






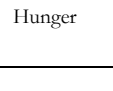






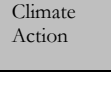
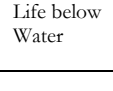
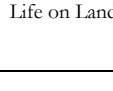
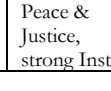
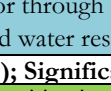
Ministry of Foreign Affairs – Department for Green Diplomacy and Climate (GDK)

Meeting in the Council for Development Policy on 30 March 2023

Agenda Item No. 5

- 1. Overall purpose:** *For discussion and recommendation to the Minister*
- 2. Title:** Enhancing Climate Resilience in African Cities
by Accelerating Adaptation Infrastructure through the
Urban and Municipal Development Fund in the African
Development Bank
- 3. Amount:** DKK 220 million (2023-2027)
- 4. Presentation for Programme Committee:** 18 August 2022
- 5. Previous Danish support presented to UPR:** No, this is the first presentation to UPR

Enhancing Climate Resilience in Africa's Cities through Accelerating Adaptation Infrastructure by the Urban and Municipal Development Fund in the African Development Bank

<p>Key results:</p> <ul style="list-style-type: none"> - Transformative and inclusive adaptation solutions scaled up in African cities - Scale up in investments in urban resilient infrastructure with focus on water related services and management - 20 bankable water related climate adaptation and resilience projects benefitting 20 million inhabitants with improved access to essential and climate resilient infrastructure; 5000 jobs <p>Justification for support:</p> <ul style="list-style-type: none"> - Climate resilient infrastructure and services directly relevant for tackling the adaptation challenge of Africa's cities - Will be part of the approximately 60% of Danish public climate finance that is expected to be allocated to climate adaptation. - Synergies and coherence with Danish support for C40, strategic sector cooperation, World Resources Institute, and similar. - Tangible results from improved and resilient services of climate adapted infrastructure including water for urban poor - A strategic position for Denmark with key actors like AfDB on climate adaptation and urban development in Africa, contributing to Danish climate ambitions/diplomacy - Joint support with Nordic Development Fund <p>Major risks and challenges:</p> <ul style="list-style-type: none"> - The global context with conflict and possible economic downturn and inflation will shift priorities at national and municipal level away from resilient urban infrastructure investment - Implementation of UMDF's Business Plan is delayed or hampered by operational and capacity constraints of UMDF because of slower than expected development and scale-up in UMDF's organizational set-up and systems. - Resilient infrastructure investment projects prepared are not financed at the level expected. 	File No.	2022-24215						
	Country	Global						
	Responsible Unit	GDK						
	Sector	43032						
		<i>DKK million</i>	2023	2024	2025	2026	2027	Total
	Commitment	35	185					220
	Projected Disbursement	20	35	55	55	55		220
	Duration	2023-2027						
	Finance Act code.	06.34.01.75						
	Head of unit	Karin Poulsen						
	Desk officer	Tine Anbæk						
	Reviewed by CFO	Rasmus Tvorup Ewald						
	Relevant SDGs							
	 No Poverty		 No Hunger		 Good Health, Wellbeing		 Quality Education	
	 Gender Equality		 Clean Water, Sanitation		 Affordable Clean Energy		 Decent Jobs, Econ.	
 Industry, Innovation, Infrastructur		 Reduced Inequalities		 Sustainable Cities, Communiti		 Responsible Consumption & Production		
 Climate Action		 Life below Water		 Life on Land		 Peace & Justice, strong Inst.		
 Partnerships for Goals								

Objectives for stand-alone project:
Greater climate change resilience of Africa's cities and its urban poor through scaled-up investments in climate-resilient infrastructure and services with focus on water, wastewater, storm water, rain water and water resource management

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Project 1	100%	0	0	0
Total green budget (DKK)	220 million	0	0	0

Justification for choice of partner:
With a core role to promote sustainable urban development, including catalysing investments in climate resilient infrastructure and improving urban sustainable governance and management, the Urban and Municipal Development Fund (UMDF) is managed by AfDB's Infrastructure and Urban Development Department (PICU). It fills a critical gap in accelerating resilient urban infrastructure in Africa's cities. Complements parallel contribution to Global Center on Adaptation for implementation of Africa Adaptation Acceleration Programme with focus on cities.

Summary:
Aims to accelerate investments in resilient infrastructure in Africa's cities, with emphasis on water-related infrastructure in C40 member cities and intermediate cities. Unearmarked contribution to UMDF's investment project preparation- and capacity development support to African cities on resilient infrastructure (based on Business Plan), linked to AfDB and other investment finance. Danish participation in the Oversight Committee, a seconded advisor to UMDF, collaboration with Danida Fellowship Center, and learning/reviews for adaptive management.

Budget (engagement as defined in FMI):

1 - Accelerate project definitions for investments in resilient infrastructure	DKK 200.0 million
2 - UMDF/DFC partnership re training and learning	DKK 8.5 million
3 - Program monitoring, review and technical studies	DKK 5.5 million
4 - Secondment/Advisor to PICU/UMDF	DKK 6.0 million
Total	DKK 220.0 million

Danish support for

Enhancing Climate Resilience in African Cities

by Accelerating Adaptation Infrastructure

through the Urban and Municipal Development Fund

in the African Development Bank

Final Project Document

10 March 2023

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Abbreviations

AAAP	Africa Adaptation Acceleration Programme
AAI	African Adaptation Initiative
AfDB	African Development Bank (AfDB) Group
AWF	Africa Water Facility
AIRA	African Infrastructure Resilience Accelerator
C40	C40 Cities Climate Leadership Group
GCA	Global Center for Adaptation
GGGI	Global Green Growth Institute
MFA	Ministry of Foreign Affairs
NDF	Nordic Development Fund
OC	Oversight Committee, UMDF
PICU	Infrastructure and Urban Development Department (AfDB)
RMC	Regional Member Countries
SDG	Sustainable Development Goals
SUDAP	Sustainable Urban Development Action Plan
UMDF	Urban and Municipal Development Fund
USD	Unites States Dollar
WRI	World Resources Institute

1. Introduction

This document describes the proposed Danish support for strengthening climate adaptation in Africa's cities. To this aim, the support focuses on speeding up establishment of climate resilient infrastructure in African cities, through a contribution to the African Development Bank (AfDB)'s Urban and Municipal Development Fund (UMDF) whose aim is to catalyse and advance preparation of urban, climate-resilient infrastructure investments for financing by development- and private finance institutions – not least by AfDB itself.

The UMDF is a key part in AfDB's response to the growing demand from its Regional Member Countries' (RMC) governments for support to sustainable urban development. The trust fund is hosted in AfDB's Infrastructure and Urban Development Department (PICU) and operationalized by the Urban Development Division (PICU.2), in close collaboration with other Bank departments (i.e. Water, Energy, Green Growth) and Regional and Country offices.

The proposed total contribution is DKK 220 million to support the UMDF's engagement for enhancing climate adaptation and resilience in African cities. The contribution will be committed and disbursed over the period 2023 – 2027, subject to the approval of the Danish authorities. The amount includes a budget of DKK 9.3 million for monitoring and process management support, including thematic studies, reviews and a seconded advisor/long term consultant to PICU.0/UMDF, as basis for Denmark's adaptive and learning-based management approach.

The Danish contribution will target especially climate resilient urban infrastructure with emphasis on water in intermediate size cities and C40 member cities in Africa. Synergies will be built with related Danish support initiatives, in particular the strategic partnership with C40, the Strategic Sector Cooperation at city level in Africa, and the African Water Facility (AWF).

The support moreover contributes to AfDB's effort to forward the Africa Adaptation Acceleration Programme's (AAAP) agenda, especially the pillar "African Infrastructure Resilience Accelerator" (AIRA), which aims to rapidly scale up investments in climate resilient infrastructure in Africa's cities. Further, the contribution directly complements the Danish contribution to the Global Center on Adaptation, which plays a key role in implementing the AAAP and the AIRA pillar in collaboration with the AfDB including the UMDF.

The support is coherent with Danish support to complementary international organizations addressing climate change and the green transition including – besides C40 and African Water Facility – the World Resources Institute and Global Green Growth Institute.

2. Context, strategic considerations, rationale and justification

2.1 *Context – the climate change resilience and adaption challenge in Africa's cities*

The proposed engagement rests on the assertion that **Africa is the continent worst affected by the consequences of climate change**¹. The rise in extreme weather events, like floods, droughts and storms, impact massively on cities' basic infrastructure and services, housing, human livelihoods, and health. The majority of African countries depend strongly 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.

¹ World Meteorological Organization, 2021, https://library.wmo.int/doc_num.php?explnum_id=10859

Africa is also the fastest urbanizing continent in the world. By 2050, its population will double to reach 2.5 billion - with two-thirds of the growth, 950 million people, absorbed by urban areas.² This urbanization can be a main engine for Africa's economic and social development, if managed well – and the African Union (AU) points to urbanization as critical for Africa's socio-economic transformation. However, AU also stresses the critical need to better integrate priorities like tackling the climate crisis, gender inequality and youth unemployment for this urban transformation to succeed. Already now, most African cities struggle to meet the growing needs from larger populations for social and economic services due to severe gaps in urban infrastructure and services: Africa's total infrastructure investment needs reach USD 130–170 billion a year, with a financing gap of USD 68–108 billion (2018 estimates)³.

Moreover, Africa's cities face acute adaptation challenges and are weakly prepared to counter rising extreme weather events. The rapid growth combined with poor infrastructure, limited vegetation and high concentrations of people make Africa's cities particularly vulnerable to climate change hazards. This concerns not just mega-cities – but very much also Africa's small- and medium-sized intermediary cities, which have limited adaptive capacity to deal with future climate impacts and the current extreme weather events.⁴ In many of the most affected regions, cities are unprepared. This reflects rare prioritization of climate risk in infrastructure planning and lack of urban planning – causing general weak protection of cities and stripping their ability to cope with increasingly frequent climate hazards.⁵ It underscores the need to ensure infrastructure development in Africa's cities is green and resilient to climate change. That makes Danish support for accelerating climate resilient infrastructure in Africa's cities highly **relevant** for tackling Africa's adaptation needs.

Water cuts across several of Africa's urban adaptation needs. Two-thirds of Africa's cities are at “extreme” risk of climate and water related shocks.⁶ Floods and other natural hazards damage urban infrastructure, deteriorate drinking water quality, and increase pressures on surrounding water-based ecosystems - leaving people in urban settlements vulnerable to flood damage, water and electricity supply failures, in turn impacting on their public health, economic conditions, and livelihoods. Often rising costs make water and related services unaffordable and cause their collapse in a vicious circle. Hence, a focus on water in its various dimensions – water supply, wastewater, storm water, rainwater and water resource management – must be at the centre of any relevant effort to strengthen adaptation and resilience in Africa's cities.⁷

The poor and vulnerable suffer the disproportional part of the social and economic effects of climate change in Africa's cities. Poverty is increasingly an urban problem, with urban poverty in Africa's cities on the rise. Urban population growth is particularly high in informal settlements that already make up over 50% of cities⁸. These settlements are in high-risk areas where infrastructure is least developed and least resilient, and they have limited means to recover. Over 80% of the urban population in Sub-Saharan Africa lack access to safe water and sanitation, the majority being low-income dwellers who in turn are forced to pay more and use unsafe water resources (WRI, 2021). This way the deep inequalities in access to basic resilient infrastructure place disproportionate water burdens on the poor in particular (WRI). It underscores the critical **relevance** for tackling urban poverty of the contribution's focus on promoting resilient infrastructure related to water in Africa's cities, and its emphasis on tailoring of infrastructure services to the poor to effectively reduce their vulnerability.

²https://www.oecd-ilibrary.org/development/africa-s-urbanisation-dynamics-2020_b6bccb81-en

³ African Development Bank (AfDB). 2018. African economic outlook 2018:

⁴ <https://www.maplecroft.com/insights/analysis/84-of-worlds-fastest-growing-cities-face-extreme-climate-change-risks/>

⁵ Water Governance in African Cities, World Resources Institute, 2021

⁶ OECD, 2021, Water Governance in Africa's Cities

⁷ Water Resilience in a Changing Urban Context. Africa's Challenge and Pathways for Action, World Resources Institute, 2021

⁸ <https://data.worldbank.org/indicator/EN.POP.SLUM.UR.ZS?locations=ZG>

Women and girls experience the greatest impacts of climate change, which amplifies existing gender inequalities and poses unique threats to their livelihoods, health, and safety. Women and girls constitute the majority poor, rely more on food and income that is dependent on land and natural resources. They typically have lower power and role in decision-making, while often main responsible for securing water, food, and fuel for cooking.⁹ This also makes the proposed Danish support’s emphasis on integrating issues of human rights – participation, accountability, transparency, and non-discrimination - essential for ensuring equality in access to services and climate resilient infrastructure in Africa’s cities.

The above underscores the relevancy of the Danish support’s focus on speeding up investments in resilient infrastructure for the objective to tackle African cities’ adaptation challenges and improve the urban poor’s resilience to climate change. To address this aim effectively, the Danish support through AAAP/UMDF will focus on tackling constraints across several key areas, including: Improved planning for resilient urban development; Scaling up improved and resilient infrastructure and services; Mobilizing financing, and improving municipal governance for sustainable and resilient infrastructure and service provision.

Moreover, to reinforce impacts of these efforts through UMDF, recently initiated Danish support through GCA will complement the UMDF-led project preparation support with distinct and tailored diagnostics, needs assessments, and project planning procedures and capacity focused on integrating adaptation into infrastructure investments, capitalizing on GCA’s special competences in climate adaptation methods and knowledge (see also Annex 1). That ensures the coherence between the Danish support through UMDF and GCA, but also other central initiatives, such as C40 and African Water Facility¹⁰.

2.2 Rationale and key initiatives to address adaptation needs in Africa’s cities

The overarching foundation for the proposed support is the **Africa Adaptation Acceleration Programme (AAAP)**, a joint programme co-developed by the AfDB and the Global Center on Adaptation, which is designed to contribute to tackling Africa’s above-mentioned climate adaptation challenge. AAAP has the ambition to mobilize \$25 billion to drive adaptation in Africa – reducing malnutrition, creating jobs for youth, and integrating climate resilience into USD 7 billion infrastructure investments. Denmark’s support both through AfDB/UMDF and GCA is mutually complementing, thereby promoting a coherent Danish response to climate adaptation in Africa’s cities.

Of special relevance is AAAP’s pillar 2¹¹, the Africa Infrastructure Resilience Accelerator (AIRA) (Box 1), which serves as main strategic reference framework for the proposed Danish support. Also guiding the proposed support is a number of strategic initiatives by AfDB to reinforce its climate action and urban focus - namely, **AfDB’s**

Box 1: AAAP Pillar 2, Africa Infrastructure Resilience Accelerator (AIRA) main elements:

- 1) National and urban resilient infrastructure programmes. Support to select African countries for national level assessments and planning, climate risk, PE analysis, policy analysis.
- 2) City climate adaptation accelerator. Leveraging investments for resilient infrastructure from AfDB and other sources for city-programme using climate diagnostics, resilience planning, and transformative projects.
- 3) Public-private partnerships (PPP) for climate resilient infrastructure, working with government and private sector to integrate climate adaptation concerns into PPPs.
- 4) Project preparation and pre-investment. Support pre-investment and project preparation for AfDB on-lending

⁹ <https://s3.amazonaws.com/oxfam-us/www/static/media/files/climatechangewomen-factsheet.pdf>

¹⁰ Danish support to African Water Facility is focused on five countries: Burkina Faso, Mali, Niger, Somalia and Ethiopia.

¹¹ AAAP is structured in four pillars – 1) Climate-smart digital technologies for agriculture and food security; 2) Africa Infrastructure Resilience Accelerator, 3) Empowering Youth for Entrepreneurship and Job Creation in Climate Adaptation and Resilience, and 4) Innovative Finance Initiatives.

climate policy, the **Climate and Green Growth Strategic Framework¹² (2021)** and the corresponding strategy, **Climate and Green Growth Strategic Framework Strategy 2021 - 2030**. The climate policy works for a vision stressing a “climate-resilient, low-carbon, green, inclusive, integrated and prosperous Africa”, through four pillars - adaptation, mitigation, finance, enabling environment. AfDB has also committed to incorporate climate-informed design into 100% of its investments. The Strategy recognises that the proportion of Africa’s urban population will soon grow to over half of the continent’s population and has as a strategic aim that investments contribute to broad-based urban adaptation through planning, design, construction, and operation of well-equipped cities.

Moreover, 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.

In addition, AfDB’s recent **Sustainable Urban Development Action Plan 2023-2027 (SUDAP)** serves as guide for AfDB’s investments to be more integrated and sustainable, including those developed by/in collaboration with UMDf. SUDAP translates into action AfDB’s vision for Africa’s cities and towns to be planned, developed, financed and managed to secure socio-economic development. Especially, SUDAP commits AfDB to promote efficiency, fairness, equity and transparency in the provision and management of essential services and highlights the high returns of investing in climate resilient infrastructure and services. Further, spatial prioritisation is a distinct principle of SUDAP putting forward underserved, slum and informal settlements urgently in need of attention. The types of investment interventions will be considered in dialogue with national governments, city officials, policy makers and other stakeholders. Likely priorities include infrastructure and service investments in underserved and expansion areas.

Through the three pillars of SUDAP (see Box 2), AfDB seeks to actively accelerate the resilience-building in African cities with a specific focus on supporting climate-proofing of its operations in cities through more (i) risk-informed planning and investment, (ii) investments in urban nature-based solutions, (iii) comprehensive city resilience planning, and (iv) inclusive and green development.

UMDF is a main support vehicle for implementing SUDAP’s transformation vision, and the approved UMDf 2023-2027 strategy flows directly from SUDAP. With UMDf’s primary function being to fund and manage “upstream” city engagement, project identification and preparation (pre-investment) work in cities. UMDf was established in 2019 to scale up AfDB’s focus on African cities,

Box 2: Sustainable Urban Development Action Plan (SUDAP) main pillars for building transformative cities:

- 1) Urban governance scaling up ability of cities and towns to finance urban development interventions, assist countries and cities build a market that links domestic finance with the needs of cities and towns and improving urban administrations’ own source revenue streams and attract private sector investment in infrastructure and services.
- 2) Urban planning with a focus on improving ability of cities to successfully plan and implement integrated urban development policies, programmes and projects contributing to significantly help ensure that investments are ‘bankable’ and shortest possible project preparation time.
- 3) Urban essential services and infrastructure with a focus on provision and maintenance of infrastructure and services needed to ensure economic growth, prosperity, social inclusion, and resilience. Highlighting at all times potential high returns of investing in climate resilient infrastructure and services.

¹² Approved by the Board in October 2021.

including urban planning, policy and strategy, urban infrastructure services, municipal finance development, and to grow the AfDB's lending and non-lending activities for sustainable urban development. The UMDF operations also directly align with AfDB's Guidelines for Subnational Finance and AfDB's above mentioned-climate policy and its corresponding strategy. These features are key in making UMDF the **effective** choice of mechanism for implementing the Danish support for accelerating climate resilient infrastructure in Africa's cities.

2.3 Alignment with Danish policies and priorities

The proposed support is directly **relevant** for delivering the key Danish Government priorities, especially the commitments in *The World We Share* to invest heavily in climate adaptation; to strive to improve nature, the environment and biodiversity; to strengthen resilience to climate change, with focus on the poor and vulnerable; and to contribute to climate resilient infrastructure, with focus on water supply and sanitation in rapidly growing urban centres affected by climate change. The support also aligns with priorities in the Danish Government's long-term strategy for global climate action, a *Green and Sustainable World*, on addressing climate change and promoting a green transition.

The proposed support is directly relevant to several prioritised SDGs, contributing particularly to SDGs 13 (Climate Action), with focus on adaptation, as well as SDG 11 (sustainable cities and communities), SDG 1 (end poverty), SDG 6 (clean water and sanitation) and SDG 9 (industry, innovation, and resilient infrastructure).

Moreover, the support is relevant for SDG 1 (poverty reduction) in line with Danish development cooperation's **objectives of poverty reduction**, as scaling up resilient infrastructure in Africa's cities will have significant direct benefits for the urban poor who are disproportionately affected by climate change. To ensure the focus on poverty reduction, Denmark will work with UMDF on targeting especially urban informal settlements that are predominantly poor. The focus on water in its different dimensions will directly impact on poverty. AfDB has principles and guidelines to address gender concerns and human rights, and Denmark will work with the partners to ensure monitoring and integration of gender and the human rights-based approach.

Through its focus on climate resilience in African cities, the support enables **coherence** with key Danish support initiatives for climate action, the green transition, and water. It complements Danish support through other partners for global framework conditions for climate adaptation, focused on knowledge, policies, and advocacy through engagements with GGGI, WRI, IUCN and C40 by delivering tangible climate resilience results on the ground in African cities. It also complements the initiated support for the Global Center on Adaptation, which collaborates with AfDB/UMDF in promotion of AAAP/AIRA, including joint work on specific projects. The support will directly coordinate with the Danish-supported African Water Facility (AWF), also implemented by the AfDB. A close collaboration is already established between UMDF and C40 facilitated through the ongoing Danish strategic partnership with C40. Water resilience is an identified priority in most C40 member cities' climate action plans and thus aligns closely with UMDF priorities, and the priorities of the Danish support to UMDF. Building on this water resilience priority, C40 is in the process of recruiting a climate adaptation/water expert to be seconded to UMDF.

The support will **contribute to impact for citizens in Africa's cities as well as to Danish climate diplomacy ambitions**, providing valuable lessons from resilient infrastructure implementation on the ground to inform lessons, networks, and policy influence – including Strategic Sector Cooperation (SSC) projects between Danish municipalities and partner authorities in South Africa and Ghana. Facilitated by the collaboration between DK MFA, C40 and the Danish SSC between the cities of Aarhus and Pretoria

a first investment preparation proposal for Pretoria has already been introduced to the UMDF and approved by its Oversight Committee¹³.

Finally, in light of explicit demand from AfDB for Danish urban expertise and green solutions, funds are earmarked to support a partnership between the UMDF and the Danida Fellowship Center for training and learning.

2.4 Justification of choice of implementing partner and aid modalities

Box 4 below sums up the Danish **support strategy** for strengthening climate adaptation in Africa's cities. The overall focus is to accelerate investments in resilient infrastructure in Africa's cities. To maximize **relevancy** for tackling adaptation needs in Africa's cities and the urban poor, special emphasis will be put on promoting resilient water infrastructure, especially linked to C40 cities' priorities and Africa's intermediary cities. Independently of city-size, there will be special attention to underserved, slum and informal settlements.

To be effective, the core element of the support strategy is a contribution through UMDF, based on UMDF's Strategy and Business Plan 2023-2027 (described below). Being based on UMDF's Strategy and Business Plan, the contribution aligns with AfDB's climate policy, the Climate and Green Growth Strategic Framework (2021), and SUDAP (the action plan for sustainable urban development) as well the AIRA pillar of AAAP.

UMDF represents a proven and **effective** implementation mechanism, with its **role** to support national and municipal governments, civil society, and private sector with technical assistance in diagnostics, planning, project preparation, governance, and finance to address Africa cities' deficits in sustainable infrastructure funding. In close collaboration with AfDB country offices and relevant sectoral departments, UMDF helps prepare projects and plans for resilient infrastructure to be ready for financing - especially for AfDB financing, but also wider public and private financing institutions. Established in 2019, UMDF's initial allocation was USD 5.3 million¹⁴, which was fully committed by 2022. As a well-functioning, existing trust-fund based on an established joint-donor cooperation, UMDF also represents an **efficient** modality for the Danish contribution to accelerating climate resilient infrastructure in Africa's cities.

The partner will be **AfDB/PICU** (Infrastructure and Urban Development Department) - which manages the UMDF and leads AfDB's infrastructure and urban work – which is key for the sustainability and impact (through scale-up and linking to investment financing) of the support. PICU's Urban Development Division, **PICU2**, is tasked with managing UMDF-funded projects and coordinates the SUDAP. PICU.2 leads the focus on African cities, including urban planning, policy and strategy, urban infrastructure

Box 4: Summary of key elements of support

- Strategic focus on accelerating investments in climate resilient infrastructure in Africa's cities.
- Special emphasis on resilient water infrastructure, responding to C40 cities' priorities, and needs in Africa's intermediary cities
- Special focus on underserved, slum and informal settlements
- An unearmarked contribution to UMDF, with preferencing for water and C40 member cities
- Seat on Oversight Committee
- Seconded advisor to [PICU.0/UMDF]
- Reviews and thematic studies for lessons learned and adaptive management

¹³ "City of Tshwane Turnaround of municipal water services" approved in February meeting 2023 with a budget of approx. USD 500,000. Dialogue is engaged with IFU for potential downstream co-investment. DK MFA has participated in the Oversight Committee as an observer since June 2022.

¹⁴ Mainly Nordic Development Fund 4,5; AWEX 0,56, SECO 0,2, of which almost the full amount was committed with the 2022 work programme (USD 3 million committed during 2019-2021, the remaining USD 2,2 million in 2022).

services, municipal finance development, a commitment to grow the urban lending and non-lending activities; PICU.2 is also AfDB's anchor-point for AIRA related activities focused on cities.

UMDF is **demand-driven** and responds to requests for support at country and city level in close collaboration with AfDB's country offices, which is key for impact and sustainability. Due to Africa's growing urban challenges and increasing demand from national governments, UMDf reports a high and mounting level of demand for its support. UMDf is increasingly responding to demands for investments into resilient and climate-compatible infrastructure investments from Africa's intermediate cities. As a basic principle, projects that are selected by UMDf for preparation support are highly likely to secure investment funding by AfDB and partners. To further enhance the efficiency of support to Africa's cities, UMDf is engaged in formal or working partnerships with a number of pertinent actors including C40 and Global Center on Adaptation.

UMDF is guided by its **Strategy 2023-2027**, and a Business Plan 2023-2027 that lay out how the strategy will be achieved and are supplemented by Operational Guidelines. The Strategy was approved by the Oversight Committee in its meeting in February 2023 and places UMDf in the framework of AfDB's 10-year strategy¹⁵, Bank High-5, climate strategies, and SUDAP. Further, it sets UMDf's vision and goals; and defines three main support windows through which UMDf will achieve the Strategy: 1) AfDB's African Cities Programme, 2) Regular funding of pre-investment/project preparation, and 3) Access to Municipal Finance Window (see Box 5).

All windows will ensure a focus on inclusive climate resilient infrastructure, including an emphasis on water, but they vary with respect to types of target cities, comprehensiveness of support, and source of investment funding. The funding windows will be provided through the same management-, funding-, and reporting process and all support climate resilient investment preparation.

The **Business Plan 2023-2027** (BP) is in final stage of development with expected approval in May 2023. It seeks to respond to the growing demand from African cities. With the aim to respond to the growing demand from African cities, the Business Plan benefits from renewed and increased financial contributions from existing donor partners (Nordic Development Fund and Switzerland) and significant contributions from new partners, including Denmark, responding to the manifest urban climate and development challenge on the Continent. Hence, the budget for the 5-year period 2023-2027 is close to USD 50 million (Annex 2 presents further details).

Considering UMDf's initial funding level of USD 5.2 million/3 years, this indicates a substantial increase in ambition and impacts importantly on the scale-up in operations and therefore capacity requirements and the organizational development process that UMDf will have to undergo. Embedded in the Infrastructure and Urban Department (PICU), UMDf is currently directly managed by a Secretariat with a dedicated Fund Coordinator and administrative support staff, supported by long- and short-term consultants. In 2023, the staff is expected to double including a Danish funded long-term expert. UMDf's

Box 5: Select features of UMDf's main windows, all integrating climate

- 1) Africa Cities: UMDf's main activity area. Targets 30-35 cities for a long-term/deep engagement, with a broad range of needs, based on demand and structured preselection. Each receives comprehensive support on planning, management, governance, and project preparation.
- 2) Project preparation: Targets cities with specific, confined needs; a responsive reaction mechanism. Enables UMDf to respond to ad hoc requests and needs.
- 3) Access to municipal finance: Targets larger cities in countries with more mature national financial markets and framework condition. Aims to enhance municipal finances to improve their ability to invest directly in climate resilient urban development.

¹⁵ The future 10-year strategy is expected to further enhance the importance of climate and climate adaptation in the Bank's portfolio.

project preparation activities are delivered through experts from AfDB’s sectoral departments, including PICU.2, which has regional and urban development specialists and works closely with the AfDB’s county offices. The Business Plan presents proposed plans for the scaled-up roll-out of UMDf’s three main windows. These plans include avenues for enhanced collaboration with AfDB sectoral departments and country offices, on the one hand, and a detailed UMDf staffing schedule, on the other. For UMDf dedicated staff, this schedule foresees an increase in positions from now 4-5 to 17 full time. The staffing schedule further indicates positions appropriate for AfDB and donor funding/secondment, respectively. The plans and their details are discussed in and monitored by the Oversight Committee.

The approved **Results Framework** for UMDf’s Strategy 2023-2027 is structured in five outcome statements (Box 6), which target key conditions for developing, managing, and governing climate resilient infrastructure in Africa’s cities with the aim to enhance investment in urban infrastructure (UMDF’s main windows all deliver against this results framework). Among other, the results framework includes sector-specific indicators/targets, which will enable reporting on results related to water as well as on climate adaptation and risk-reducing resilient infrastructure.

<p>Box 6: The UMDf Results Framework - five outcome areas</p> <ol style="list-style-type: none"> 1) Improved municipal governance 2) Improved urban planning 3) Improved climate resilient urban infrastructure and essential services 4) Improved bank capacity to respond to sustainable and climate change resilient urban challenges 5) Climate resilience and low-carbon urban development

Overall, the rules and guidelines for execution, procurement, disbursement, financial management, audit, etc. will follow AfDB’s general policies, rules and procedures. The UMDf funded projects and activities are undertaken in accordance with AfDB’s systems for managing climate safeguards, environmental and social safeguards, and gender safeguards as minimum requirements all of which will be thoroughly specified in the updated Operational Guidelines.

At operational level, the UMDf will be guided by its **Operational Guidelines**, which specify processes and criteria for city and project selection. Climate resilience is included as one of the eligibility criteria. These guidelines are currently under revision to reflect the priorities in UMDf Strategy 2023-2027, not least the focus on climate adaptation, resilience, poverty and gender. The revised Operational Guidelines are expected to be approved by the Oversight Committee mid-2023.

Climate change adaptation and mitigation will be integrated in all AfDB operations as per AfDB’s Climate Change Strategy 2021 and the mandatory Climate Safeguards System introduced in 2022. Consequently, all UMDf projects will address climate change adaptation and/or mitigation. This will be reflected upstream in the selection of cities that UMDf chooses to engage with. Further, it will involve screening of projects at quality-at-entry phase to ensure positive adaptation and resilience impacts. Projects will only be eligible if they support cities and communities to adapt to climate change. The further revision of the UMDf Operational Guidelines will include more specific and granular guidance under the supervision of AfDB’s climate department to ensure compliance with the recently introduced Climate Safeguards system.

UMDF’s Strategy 2023-2027 focuses on **poverty reduction** and reflects AfDB’s Strategic Framework with its two core objectives to improve the quality of Africa’s growth - inclusive growth, and the transition to green growth – with the overall objective to reduce poverty. More specifically, the UMDf’s strategy reflects the overall commitment in SUDAP to promote efficiency, fairness, equity and transparency in the provision and management of essential services; and the principle of spatial prioritisation putting forward underserved, slum and informal settlements.

UMDF will contribute to address a variety of poverty dimensions through a variety of entry-points. As such, UMDf’s contribution to cities’ economic development will help reduce income poverty and municipalities’ fiscal space for service delivery; improved urban management will also help improve

financial solidity of partner municipalities and improve public expenditure management for services benefitting the poor. Further, UMDF will support dimensions of social development and equity, by promoting the participation of women and marginalized groups in urban affairs, and access to basic services. The mechanisms and approaches to focusing and addressing poverty reduction in its various dimensions will be further discussed in connection with the finalization of the Operational Guidelines.

UMDF will address **gender** by following 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 reflect the fundamental role of women’s economic empowerment to development and poverty reduction¹⁶. AfDB’s Gender Marker System is employed at project screening, aligning each UMDF project to the Bank’s overall Gender focus. The Gender Marker System will also shift the focus of gender mainstreaming from “project design” to “project development outcome/results”. The Bank will provide clear guidelines on when and how to integrate gender into operations, along with tools, manuals, check lists and training.

2.5. Lessons and opportunities informing the proposed Danish support

While UMDF is a young entity and only provides few lessons learned so far, there are clear indications of the potential of the fund to scale the portfolio of investment ready urban infrastructure projects integrating climate adaptation and climate resilience.

As co-initiators of the AAAP, and as part of implementing the AIRA pillar, GCA and AfDB, have piloted, a more systematic and efficient approach to the integration of climate adaptation and resilience into AfDBs pipeline of urban infrastructure investment projects. The partners have done so through UMDF and have demonstrated the potential for accelerating urban adaptation and resilience by integrating adaptation into UMDF’s preparation of investment ready urban infrastructure projects worth 80 million UA in 2022 (approx. USD 112 million), and further USD 1.2 billion in preparation, based on UMDF-funded AfDB City Action Plans. In the process, the GCA has also supported the UMDF in the use of principles of locally led adaptation. Principles that will be further enhanced through the close collaboration between the UMDF and C40.

Further, Denmark has a long experience from providing thematic support to AfDB through trust fund arrangements, including engagements in SEFA and the African Water Facility, both of which have grown and delivered to expectation. From these engagements, a key lesson has been the importance of the management set-up as a critical factor for successful delivery. Especially, key is to avoid silo-arrangements, and that integrating the funds into their respective departments and divisions, with accountability responsibility resting at directors’ level, will much better enable complementarity and synergy with the Bank’s other work. UMDF’s management arrangement was designed to reflect these lessons.

Another lesson informing the proposed support is the importance of active donor engagement in the Oversight Committee, especially as this proposed support will make Denmark a major partner to UMDF – and considering AfDB’s ambition for the UMDF of significantly scaling up of activities to engage with cities, which requires considerable additional donor funds. Therefore, to pursue Danish strategic priorities, DK MFA will engage in the Oversight Committee. Further, Denmark will include a seconded advisor/long term expert to AfDB’s Urban Department/UMDF, based on specific agreement on the competence profile in view of the human resource gaps. Moreover, a special allocation to ensure focused monitoring and lessons learned for adaptive management is included in the proposed commitment.

¹⁶ [African Development Bank Board approves a new Gender Strategy for 2021-2025 | African Development Bank - Building today, a better Africa tomorrow \(afdb.org\)](https://www.afdb.org/en/news-and-events/african-development-bank-board-approves-a-new-gender-strategy-for-2021-2025)

Finally, acknowledging Danish urban expertise, UMDF's work programme includes showcasing Danish green urban experiences. This includes provision of training in relation to relevant Danish solutions (for instance, study tours, starting in 2022 with Copenhagen/Malmö) Further, AfDB/UMDF is pursuing an agreement with Danida Fellowship Centre (DFC) on the configurations of a partnership regarding relevant training of urban and municipal decision makers and civil servants. These arrangements are still in early phases, however they will further facilitate creation of links to Danish green urban experience, expertise, and solutions explicitly in demand by AfDB/PICU and clients.

4. Project objective

The **objective** of the Danish support is:

- Greater climate change resilience of Africa's cities and its urban poor through increased levels and numbers of investments in climate-resilient infrastructure and services with focus on water, wastewater, storm water, rainwater, and water resource management

The main **outcome** (linked to UMDF's Business Plan) is a scale-up in improved and climate change resilient infrastructure and service provision in better-planned and governed African cities¹⁷. This outcome will be achieved by a contribution to support the implementation of UMDF's Business Plan 2023-2027, with focus on results linked to adaptation, especially through support for preparation of investments related to water supply, wastewater, storm water, rainwater, and water resource management, including small grants for high-impact low-cost demonstration projects. In addition to support to intermediary cities, there will be a significant emphasis on supporting such investments by C40 member cities, based on priorities in their City Climate Action Plans. Such support is expected to make investment proposals for climate resilient infrastructure ready for financing by AfDB and other sources, including other MDBs, private sector, and climate funds.

The **modality** will be a general contribution towards UMDF's 2023-2027 Business Plan with preferencing for the key priorities that will be the primary focus of the Danish monitoring and dialogue. Specifically, Denmark will have a particular emphasis on results and initiatives that promote adaptation and resilience through infrastructure for water supply, wastewater, storm water, rainwater, and water resources management, as reflected in the results framework (section 6). To respond to city-level demands expressed in C40 supported Climate Action Plans, a major share of the contribution through UMDF is expected to benefit climate adaptation initiatives by C40 member cities and the same level for intermediate cities.

5. Theory of change and key assumptions

The Theory of Change shown overleaf will guide the support. The main assumptions for the Theory of Change include: A rising demand from African intermediary cities and C40 member cities for resilient infrastructure investments; no major economic, social, or political crisis situations affecting multiple African cities of support. UMDF effectively develops its operational capacity in tandem with the increasing requirements from its programme expansion. The precondition is that UMDF integrates poverty targeting in its project selection process.

¹⁷ Based on UMDF's Business Plan, with a small modification

Theory of change

<i>If</i> Denmark contributes the committed funding to implementation of UMDF’s Strategy 2022-2026 based on the associated UMDF Business Plan	
<i>And if</i> UMDF effectively implements its investment project selection process to focus on projects promoting climate adaptation and resilience that benefit poor urban dwellers and communities in Africa’s cities	
<i>Then</i> UMDF will be able to implement its mid-level scenario reaching 35 African cities with support for in-depth preparation of investment project enhancing climate adaptation and resilience,, and urban planning capacity development; and preparation of investment project enhancing climate adaptation and resilience in 15 cities with confined adaptation/resilience-gaps	
<i>Then</i> at least 30-35 African cities’ will see their demands met for having bankable project proposals for resilient infrastructure investments that benefit their poor urban dwellers	<i>Then</i> capacities of at least 35 African city administrations in sustainable urban planning, management, and governance with focus on climate adaptation and resilient infrastructure will have been strengthened
<i>And if</i> Denmark engages actively in dialogue, strategic support and partnership outreach, and lessons-learned of UMDF’s resilient infrastructure initiatives through secondment, studies, reviews, and promoting partnerships with complementary initiatives, like C40, WRI Urban, African Water Initiative, and GCA, on water-related infrastructure and under-served urban areas	
<i>Then</i> synergies with African C40 member cities and others will be realized to enable implementation of <i>more</i> climate action plans in <i>more</i> African cities in core adaptation sectors of water, sanitation, flood protection, and waste management	<i>Then</i> UMDF’s effectiveness to strategically respond and adapt to lessons learned on supporting African cities’ resilient investment project planning, governance, and management for poverty reduction has strengthened
<i>Then</i> AfDB and/or other MDBs and the private sector will be able to finance more <u>investments</u> in climate-resilient infrastructure in adaptation critical sectors like water, wastewater, storm water, rainwater, and water resources management that benefit the poor	
<i>Then</i> climate resilient and improved infrastructure and service provision in better-planned and governed cities will have been scaled up in Africa with focus on water, wastewater, storm water, rainwater, and water resource management	
<i>Then</i> more African cities and more urban poor will have increased their resilience to climate change	

6. Results framework

The below shows the indicators for monitoring the support with a focus on progress on climate adaptation infrastructure in Africa’s cities, not least to enable reporting on results related to water. UMDF’s progress reports to the donors will also enable reporting on results related to priorities regarding C40 member cities. The AfDB is in the process of developing a system to track impact of UMDF activities on urban poor, with the aim to further disaggregate the number of people impacted living in informal settlements and/or underserved areas. After approval by the Oversight Committee, this indicator will be added to the UMDF 2023-2027 results framework. This indicator will be an integrated part of UMDF’s progress report to the donors and also be a key part of MFA monitoring of the Danish support.

Results framework

Project Title		Enhancing climate resilience in African cities through accelerating infrastructure adaptation	
Outcome		A scale-up in improved and climate change resilient infrastructure and service provision in better-planned and governed African cities	
Outcome indicator		1. Number of people with improved access to climate resilient and low-carbon urban water and sanitation infrastructure (UMDF outcome indicator 3.2) 2. Amount of co-financing leveraged for climate resilient and low-carbon investments into African Cities from a) AfDB and b) other sources (UMDF outcome indicator 3.6)	
Baseline	Year 0	2022	1. 0 (Million inhabitants) 2.a 0 (Million USD) 2.b 0 (Million USD)

Target	Year 5	2027	1. 20 (Million inhabitants) of which 60% poor 2.a 2,000 Million USD 2.b 200 Million USD
Output 1		Improved municipal climate governance	
Output indicator 1		Number of strategies, where at least selected actions for Increased own source revenue, Financial Management, Accounts & Audit Systems, Revenue generation and resource mobilization schemes, Creditworthiness & debt management schemes, are under implementation (UMDF output indicator 1.2)	
Baseline	Year 0	2022	3
Target	Year 5	2027	10
Output 2		Improved climate-informed urban planning	
Output indicator 2		Number of evidence-based, climate-informed, participatory and gender-responsive Master Plans or Sector Plans (UMDF output indicator 2.2)	
Baseline	Year 0	2022	0
Target	Year 5	2027	10
Output 3		Improved and more resilient infrastructure and essential services	
Output indicator 3		Number of bankable projects for gender sensitive, low-carbon and climate resilient infrastructure in the water & sanitation sector prepared for IOP consideration (in African cities) (UMDF output indicator 3.2)	
Baseline	Year 0	2022	0
Target	Year 5	2027	20
Output 4		More climate impact assessments and resilience options/projects delivered	
Output indicator		Number of climate impact assessments, resilience options/projects delivered (UMDF output indicator 3.7)	
Baseline	Year 0	2022	0
Target	Year 5	2027	70
Output 5		Improved bank capacity to respond to urban dev. and climate change challenges	
Output indicator		Number of Bank departments implementing UMDF-funded urban development relevant projects (UMDF outcome indicator 3.11)	
Baseline	Year 0	2022	2
Target	Year 5	2027	8

Notes to results framework:

- 1) Indicators and targets based on UMDF results framework February 2023
- 2) Targets are cumulative
- 3) Outcome targets will be reported with specific indication of targets reached for C40 member cities
- 4) Annual targets for years 2023-2026 will be defined before end 2023
- 5) For project preparation, the target is to reach final project design approved and financial agreement signed.

7. Inputs/budget

The **UMDF was supported** in its first 3-year phase (USD 5 million) by Nordic Development Fund (as main funder), Belgium, Switzerland, and the Basque Development Cooperation (the latter in-kind). In light of African countries' increasing demands, UMDF's Oversight Committee and PICU envisage a significant rise in level of ambition for urban resilience support in the new Business Plan. In response to this rise, UMDF's current partners are committed to raise their contributions to UMDF's Business Plan 2023-2027 (further detail in Annex 3).

The Danish contribution is outlined below. Commitments from 2024 in the proposed budget (outcome based as per Danish MFA guidelines) are subject to approval from appropriating authorities. The Danish funding will be unearmarked with preferencing for results linked to climate adaptation and resilient water infrastructure in particular benefitting vulnerable communities in the African cities, as reflected in the focus of indicators in the results framework (section 6).

	2023	2024	2025	2026	2027	Total
	(DKK million)					
Outcome: A scale-up in improved and climate change resilient infrastructure and service provision in better-planned and governed African cities :	16,8	31,1	50,6	50,7	50,8	200,0
Output 1: Improved urban planning including for resilient infrastructure	-	-	-	-	-	-
Output 2: Improved and more resilient infrastructure and essential services	-	-	-	-	-	-
Output 3: Improved municipal governance including for climate adapted infrastructure	-	-	-	-	-	-
Output 4: Improved bank capacity to respond to urban dev. and climate change challenges	-	-	-	-	-	-
<i>Admin (5% - included in Outcome total)</i>	<i>0,8</i>	<i>1,6</i>	<i>2,5</i>	<i>2,5</i>	<i>2,5</i>	<i>10,0</i>
Programme related (administered by MFA)	3,2	3,9	4,4	4,3	4,2	20,0
UMDF-DFC partnership re. Training and learning (cross-cutting the outputs)**	1,0	1,5	2,0	2,0	2,0	8,5
Programme monitoring, process consultancy, review, and learning and training	1,0	1,2	1,2	1,1	1,0	5,5
Secondment/Advisor	1,2	1,2	1,2	1,2	1,2	6,0
Grand total	20,0	35,0	55,0	55,0	55,0	220,0

The budget includes an amount for the partnership (in the making, requested by PICU/UMDF) between UMDF and DFC regarding training and knowledge transfer in relation to Danish green urban experiences and relevant Danish solutions, including training of urban and municipal decision makers and civil servants. The training activities contribute across the outcomes. The two first years 2023 – 2024 are seen as a pilot phase, after which activities can be extended to future years depending on actual demand and implementation speed. Also, in view of the envisaged growth of UMDF ambition and budget over the coming years, it has been agreed that Denmark shall second an expert with a strategic mandate to PICU/UMDF.

Finally, in light of Denmark's relative high weight in the UMDF trust fund, and to effectively enable adaptive management, the budget for the Danish contribution includes an allocation for thematic studies and lessons learned focused on the Danish priority areas (section 8 gives more details) as well as process facilitation support, both for the immediate Danish management of the engagement and any emerging process gaps in regard to UMDF itself. Disbursements on the three above mentioned budget lines rest with MFA.

8. Institutional and Management arrangement

UMDF's mandate and governance structure is set out in the AfDB document approved by the AfDB Board of Directors in 2019¹⁸, supplemented by the Multi-Donor Arrangement, and further unfolded in the Operational Procedures and Guidelines. Based on this, UMDF's governance structure comprise the AfDB Board of Directors, AfDB's Senior Management, and a Technical Committee and an Oversight Committee.

The Oversight Committee (OC) consists of two representatives from the AfDB and one representative from each of the donors that have contributed to the fund. The OC is chaired by a donor representative elected for a period of one year (may be cumulated for two years if no other donor candidates are available after one year) and supplemented by an assistant donor chair. The OC's main role is to: (i) provide general policy and strategic guidance, (ii) review and approve the operational guidelines of the UMDF, (iii) review and approve annual reports, the work programme and budget for the coming year, and (iv) initiate discussions for a general replenishment of the resources of the UMDF. The OC meets twice annually. Denmark has participated in the OC with an observer status since mid-2022 and will join as full member of the OC pending approval of the proposed contribution. Denmark is expected to engage as assistant donor chair to the current Swiss leadership of the OC.

The Technical Committee (TC) has representatives from relevant AfDB departments in urban development and is chaired by the Director for Infrastructure and Urban Development Department. The

¹⁸ Proposal for the Establishment of a Multi-Donor Trust Fund: The Urban and Municipal Development Fund (UMDF), January 2019.

day-to-day implementation and management is done by the AfDB's operational user departments and divisions, especially the PICU.2 Division, and is led by a Fund Coordinator.

As a trust fund in the AfDB, UMDf will manage and administer its funds and activities in accordance with AfDB's financial rules and regulations, and policy guidelines. UMDf's Operational Guidelines specify the procedures for monitoring, reporting, and evaluation, which include semi-annual and annual reports.

The Danish contribution through UMDf will be managed according to UMDf's governance and management set-up and operational guidelines. The routine monitoring and reporting of the Danish contribution will be based on UMDf's reports and procedures.

Denmark's approach to managing the contribution will be adaptive and learning-based, and consist of the following elements:

- 1) Active strategic engagement in the OC. Denmark will focus on overall issues concerning: The effective development and scale-up of UMDf's initiatives to promote acceleration of climate resilient infrastructure in Africa's cities including UMDf's capacity to connecting prepared projects to actual financing of urban infrastructure; UMDf's effective organizational development; optimising UMDf's coordination and synergies, both in relation to MDBs and other key partners, such as GCA, C40, AWF, etc.; and UMDf's integration of concerns for poverty reduction, HRBA, and gender. Denmark will promote that strategic discussions in the OC are founded in assessment of progress on results, lessons-learned and analysis, and based on continuing updates to UMDf's risks framework.
- 2) Adaptive planning combined with accountability in relation to work planning, budgeting, and disbursements. Denmark will approve disbursements under the Danish contribution annually, based on UMDf's proposed annual plan, rolling medium plan, and budget for the coming year *and* assessment of progress on previous year's work plans, results, lessons and updated risks. Here Denmark will ensure focus on the priorities for results related to climate adaptation and resilience including in infrastructure for water supply, wastewater, storm/rainwater, and water resources management.
- 3) Ensuring the means and facilitation for the learning-based and strategic engagement in the OC. This includes select thematic studies and technical reviews with purpose to provide the necessary in-depth information, evidence, analysis, and understanding of key issues arising, lessons, results and outcome harvesting to have a solid base for the strategic discussions in the OC. Exact studies will be defined in coordination with the OC, but the immediate thematic focus will include: UMDf's contribution to climate adaptation on the ground; UMDf's linkages on the ground with other partners; poverty reduction for the urban poor, HRBA, and gender; UMDf's capacity to connecting prepared projects to actual financing of urban infrastructure. A study focused on UMDf's lessons and immediate results on climate adaptation will be timed to feed into the mid-term review (see below). More general process facilitation support will also be included to enable Denmark's effective engagement in the OC, such as preparatory assessments; review of documentation, results reporting, risk monitoring and management, budget/expenditure analysis, etc.; and any temporary technical capacity gap filling that UMDf might have key for its effective development and delivery of results.
- 4) Danish MFA's formal quality assurance and approval steps. Following the appraisal, an early inception review was carried out in December 2022/February 2023 to assess UMDf's final strategy 2023-2027 and results framework, rolling work plan, work plan 2023, operational guidelines, staffing plan, and risk management framework. Taking stock of implementation of

recommendations from the 2022 appraisal, the early inception review concluded that follow up on the majority of recommendation was very satisfactory. In accordance with the Danish Aid Management Guidelines, a mid-term review will be conducted to assess overall progress, developments, and results, especially with focus on Danish priorities of climate adaptation, water, urban poor, and HRBA/gender. The mid-term review will take place in first half of 2025 and preferably be implemented jointly with other UMDF donors, if possible.

9. Risk Management

The risk management of the contribution will be founded on UMDF's risk management framework and approach, which UMDF has developed for discussion and approval by the OC mid-2023. In the meantime, the main risks related to the Danish contribution are summarized below, and elaborated in more detail in Annex 3.

- Economic downturn, inflation, and conflict in Africa shift priorities at national level towards short-term concerns away from resilient urban infrastructure investment. The response is careful monitoring and dialogue by AfDB/PICU at national level to maintain priorities and overall advocacy for climate adaptation priorities, combined with a flexible approach to adjusting according to demands. The AfDB's country offices will play important roles in managing this risk through their on-going dialogue with national and city authorities. Further, Denmark's wider climate diplomacy will contribute to attenuating this risk.
- Implementation of UMDF's Business Plan is delayed or hampered by operational and capacity constraints of UMDF because of slower than expected development and scale-up in UMDF's organizational set-up and systems. This is managed by maintaining up to date and coordinated work plans with explicit reflection of available staff and inputs from others; on-going review, reality check, and adjustment of plans and activities; on-going consultations UMDF internally and with donors on implementation status and issues as well as secondment of an advisor to PICU/UMDF and possible process management support for UMDF.
- The resilient infrastructure investment projects prepared for financing are not financed at the level expected. This risk is less for the AfDB financing, and higher for projects prepared for wider development institutions and especially in private sector financing. This is managed by careful upstream assessment of the potential investment interests among finance institutions, including within AfDB.

Annex 1: Context and coherence in relation to AAAP

Two projects have been prepared for the implementation by UMDf and GCA respectively of the Africa Adaption Acceleration Program (AAAP), developed and co-lead by the African Development Bank (AfDB) and the Global Center on Adaptation (GCA) in order to scale up adaptation to climate change in Africa. More specifically, the projects focus on the AAAP pillar “African Infrastructure Resilience Accelerator” (AIRA), which aims to rapidly scale up investments in climate resilient infrastructure in Africa’s cities.

Initially, Danish support to AAAP was envisaged as one program consisting of two projects, one with AfDB and one with GCA. The forecast total programme budget was DKK 270 million (commitments spread over 2022, 2023 and 2024) with a tentative allocation of DKK 220 million to AfDB and 50 million to GCA. While the allocations and focus of support to each partner are unchanged, it became evident in the formulation process that it would be unadvisable to implement a programme approach. The main factors for this being i) the very different nature of the two partner organisations and their governance structures, including their respective mix of donor partners, and b) the fact that the two partners have defined individual AAAP and AIRA steering mechanisms while the overarching steering mechanisms of the AAAP are still to be decided.

Delivering on The World We Share

Closely linked, the two projects are prepared jointly and specifically designed to strengthen climate change adaptation, one of the four principal objectives included in the climate pillar of *The World We Share*. More specifically, the projects aim to deliver on the strategy’s expressed intention to contribute to ensuring climate-resilient infrastructure in Africa with a focus on water supply and sanitation in rapidly growing urban centers affected by climate change.

Jointly, the two projects further aim to contribute to deliver on the strategy’s ambition for Denmark’s international leadership within adaptation to climate change. This will build on determined outreach to Africa’s leaders and strong convening power demonstrated by the AfDB and the GCA in close collaboration. Support will explicitly be included in the proposed contribution to the GCA in order to support the continued high-policy level advocacy and agenda-setting work aimed at ensuring that adaptation and resilience are maintained as priorities on international agendas. On this basis, the support directly complements Danish climate diplomacy efforts, including a potential continued seat of a Danish Minister on GCA’s Advisory Board and the strong Danish engagement in the Champions Group on Adaptation Finance.

Moreover, the proposed projects aim to complement and enhance the potential of ongoing urban engagements, in particular a) the support to C40¹⁹ with a focus on member cities in Africa, b) the strategic sector cooperation at city level in South Africa and Ghana, and c) earmarked support to WRI’s urban work in Africa (grant under preparation).

Concretely, both projects intend to scale up adaptation in Africa’s cities by integrating climate adaptation and resilience into urban infrastructure investment projects under preparation by

¹⁹ C40 Cities is a global network of climate ambitious large cities.

international finance institutes and multilateral development banks. This builds on an approach piloted by AfDB and GCA in collaboration resulting in the integration of adaptation into investment ready urban infrastructure projects worth 80 million UA in 2022 (approx. 112 million) and further USD 1.2 billion in preparation. In AfDB, the work will be anchored in the Infrastructure and Urban Development Department (PICU) and the Urban and Municipal Development Fund managed by this department. GCA will be rolling out the approach to other MDBs and IFIs and their respective pipelines of urban infrastructure investment projects. In addition, and as mentioned above, the contribution to GCA will support the center's high-policy level advocacy and agenda-setting work to ensure that adaptation and resilience are maintained as priorities on international agendas.

Annex 2: Process Action Plan

Activity	Timing/deadline	Responsible
Early inception review, document review	December22/February23	ELQ
Submission for presentation to Council for Development Policy	13 March 2023	GDC
Presentation for the Council for Development Policy (UPR)	30 March 2023	GDC
Approval by the Minister	May 2023 ²⁰	DKMFA
Expected timing of commitment	May 2023 ²¹	GDC/AfDB
UMDF Oversight Committee meeting	May 2023	AfDB/UMDF
Thematic studies	Mid-2024	GDC/AfDB/UMDF
Mid-term review	Q2 2025	ELQ

²⁰ Pending Parliament approval of Finance Act 2023

²¹ Idem

Anne 3: Budget and funding information

The below initial budget projection will be revisited annually and adjusted as needed as part of the mid-term review foreseen in 2025.

UMDF overall cost projection for 2023-2027 (USD)						
	2023	2024	2025	2026	2027	Total
African Cities Programme	3,500,000	4,500,000	5,500,000	7,000,000	7,500,000	28,000,000
Project Preparation Window	2,000,000	3,000,000	3,500,000	4,000,000	4,000,000	16,500,000
Municipal Finance Access Window	300,000	500,000	700,000	1,000,000	1,500,000	4,000,000
Total	5,800,000	8,000,000	9,700,000	12,000,000	13,000,000	48,500,000

UMDF known Partner Contributions 2022-2027			
Year	Donor	Amount	Total in USD
2022-2026	Switzerland	4.9 million CHF	5,145,318
2023-2027	Spain	5.0 million EUR	5,174,050
2023-2027	NDF	10.0 million EUR	10,348,450
2023-2027	Denmark	220.0 million DKK	30,626,740
Total contributions			51,294,558¹
- 5% AfDB mgmt. fee			2,564,728
Total UMDf funding available² for 2023-2027			48,729,830

Notes:

- 1) Exchange rate as per 18th November 2022
- 2) Known contributions as per January 2023, recognising that a number of existing partners and an unknown number of incoming partners may contribute additional funding.

Annex 4: Risk matrix

Enhancing Resilience in African Cities by Accelerating Infrastructure Adaptation via support through UMDf

Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
National and urban priorities shift away from resilient urban infrastructure investment and adaptation, whether from global economic downturn and inflation or short-term local economic priorities	Likely	Major	PICU/UMDF follows a flexible approach whereby they can shift activities towards where there is demand. The AfDB country will use their dialogue at national/city-level to promote a continued emphasis on investing in adaptation and resilience. Also, initiatives targeting the national policy level through advocacy and awareness on adaptation, including through GCA, etc.	Minor	Growth in Africa the coming years is expected to be lower than the average the past decade, at least the initial period, due to continued effects of Covid, unclear policies, and sharp rise in commodity prices – with effects depending on country status as net-exporter/importer. Some countries will experience high inflation. Countries with high debt-levels may face rising interest payments or reduced access to financing. The resulting tightened fiscal space and social needs may cause national and city-level political leaders to reduce their focus on development spending, and/or shift priorities away from investments with longer-term benefits such as resilience and adaptation. Such effects will be very specific to the country and city.

Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The national and municipal level demands and commitment for resilient infrastructure projects is less than anticipated.	Unlikely	Major	The AfDB's country offices will play important roles in managing this risk, through their on-going dialogue with national and city authorities	Minor	AfDB/PICU experiences a high level of immediate demand from cities for support to preparation of resilient infrastructure investments. At the point where the city leaderships should establish the agreements with PICU/UMDF, they may have gotten other competing demands, presuming the normal dynamic and shifting political and institutional contexts.
City administrations' institutional absorption capacity for taking new	Likely	Minor	This will be managed by PICU/UMDF explicitly assessing and considering the city partner	Minor	Some cities that have expressed demand for resilient investment projects initiated project preparation with UMDf/PICU could have

investment projects on board is lower than estimated causing delays in implementation			capacity as part of the decision making process for selecting projects to support and continuously assess obstacles to address these with the city administration counterparts.		overestimated their own resources available to engage in the work, thereby causing work processes to delay.
The resilient infrastructure investment projects prepared for financing are not financed at the level expected.	Likely	Major	Close dialogue and consultations between UMDf/PICU, city leaderships, and AfDB and other financiers' when deciding projects preparations to support. This is also managed by UMDf's effective management of its different phases.	Minor	No guarantee exists the project preparations supported will all ultimately be financed, since such decisions are made through other mechanisms than PICU/UMDF. However, this risk is less for the AfDB financing, where UMDf's phases [iv-v] closely integrates dialogue with AfDB investment departments as basis for granting project preparation support. The risk is higher for projects prepared for wider development institutions and especially in private sector financing.
The investment project preparations supported do not adequately integrate resilience or don't adequately focus on climate adaptation	Unlikely	Major	Reflect resilience/adaptation in UMDf goals and project screening and preparation procedures/processes; UMDF to establish and develop capacity for resilience/adaptation in infrastructure development Partnerships and joint-activities with climate adaptation-institutions, especially GCA, to ensure integration of resilience in projects and develop capacity Danish secondment of advisor with focus on strategic coherence + monitoring and learning regarding resilient infrastructure	Minor	Many urban investments may target critical service delivery needs and follow clear intentions to integrate resilience and a focus on adaptation, but integration of resilience into diagnostics, planning, and project preparation also require distinct tools, knowledge, and capacity which are still in the process of being developed – both at AfDB and among city managers. As a consequence actual integration of resilience could be less than the original intentions. Meanwhile AfDB has a distinct focus on and is developing its capacity in regard to climate adaptation and resilient infrastructure.

Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Other donors' commitments are low and donor coordination is ineffective leaving Denmark as sole/main responsibility donor engaging with PICU/UMDF	Unlikely	Major	Active Danish engagement in regard to the UMDF Steering Committee combined with Danish secondment of advisor to PICU/UMDF as well as process management support		The best current expectation is that key donors including [---] will join the UMDF, and their contribution levels will not leave Denmark as the one main significant donor. There has been a constructive dialogue with donors in the formulation process and there is clear interest in a joint approach for the engagement with PICU/UMDF. Meanwhile Denmark will be one of the major donors so can expect to play an important role among the donors in regard to the UMDF's management, results, and risks.
Investments linked to the PICU/UMDF are affected by corruption and implicate Danish development assistance	Unlikely	Minor	Despite the limited risks, Denmark will play an active part monitoring the integrity of selection processes through the Steering Committee. The advisor seconded by Denmark will enable following of events occurring on the ground.		Corruption levels in Africa are high, especially in connection with large infrastructure investments, which means a risk exists this could also affect investments linked to the UMDF. Meanwhile procurement processes are managed based on AfDB procedures. This specific Danish contribution funds only UMDF's project preparation activities including TA where risks of corruption are low. Even so, corruption linked to the investments could have reputational risks for Danish development assistance.
Implementation of UMDF's Business Plan is delayed or hampered by insufficient management and staffing and slower than expected scale-up in UMDF's organizational set-up and systems	Likely	Minor	Maintaining up to date and coordinated work plans with explicit reflection of available staff and inputs from others; on-going review, reality check and adjustment of plans and activities; on-going consultations UMDF internally and with donors on implementation status and issues. Possible process management support for UMDF.	Minor	UMDF has already been established and shown capacity to manage the first approx. 10 projects, however, roll-out of its Business Plan involves a scale up to 30-35 projects while UMDF also expands and develops its staffing and operational structure and systems. There can be natural coordination and sequencing challenges in such an organizational development process, where implementation can only go as fast as capacity is developed.
Insufficient coordination with other AfDB departments and regional offices and/or external key partners	Unlikely	Major	Monitoring and dialogue through Danish engagement in the OC. Seconded Danish advisor supporting coordination and synergies with external partners.	Minor	UMDF has already well-established cooperation with other AfDB entities and external partners, like GCA, C40, AWF, WRI, etc. But the scaled-up operation of UMDF and critical role of coordination/synergies for UMDF to achieve

			Possible process management support for UMDf.		its objectives will require a more strategic and systematic approach to coordination
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Annex 5: Plan of communication (to be further developed)

What? (the message)	When? (the timing)	How? (the mechanism)	Audience(s)	Responsible
<p>1. General project information, progress, and results, aimed at public transparency and accountability:</p> <p>What overall is supported, funding committed/spent, progress and results achieved</p>	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> Based on standard monitoring and results reporting received Updating of MFA's Results Framework Interface/OpenAid 	<ul style="list-style-type: none"> The Danish public at large The Danish Parliament 	<ul style="list-style-type: none"> GDC
<p>2. Selected communication initiatives towards Danish public, aimed at awareness and understanding, focused on messages, such as:</p> <p><i>Danish development assistance has resulted in real and important improvements in the resilience of poor African urban dwellers to climate change [concrete examples and cases]</i></p> <p><i>The practical ways that climate change - through effects on water - influence the daily lives of poor African urban dwellers, and how improved climate resilient infrastructure, especially water, can alleviate their challenges and reduce their vulnerability – and how Danish development assistance has contributed [focused on awareness and understanding about effects of climate change and how Danish support in practice helps tackle this, what vulnerability means in practice, role of water, and what can be done to improve it]</i></p>	<ul style="list-style-type: none"> Immediately after project start, mid-term, and by end of support period 	<ul style="list-style-type: none"> Build on and make use of communication initiatives by AfDB/UMDF Possible additional collection by MFA of stories of concrete lifechanging results “Translation” of relevant information from monitoring and results reporting into messages for general public consumption Social media postings, incl. MFA's activity on linkedin, facebook, twitter, etc. Presentation at relevant public events, meetings, etc. 	<p>Danish public at large, including students, interest groups, etc.</p>	<ul style="list-style-type: none"> GDC and public diplomacy team in MFA
<p>3. Lessons learned and emerging and final results at outcome level</p>	<ul style="list-style-type: none"> At least based on defined reviews/lessons learned 	<ul style="list-style-type: none"> Monitoring/progress reports and relevant studied 	<ul style="list-style-type: none"> Danish public and Danish Parliament (through RFI/OpenAid) 	<ul style="list-style-type: none"> GDC ELQ (Other MFA)

<p>achieved from the projects, aimed at informing adaptive project management, promoting synergies among relevant partners, and informing climate diplomacy and policy, including:</p> <p>Lessons learned on promoting investments in climate resilient infrastructure in African cities – focus on programme and policy implications, relevant for Danish climate diplomacy efforts</p> <p>Lessons learnt on supporting and partnering with mechanisms/institutions promoting climate adaptation investments with focus on water</p> <p>Identification of achieved and emerging outcomes related to improved climate resilience in African cities, both planned and non-planned</p>	<p>initiatives in the project documents</p> <ul style="list-style-type: none"> • Mid-term and end of support period • Ad-hoc, based on needs and opportunities 	<p>conducted by AFDB/UMDF</p> <ul style="list-style-type: none"> • Danish Mid-term reviews • Danish planned lessons learned and outcome harvesting and lessons learned studies under the projects 	<ul style="list-style-type: none"> • MFA units and Embassies involved in climate diplomacy and other Danish support for institutions and projects focused on climate adaptation, water, cities. • International policy and programme platforms and partners, such as COP26, C40, and other international partners supported by Denmark in the climate/environment field • Danish private sector actors and interest groups engaged in climate adaptation solutions incl. water • The Danish development community, including civil society, research-institutions and think-tanks, and private firms and professionals 	<p>units involved in climate diplomacy)</p>
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