (NDC) and some have submitted National Adaptation Plans (NAP) and Long Term Strategies (LTS). These actions serve as national roadmaps for transition to resilience and low-carbon development. The specifics of NDCs vary from country to country, but all NDCs identify leading sources of GHG emissions and climate vulnerability, and they serve as valuable reference points for UMDF work in cities. An analysis of the African NDCs¹² shows 90% of them contain references to urban development in some form, such as vulnerability and disasters and key sources of GHG – both public and private – are indeed within cities. UMDF support will be geared to achieving these NDC priorities.

The forthcoming **AfDB 10-year strategy 2022-2032** will focus on two core objectives, to improve the quality of Africa's growth, inclusive growth, and the transition to green growth. Growth on the African continent is increasingly in cities and therefore the upcoming 10-year strategy is focusing stronger on Cities and Urbanisation as a transformative force for Africa, if adequate investments are made. The UMDF is also fully in line with the **AfDB climate change policy framework¹³** and the new Sustainable Urban Development Action Plan (SUDAP) that

¹⁰ OECD DAC Rio Markers for Climate: Handbook, 2020

¹¹ AfDB has committed to the MDB harmonised approach to GHG accounting and is doing project-level GHG accounting.

¹² AfDB & University of Southern Denmark: *Urban Development and the African NDCs: From national commitments to City Climate Action*. November 2022

¹³ Climate & Green Growth Strategic Framework 2021, Climate and Green Growth Strategic Framework Strategy 2021-30

will guide the AfDB's engagement in urban development¹⁴ over the next five years (2023-2027) with its three Strategic Focus Areas: a) Improved municipal governance, b) Improved urban planning, and C) Improved urban Infrastructure and essential services. The UMDF is therefore a **supporting Instrument** to achieve the Bank's overarching and sector policies, with a special role in supporting SUDAP implementation.

The AfDB and the Global Centre on Adaptation (GCA) have developed the **Africa Adaptation Acceleration Programme (AAAP)** to tackle the adaptation challenges in Africa. The UMDF is well-aligned with this initiative.

UMDF complements other urban initiatives in Africa such as C40, the City Resilience Program and UN-Habitat. UMDF has a cooperation agreement with C40 and has established the C40-UMDF African CFO Network for the city financial staff. The CFO Network addresses this capacity issue together with cities' lack of access to capital generally – the latter being partly a function of creditworthiness and partly a function of lack of awareness and visibility in the market. In Northern Africa, UMDF works with the EBRD Green Cities program.

All five **Nordic countries** have addressing climate change as a top priority in their development cooperation strategies. Most of the countries support UN-Habitat and city networks such as C40, ICLEI, and Cities Alliance. Denmark, Norway, and Sweden have specialised research institutes working with global urban development challenges. Danish priorities¹⁵ have an emphasis on climate adaptation and investments in climate-smart infrastructure in fast-growing cities. Norway is planning to assess and develop a strategy for global urban trends and their relevance to Norwegian economic and social processes. Sweden has several initiatives related to sustainable urban development including a programme with six African countries. Having the private sector involved is also a key Nordic priority and here the support to UMDF entails activities with the private sector through partnerships and direct involvement through PPPs.

1.3 NDF Added Value and Rationale for Involvement

NDF is the anchor donor in UMDF and has been in an ongoing dialogue with AfDB since the concept was first discussed in 2016.¹⁶ The first phase (2019-22) developed a programmatic approach and a set of tools that was piloted in ten cities in all five regions of Africa¹⁷. The second phase will focus on scaling up the program with cities across the continent. As mentioned above, there are 550+ cities above 100,000 inhabitants, many of those in LDCs and

¹⁴ Responding to Africa's growing urban challenges – and increasing demand from national governments - the AfDB, in 2019, approved Guidelines for Subnational Finance, which mandate and guide AfDB to engage directly with and roll-out support to municipalities and local governments.

¹⁵ *The World We Share - Denmark's Strategy for Development Cooperation 2021*.

¹⁶ NDF financing of EUR 4 million for the pilot phased was approved in June 2017. UMDF became operational in 2019.

¹⁷ In the pilot phase 2019–22, the Fund has financed activities across 18 cities in 15 countries. The UMDF establishment led to the creation of the AfDB Infrastructure and Urban Development Department (PICU). The UMDF financed the development of the Sustainable Urban Development Action Plan (SUDAP 2022-26) with the objective to guide AfDB investments into African cities. The City Program produced city diagnostics and action plans for the first five cities. UMDF has also financed project preparation for: The Sheger River Infrastructure and Investment Plan, Addis Ababa, Ethiopia; Tunis Waste Management, Tunis; Development of Intermediary Cities Program, South Africa; Affordable Housing Program, Cameroon; and Marrakesh Electric Bus Rapid transit system, Morocco. Among the Small Grants approved are: Network of Subnational Finance Institutions, Financial performance of African Cities Database, Intermediary & NDB Database and Network, Affordable Housing ESW, TOGO Municipal training, and Angola E-Mobility Study.

FCS countries. The needs and demands are extensive. There are three scale-up scenarios for the UMDF second phase: low, medium, and high. The NDF funding would allow the UMDF to reach the highest scale-up level.

Another NDF value-add is the flexible funding since the other donors have significant earmarking of their funds. SECO funding is partially earmarked for three countries, the funding from Denmark is earmarked for infrastructure, plus training and capacity through funding reserved for Danida Fellowship Centre, and TA. Spain has earmarked funds towards activities aimed at collaboration and learning from Latin American cities. Thus, the NDF funding would support all stages in the UMDF programmatic approach.

NDF will continue adding value by using and sharing experiences from our portfolio of urban projects. In the first phase, the UMDF has benefited from collaboration with the IDB-NDF supported *Emerging and Sustainable Cities Initiative* (ESCI) in Latin America. NDF has also helped secure collaboration between the UMDF and the *African Water Facility* (AWF) on urban water and sanitation. The new AWF led *Africa Urban Sanitation Investment Fund* will complement UMDF interventions with its focus on PPPs. Of relevance is also the WB-UNECA project *Africa Climate Resilient Investment Facility* (AFRI-RES).

While the three UMDF bilateral donors promote their respective countries' priorities and interests, NDF brings experience and partners from all five Nordic countries.

The proposed support to UMDF is fully aligned with the NDF 2025 strategy. The proposal supports NDF's commitment: 50% adaptation projects, 60% targeted towards Sub-Saharan Africa, and 50% of financing with grants. Moreover, UMDF boosts climate-resilience in cities in both LDC and FCS countries in Africa. The proposed support complements ongoing initiatives funded by other donors such as the C40 Cities¹⁸ and the City Resilience Program (CRP). The proposal is also in line with ongoing NDF support to cities in Tanzania (Green Dar), Rwanda (urban wetlands), and Senegal (flood risks in peri-urban areas of Dakar), plus NDF's significant portfolio of completed urban projects. There are also synergies between UMDF and other NDF projects with the AWF and the new Africa Circular Economy Facility (ACEF). NDF is the anchor donor in the UMDF and has actively helped shape the concept for the second phase. UMDF demonstrates that it is able to convene a group of like-minded donors and has in the pilot phase exhibited strong skills for bringing together institutions and cities across Africa and beyond.

The Nordic Leadership pathway is especially strong with the large Danish co-financing (other Nordic countries are also approached for potential support), and the successful visit of 23 African city representatives to Copenhagen and Malmö in September 2022. Early-stage interventions and project preparation are at the heart of UMDF's strategy and approach. The pilot phase (2019-2022) showed tangible results in project preparation in Addis Ababa, Marrakech and Tunis that will lead to USD 240 Million in follow-up investments by AfDB and EBRD. Moreover, the first five UMDF-funded City Action Plans identified priority investments for an estimated USD 1.2 billion.

¹⁸ C40 Cities is supported by Denmark and others. The City Resilience Program has support from SECO and WB.

1.4 Lessons Learned

NDF has supported more than twenty urban projects from 2010 and onwards. Most of these projects have positive results and have contributed to low-carbon development and building climate-resilience.¹⁹ A lesson learned is that regional initiatives work well since they allow better for peer-learning between cities and are generally more efficient and provide opportunities for economies at scale. Another lesson is that regional urban programs not only take time to set up, but they are likely to fail on certain aspects and need to be given time to learn and adjust. Therefore, donors need to be patient and have a long-term perspective and the design should be flexible and learning should also be a defining feature. Regarding urbanisation, Africa has much to learn from other developing regions, such as Latin America and Asia, which urbanised decades ago. NDF is actively promoting south-south learning through sharing of approaches and tools from our portfolio and relevant partners.

The UMDF underwent an external evaluation, and the report²⁰ is very positive. UMDF is found to be highly relevant and well aligned with current priorities in global and African development, including strategies and priorities for urban and climate change. Outputs and outcomes are coherent with the purpose and objective of the Fund, and UMDF's instruments complement each other well. The evaluation concludes that UMDF has done a good job of delivering outputs to pilot the work it can do and has set the base for the delivery of more outputs. At the AfDB, the UMDF is one of the few cross-sectoral Trust Funds (TF), and the only TF with an urban, territorial focus. UMDF is found to be more efficient than other AfDB TFs which tend to be quite slow. Compared to other urban initiatives working in Africa, the evaluation found that UMDF is well-connected with investments and bankable projects and has long-term relationships at the country level. The evaluation found high leverage ratios between 33-100 USD for each dollar invested by UMDF in preparation of infrastructure projects.

The evaluation revealed some shortcomings in the present set-up of the UMDF such as lack of sufficient staff for scaling up, update of foundational documents, and representation of stakeholders. Improvements in the ToC, RMF and M&E were recommended by the evaluation to rectify and improve performance. UMDF is actively addressing these recommendations with – among others – a significant increase in the technical team, revised and updated strategy, plans and guidelines, and the creation of an Advisory Committee. The evaluation also warned that earmarking would in any case compromise the flexibility of the Fund, and potentially the comprehensiveness of its approach. See Annex E for the evaluation recommendations and the follow-up.

¹⁹ Two NDF supported urban projects have been awarded prestigious international awards: NDF C40 Emerging and sustainable Cities won the Momentum for Change award at COP21 in Paris, while the NDF C42 Mekong Regional: Adapting Cities to Climate Change won a UN-USAID award for the best urban project in Asia in 2016.

²⁰ *External Interim Evaluation of the Urban and Municipal Development Fund (UMDF) of the African Development Bank (AfDB) Group*, BAASTEL Group, 2 September 2022.

2. PROJECT DESCRIPTION

2.1 Project Objectives

The UMDF's overall objective is to support more climate-resilient, liveable and productive cities in Africa, through improved and resilient infrastructure and service provision in better-planned and governed African partner cities. If African national and local governments have (i) improved governance and financial management, (ii) improved urban planning, and financial and technical support to (iii) invest in sustainable urban development, based on (iv) improved capacities, then the structural capacity and financing gaps on the continent can be reduced which leads to more climate-resilient, liveable and productive cities, underpinning national socio-economic development and poverty reduction.

The UMDF is firmly integrated into the AfDB strategic framework of global, regional, and sector-specific objectives, the overarching objective of which, at AfDB level, is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The UMDF is therefore a supporting instrument to achieve the AfDB's overarching and sector policies, with a special role in supporting SUDAP implementation. UMDF mirrors the SUDAP strategic focus areas:

- 1. Improved Urban Governance:** Where requested by national and local governments to do so, the UMDF will support reform-minded processes to improve urban governance. The UMDF will focus on supporting inclusive and participatory approaches and decision-making processes in partner cities. Second, the UMDF will support partner local and national Governments improving their financial governance so they can invest in sustainable and climate-resilient urban development.
- 2. Improved Urban Planning:** The UMDF will support partner local and national governments with investment-oriented action planning, to develop or update integrated urban and sector plans. Specific focus will be evidence-based processes that help cities analyse, identify, prioritize and prepare integrated strategies and plans, informed by data, participation, a sound climate analysis and focused on delivering equitable improvements in service provision. The goal is to develop medium- to long-term approaches for more liveable, climate resilient and productive African cities.
- 3. Improved urban infrastructure and essential services:** The UMDF will work towards increasing the number of people, both men and women, having improved access to resilient infrastructure and essential services. UMDF supports government-requested (national and local) infrastructure and service delivery investments that directly and measurably lead to sustainable urban development, providing financial and technical assistance for urban project identification, preparation, financial structuring and implementation. To increase the likelihood of transactions, the UMDF will prepare Bank investment projects, but also actively support mobilising private and third-party financing, especially from the growing climate finance ecosystem.

Improved Capacity on integrated urban development: As sustainable outcomes largely depend on national and local capacity and leadership, the UMDF will support gender-sensitive capacity

development, training and knowledge work in partner cities. The aim is to improve the knowledge and ability of local and national counterparts to plan, govern, manage and drive solutions and investments for more inclusive and climate-resilient African cities.

The proposed support to UMDF is well aligned with the NDF RMF outcome areas to strengthen the climate- and disaster-resilience and adaptability of cities and human settlements. This support includes solutions for increasing climate- and disaster-resilience and adaptability, and infrastructure assets and services established or improved.

The UMDF pilot phase developed the approach and methodology for working with cities across Africa. The new phase will be a significant scale-up of the Fund and its work.

2.2 Theory of Change

The key development problem that the UMDF addresses is limited liveability and climate resilience in cities in Africa. Four barriers explain this problem: i) limited urban planning, ii) limited urban governance, iii) insufficient investments in resilient and low-carbon infrastructure, and v) limited capacity amongst relevant stakeholders (cities, AfDB, regional players) to manage urban development.

In this framework, in the medium term, the Fund seeks to achieve increased and improved climate resilient and low carbon infrastructure and service provision, based on increased capacity and access to knowledge, resulting in better planned, well-governed and financially managed African cities. In the long term, this will contribute to build more liveable, prosperous and resilient cities in Africa.

Four outcomes are expected to contribute to these medium- and long-term objectives:

1. Improved urban planning, by developing City Diagnostics, Action Plans and Master plans, strategies and sector plans, and a manual to help these processes.
2. Strengthened urban governance by promoting participatory planning and decision-making processes, including through training and the development of data sharing platforms. Improved city financial management/ Improved city financial management, through fiscal reforms and increased access of cities to different streams of financing (domestic revenues, national and international markets, private sector).
3. Increased and improved investments into essential, risk-reducing, low-carbon and sustainable urban infrastructure, by preparing bankable sustainable urban development projects for investments; and
4. Increased knowledge and capacity amongst relevant stakeholders to manage urban development, at regional, AfDB and city-levels, mostly through training, peer-to-peer learning and publications.

The full Theory of Change and results framework are found in annexes A and B.

2.3 Project Activities

The Fund was designed with the aim of being a flexible instrument to permit applications from various cities and countries with varying levels of development and capacities. The three instruments below work together to respond to the demands from cities and there are possibilities to combine instruments to develop concrete investments. See also Annex D.

The African Cities Program (ACF) is UMDF's flagship urban program through which the Fund engages early and comprehensively with cities. The program provides in-depth support under all three UMDF outcome areas through a formal programmatic approach. The Cities program is structured in five distinct phases (see figure 1 below). The UMDF will prepare City Diagnostics and Action Plans in all participating cities, in order to assess a city's current development status, analyse key challenges including climate risk vulnerabilities, identify and do initial prioritisation and costing on 3-5 key projects, and an actionable plan for implementation. At least one of those projects will be supported by the Project Preparation Facility to make them investment-ready to be included in AfDB loan processing or to other prospective sources of investment finance. Based on needs in the Action Plan, cities will also benefit from planning, governance and capacity development support, aiding the investment-oriented action planning toward measurable results. The UMDF has a set of detailed criteria for selecting cities to the program. The plan is to support at least 45 cities in the period 2023-2027. Cities will be invited to join the UMDF African Cities Network to share experiences, benchmarks, best practices and lessons learned.

Project Preparation Facility (PPF). The UMDF Project Preparation Facility provides financial or technical assistance with the aim of preparation and appraisal of high impact AfDB- or partner financed urban low-carbon and resilient infrastructure projects across African Cities. The Facility is demand based. It retains a strong link to the AfDB investment origination efforts by different sector departments involved in urban infrastructure (i.e., transport, energy, green growth, water and sanitation, etc.). The Project Preparation Facility is specifically meant to complement the African Cities Program which has a selective participation. The criteria for selecting projects are the project's feasibility, financial prospects, environment and socio-economic impacts, supporting climate adaptation and low-carbon development, inclusive access by men and women to essential services. Projects must also demonstrate high impact along the UMDF Results Management Framework outcome and output areas. It is planned to prepare around 30 investment ready proposals in the five-year period 2023-27.

The Small Grant Initiative (SGI). In the pilot phase it was decided to establish the SGI to respond to the many demands and proposals from cities across the continent. The SGI supports studies, project origination and other small requests up to USD 30,000.

The UMDF through its African Cities Program and Project Preparation Facility will work in different complementary upstream phases of the typical project development cycle, and at a 'midstream' point, together with AfDB operational departments integrate those efforts into the Bank's 'downstream' operational follow up, detailed appraisal and loan (or ADF grant) processing and implementation. See figure 2 in annex D.

The upstream focus of the UMDF will allow close engagement with cities and bring more and better prepared urban development projects into the AfDB pipeline, or to other financing partners, where processes are typically similar. Together with outcomes in governance, planning and capacity development – UMDF will achieve measurable and demonstrable impact for climate-resilient, liveable and productive cities; more and better investments, based on sound planning, in cities that are better governed and with amplified capacity to be active partners in these processes from project origination to implementation.

2.4 Project Beneficiaries and other Stakeholders

A primary target group will be the decision-makers and staff in city governments participating in the city program and the city network. These local governments will benefit from improved planning and governance efforts, technical assistance, training and capacity development, strengthened peer relations and access to tools and knowledge products. Another important group of beneficiaries will be the inhabitants of the UMDF participating cities both for City Program, Project Preparation and later the City Network. They will benefit from improved access to climate-resilient infrastructure and services to reduce risk and stimulate low carbon development (transport, water and sanitation, waste and energy). It is expected that about 60 million people will benefit from the UMDF activities and the downstream investments. A special focus will be on improving climate-resilient infrastructure and services for the vulnerable urban poor in informal settlements.²¹

The concept and design of the UMDF scale-up phase has been developed with inputs from the cities that were part of the pilot phase. Other partner input includes the C40 cities network, with whom the UMDF has established a partnership on city finance. The GCA/AAAP has also provided inputs related to climate change adaptation, and consultations with urban programs similar to ACP such as IDB, EBRD and EIB.

Engagement with the Private Sector: Cities are economic hubs and increasingly their development is driven by the private sector, whether in housing, infrastructure, and service delivery, economic growth and job creation. To assure sustainable urban development involvement of the private sector is therefore crucial. At the same time, sovereign budgets are increasingly under pressure. The UMDF will therefore seek partnerships with the private sector for (i) participation in investment projects, and (ii) providing services and technology solutions. One important avenue for direct involvement of the private sector is identifying and preparing public-private partnerships for service delivery. The UMDF will support developing bankable PPPs for urban essential service and infrastructure. For RMCs with established PPP markets, the focus would be on expanding the spread of PPPs into new sectors and sub-sovereign levels, which will be contributing to implementing the AfDB's PPP Strategic Framework²². Other opportunities include the mobilisation of private finance to participate in investment projects,

²¹ This will be assessed through the end of project outcome indicators: Improved socio-economic conditions of individuals, especially women and girls, vulnerable to climate change; Reduced vulnerability of individuals, especially women and girls, to climate related shocks/hazards; and Individuals, especially women and girls, with decreased vulnerability to resource depletion due to climate change.

²² <https://www.afdb.org/en/documents/african-development-bank-group-ppp-strategic-framework-2021-2031>

which the UMDF can support by structuring projects to allow for participation in project financing, or the identification and preparation of commercially viable private projects.

2.5 Gender Analysis

Climate change adaptation and resilience-building require a gender-responsive approach. Climate change is experienced and shaped differently by women and men²³ with women more likely to die in a climate disaster, be displaced by climate change, or die from pollution.²⁴ At the same time, the evidence shows that gender-smart climate action improves climate and business outcomes.²⁵ In line with the AfDB gender policy²⁶, the UMDF will directly support activities which promote gender equal-urban environments and women's economic empowerment. The AfDB supports RMCs' policy reforms for strengthening gender mainstreaming. Research has clearly shown that women's economic empowerment strategies, and improvements in the delivery of basic services that directly affect women's lives, are key prerequisites for equitable and inclusive city development.²⁷ The UMDF will also support the engagement and inclusion of women as an end-to-end part of infrastructure planning, development, delivery, and utilisation to ensure that future city developments are women-friendly. Gender-related diagnostics, for example, will be used when UMDF investments are devised and implemented. The empowerment of women is crucial for the success of the UMDF. The proposed financing to UMDF will especially support the third pillar in the AfDB gender strategy on increasing women's access to social services through infrastructure. Gender-responsive infrastructure is important for gender equality and empowerment. The UMDF proposal would also support the second pillar in the strategy through gender-balanced training and capacity-building and creation of 5000 direct jobs.

2.6 Project Cost and Financing

The UMDF II will have a budget of about EUR 50 million for the five-year period 2023-27. NDF will contribute EUR 10 million as a grant for the second phase. The co-financing from Switzerland and Spain is confirmed and approved. It is expected that the Danish contribution will be fully approved before the end of 2022.

In addition to the budget below, the AfDB is financing staff to the UMDF secretariat, and there will be an annual cash contribution for the period 2023-27. At the time of writing, the exact amount is not known and therefore not included in the budget overview in table 1 below.

²³ UNFCCC (2019a) *Differentiated impacts of climate change on women and men; the integration of gender considerations in climate policies, plans and actions; and progress in enhancing gender balance in national climate delegations*, Synthesis report.

²⁴ UNDP 2016: *Gender and Climate Change: Overview of linkages between gender and climate change*, New York

²⁵ Biegel, S. and Lambin, S. (2021) *Gender & Climate Investment: A strategy for unlocking a sustainable future*. GenderSmart.

²⁶ AfDB: *Gender Strategy 2021 – 2025: Investing in Africa's women to accelerate inclusive growth*.

²⁷ UN-HABITAT 2013: *The State of Women in Cities 2012/2013 Report focuses on Gender and the Prosperity of Cities*.

An overview budget for UMDF II is found in table 1 below.

Table 1: UMDF Budget 2023-2027			
Source	Amount (MEUR)	Amount (MUSD)	Type of Financing
NDF	10	10.02	Grant
Switzerland SECO	5	5.01	Grant
Spain	5	5.01	Grant
Denmark MFA (TBC)	29.58	29.65	Grant
Total	49.58	49,69	Grant

An overview of costs and the financing plan is found in following table:

Table 2: Overview UMDF cost projection 2023 – 2027 (EUR million)							
No.	Expenditure category	2023	2024	2025	2026	2027	Total
1.	Africa Cities Program	4.00	5.00	6.00	6.00	4.00	25.00
2.	Project Preparatory Facility	3.00	3.00	4.00	4.00	2.40	16.40
3.	Small-Grants Facility	0.20	0.20	0.20	0.20	0.20	1.00
4.	Long-term Consultants	0.60	0.80	0.60	0.60	0.40	3.00
5.	Monitoring and Evaluation	0.20	0.15	0.25	0.15	0.25	1.00
6.	Audit	0.04	0.04	0.04	0.04	0.04	0.20
7.	Contingencies						0.50
8.	AfDB Admin Fee 5%						2.48
	Total						49.58

The African Cities Program will cover about 45 cities in the UMDF II and include both city action planning, training and capacity building, project preparation and networking. The Project Preparatory Facility will prepare about 30 projects and the level of funding is well aligned with the level of AfDB preparatory costs for infrastructure investments. The Small-Grant Facility is demand-based and can provide up to 30,000 USD to develop concepts, knowledge, etc. Regarding staffing, the UMDF II will need long-term specialists on municipal finance, nature-based solutions, M&E, and a City Program lead. It is expected that C40 will provide and finance a long-term secondment on climate change. The NDF grant will finance a long-term consultant on nature-based solutions. Denmark will provide a long-term secondment and both Switzerland and Spain will allow funding of long-term consultants from their contributions.

The UMDF Secretariat, is responsible for managing the operations and coordinating and ensuring coherence of actions. The costs of the Secretariat are covered by the AfDB but in the

scale-up phase additional staff will be financed out of the donor contributions. The 5% administration fee is the normal MDB fee. There will be an external mid-term review and a final evaluation. A small amount has been reserved for contingencies, which could entail rising costs, higher levels of activity, or unexpected issues during implementation.

2.7 Sustainability and Exit Strategy

Key sustainability aspects relate to the Fund itself both financial and institutional, the participating cities, and the projects being prepared. The UMDF has been able to mobilize substantial new donor financing meaning that the financial sustainability in the short to medium term of the Fund is thus likely. The long-term exit strategy of the Fund would to a certain extent be that in 10 years urban development is mainstreamed in the Bank, with adequate structures, teams and systems. At present, the institutionalisation is early days, with the SUDAP and the urban department as positive indicators of a shift towards a stronger urban focus. Still, a lot of effort will be needed in the coming years to have the UMDF fully mainstreamed into the AfDB. Other ways to ensure the UMDF long-term financial sustainability, beyond donors' financial contributions, would be to establish a reimbursable grant mechanism, where the support is an advance to the loan and clients pay the grant back if they do not take the loan, at least for the PPF. While this option may work better in other parts of the world, the UMDF will explore the possibilities for a similar mechanism in Africa. Furthermore, there is room for further involving commercial banks and the private sector, which could take on part of UMDF activities, particularly those related to the PPF. The planned work on the municipal finance will support these proposals to improve the UMDF long-term financial sustainability.

The African Cities Program will strengthen the longer-term sustainability by using an integrated approach, where climate change and gender-considerations are fundamental building blocks in all activities to secure technical and social sustainability. The work on municipal finance will help cities improve their financial situation. The preparation of infrastructure investments will follow AfDB procedures, which include systems to promote the sustainability of their results. At a city level, the UMDF exits once a city has successfully completed the city program steps and concrete investment(s) have been implemented. At the individual project level, the UMDF support is geared toward preparing infrastructure investments in Africa cities. When measurable and sustainable impacts are achieved in partner cities, UMDF support will concentrate on building the African city network, while the financial and technical assistance will shift to other cities. An exit strategy is, therefore, that once the preparation of an investment proposal is completed and the handover of the results to the relevant operational entity, the upstream and project preparation support is directed elsewhere, while low-level support will continue for networking, learning and evaluation.

3. RISKS

3.1 Project Risks and Mitigation Measures

The UMDF has undertaken preliminary assessment of the most important risks that could potentially affect project execution, outcomes and results. The preliminary assessment found that there is a substantial risk related to the countries' and cities' political contexts, since there are many changes in staff and priorities. To mitigate this risk, UMDF will work with AfDB country offices who will play important roles in managing this risk through their on-going dialogue with national and city authorities. Other risks relate to UMDF scaling-up its efforts translating into capacity constraints, follow-up financing and technical support. For all these risks, credible mitigation measures have been identified and they have all been rated as Medium or High risk. The preliminary risk assessment is outlined in Annex C. It is planned to have the risk assessment further developed.

3.2 Environment and Social Risks and Mitigation Measures

The AfDB is in the process of updating their Integrated Safeguards System (ISS) so that it will be compliant with the WB. The revised ISS is planned to be approved in 2022.

The preliminary risk assessment revealed that some of the downstream investments could have negative environmental or social impacts. These could include encroaching on limited natural resources, or requirements for land acquisition and involuntary resettlement. Such situations would trigger the applicable social and environmental safeguards. However, most of the planned UMDF activities consist of project preparation activities including TA where environmental and social risks are low. The proposed Advisory Committee will also ensure that views and input from cities, civil society organisations and other stakeholders are reflected in UMDF decisions and evolution. As mentioned above, the UMDF will follow the AfDB gender strategy to ensure that gender considerations are systematically applied in all UMDF activities.

3.3 Integrity Risks and Mitigation Measures

A main institutional risk of the AfDB is related to corruption and mismanagement of funds. In 2016, the AfDB adopted an *Integrity Due Diligence Policy* and in 2017 an *Illicit Financial Flows Policy* to prevent these issues. Currently the AfDB conducts pre-financing integrity due diligence checks on projects and institutes continuous integrity due diligence checks, including tax due diligence, throughout the project cycle. Anti-money-laundering/counter-terrorist financing and counter-illicit financial flow measures are mainstreamed in all AfDB activities. This work is spearheaded by the AfDB Integrity and Anti-corruption Department. The responsibility for following these procedures in UMDF remains with the management of the Urban Development Division. The integrity risk for UMDF is assessed to be low since the Fund is mainly engaged in upstream project preparation activities including TA where risks of corruption are low. UMDF will not be involved in the downstream financing and implementation of infrastructure works. Even so, corruption linked to the investments could perhaps have reputational risks for NDF since corruption levels in Africa are high, especially in connection with large infrastructure investments.

4. IMPLEMENTATION

4.1 Project Management and Coordination

The AfDB has strong presence all over Africa, operating in all 54 countries with 40 country offices. The AfDB's regional organisation has HQ and two regional hubs, the ones for Central Africa and West Africa are based in Abidjan. The East Africa Regional Hub is in Nairobi, the North Africa Hub in Tunis and the South Africa Hub in Pretoria. Fifty-eight per cent pct. of AfDB Group staff work out of country offices. NDF has a long partnership with AfDB with support to 13 climate projects since 2014²⁸.

The UMDF is anchored in the AfDB at the Urban Development Division at the Infrastructure and Urban Development Department at the AfDB HQ in Abidjan. The UMDF is under the direct supervision of the Office of the Department Director. It is managed by a Secretariat within the Director's Office. The day-to-day management of the UMDF is undertaken by the Secretariat. The role of the Secretariat is to manage UMDF operations, to coordinate, report and ensure coherence of action. The Secretariat can be supported by Secondes and long-term consultants.

4.2 Legal Arrangements and Governance

The NDF grant to the UMDF II will be part of the existing multi-donor Trust Fund (MDTF) established in 2019. A new grant will be added through signing a contribution letter. The TF agreement contains provisions regarding: the purpose of the fund; the end beneficiaries; its administration; governance; reporting and consultation obligations; term and general provisions such as dispute resolution²⁹. The governance structure of the UMDF includes:

Oversight Committee (OC), which provides general policy and strategic guidance. As of June 2022, the OC consists of two representatives from the Bank and donor representatives and meets twice annually (Feb & Oct). The OC provides general policy and strategic guidance, approves the Operational Procedures and Guidelines of the UMDF, the Business Plan and Results Framework, approves the Annual Work Program & Budget, and may provide no-objection to the work-plan inclusion for off-cycle projects. The OC also approves the Annual Reports; and initiates discussions for a general replenishment of the UMDF. NDF has had a proactive role in the supervision of the UMDF as chair of the OC during the entire pilot phase 2019-2022.

Technical Review Committee (TRC), which provides recommendations to the OC on all policies and guidelines. The TRC is chaired by the Director of Infrastructure and Urban Development Department. The TC at present comprises (but is not limited to) representatives from: Infrastructure & Urban Development (PICU), Strategy and Operational Policies (SNSP), Power

²⁸ NDF-AfDB cooperation began in 1992. In the period 1992-2006, NDF provided EUR 36 million to AfDB projects in transport, energy, agriculture, and health.

²⁹ African Development Bank Group Trust Fund Policy 2021

Systems Development (PESD), Water Security and Sanitation (AHWS), Climate Change and Green Growth (PECG), Governance & Public Finance Management (ECGF), Gender, Women and Civil Society (AHGC), Resource Mobilization & Partnerships (FIRM), Fiduciary and Inspection (SNFI), Financial Control (FIFC), Safeguards and Compliance Department (SNSC), Development Impact and Results (SNDR), General Counsel (PGCL), and the Financial Services (PIFD). The TRC reviews the Operational Guidelines, reviews the Business plan and Results Framework, provides recommendations to the OC on all policies, guidelines and Workplans. The TRC reviews and clears submitted Project Briefs, Project Information Memoranda while ensuring they are aligned to the UMDF Strategic Business Plan and objectives; and are technically and financially sound. The TRC must meet prior to OC meetings and shall meet as often as needed.

The Secretariat. The UMDF Coordinator (FC) ensures the day-to-day management of the fund (organisation of calls for proposals, communication with donors and beneficiaries). The Secretariat has 4 full-time staff, in addition to three part-time staff (including two administrative assistants). Long-term consultants will also be part of the Secretariat. NDF finances at present, a long-term consultant on Nordic Urban Solutions.

Advisory Committee (AC): The Advisory Committee is new and was recommended by the external evaluation. The AC will meet virtually and brings together relevant stakeholders across the urban development value chain to provide recommendations to the Oversight Committee, and act as a sounding board and platform for coordination. Its main functions and tasks are:

- ✓ Provide recommendations on UMDF direction and contribute to assessing UMDF expected results.
- ✓ Provide strategic advice related to UMDF portfolio of operations.
- ✓ Facilitate dialogue and consultations among UMDF stakeholders to maximise synergies between UMDF results and the activities of the OC members and other partners and organisations working across the urban value chain.
- ✓ Provide insights and foster learning and innovation.

The UMDF governance structure is in place except for the AC, which will be established during the first half of 2023.

4.3 Financial Management and Procurement

Financial Management: The UMDF follows the AfDB Trust Fund Policy and guidelines,³⁰ where the minimum contributions for the UMDF is USD 1 million. The proposed NDF contribution would be paid in two instalments.

UMDF activities will be undertaken in accordance with AfDB's financial management policy and procedures. Up to now, all UMDF activities have been carried out by AfDB staff and consultants, where all consultants have been contracted and paid directly by the AfDB. There is however, a possibility to have activities executed by local entities. In that case, the grant

³⁰ The African Development Bank Group Trust Fund Policy 2021

recipients shall be required to keep proper books of accounts to record and report on all project transactions. In accordance with the AfDB financial reporting and auditing requirement, all UMDF Executing Agencies (EA) would be required to prepare quarterly unaudited interim financial reports that will be sent to the Bank no later than 45 days after the end of each quarter.

Audit: Within six months of the completion of a financial contribution to the UMDF, the AfDB will provide a donor with final audited financial statements of account showing the use of the grant contribution. The cost of such audit shall be borne out of the Contribution.

The UMDF will disclose the quarterly unaudited financial statements to the OC upon reception from the AfDB's Resource Mobilization and Partnerships Department (FIRM) in a timely fashion. UMDF participates in the Bank-wide auditing process and will provide an annual audited financial statement covering the calendar year, which will be made public in the annual- or mid-year report following the completion of the audited financial report.

For UMDF grant recipients, there are detailed requirements for the annual audits of the project financial statements. The specific auditing requirements shall be incorporated into each grant approved financing agreement. The Bank shall review the periodic interim unaudited financial reports of the recipient, and comments and issues to be addressed shall be communicated to the EA within a period not to exceed 30 days from its receipt from the grant recipient.

Procurement: Activities under the UMDF will be carried out in accordance with the AfDB's Procurement Framework.³¹ For Bank-executed activities, consultants will be recruited in accordance with the procurement guidance. All approvals shall be done in accordance with the Delegation of Authority Matrices in force. The Urban Development Division in collaboration with the Fiduciary and Inspection Department will be responsible for providing oversight on the procurement activities. UMDF Grant Recipients shall prepare a Work Plan and Procurement Plan acceptable to the Bank before the grant agreement is signed.

4.4 Monitoring and Evaluation

As a Trust Fund rooted in AfDB, UMDF's operational structures need to adhere to the principles and frameworks set out by the Bank, including those relating to monitoring and evaluation. Fortunately, NDF has long-standing experience working with AfDB and there is a high degree of alignment between the priorities of the two organizations. It has also been possible for NDF to exert influence on the project design and set the bar higher in some areas relating to the project's M&E.

AfDB has an institutional Results Management Framework that all projects, including UMDF, are linked to. This framework sets the parameters for UMDF's own Results Management Framework (RMF) that is accompanied by an M&E Framework. The latter consists of three specific tools: (1) Results Matrix; (2) M&E plan; and (3) Risk matrix. These two instruments form

³¹ The AfDB Procurement Framework comprises the: (i) Procurement Policy for Bank Group-Funded Operations (Policy); (ii) Methodology for Implementation of the Procurement Policy of the African Development Bank (Methodology); (iii) Operations Procurement Manual for the African Development Bank (OPM); and (iv) the Procurement Toolkit (Toolkit).

the cornerstone in UMDF's M&E platform and to function they require input from the projects' supported by the Fund. To streamline and to assure the quality of this project-level progress data, all projects will be equipped with their own M&E Framework. This framework is identical across projects and includes the same three tools as specified above. In the design process of these two instruments, NDF has provided a great amount of technical expertise to ensure full alignment with NDF's own RMF.

The Secretariat is responsible for reporting on programmatic, results and financial progress of the UMDF to the donors. The former is done biannually in narrative reports taking point of departure in UMDF's Results Framework. These reports are presented, discussed, and approved at an OC's meeting. Two types of financial reports are provided to the donors, including quarterly unaudited financial statements and a yearly audited financial statement from the Bank's Financial Control Department confirming funds received and disbursed as of 31 December of each year.

In addition to the external reporting to the donors, internal safeguards are in place to ensure that project implementation is on track. As is the case with all other operations by the Bank, projects financed by the UMDF will undergo regular supervision to monitor, evaluate, and report on implementation status, and to resolve any project implementation challenges encountered. A formal Quality Assurance System is in place at the Bank to guide this oversight and it integrates, among other things, the Implementation Progress and Results Report (IPR). The IPR is a thorough assessment of how the project is delivering against its M&E Framework while also taking stock of the "general health" of the project. The IPR is to be updated biannually.

While the day-to-day management of all aspects related to M&E sits with the Secretariat, the AC also plays an important role in this field. It brings together relevant stakeholders in the urban development space to provide recommendations to the OC, and act as a sounding board and platform for coordination. Key tasks of the AC include: Providing recommendations on UMDF's direction based on an assessment of UMDF's performance and expected results; Facilitating a dialogue among UMDF stakeholders to maximize synergies between UMDF results and the activities of the OC members and other partners and organizations working with urban development; Providing insights while fostering learning and innovation between the projects' stakeholders.

In general, fostering and sharing knowledge on good practices in urban planning is at the heart of UMDF. This key is evident with one of the four strategic focus areas of UMDF being dedicated to "increased capacity on integrated urban development".

The means to this end are various. One pathway goes through capacity building initiatives where training is provided to partner cities to improve the knowledge and ability to plan, govern, manage and drive solutions and investments for more resilient and liveable cities.

Another avenue is through dissemination of new knowledge of - and best practises within - urban planning. As more and more African cities apply the UMDF methodology, they will be invited to join the African Cities Network. As participants in the Network, they will share

experiences, best practices and lessons learned. The objective of the network is to support cross-continent learning and exchange information and knowledge gained through the UMDF and partner activities. To achieve this objective the UMDF will provide the platform for the network and will facilitate active communication between stakeholders and organise joint events (e.g. peer-to-peer exchanges, study tours etc.).

Monitoring of Gender, E&S, and Project Risk: Gender equality is a key priority to the Bank and will also be translated into the operations of the UMDF. Specifically, the UMDF requires that all project proposals submitted to the Fund (i.e. Project briefs and PIMs) are categorised according to the Bank's Gender Marker System (GMS). This requirement is to ensure that gender equality is included at the earliest stages of project identification with the aim of fully integrating this component into project preparation activities and design. The Project proponent (for Project briefs), and the Task Manager (for PIMs) have the responsibility for proposing the GMS category to which a project is assigned. The proposed category is reviewed and approved by the Gender, Women and Civil Society Department at the Bank.

UMDF-funded activities will be undertaken in accordance with the requirements and procedures of the AfDB's Integrated Safeguards System. This system ensures that all UMDF-funded projects will be subject to an E&S categorisation followed by submission of an Environmental and Social Compliance Note (ESCON). The UMDF Secretariat will ensure that PIMs will be accompanied by an ESCON before submission to the Technical Committee.

Closing and evaluation: Upon expiration of the UMDF multi-donor arrangement, or exhaustion of the resources under the UMDF, three activities will be initiated that jointly forms the Fund's closing procedures.

First, in accordance with the Bank's own quality assurance procedures, an internal Project Completion Report (PCR) will be authored. The PCR is a comprehensive report assessing project performance and achievements from various perspectives (efficiency, effectiveness etc.). The report also touches upon problems encountered, lessons learned, and impact on beneficiaries.

Second, a final progress report similar in format to the biannual narrative reports will be submitted to the OC. This progress report will be accompanied by a final financial statement that has been audited.

Third, UMDF will be subject to an external evaluation to assess how the Fund has performed. It has also been agreed that UMDF will carry out a mid-term review in 2024. NDF will be given the possibility to comment on the ToR guiding both the mid-term review and the final evaluation.

Staffing: With the transition into the second phase of UMDF, the Secretariat is budgeting for a notable increase in staff to ensure the best foundation to deliver the project. Specifically, it is anticipated that the current staff will grow with additional long-term specialists. One of these positions is a *Senior Monitoring, Evaluation & Reporting Specialist* who will be responsible for all matters relating to M&E, data gathering and analysis, and progress reporting.

4.5 Communication Plan

An updated communication plan will be developed at the start of the new phase. A communication specialist will assist UMDF with an active presence on social media and develop further the existing UMDF page on the AfDB web site. The UMDF discloses and disseminates information to the public – including public, private, and civil society actors – subject to the AfDB policy³² on the disclosure of information. The aim is to enhance transparency and accountability and promote active public engagement to strengthen the UMDF development results. UMDF funded outputs are generally to be made public. Outlets to disseminate information include the UMDF webpage on the Bank's website and the AfDB's regional and country offices, partner websites (including NDF) and traditional and social media.

RECOMMENDATION

The Board approved grant financing of up to EUR 10 million to the project C145 Regional Africa: Climate Resilient Cities: Urban and Municipal Development Fund II.

Helsinki, 17 November 2022



Karin Isaksson
Managing Director



Aage Jørgensen
Program Manager

³² <https://www.afdb.org/en/disclosure-and-access-to-information>

ANNEXES

A. Project Theory of Change

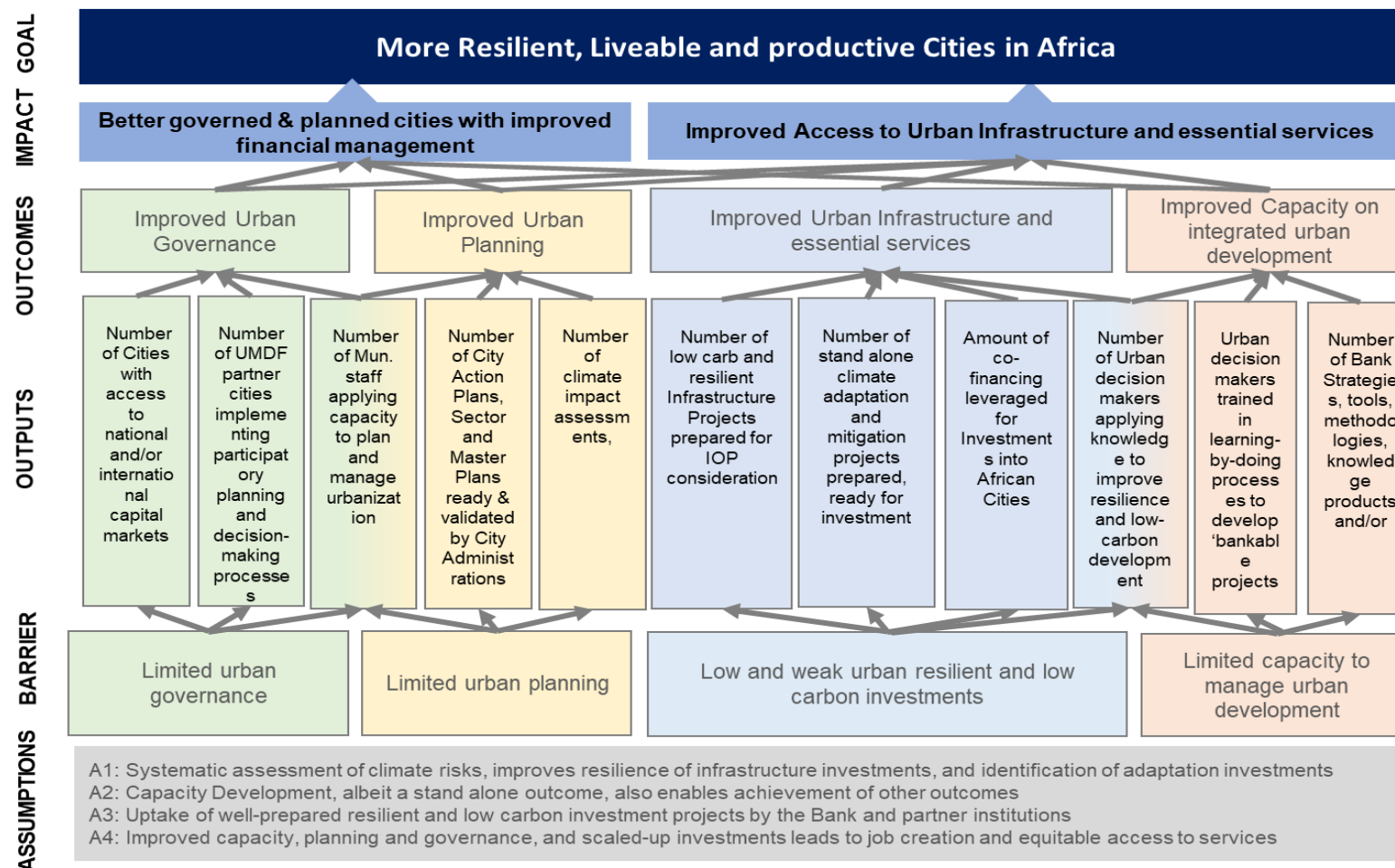
B. Project Log Frame

C. Risk Assessment and Mitigation

D. UMDF Components and Instruments

E. Follow-up to the Recommendations from the Evaluation

ANNEX A: UMDF Theory of Change



Annex B: Draft Logical Framework

UMDF RESULTS FRAMEWORK					
A PROJECT INFORMATION					
PROJECT NAME AND SAP CODE: URBAN AND MUNICIPAL DEVELOPMENT FUND (ML-00074)			COUNTRY/REGION: Multi-Country		
PROJECT DEVELOPMENT OBJECTIVE: More Resilient, Liveable and Productive Cities in Africa					
ALIGNMENT INDICATOR (S):					
Global Alignment Indicators					
<ul style="list-style-type: none">- SDG 1: Zero Poverty SDG 5: Gender Equality SDG 11: Sustainable Cities SDG 13: Climate Action.- High-5: Quality of life of the People of Africa (#5); Industrialize Africa (#3).- Paris Agreement on Climate Change.					
Bank Results Management Framework (RMF) Alignment Indicators					
<ul style="list-style-type: none">- People with improved access to transport, People with new or improved access to water and sanitation.- People benefiting from investee projects, Direct jobs created, People trained through Bank operations					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	CORRESPONDING NDF RMF INDICATOR	UNIT OF MEASUREMENT	BASELINE (01/2023)	TARGET AT COMPLETION (12/2027)	MEANS OF VERIFICATION
IMPACT STATEMENT: Improved access to low carbon & resilient services in better planned & governed African cities					
OUTCOME STATEMENT 1: Improved Municipal Governance					
OUTCOME INDICATOR 1.1: Number of UMDF partner cities implementing participatory, climate informed and gender-responsive planning and decision-making processes	RMF indicator 5.2	Number of Cities, # of people	4	50	City reports
OUTCOME INDICATOR 1.2: Number of UMDF partner Cities with improved financial capacity, investing in sustainable urban development	RMF indicator 5.1	Number of cities, # of people	0	5	City financial reports, credit ratings, balance sheets
OUTCOME INDICATOR 1.3: Number of Municipal staff with Improved capacity on municipal finance and green financing	RMF indicator 3.1	Number of people*	0	100 (of which 50 men, 50 women)	City data, training reports
OUTCOME STATEMENT 2: Improved Urban Planning					
OUTCOME INDICATOR 2.1: Number of partner Cities implementing evidence-based, climate-informed, participatory and gender-responsive City Action Plans, based on ACP methodology***.	RMF indicator 3.4	Number of Cities, # of plans	2	40	Plans published, progress reports
OUTCOME INDICATOR 2.2: Number of partner Cities implementing evidence-based, climate-informed, participatory	RMF indicator 3.4	Number of Cities, # of plans	1	10	Plans published, progress reports

and gender-responsive Master Plans or Sector Plans					
OUTCOME INDICATOR 2.3: Number of Municipal & partner government staff with Improved capacity on climate-proof and gender-responsive urban planning	RMF indicator 3.1	Number of people*	0	300 (of which 150 men, 150 women)	City data, training reports
OUTCOME STATEMENT: 3 Improved urban Infrastructure and essential services					
OUTCOME INDICATOR 3.1: # of People with improved access to climate resilient and low-carbon urban transport infrastructure	RMF indicator 4.1b	Number of people*	2 M	20 Million, of which 10% through PPP	PCR, City data, national Statistics
OUTCOME INDICATOR 3.2: # of People with improved access to climate resilient and low-carbon urban water and sanitation infrastructure	RMF indicator 4.2a	Number of people*	0	20 Million, of which 10% through PPP	PCR, City data, national Statistics
OUTCOME INDICATOR 3.3: # of People with improved access to climate resilient and low carbon urban waste infrastructure	RMF indicator 4.1b	Number of people*	0	10 Million, of which 10% through PPP	PCR, City data, national Statistics
OUTCOME INDICATOR 3.4: # of People with improved access to climate resilient and low carbon urban energy infrastructure	RMF indicator 4.1b	Number of people*	0	5 Million, of which 10% through PPP	PCR, City data, national Statistics
OUTCOME INDICATOR 3.5: Number of People with improved access to climate resilient infrastructure, through PPP investment projects	RMF indicator 4.1b	Number of People*	0.2	5,5 million (10% of above)	PCR, City Data, Bank & city reports
OUTCOME INDICATOR 3.6: Amount of co-financing leveraged for resilient and low-carbon investments into African Cities from AfDB	RMF indicator 3.3	\$US (in million)	80.25	2,000	PCN, PCR, Agreements
OUTCOME INDICATOR 3.7: Amount of co-financing leveraged for Investments into African Cities from sources outside of the African Development Bank	RMF indicator 3.3	\$US (in million)	0.25	500	PCN, PCR, Agreements
OUTCOME INDICATOR 3.8: Urban economic and income growth, job creation	RMF indicator 3.2	Number of Jobs*	0	5.000	PCR, City Data
OUTCOME INDICATOR 3.9: Amount of Tons CO ₂ equivalent avoided and/or reduced	RMF indicator 5.4	Amount of Tons CO ₂ equivalent	0	500,000 tCO ₂ e	MDB harmonized CO ₂ emissions methodology, PCR, City data, national Statistics
OUTCOME INDICATOR 3.10: Number of partner government staff with Improved capacity for	RMF indicator 3.1	Number of people*	0	250 (of which 125	City data, training reports

resilient and low-carbon urban infrastructure project preparation and implementation				men, 125 women)	
OUTPUT STATEMENT 1: Improving Municipal Governance					
OUTPUT INDICATOR 1.1: Number of Cities with access to national and/or international capital markets through financial transactions	n/a	Number of financial transactions by cities	0	5	Credit ratings, documented market transactions
OUTPUT INDICATOR 1.2: Number of strategies, where at least selected actions for Increased own source revenue, Financial Management, Accounts & Audit Systems, Revenue generation and resource mobilisation schemes, Creditworthiness & debt management schemes, are under implementation	RMF indicator 3.4	Number of strategies, where at least selected actions items are under implementation	3	10	Strategies, plans, systems in use, reports, documents
OUTCOME INDICATOR 1.3: Number of Municipal staff Trained in green municipal finance related subjects	RMF indicator 3.1	Number of People*	0	100 (of which 25 men, 25 women)	Training reports, minutes of meetings etc
OUTPUT STATEMENT 2: Improved Urban Planning					
OUTPUT INDICATOR 2.1: Number of evidence-based, climate-informed, participatory and gender-responsive City Action Plans, based on ACP methodology.	RMF indicator 3.4	Number of Action Plans	5	40	Plans published on Bank and/or city website(s)
OUTPUT INDICATOR 2.2: Number of evidence-based, climate-informed, participatory and gender-responsive Master Plans or Sector Plans	RMF indicator 3.4	Number of other plans	0	10	Plans ready for implementation
OUTPUT INDICATOR 2.3: Number of climate-informed and gender-sensitive Bank Strategies, tools, methodologies, knowledge products and/or similar to support RMC needs in urban development	RMF indicator 3.4	Number of publications, tools, strategies and methodologies	1	15	Bank documents, tools etc approved and published
OUTPUT INDICATOR 2.4: Number of Municipal staff trained on climate-proof and gender-responsive urban planning, urban climate resilience and/or low-carbon urban development	RMF indicator 3.1	Number of people*	26 (14/12)	500 (of which 250 men, 250 women)	City data, training reports
OUTPUT STATEMENT 3: Improved infrastructure and essential services					
OUTPUT INDICATOR 3.1: Bankable projects for gender sensitive, low-carbon and resilient infrastructure in the transport sector prepared for IOP consideration	n/a	Number of prepared project dossiers	0	20	PCR, City data, national Statistics

OUTPUT INDICATOR 3.2: Bankable projects for gender sensitive, low-carbon and resilient infrastructure in the water & sanitation sector prepared for IOP consideration	n/a	Number of prepared project dossiers	0	20	PCR, City data, national Statistics
OUTPUT INDICATOR 3.3: Bankable projects in the gender sensitive, low-carbon and resilient infrastructure waste sector prepared for IOP consideration	n/a	Number of prepared project dossiers	0	10	PCR, City data, national Statistics
OUTPUT INDICATOR 3.4: Bankable projects in the gender-sensitive, low-carbon and resilient infrastructure energy sector prepared for IOP consideration	n/a	Number of prepared project dossiers	0	10	PCR, City data, national Statistics
OUTPUT INDICATOR 3.5: Bankable Projects for gender-sensitive, low-carbon and resilient infrastructure prepared for non-AfDB funders, or where non-AfDB sources contribute a sizable portion of financing	n/a	Number of prepared project dossiers	0	10	PCR, City Data, Agreements
OUTPUT INDICATOR 3.6: Urban decision makers with increased capacities in learning-by-doing processes to develop 'bankable projects' in green and resilient infrastructure related subjects	RMF indicator 3.1	Number of People*	26 (14/12)	500 (of which 250 men, 250 women)	Training reports.
OUTPUT INDICATOR 3.7: Number of climate impact assessments, resilience options/projects delivered	RMF indicator 3.4	Number of project dossiers delivered	2	70	PCR, City data, national Statistics
OUTCOME INDICATOR 3.8: Percentage of UMDF-supported infrastructure projects that integrate climate risk assessments, climate adaptation and resilience.	RMF indicator 3.5	Percentage of projects	40%	100%	PAR, Project documents, PCR
OUTPUT INDICATOR 3.9: Number of GHG inventories / quantification delivered on low-carbon investment projects, or technology options.	n/a	Number of project dossiers delivered	0	40	PCR, City data, national Statistics
OUTCOME INDICATOR 3.10: Percentage of UMDF-supported infrastructure projects that integrate low-carbon development.	RMF indicator 3.5	Percentage of projects	20%	100%	PAR, Project documents, PCR
OUTCOME INDICATOR 3.11: Bank departments implementing UMDF-funded urban development relevant projects	n/a	Number of Bank Departments	2	8	PIM, UMDF annual Report

User notes

** Number of people is to be disaggregated by sex, with a goal of reaching gender-parity (50% women, 50% men)*

*** Number of Bank Staff is to be further disaggregated by sex, and technical and managerial level (PL/EL)*

**** The ACP methodology qualifies good urban planning as being (i) evidence-based and data informed, (ii) developed participatory processes including all stakeholders, (iii) integrating climate change, and (iv) informality, with an (iv) investment focus to reduce the gap in service provision for vulnerable parts of the population and underserved areas.*

Annex C: Risk Assessment (to be updated)

For the period 2023–27 this UMDF Risk Matrix has been developed, including assessments of severity, mitigation measures and risk owner.

Risk rating. Only one rating per risk category should be introduced: high (H), substantial (S), moderate (M) or low (L).

UMDF Risk Matrix				
Risk Category	Risk description	Rating	Mitigation measure	Risk owner
Internal Risks				
Implementation capacity	Risk of delays, poor TA/FA performance, low administrative and technical absorption capacity at use departments	M	Develop support tools & resources, additional UMDF staff, help-desk function, close monitoring, build implementation capacity on core results. - Consequently, applying MDTF rules, oversight close coordination, and grant cancellations (if needed).	UMDF
Donor Preferencing	Donor focus and RMC priority mismatch	S	OC role, flexible targets and design	Donors
Uptake of Projects	Level of IOP impact, low project appraisal and downstream financing	M	Analysis at entry, country priorities, quality project preparation for PCN/PAR	UMDF
Urban Development Focus of AfDB	Strategic support to urban development projects, amount of Sr Management support	S	Integration of the urban focus at Bank level, strategy, goals, etc.	PICU/PICU.2
Multi-sector impacts	Integration with and between sectors, unbalanced sector/regional portfolio	M	Urban multi sector coordination, support to other sectors, sector/regional balance targets	PICU.2 / UMDF
Timely allocated staffing	Sufficient and timely onboarded staffing for the UMDF and required support from other departments at HQ level and country offices.	S	Immediate start of recruitments of staff and urban KPI for key staff at HQ and country level	PICU / UMDF

UMDF Risk Matrix				
Risk Category	Risk description	Rating	Mitigation measure	Risk owner
Fundraising, funding levels.	Unclear funding cycles, lack of interest from donors, funding gaps	L	Donor outreach, quality implementation and products, communication and fundraising efforts and outreach to new strong development partners	OC members UMDF, PIVP
External Risks				
Countries political context.	National and local government priorities shift away from resilient urban development, low UMDF demand, non-priority requests	S	Country dialogue, strong liaison with country offices, strong focus on gov priorities, advocacy	RDVP, UMDF
The demand for support is lower than expected.	Cities do not show interest or have low capacity to engage with UMDF	L	Develop and facilitate lean and effective processes with clear incentives	PICU.2 / UMDF
City Political context	Frequently changing personnel and political leadership	S	Local national collaboration, national political support, local institutional anchoring	City, UMDF
Macroeconomic	Global crises, creditworthiness, shift	M	Maintain flexibility, gov priorities, focus on essential services	UMDF
Investment Project are not implemented at the level expected.	For lack of fiscal room, political will, changing priorities of the projects are not implemented at a level or a manner as initially expected	M	Clear requirements, mutual understanding of the ambitions and official demand requests at an early stage in the process	Min of Finance, AfDB
Environmental and Social	Risky projects	M	ESIA as part of every proposal and project	TM, UMDF

UMDF Risk Matrix				
Risk Category	Risk description	Rating	Mitigation measure	Risk owner
Capacity of implementing entity	Cities capacity to identify, negotiate and prepare projects, national level understanding of urban issues	S	Capacity building	UMDF
Technical design of the operation.	Quality at entry, quality at exit	M	Rigid review and evaluation, alignment	UMDF
Rising costs and inflation.	The global economy is heating up and commodity prices are increasing dramatically	H	Budget with a buffer to absorb rising costs	UMDF

Annex D: UMDF key components and instruments

African Cities Program (ACP) In the pilot phase 2019-22, the UMDF African Cities Program has worked with Conakry (Guinea), Libreville (Gabon), Antananarivo (Madagascar), Bizerte (Tunisia), Dodoma (Tanzania), Kisumu (Kenya), Djibouti (Djibouti), Marrakesh (Morocco), Bangui (CAR), and Kanifing (Gambia).

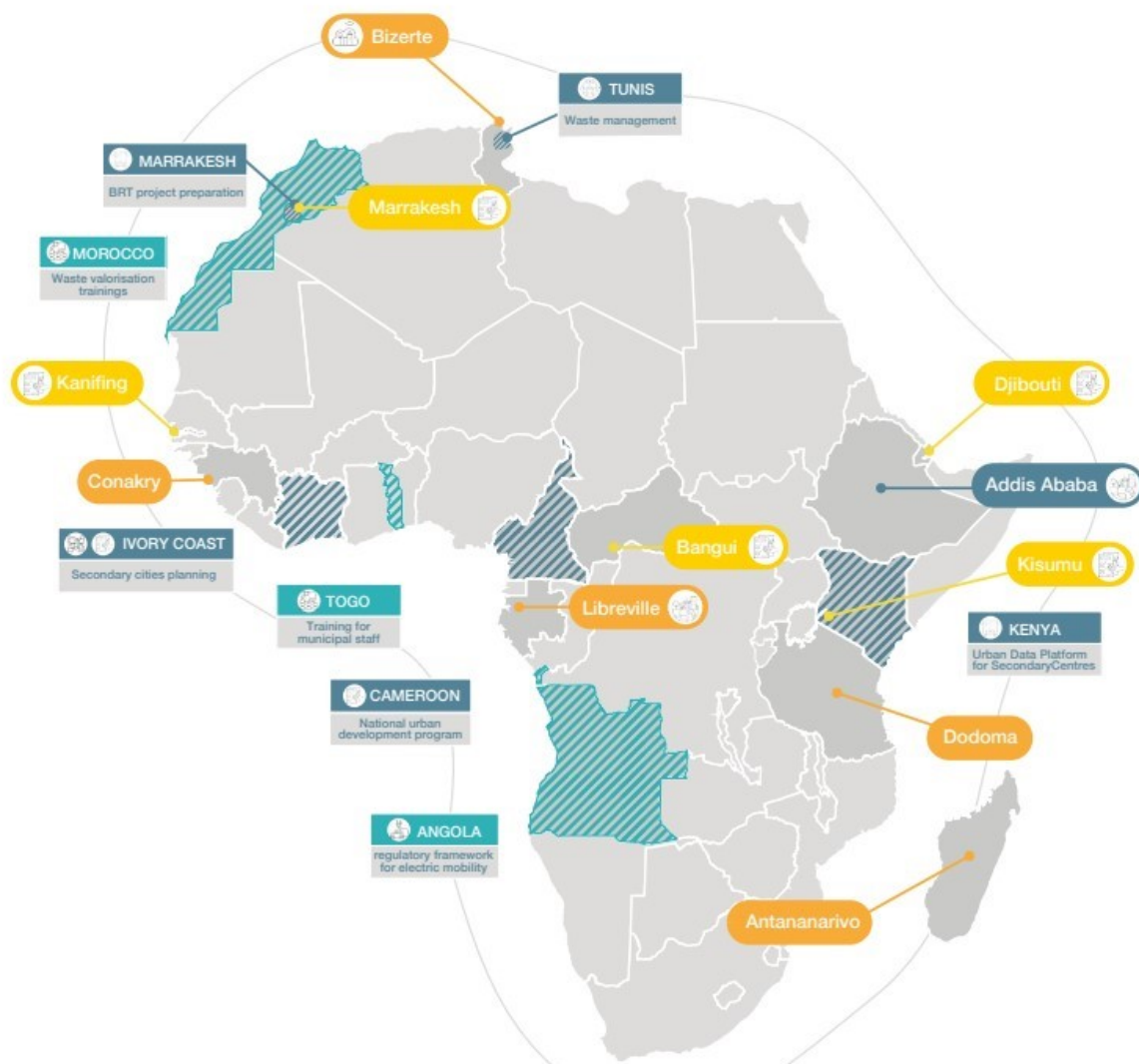
Figure 1: The African Cities Program



Figure 1: Steps 1-4 represents the City Diagnostic process ending in the Action Plan. Individual AfDB sectors get involved in Steps 5-6 from pre-investments to finance to M&E.

African urbanisation trends show accelerated growth in large and intermediate cities, and therefore under the cities program the UMDF will select cities reflective of all sizes, assuring a balance between capitals, metropolises, intermediary and smaller cities across Africa. As this is the first structured programmatic approach by UMDF/AfDB to work with such a large number of cities, this approach allows for gaining comprehensive experience how to better plan, govern and invest at the subnational level, and calibrate the Bank's tools and methodologies to better respond to the growing demands from RMCs. Preference will be given to cities that do not yet have long-standing and comprehensive support from other development partners, actively expanding the reach of urban development impacts to a new group of emerging cities across Africa. In addition to explicit demand by local and national governments for participation in the Program, selection criteria include: (a) diverse set of climate vulnerabilities that need urgent attention, (b) a rapidly growing population, (c) significant service delivery deficit, (d) opportunities for measurable capacity and governance improvements, (e) other identified development deficiencies, specifically fragility contexts and/or a large informal sector. In order to assure the seamless integration of UMDF-driven upstream support to those cities with AfDB financing, in the next five years we will focus on ADB- or ADF-eligible countries, and coordinate with like-
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mind city programs of Multilateral Development Banks (WB, EBRD, EIB) to avoid duplication. Below is a map of cities that have benefitted from the African Cities Program or the Project Preparatory Facility in the pilot phase 2019-22.



Project Preparatory Facility (PPF): The UMDF PPF provides financial or technical assistance with the aim of preparation and appraisal of high impact AfDB- or partner financed urban low-carbon and resilient infrastructure projects across cities in Africa. The PPF responds to concrete opportunities for city and urban development investments on a clear demand basis, and retains a strong link to the AfDB investment origination efforts by different sector departments involved in urban infrastructure (i.e., transport, energy, green growth, water and sanitation, etc.). The PPF is specifically meant to complement the ACP which has a selective participation. The PPF will be supporting national and local governments that have identified and prepared investment on their

own, or that have undergone similar comprehensive upstream engagement and project identification processes with other leading urban development partners in Africa.

Preparation facility partner cities do have access to UMDF funded governance, planning and capacity development support, but on a more limited basis and only if it directly supports the investment process, for example trainings on green procurement, project preparation, climate financing. The criteria for selecting projects are (i) the project's feasibility, (ii) local and national support, (iii) financial prospects, (iv) environment and socio-economic impacts, (v) climate adaptation and low-carbon development, (vi) inclusive access by men and women to essential services, and capacity development. Projects must demonstrate high impact along the UMDF Results Management Framework Outcome and output areas, to be considered.

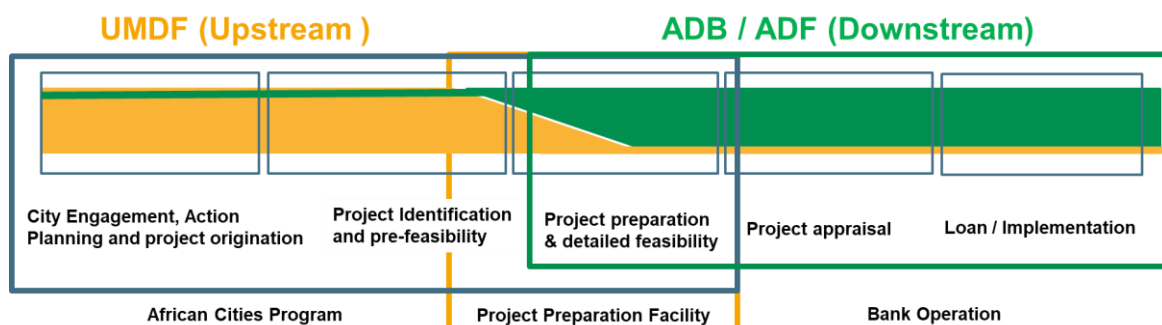
As of June 1st, 2022, UMDF has committed USD 2.25 million towards technical assistance and related to project preparation to cities, see the table below.

Table 3: Project Preparation Facility, committed FA/TA as of June 2022				
Country	City	Title / Sector	Financial Support (USD)	Estimated Infrastructure Investment size (Millions)
Cameroon	12 cities	Infrastructure Investment	120 000	TBD
Kenya	10-12 cities	Infrastructure Investment	450 000	TBD
Cote D'Ivoire	5 cities	Infrastructure Investment	235 000	TBD
Ethiopia	Addis Ababa	Resilient Urban Renewal, River Rehabilitation	300 000	40
Morocco	Marrakesh	Bus Rapid Transit System	500 000	120
Tunisia	Tunis	Waste, Circular Economy	500 000	80
Sierra Leone	Freetown	Development of a Lungi spatial development framework	250 000	TBC
Totals (USD)			2 255 000	240+ Mio.

Source: UMDF, August 2022

The ACP and the PPF will work in different complementary upstream phases of the typical project development cycle, and at a 'midstream' point together with AfDB operational departments integrate those efforts into the AfDB's 'downstream' operational follow up, detailed appraisal and loan (or ADF grant) processing and implementation. See figure 2 below.

Figure 2: Two main instruments, the African Cities Program, and the UMDf Project Preparation Facility



The African Cities Network: As more and more African cities apply the UMDf methodology, they will be invited to join the African Cities Network. As participants in the Network, they will share experiences, benchmarks, best practices and lessons learned. Capturing and sharing such data and information increases the knowledge of the cities and permits rapid evaluation, effective follow-up on the progress achieved and exchange of good practices. The objective of the network is to support cross-continent learning and exchange of information and knowledge gained through the UMDf and partner activities. To achieve this objective the UMDf will provide the platform for the network and will facilitate activate communication between cities, and between cities and partner organisations, organising joint events, peer-to-peer exchanges, and study tours to inform cities of project best practices, promising solutions for sustainable resilient, liveable and productive cities, technologies and knowledge. Upon specific city demands, or responding to emerging trends, the UMDf is sharing knowledge products, City Action Plans, and project documents that have unique evidence-based data and solutions of various sorts that can be of value to Network cities on a common platform where it can be accessed as appropriate by project teams, city officials, potential suppliers, development partners, donors, AfDB operations departments and other authorised users.

Annex E: Follow-up to recommendations from External Evaluation

No.	Recommendation	Responsible party	Follow-up
1	Pay adequate attention to urbanisation globally and particularly in Africa and support, further support or continue to support programs helping cities in Africa better manage it.	Development partners	Ongoing, NDF supports at present urban projects in Dakar, Dar es Salaam and Kigali. Denmark support the C40 work in Africa, and Switzerland is anchor donor in the City Resilience Program.
2	Pay more attention to urban development by including it in its 2023-2032 corporate strategy and corresponding Results Framework and allocating cash financing to UMDF.	AfDB	The AfDB is developing a new 10-year strategy. The forthcoming is focusing stronger on Cities and Urbanization as a transformative force for Africa. AfDB is planning to provide an annual cash contribution to UMDF.
3	Strengthen the efforts for the Fund to further work on municipal governance and finance, other infrastructure types, social inclusivity and climate change. Continue to work on and explore new partnership opportunities.	UMDF Secretariat	Ongoing. The existing UMDF-C40 Chief Financial Officers network will have more activities from 2023 and onwards. New specialists on municipal finance, project finance, climate change to join UMDF. Also new partnerships are explored including the new International Municipal Investment Fund (IMIF) initiated by UNCDF and UCLG, plus the Cities Investment Facility.
4	Finalise foundational documents as quickly as possible, ensuring they are adequate.	UMDF Secretariat, OC	Done
5	Continue to learn from other initiatives, by strengthening the links with the urban teams of IDB and ADB and exploring peer-to-peer learning and exchanging between African and Asian cities.	UMDF Secretariat, with support from donors, partners and consultants	Ongoing, south-south learning with Latin American cities planned for 2023. South-south learning with Asian cities planned for 2025.

No.	Recommendation	Responsible party	Follow-up
6	Increase staffing, with a focus on the climate change and MERL experts in the short term, followed by governance and municipal finance experts, and better structure existing staffing. Train Bank staff on integrated urban development.	UMDF Secretariat AfDB	Ongoing, staffing in secretariat planned to increase to 7 in 2023 and 10 in 2024. C40 provides a Climate Specialist, Spain will provide a Young Professional, Denmark Seconded, and UMDF will hire M&E and municipal finance specialists, and others. Training of Bank staff included in RMF.
7	Strengthen their involvement in the management of the Fund and their leadership in the integration of urban development upstream in the Bank. Focus more on the CP (upstream) and oversight of downstream work.	Senior bank management, PICU O UMDF Secretariat	This is already the case, and the recommendation reflects the fact that the evaluation was conducted during COVID times. Senior management is involved and highly committed to UMDF.
8	Further promote leveraging of resources within and outside the Bank and strengthen linkages with relevant financial institutions.	UMDF Secretariat	Ongoing. Co-financing with EBRD, and opportunities being explored with WB, EIB, GCF, CIF, Gates Foundation and others.
9	Further explore the Climate Finance Window at the same time it continues to work to ensure that all UMDF activities within and outside that window are climate informed.	UMDF Secretariat, TRC Technical Advisory Committee (to be created)	Ongoing. Climate change is in focus in all UMDF activities. The special climate window will not be established. Focus on crowding in climate finance to the downstream investment projects.
10	Promote learning and continue to standardise methodologies, expanding the work conducted for CP to the PPF (as well as implement recommendations 2, 4, 5, 6 and 7)	UMDF Secretariat, OC	Ongoing.
11	Create a Technical Advisory Committee involving beneficiaries, other development partners and stakeholders to improve the governance of the Fund	UMDF Secretariat, OC	First meeting to take place in 2023.
12	Continue to assess how efficiency could be increased while making sure delivery is robust and expenditure wise	UMDF Secretariat	Ongoing. Revised Operations Manual. New staff will join the UMDF secretariat.