

PROPOSAL FOR FINAL CONSIDERATION

Project Fact Sheet

C100 REGIONAL AFRICA - Urban & Municipal Development Fund for Africa	
Partner Agency	African Development Bank (AfDB)
Executing Agency	African Development Bank
Sector	Urban development and management CRS code: 43030
Country	Sub-Saharan Africa
Budget - NDF - Partner Agency - Other Funders	EUR 13.0 ¹ million EUR 4.0 million as grant TBC (approx. EUR 4.0 million) as grant Switzerland SECO EUR 5.0 million as grant
Project Period	2018 - 2021
Mode of Finance	Joint grant co-finance
Previous Support to Country	Credits: EUR 295.5 million; SDR 134.6 million Grants: EUR 128.6 million
Rio Markers	Mitigation: 2 Adaptation: 2
Gender Marker	1 = Significant Objective
Climate Screening Satisfied	Yes
Processing Schedule	Pipeline - Mar 2017 Final - Jun 2017 Signature - Sep 2017

¹ EUR 1 = USD 1,05765 10. April 2017

PROJECT SUMMARY

NDF grant EUR 4.0 million

Project Period: 2018–2021

Partner Agency: African Development Bank

Implementing Agency: African Development Bank

Objective

The AfDB will establish an Urban & Municipal Development Fund (UMDF or the Fund) to strengthen the implementation of the Bank's Urban Development Strategy. The UMDF will be a project preparatory fund to support cities in preparation of larger investments in climate-resilient urban infrastructure development, and with private sector participation in urban services.

The overall objective of the Fund is specifically to support African cities and municipalities to better manage urban growth and climate-resilient development by improving governance and quality of basic services. This aim will be achieved by preparing relevant resilient infrastructure projects, creating planning and risk management instruments, and improving the local capacity for the development and implementation of climate change mitigation and adaptation activities. The Fund will also develop a pipeline of urban projects to be financed by AfDB through its public and private sector instruments.

The Fund will launch annual calls for proposals. The average grant size will be between USD 250,000 and USD 1.0 million. A window for small-grants will finance up to USD 50,000. The Fund will organise knowledge management activities, including publications and sponsoring of a minimum of 1-2 events per year that target key municipal stakeholders and decision-makers as well as urbanisation experts.

The Fund will be anchored at the new Infrastructure, Cities and Urban Development Department in the Vice-Presidency of Private Sector, Infrastructure and Industrialisation at the AfDB.

The NDF grant will mainly finance project preparatory consultancies. Part of the grant will be used to finance a two-year technical assistance consultancy to work at AfDB in the Fund team. One of the tasks of the consultant will be to introduce suitable Nordic solutions to urban planning and climate change. For NDF, the support to the proposed UMDF will provide an opportunity to transfer experiences from successful efforts with partners in Mekong and Latin America. The Fund will also open an opportunity to link African cities with some of the proven, appropriate urban solutions that are found in the Nordic countries.

The NDF financing is for the first phase 2018-21. The lifetime of the Fund is ten years and there will be a continuous fund-raising effort in order to gradually increase the resources according to the activities and the demand for financing.

Financing

The total project cost estimate for the UMDF is EUR 13.0 million with NDF contributing EUR 4.0 million as grant, Switzerland SECO EUR 5.0 million as grant, and the AfDB providing a grant of EUR 4.0 million (TBC).

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List of Abbreviations and acronyms

AfDB	African Development Bank
AFRI-RES	Africa Climate Resilient Investment Facility
AUC	Africa Union Commission
AWF	Africa Water Facility
BOT	Build-Operate-Transfer
Clim-Dev	Climate for Development in Africa Program
EIA	Environmental Impact Assessment
ESCI	Emerging and Sustainable Cities Initiative
EUR	Euro
GIF	Global Infrastructure Facility
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
M&E	Monitoring and Evaluation
NDC	National Determined Contributions
NDF	Nordic Development Fund
PIDA	Program for Infrastructure Development in Africa
RMC	Regional Member Countries
SDG	Sustainable Development Goal
UMDF	Urban & Municipal Development Fund
USD	United States Dollar
WB	World Bank

1. INTRODUCTION AND PROJECT BACKGROUND

The proposed NDF financing has its roots in an ongoing dialogue with the African Development Bank (AfDB) on support to cities and their response to climate change. The AfDB will establish an Urban & Municipal Development Fund (UMDF or the Fund) to strengthen the implementation of the Bank's Urban Development Strategy. The UMDF will be a project preparatory fund to support cities in preparation of larger investments in climate-resilient urban infrastructure development, and with private sector participation in urban services.

The overall objective of the Fund is specifically to support African cities and municipalities to better manage urban growth and climate-resilient development by improving governance and quality of basic services in their cities. This aim will be achieved by preparing relevant resilient infrastructure projects, creating planning and risk management instruments, and improving the local capacity for the development and implementation of climate change mitigation and adaptation activities. The Fund will also serve to develop a pipeline of urban projects to be financed by AfDB through its public and private sector instruments.

2. RELEVANCE AND RATIONALE

2.1. Project Relevance and Rationale

The fastest rate of urbanisation in the world is in sub-Saharan Africa. According to the latest *State of African Cities Report*², Africa is experiencing unprecedented population growth; its total population is expected to double, reaching 1.8 billion by 2040. Urban transition, characterised by settlement of the majority of the populations in cities and towns, is gaining greater momentum in Africa than anywhere else. More than a quarter of the world's 100 fastest growing cities are in Africa. More than 50 African cities already had a population of more than one million in 2011 and another 500 African cities have populations over 250,000 inhabitants. With the arrival of approximately 300 million new inhabitants in African cities and towns in the next two decades, urbanisation has become one of the critical factors of Africa's structural transformation.

The rapid urbanisation rate has its inherent challenges such as proliferation of unplanned habitat, poor access to essential services and growing insecurity and poverty. These challenges are compounded by poor urban planning, inadequate infrastructure, weak capacity of municipal authorities and local governments, and environmental degradation. On top of these challenges, climate variation and climate change generate additional risks and impacts. These vulnerabilities need to be confronted and adequately addressed in order to manage climate risks and to improve the resilience and the coping capacity of African cities.³

African cities are expected to be large GHG contributors in the next decades. In these cities, many infrastructure projects are planned but have yet to be built. This situation opens windows of opportunity to have investments flow to green urban infrastructure which can avoid the lock-in effect from high-carbon/high-polluting activities and create job opportunities in support of these required investments. However, many African cities need the skills to turn ideas and big visions into finance-ready bankable projects, and because many green technologies are new, they bring an inherent risk for investors. Therefore, cities need to start working with the financial sector to create the innovative mechanisms that can help lower the risk in these projects.

² UN-Habitat: State of African Cities Report 2014

³ It should be mentioned that 53 African cities have already committed to developing climate mitigation and adaptation plans through the city network Compact of Mayors <https://www.compactofmayors.org/cities/>

The above context calls for a new set of tools and resources to help municipalities deal with the emerging challenges facing fast-growing African cities. Through the establishment of the UMDF, the AfDB will be better positioned to play a vital catalytic role in helping cities ensure holistic, integrated and sustainable urban development by building system capacity and coping with the investment gap.

The establishment of the UMDF is in line with the AfDB's strategy because it aims to promote sustainable and inclusive growth in Africa's towns and cities. The three main operational priorities of the AfDB's Urban Development Strategy that will be operationalised through the UMDF - basic infrastructure, governance, and private sector development - align closely with the Bank's 10-Year Strategy operational priorities. Finally, the Fund will support the development of African cities at a time when their crucial role as the continent's engines of economic growth and development could not be overemphasised.

The UMDF will be the AfDB's first multi-donor trust fund uniquely positioned to address urban development issues on the continent, and is expected to serve as an important financial tool for launching and developing new urban initiatives in Regional Member Countries (RMC).

2.2. Relevance to NDF's Mandate and Strategy

The proposal passes the NDF climate change screening for adaptation since all UMDF-funded interventions will incorporate climate and green considerations into both planning and investments. The proposal is fully consistent with the present NDF strategy, contributing to its implementation in several focal areas:

Catalytic Role and Leverage: The NDF support will lead to the formal establishment of the UMDF inside AfDB, who expects that the initial Fund investments will be able to leverage about 500 million USD in follow-up investments.

Project Preparatory Funding: The objective of the UMDF is to provide funding to upstream activities that will pave the way and prepare larger project investments. The projects being prepared by UMDF will be presented for financing to AfDB, national development banks, private sector, and international climate finance mechanisms (e.g., Green Climate Fund).

Support for Innovation: The NDF financing includes a two-year technical assistance that also will facilitate the exchange and introduction to innovative Nordic urban and climate solutions.

Support for Private Sector Development: The Fund will have a strong emphasis on private sector development. One area is assistance to cities to improve creditworthiness in order to access non-traditional types of finance such as, for example, Green Bonds. Another is assistance to establishment of Public-Private-Partnerships in cities.

Moreover, the Fund will directly contribute to SDGs no. 9, 11, and 13 on resilient infrastructure, sustainable cities, and climate action.

3. THE PROPOSED PROJECT

3.1. Objectives

The Fund will stimulate low-carbon development and reduce vulnerability to climate change in African cities through project preparatory support; capacity development, and knowledge

production. The Fund will finance the upstream activities of investment projects in order to promote an integrated approach for urban planning and development with climate co-benefits.

3.2. Project Activities /Outputs

The Fund would support the following intervention areas and an indicative distribution of the NDF grant:

1) Preparation of sustainable and climate-resilient urban infrastructure: pre-feasibility studies, design and development of pre-investment projects to (i) upgrade water supply, sanitation, drainage and solid waste management services; (ii) improve urban mobility including through the development of mass transit systems; (iii) support energy projects; and (iv) support the development of the urban social infrastructure (EUR 1.5 million).

2) Municipal governance and financing: Assessments on how to improve cities' revenue collection, and fiscal decentralisation. Help to build and strengthen cities' creditworthiness in order to access innovative financing mechanisms (e.g. Green Bonds), and strengthen networks and partnerships for exchange of experiences and best practices for green growth and responding to climate challenges (EUR 0.7 million).

3) Planning and urban management tools for resilient city development: Support development of green growth planning, greening of existing city development plans, indicators for sustainable cities (using, for example, the Urban Dashboard), city climate strategies, and city asset management systems (EUR 0.8 million).

4) Technical assistance to establishment of private sector partnerships: Promotion of public-private partnerships for effective local service delivery, and include private enterprises in major climate-resilient infrastructure development through appropriate mechanisms, such as build-operate-transfer (BOT) (EUR 0.8 million).

It is expected that the project preparatory activities of the UMDF will lead to bankable projects ready to be presented for financing to AfDB, national development banks, private sector, and international climate finance mechanisms (e.g. Green Climate Fund). The AfDB will use public investments that enable or encourage private participation. The AfDB will employ traditional project loans or grants to finance projects prepared under the UMDF in addition to private sector instruments (loans, guarantees and equity) that will be used to support private investments in toll roads, power supply, water supply, sanitation and other urban services.

The NDF grant will mainly finance project preparatory consultancies under the activity clusters above. Part of the NDF grant will finance a two-year technical assistance consultancy to work at AfDB to introduce and strengthen the use of suitable Nordic solutions to urban planning and climate change. The consultant would be part of the UMDF team and work with activities related to climate change adaptation and urban resilience. The consultant would provide intellectual and technical contributions on climate change adaptation actions for cities, and will support the implementation of related interventions at city level. Furthermore, the consultant would share relevant knowledge, skills and experiences from cities in Nordic countries regarding urban adaptation and climate resilience, and assist with networking and partnerships. The two-year technical assistance consultancy is modelled on a successful similar arrangement with the African Water Facility at AfDB.

The Fund is inspired by the NDF-supported *Emerging and Sustainable Cities Initiative (ESCI)* in Latin America. As part of the knowledge events to be arranged by UMDF, there will be an introduction to the approach and results of the ESCI programme. One of the successful elements in ESCI is the Urban Dashboard, which has created interest among African cities.

3.3. Cost Estimates and Financing Plan

The budget for the UMDF is EUR 13.0 million with NDF contributing EUR 4.0 million, Switzerland SECO EUR 5.0 million, and the AfDB providing EUR 4.0 million (TBC).

Table 1: UMDF Budget overview

Source	Grant Amount	Percent
NDF	4.000,000	31%
SECO	5.000,000	38%
AfDB (TBC)	4.000,000	31%
Total	13.000,000	100%

The budget above in table 1 is for the first phase 2018-21. The life-time of the UMDF is ten years and there will be a continuous fund-raising effort in order to gradually increase the resources according to the activities and the demand for financing.

Table 2: Cost estimates for the NDF grant

No.	Expenditure category	Euro
1.	Project call-for-proposals	3.200,000
2.	Long-term technical assistance	400,000
3.	Knowledge management	200,000
4.	Admin Fee 5%	200,000
	Total	4.000,000

It is expected that individual projects would be from EUR 250,000 up to EUR 1 million. The knowledge management activities, include publications and sponsoring of a minimum of 1-2 events per year that target key municipal stakeholders and decision-makers as well as urbanisation experts.

3.4. Nordic Interest

The international conference Africa's Urban Future in Helsinki in May 2017 brought together about 150 policymakers, researchers, Africa specialists, local authority representatives, civil society and the private sector to raise attention to the rapidly urbanising African continent, its challenges and possibilities, and to explore Nordic collaboration and engagement with Africa's urbanisation. The conference was organised by the Nordic Africa Institute, Ministry for Foreign Affairs of Finland, Helsinki University, and NDF, the latter being responsible for the special workshop on climate change and African cities.

Nordic development cooperation supports cities in several African countries with strengthening municipal management systems and revenue collection. The proposed support to UMDF would build on and complement these efforts. The Nordic Prime Ministers recently launched Nordic Solutions to Global Challenges which includes innovative Nordic solutions for carbon-neutral development and sustainable cities. There is great interest among different stakeholders in the Nordic countries and in Africa to develop cooperation on sustainable urban development. The high-level Nordic-African Business Summit in Oslo in October 2016 focused on "Investing in Africa's Growing Cities." Large Nordic cities (Copenhagen, Oslo and Stockholm) collaborate through

networks such as C40 with African partner cities (Dakar, Dar es Salaam, Johannesburg) while smaller, individual cities team up with African partners on individual projects (e.g. Lappeenranta and Quelimane).

The AfDB is already working with the Norwegian-based Revenue Development Foundation (RDF) on how to improve local revenue mobilisation through, for example, municipal tax collection system.

3.5. NDF's Added Value and Comparative Advantage

The proposal complements the NDF-financed *Project Readiness Improvement Fund* in ADB approved in 2016 and the newly approved *NDC Pipeline Accelerator Trust Fund* in IDB. Both facilities aim at enhancing the readiness of investment projects related to climate change.

The NDF support to African Water Facility (AWF) includes a long-term technical assistance consultancy which has been very successful. Moreover, the NDF engagement made the AWF integrate climate change aspects in all new interventions. The proposed NDF financing to the UMDF will therefore replicate the same model of long-term technical assistance that also will have special responsibility for knowledge sharing and outreach regarding Nordic models and approaches. The terms of reference for the long-term consultant will be developed in collaboration between NDF and AfDB, while the recruitment will follow AfDB procedures. The consultant will be hosted within AfDB for a period of at least 2 years to support the implementation of the UMDF calls, specifically the evaluation of the proposals. The proposed NDF contribution to UMDF is seen as a partnership between AfDB and NDF. AfDB is interested in using NDF support to share relevant Nordic urban experiences and solutions through both long-term technical assistance and 2-3 annual events in Africa where relevant Nordic stakeholders will be invited.

The NDF approval of support to the UMDF will trigger the formal establishment of the Fund inside AfDB since two or more external donors are needed to set up the Fund. NDF will be in the Oversight Committee that will approve the work plan, ensuring selection of climate relevant projects to be financed by the Fund. The NDF participation, as described in this proposal, will help strengthen the climate change aspects in the Fund activities and allocations. NDF has been active in discussing the contents of the project and its design. NDF is actively seeking a Nordic approach to city planning included in the implementation.

NDF supports climate-resilient city development in Latin America and the Caribbean through the ongoing *Emerging and Sustainable Cities Initiative (ESCI)*. This highly successful program received the UNFCCC Momentum for Change Award at COP21. ESCI covers more than 70 cities assisting them to take action on climate resilience. The methods, experiences and lessons learned from ESCI have been used in the design of the UMDF and NDF has helped bring the two initiatives together.

Another urban project supported by NDF is the *Adapting Cities to Climate Change in the Mekong Region* which recently won the Asia Urban Resilience prize awarded by USAID, UN-Habitat and UNDP. In Tegucigalpa, Honduras, NDF finances asset adaptation in poor neighbourhoods with low-cost solutions to urban vulnerability. Likewise, NDF supports at present climate interventions in cities in Mozambique, Senegal, and Tanzania. The NDF-financed interventions with World Bank in Dakar provide good examples of how to address urban flooding in poor neighbourhoods. In addition, NDF supports several projects on transport and climate change adaptation both in Africa and elsewhere. Finally, it should be mentioned that the Nordic Climate Facility had a special call on urban adaptation which resulted in a number of activities on climate change adaptation in urban settings.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Technical Aspects

The Fund will launch annual call for proposals that are open for individual cities, and project developers according to requirements specified in the operational guidelines. The average grant size will be between USD 250,000 and USD 1.0 million. There will also be a window for small-grants up to USD 50,000. The NDF-financed technical assistance consultant will form part of the Fund team and participate in evaluation and assessment of proposals and further work related to the development of relevant projects.

Taking action on climate change in cities create some wider co-benefits to local citizens (e.g. reduction in flooding events, cleaner air), but it may be challenging in developing cities in Africa to use climate action as the primary objective. Therefore, the Fund will work with the concept of climate co-benefits. For example, actions that are aimed at supporting innovation, delivering economic benefits and enhancing the quality of life of citizens can potentially lead to major climate co-benefits (e.g. reduced greenhouse gas emissions) which could be more challenging to achieve if climate action were the primary objective. At the city level, the potential of co-benefits is particularly great as citizens can often witness the results of policy actions more directly on their daily lives. Co-benefits include, for example, improved food-security from urban agriculture in green city areas that form part of a stormwater and flood protection drainage plan. Another example is reduction in vehicle use that will both reduce GHG emissions and reduce premature deaths from air pollution⁴.

4.2. Project Organisation

The Fund will be anchored at the new Infrastructure, Cities and Urban Development Department in the Vice-Presidency of Private Sector, Infrastructure and Industrialisation at the AfDB. The governance structure will be the following:

UMDF Team: The day-to-day running of the Fund will be undertaken by a technical and administrative UMDF team that is already in place. The team will be responsible in general for calls for proposals as well as for compiling and pre-evaluating proposals received on the basis of criteria laid down in the calls for proposals. The UMDF will also monitor individual projects and the portfolio's performance and make the required reporting. NDF will finance a two-year technical assistance consultancy to be part of the UMDF team.

Technical Committee (TC) will consist of relevant AfDB professionals and will screen and examine all proposals submitted and pre-evaluated.

Oversight Committee (OC) will consist of donors (including NDF) and representatives from the Bank. The OC will be chaired by one of the donors elected by the peers, on a rotating basis. The OC will be responsible for approving larger investments, the Fund's annual work programs, criteria for call for proposals, annual reports and audit reports.

4.3. Procurement, Contract Structure, and Timing

The project is joint co-financing and NDF will transfer the entire grant to the AfDB who will administer the grant through the multi-donor trust-fund agreement between NDF and AfDB. Procurement will be carried out by the AfDB using its policies and guidelines. Most contracts will

⁴ C40 & London School of Economics 2016: *Co-benefits of urban climate action: A framework for cities*.

be for TA and technical studies. Procurement opportunities will be published on the AfDB webpage and shared with NDF for publication on the NDF webpage.

The Fund will be established for a ten-year period with a first phase in the period between 2018 and 2021. The NDF funds will be fully utilised in the first phase of the Fund.

4.4. Risk Analysis

The following table summarises the potential risks to the achievement of the component objectives and recommended measures to minimise those risks. The overall risk rating is Moderate.

Table 3: Risk assessment

Risk	Mitigation factors and measures	Risk rating
Environmental and Social Risks	Most of the activities are upstream and include preparatory studies, plans and technical assistance which are categorised as low risk. The AfDB environmental and social assessment guidelines and integrated safeguards system will apply.	Low-Moderate
Fiduciary risk, fraud and corruption	The AfDB's financial management rules, procedures, policies, guidelines and relevant instruments will be used to ensure the effective administration and management of the Fund's resources through its organisation, services, facilities and staff. The proposed Fund's resources and accounts will be kept separately from those of the Bank, and all other Bank-administered assets and accounts. All contracts will have prior and post review, as well as an annual financial audit.	Low
Governance, accountability and ownership	The AfDB is strongly committed to the Fund and there will be a clear governance structure with oversight by financiers. The Fund will support upstream plans, urban strategies and policies, and project-level investments.	Moderate
Implementation risks	Given the weak capacity faced by many municipalities on the continent, there is the possibility of poor project management and implementation which may result in cost overruns and problematic projects. This risk will be mitigated through direct contracting of consultants by AfDB, adequate project supervision and technical assistance support to beneficiaries as required during the project cycle.	Moderate
Outcome risk	The main risks to achieving the intended outcomes for UMDF-funded projects may be linked to the non-availability of resources for the implementation of projects and difficulties in retaining capacities and skills amongst key actors at the municipal level. To mitigate these risks, special emphasis will be placed on supporting resource mobilisation at the local level, developing tools for effective and transparent financial management, and strengthening the creditworthiness of cities and project promotion through PPP.	Moderate
Risks related to Resource Mobilisation	Mobilising adequate resources from development partners and donors in order to execute the Fund's objectives and meet municipalities' high demand for support remains a key challenge. However, this risk is mitigated given the strong interest shown by donors vis-à-vis the urban development strategy and the fund initiative. Furthermore, the importance and relevance of urban development to poverty, climate change and environmental degradation puts urban development at the forefront of the African development policy debate, which is an additional advantage in the Fund's resource mobilisation strategy. It is unlikely that urban development concerns will be subsiding in the near future and AfDB is confident that the added value of the Fund's activities will be duly recognised, leading the way to additional resource mobilisation.	Moderate

4.5. Monitoring and Evaluation

The Fund will develop a strong M&E plan to ensure strategic alignment with the UMDF's intended objectives, reduce administrative complexities, and support strong financial and program controls. M&E periodicity and mechanisms will be defined in detail in the Operations Manual that will be developed. It is expected that the AfDB will report once a year to the donors on implemented activities and the objectives achieved in individual cities with the UMDF funding. Through its

Financial Control Department, the AfDB will provide donors with annual financial statements on funds received and disbursed as of the 31st of December of each year.

All monitoring and evaluation of recipient entities will be in accordance with the relevant legal agreement between AfDB and the recipient entity. Within three months of a project's completion, recipient entities will submit a project completion report covering the implementation of all project activities in a format prescribed by the Fund.

All grants exceeding USD 500,000 will be audited once a year. For grants above USD 500,000, the Bank will issue financial audit reports to donors, through the Fund's administration. All audit costs will be funded through the administrative fees of grant resources.

All operations financed by the Fund will be subject to the Bank's information disclosure policies. Operational guidelines for the proposed Fund and a detailed business plan will be prepared and will specify a results-based logical framework approach to its operations clearly stating inputs, outputs, outcomes and impacts. The draft logical framework is attached in annex 1.

The Fund and its operations will be reviewed after its first 3-year phase to assess the results and identify areas for improvement.

5. ECONOMIC AND SOCIAL ASPECTS

5.1. Economic Justification

African cities and towns can be a major driving force for economic development. Productivity in cities tends to be almost double that of rural areas and urbanisation is strongly correlated with the rate of real GDP growth. In 2015, Africa's urban GDP per person in urban areas was USD 8,200; in rural areas, it was USD 3,300. Therefore, strategic investments in urban development initiatives offer the opportunity to boost economic growth in African countries.⁵

The activities to be financed by the Fund will help the cities to avoid future costs from unsustainable development. Special emphasis will be put on positive economic externalities for the local community. For example, the transport-related activities will not only reduce GHG emissions, but also improve citizens' mobility and create new transport hubs that are expected to increase economic activity. The proposed activities are expected to contribute to responsible economic growth in the city by promoting efficient and climate-resilient urban development with all its benefits. It is therefore judged that the present worth of cost savings in future investment and operating costs attributable to the project exceeds the cost of the project.

5.2. Social Aspects

The proposed financing has been screened according to the NDF's Environmental and Social Policy and Guidelines (2017) and is categorised as Moderate to Low risk. All intervention to be supported by the UMDF will be assessed according to the AfDB's Integrated Safeguards System (ISS).

The Fund will follow the guiding principles of the AfDB Gender Policy. This implies that a gender analysis and gender mainstreaming will be part of all interventions; all initiatives must strive to empower both women and men; and women's economic empowerment is fundamental to

⁵ IMF has calculated that a one percent increase in spending on infrastructure leads to an average of 1.5 percentage points in GDP growth over four years. In countries where infrastructure is well planned and well executed, the return was even greater — 2.6 percentage points over four years (IMF 2014: *Is it Time for an Infrastructure Push? The Macroeconomic Effects of Public Investment*. Washington DC).

development. African cities possess enormous potential as places to advance women's rights, for the benefit of whole communities and societies. And yet this potential is often underused. The Fund will therefore seek to adopt strategies that support the empowerment of women and promote gender equality in the climate-resilience planning, decision-making, and development of towns and cities.

Women and youth will form part of the activities related to institutional capacity-building, community participation, employment creation, access to finance, and specific needs in relation to service provision and local economic development.

Many African cities are home to large low-income population groups most at risk from the effects of a changing climate – as lives, assets, environmental quality and future prosperity are threatened by the increasing risk of storms, flooding, landslides, heat waves and drought and by overloading water, drainage and energy supply systems. Within cities and towns almost all serious disaster-related injuries and deaths occur among low-income groups. The principal driver of increasing loss of life as well as social and economic vulnerability is poverty (limiting individual, household and community investments) and exclusion (limiting public investments and services). Climate change will not only exacerbate existing risks but also reveals new hidden vulnerabilities as more locations are exposed to more intense weather phenomena. Therefore, the Fund will strive to carefully assess the social impacts and benefits of all activities and trigger consultation mechanisms and mitigation measures where needed.

6. CONCLUSION

The African Development Bank's existing lending and non-lending instruments are adequate to support urban infrastructure development; however, the upstream planning and preparatory activities require a more flexible financing instrument to assist cities and municipalities with their climate-resilience planning and project development needs. The UMDF will help fill this current operational gap by providing a flexible and complementary resource for financing urban development-related Bank activities. The Fund will enhance the AfDB's ability to serve as a conduit for urban development resources to RMCs.

For NDF, the support to the proposed UMDF will provide an opportunity to transfer experiences from successful efforts with partners in Mekong and Latin America. Last but not least, it will also open an opportunity to link African cities with some of the proven appropriate urban solutions in the Nordic countries.

7. RECOMMENDATION

The Board approved grant financing of up to EUR 4.0 million to the project C100 REGIONAL AFRICA - Urban & Municipal Development Fund for Africa.

Helsinki, 12 May 2017



Pasi Hellman
Managing Director



Aage Jørgensen
Country Program Manager

Annex 1 Draft Results Framework

	RESULTS CHAIN	PERFORMANCE INDICATORS		MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator (including CSI)	Target by 2021		
IMPACT	Resilient cities with healthy and dignified living standards	<ul style="list-style-type: none"> - Population (men and women) with access to climate-resilient urban infrastructure and services - Efficiency of urban land, labour, credit markets (Gender-aggregated data) - Level of Pollution - GHG emissions - Median urban incomes and urban poverty levels (Gender-aggregated data) 	<ul style="list-style-type: none"> - Higher share of population with access to climate-resilient urban infrastructure & services (gender aggregated data) - Lower level of pollution in urban areas through low-carbon investments - Reduction in GHG emissions - Well-functioning urban markets (land, labour, credit for both men and women) - Growth in median urban incomes and reduction of households below poverty line (gender-aggregated data) 	Data and reports from International Agencies (UN, UN-Habitat, UNECA, WB, UA, UNFCCC etc.)	
	1 – Cities and Municipalities better equipped and prepared with Planning Tools to deal with present and future climate-resilient urban growth and development challenges	<ul style="list-style-type: none"> - Cities with city development strategies (CDS) and urban development master plans - Cities with adequate planning information systems, investment planning strategies and M&E - Cities with climate adaptation and mitigation strategies 	<ul style="list-style-type: none"> - 10 Cities with city development strategies (CDS) and urban development master plans - 10 Cities with adequate planning information systems, investment planning strategies and M&E - 10 Cities with climate adaptation and mitigation strategies 	Data from National Governments and Agencies Data and reports from International Agencies (UN, UN-Habitat, UNECA, WB, UA, TA, C40 etc.) AfDB annual report UMDF Annual reports City development strategies Planning and investment strategies City M&E systems CC adaptation and mitigation strategies Training reports City Adm. reports Mid-term review	<u>Risks:</u> Non-availability of resources for project implementation Difficulty of sustaining capacities and skills strengthened at the municipal level <u>Mitigation:</u> Strong interest shown by donors and relevance of the theme Support resource mobilisation at local level Develop tools for effective and transparent financial management Strengthen cities'
OUTCOMES	2 - Enhanced capacities of municipalities in climate-resilient urban planning and urban management (municipal finances, basic services and maintenance of infrastructure).	<ul style="list-style-type: none"> - Municipal employees skilled in planning, fiscal management, and infrastructure delivery - Percentage of skilled professional staffing in cities and local governments - Reduction of level of corruption - Improvement in efficiency & responsiveness - Cities share experiences 	<ul style="list-style-type: none"> - 10% increase in number of municipal employees skilled in planning, fiscal management, and infrastructure delivery - 10% increase in number of skilled professional staffing in cities and local governments - Reduction in corruption cases compared to previous year in participating cities - 80 African cities in networks 		

RESULTS CHAIN		PERFORMANCE INDICATORS		MEANS OF VERIFICATION		RISKS/MITIGATION MEASURES	
3 - Cities with sound municipal finances and improved creditworthiness	<ul style="list-style-type: none">- Increase in income from local tax-base and user charges- Municipalities' access to credit markets- PPPs in municipal services	<ul style="list-style-type: none">- Increase compared to previous year in municipal income from local taxes and user charges in participating cities- 10 new municipalities accessing credit markets- 5 new municipalities with services delivered through PPPs- 1 city issuing green bonds		creditworthiness	Promote PPP projects		
4 - Improved provision of climate-resilient basic infrastructure and municipal services	<ul style="list-style-type: none">- Projects adequately prepared and bankable- Maintenance and Operation of infrastructure assets- Number of Pilot schemes for innovative service delivery- Cities with climate adaptation and mitigation strategies	<ul style="list-style-type: none">- 5 UMDF urban projects presented for further financing- 5 cities with infrastructure maintenance and operation systems- 10 pilot schemes for innovative basic service delivery- 10 Cities with climate adaptation and mitigation strategies					
1 - Planning and Urban Management tools: Climate-Resilient City development strategy (CDS), City Master Plan, Investment and Maintenance Priority Program, etc.	<ul style="list-style-type: none">- Climate-resilient city development strategies (CDS) and urban development master plans- Planning & Management information systems, City Performance Dashboards, investment planning strategies and M&E systems- Climate adaptation and mitigation strategies	<ul style="list-style-type: none">- 10 cities with CDS and urban development MP- 15 cities with decision-making systems (GIS, Dashboards, etc.)- 15 cities with investment plans and M&E- 10 cities with climate change adaptation and mitigation plans	UMDF Annual reports Projects completion reports Study report Project proposals Knowledge products (publications)	<u>Risks:</u> Weak ability of developers to carry out the projects smoothly Slow start-up of projects financed by the fund Small number of financing requests	<u>Mitigation:</u> High demand on urban development projects from cities and states Strict supervision of the projects by the fund's team Capacity-building and technical assistance to the projects' developers		
2 - Establishment of Robust Municipal Finance Systems	<ul style="list-style-type: none">- Financial Management, Accounts & Audit Systems- Revenue generation and resource mobilisation schemes- Creditworthiness & debt management schemes	<ul style="list-style-type: none">- 10 municipalities with financial management, accounts & audit systems- 10 municipalities with revenue generation and resource mobilisation plan- 10 municipalities with creditworthiness & debt management schemes					
OUTPUTS							

RESULTS CHAIN		PERFORMANCE INDICATORS		MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
3 - Technical assistance and Capacity-Building programs	- Staff training	- 10% increase in municipal staff trained	- 10% increase in professionals recruited in participating municipalities - 5 IT plans & management systems implemented in municipalities - 20 new cities included in relevant city networks		
	- Professionals recruited - Consultants deployed - IT planning and Management systems installed - Cities participate in relevant peer networks	- 10% increase in professionals recruited in participating municipalities - 5 IT plans & management systems implemented in municipalities - 20 new cities included in relevant city networks			
4 - Studies and Training: Feasibility studies (service delivery, projects), Economic and sector work, Training programs.	- Number of pre-feasibility studies - Number of economic sector works - Number of training programs - Number of women and men trained	- 12 pre-feasibility studies - 8 economic sector studies - 15 special training programs - 250 women and men with improved knowledge			
ACTIVITIES		INPUTS			
KEY ACTIVITIES	- Operational procedures manual	- Procurement	- Financial contributions by donors - Financial contribution by AfDB - Staffing contributed by the AfDB - Staff seconded by donors and other institutions		
	- Strategic business plan	- Supervision Activities			
	- Call for proposals	- Annual reports			
	- Projects screening – including in pipeline	- Annual financial audits			
	- Annual work program	- Mid-term review			