


















Enhancing Resilience in African Cities through Accelerated Infrastructure Adaptation by the Urban and Municipal Development Fund in the African Development Bank

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|--|---|--|--|---|---|------|-------|
| <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 - 25 bankable resilience projects, benefitting 10 million inhabitants with improved access to essential and climate resilient infrastructure, including water, transport, sanitation, waste, resilience; 10000 jobs. <p>Justification for support:</p> <ul style="list-style-type: none"> - Resilient infrastructure and services directly relevant for tackling the adaptation challenge of Africa's cities - Supports Danish Government's commitment for 60% of climate finance towards climate adaptation and focus on Africa, water, and urban areas - 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 | | | | | |
| | DKK million | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
| | Commitment | 20 | 20 | 180 | | | 220 |
| | Projected Disbursement | 20 | 20 | 60 | 60 | 60 | 220 |
| | Duration | 2022-2026 | | | | | |
| | Finance Act code. | 06.34.01.75 | | | | | |
| | Head of unit | Karin Poulsen | | | | | |
| | Desk officer | Tine Anbæk | | | | | |
| | Reviewed by CFO | Rasmus Tvorup Ewald | | | | | |
| | Relevant SDGs [Maximum 5 – highlight with grey] | | | | | | |
|  No Poverty |  No Hunger |  Good Health, Wellbeing |  Quality Education |  Gender Equality |  Clean Water, Sanitation | | |
|  Affordable Clean Energy |  Decent Jobs, Econ. Growth |  Industry, Innovation, Infrastructure |  Reduced Inequalities |  Sustainable Cities, Communities |  Responsible Consumption | | |
|  Climate Action |  Life Below Water |  Life on Land |  Peace & Justice, strong Inst. |  Partnerships for Goals | | | |

Objectives for stand-alone programme:

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% | | | |
| Total green budget (DKK) | 220 | | | |

Justification for choice of partner:

AfDB/PICU's core role is to promote sustainable urban development in Africa's cities, including catalysing investments in climate resilient infrastructure and improve urban sustainable governance and management. UMDF is managed by AfDB's Infrastructure and Urban Development Department, PICU, and fills a critical gap in accelerating resilient urban infrastructure in Africa's cities. Complements contribution proposed in parallel to Global Center on Adaptation for implementation of Africa Adaptation Acceleration Programme with

Summary:

Aims to accelerate investments in resilient infrastructure in Africa's cities, with emphasis on water-related infrastructure, 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. Also, Danish participation in the Oversight Committee, a seconded advisor, 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: | 210.7 |
| 2 - UMDF/DFC partnership re training and learning | 10.0 |
| 3 - Program monitoring, review and technical studies | 4.5 |
| 4 - Secondment/Advisor to PICU/UMDF | 4.8 |
| Total | 220.0 |

Danish support for

**Enhancing Resilience in African Cities through Accelerated Infrastructure Adaptation
by the Urban and Municipal Development Fund in the African Development Bank**

Concept Note

Presentation to the Programme Committee 18th August 2022

17 July 2022

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Abbreviations

| | |
|-------|--|
| AAAP | Africa Adaption Acceleration Programme |
| AAI | African Adaptation Initiative |
| AfDB | African Development Bank (AfDB) Group |
| AFW | Africa Water Facility |
| AIRA | African Infrastructure Resilience Accelerator |
| C40 | C40 Cities Climate Leadership Group |
| GCA | Global Center for Adaptation |
| GGGI | Global Green Growth Institute |
| NDF | Nordic Development Fund |
| 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 concept note describes the proposed Danish support for strengthening climate adaptation in Africa's cities. To this aim, the support focuses on speeding up the establishment of climate resilient infrastructure in African cities through a contribution for the African Development Bank (AfDB)'s Urban and Municipal Development Fund (UMDF), which aims to catalyse and advance the 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 fund is hosted in AfDB's Infrastructure and Urban Development Department (PICU), and operationalized by the Urban Development Division (PICU.2).

The proposed total contribution is DKK 220 million to support the UMDF trust fund for climate adaption and resilience in African cities. The contribution will be committed and disbursed over the period 2022 – 2026 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 to PICU2/UMDF.

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 C40, Strategic Sector Cooperation at city level 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 a contribution proposed in parallel to the Global Center on Adaptation, which plays a key role in implementing the AAAP and the AIRA pillar and collaborates with AfDB/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.

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

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

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

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.

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 efforts 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).

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 of the 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 issues of human rights – participation, accountability,

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>

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

transparency, and non-discrimination essential in regard to ensuring quality services and climate resilient infrastructure in Africa's cities.

To tackle African cities' adaptation challenges and protect the urban poor from effects of climate change, investments in resilient infrastructure must speed up – and target the poor. That requires a distinct effort over a broad set of 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. It also takes a distinct effort to integrate adaptation concerns into infrastructure and services through tailored diagnostics, needs assessments, and project planning procedures and capacity. The proposed Danish support aims to address these key elements.

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

As joint programme co-developed by the AfDB and the Global Center on Adaptation, the **Africa Adaptation Acceleration Programme (AAAP)** has been designed to contribute to tackling Africa's above-mentioned climate adaptation challenge. The programme aims to implement the Africa Adaptation Initiative (AAI), launched at the 25th African Union Summit (2015) by African Heads of State. 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.

Of special relevance, is AAAP's pillar 2¹⁰, the Africa Infrastructure Resilience Accelerator (AIRA) (Box 1), which is a main strategic reference framework for the Danish support. AfDB has introduced a number of strategic initiatives to reinforce its climate action and urban focus, which also guide the Danish support.

Especially, **AfDB's approved climate policy, the Climate and Green Growth Strategic Framework¹¹ from 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.

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

- 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

¹⁰ AAAP has 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.

¹¹ Approved by the Board in October 2021.

In addition, AfDB has developed a Sustainable Urban Development Action Plan 2022-2026 (SUDAP) which serves as a guide for AfDB's investments to be more integrated and sustainable. SUDAP translates into action the Bank's vision for the Continent's cities and towns to be planned, developed, financed and managed so that socio-economic development is secured.

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.

Box 2: Sustainable Urban Development Action Plan (SUDAP) main pillars for building transformative cities:¹

- 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.

UMDF was established in 2019 to scale up AfDB's focus on African cities, including urban planning, policy and strategy, urban infrastructure services, municipal finance development, and to grow the lending and non-lending activities for sustainable urban development. The UMDF operations are aligned with the SUDAP and the AfDB's Guidelines for Subnational Finance as well as with above mentioned climate policy and its corresponding strategy.

2.3 Alignment with Danish policies and priorities

The proposed support will directly deliver on 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-smart infrastructure, with focus on water supply and sanitation in rapidly growing urban centres affected by climate change. The support also directly 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 will contribute 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).

It will contribute to 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 AfDB on targeting especially urban 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, African Water Facility and C40 by delivering tangible climate resilience results on the ground in African cities. It also complements the parallel proposed 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, and with C40 in promoting resilient water infrastructure investments identified through the City Climate Action Plans of C40 member cities.

The support will **contribute 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 projects between Danish municipalities and partner authorities in South Africa and Ghana. Further, in light of explicit demand from AfDB for Danish urban expertise and green solutions, funds will be earmarked to support a partnership between the UMFDF and the Danida Fellowship Center for training and learning.

2.4 Justification of choice of implementing partner and aid modalities

Box 4 sums up the **support strategy** for strengthening climate adaptation in Africa’s cities, which overall focuses on accelerating investments in resilient infrastructure in Africa’s cities. Within this, there will be special emphasis on promoting resilient water infrastructure, especially linked to C40 cities’ priorities, and on including Africa’s intermediary cities. Independently of city-size, there will be special attention to underserved, slum and informal settlements.

The core element of the support strategy is a contribution through UMFDF based on UMFDF’s Business Plan 2022-2026. Based on the Business Plan, the contribution will be provided to align 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.

The partner will be **AfDB/PICU** (Infrastructure and Urban Development Department) which manages the UMFDF and leads AfDB’s infrastructure and urban work. PICU’s Urban Development Division, **PICU2**, is tasked with managing UMFDF-funded projects and coordinates the SUDAP. PICU.2 leads the focus on African cities, including urban planning, policy and strategy, urban infrastructure 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.

Box 4: Summary of key elements of support

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

UMDF’s **role** is 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. UMFDF 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, UMFDF’s initial allocation was USD 5.3 million¹² which was fully committed by 2022.

¹² 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).

UMDF is **demand-driven** and responds to requests for support at country and city level, including through AfDB's country offices. 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.

UMDF's **Business plan 2022-2026** is under development with expected final approval by the Oversight Committee in 2022. The plan's focus is to increase investments in improved climate change resilient infrastructure and service provisions in better-planned and governed African cities. It defines three business lines for UMDF, all integrating climate, namely: 1) Roll-out of AfDB City Programme (USD 26.4 million), 2) Pre-investment and project preparation support (USD 10.5 million), 3) a finance mobilisation facility – future launch at COP-27 (USD 18.4 million) (see Box 5).

The three business lines are provided through the same management-, funding-, and reporting process and all support resilient investment project preparation. However, they vary with respect to type of target cities, comprehensiveness of support, and source of investment funding targeted. The expectation is that all windows will ensure a focus on inclusive resilient infrastructure, including an emphasis on water, and that substantial support will be channelled to C40 cities. These elements will be assessed with respect to their adequacy for Danish support and any follow-up measures before presentation of the project document to Danish grant approving authorities.

The three business lines will be implemented according to donor **funding scenario** realized, such that a defined "base funding" scenario will enable implementation of business line 1), and higher funding scenarios trigger implementation of business lines 2 and 3, in that order. With the BP's three budget scenarios ranging from USD 26 to 50 million, the final funding scenario has significant bearings on the ultimate scale of UMDF's operations and level of expected results. Considering UMDF's initial funding level of USD 5,2 million/3 years, that also impacts importantly on the scale-up in operations and therefore capacity requirements and organizational development process that UMDF will have to undergo. The current realistic funding estimate is that business line 1) and a considerable part of 2) will be fully funded; more exact information will be available in September/October 2022. (see Annex 2 for further detail). Donor contributions for UMDF will be unearmarked with possibilities for preferencing.

UMDF is currently managed by a Secretariat with a dedicated Fund Coordinator and administrative support staff, supported by long- and short-term consultants. UMDF's project preparation activities are delivered through experts from AfDB's user departments, especially PICU.2 which has regional and urban development specialists and works closely with the Bank's county offices. As a starting point, the Business Plan assumes that human resources will increase from current two to seven by 2025 in tandem with the programme expansion. A more substantial analysis of staffing needs as the activity level expands over the business plan period is currently ongoing (including balance between full time staff and consultants).

Box 5: Select features of UMDF's three business lines – 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) Finance mobilisation: To be finally developed later. May target same types of cities and provide same forms of support as under 1) and 2), but tailored directly to preparation of financing from external funds, e.g. Green Climate Fund.

The **Results Framework** for UMDf's Business Plan is near finalization and is structured in five outcome statements¹³, targeting key conditions for developing, managing, and governing resilient infrastructure in Africa's cities (the three business lines all deliver against this results framework). Targets in the results framework reflect results expected under the base funding scenario, but the BP identifies targets also for the middle- and top-funding scenario. Among other, the results framework will have sector-specific indicators/targets, which should enable reporting on water related results. There is currently a process underway to finally develop the results framework that involves further sharpening of the results statements and indicators related to resilient infrastructure and services.

3. 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.

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 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 is 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. In addition, a special allocation to ensure focused monitoring and lessons learned for adaptive management is included in the proposed commitment. Moreover, Denmark will include a seconded advisor to AfDB's Urban Department, based on specific agreement with the Urban Department on the competence profile in view of the human resource gaps.

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 bureaucrats. 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.

¹³ Addressing 1) Improved urban planning, 2) improved climate resilient infrastructure and essential services, 3) improved municipal governance, and 4) improved bank capacity to respond to sustainable and climate change resilient urban challenges, and 5) Climate resilience and low-carbon urban development.

4. Programme 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 cities¹⁴.

This outcome will be achieved by a contribution to support implementation of UMDF's Business Plan 2022-2026, 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 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 2022-2026 Business Plan. In the monitoring and dialogue, Denmark will have special emphasis on results and initiatives that promote adaptation and resilience through infrastructure for water supply, waste water, storm water, rainwater, and water resources management. 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 initiatives by C40 member cities and the same level for intermediate cities.

5. Theory of change and key assumptions

The below preliminary Theory of Change will guide the support:

- *If* Denmark makes the proposed contribution to UMDF, then UMDF will be able to scale up and implement a considerable part of its Business Plan
- *And then* at least 30-35 African cities' will meet their demands for support to preparation of investment projects for development of resilient infrastructure
- *And then* capacities of at least 35 African city administrations in sustainable urban planning, management, and governance with focus on resilient infrastructure will have been strengthened
- *And if* Denmark engages actively through secondments, targeted analysis for integration of lessons and reviews, and promoting synergies with complementary initiatives led by C40, WRI Urban, African Water Initiative, and GCA, focused on water-related infrastructure and under-served urban areas
- *Then* the UMDF will have enabled *more* African C40 member cities and intermediate size cities to have *more* investment proposals for resilient infrastructure ready and bankable in key adaptation sectors like water, sanitation, flood protection, waste management, etc.

¹⁴ Based on UMDF's Business Plan, with a small modification

- *And then* AfDB and/or other MDBs and the private sector will be able to finance more investments in climate-resilient infrastructure in adaptation critical sectors such as water, wastewater, storm water, rainwater, and water resources management
- *And then* climate resilient infrastructure will have been scaled up and resilience in African cities towards climate change will have reached targets of improved conditions for more poor urban dwellers.

The main assumptions 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.

6. Draft results framework

The below shows the preliminary indicators for monitoring the support, however, outcome and output definitions and indicators will be further developed in the full draft programme document. Outcome/output indicators and targets will be based on the final results frameworks of UMDf (finalized in September/October) and reflect progress on adaptation infrastructure in Africa’s cities, not least related to water. The final results framework is expected to enable reporting on results related to water. UMDf’s progress reports to the donors will enable reporting on results related to priorities regarding C40 member cities, with formats to be agreed during inception.

[TO BE FINALLY DEVELOPED BASED ON FINAL RESULTS FW FROM UMDf]

| | | | |
|-------------------|------|--|--|
| Project Title | | Support to accelerate infrastructure adaptation for enhanced climate resilience of African Cities | |
| Outcome | | A scale-up in improved and climate change resilient infrastructure and service provision in better-planned and governed African cities | |
| Outcome indicator | | People with improved access to essential and [climate resilient] infrastructure, including water, transport, sanitation, waste, resilience | |
| Baseline | Year | 2022 | 0.2 (Million inhabitants)– based on UMDf results framework |
| Target | Year | 2026 | 10 (Million inhabitants) – based on UMDf results framework |

| | | | |
|------------------|--------|--|-----------------|
| Output | | Improved urban planning including for resilient infrastructure | |
| Output indicator | | 1. Action Plans, Master- and Sector Plans in UMDf partner cities under implementation. 2. Municipal Staff Trained | |
| Baseline | Year | 2022 | 1. 1 2. 0 |
| Target | Year 1 | 2023 | |
| Target | Year 2 | 2024 | |
| Target | Year 3 | 2025 | |
| ... | | 2026 | 1. 35 2. 200 |

| | | | |
|------------------|--------|---|---------------------------------------|
| Output | | Improved and more resilient infrastructure and essential services | |
| Output indicator | | [UMDF propose indicator] | |
| Baseline | Year | 2022 | Tbd – based on UMDf results framework |
| Target | Year 1 | 2023 | |
| Target | Year 2 | 2024 | |
| Target | Year 3 | 2025 | |
| ... | | 2026 | |

| | | | |
|------------------|--------|--|---------------|
| Output | | Improved municipal governance including for climate adapted infrastructure | |
| Output indicator | | 1. partner cities implementing participatory planning and decision making processes 2. Improved Balance sheets in UMDf partner cities, through subnational financial transactions | |
| Baseline | Year | 2022 | 1. 3 2. 0 |
| Target | Year 1 | 2023 | |
| Target | Year 2 | 2024 | |
| Target | Year 3 | 2025 | |
| ... | | 2026 | 1. 35 2. 5 |

| | | | |
|------------------|--------|---|-------------|
| Output | | Improved bank capacity to respond to urban dev. and climate change challenges | |
| Output indicator | | 1. Bank Strategies, plans, tools, methodologies and/or similar utilized to support RMC needs in urban development 2. Bank departments implementing UMDf-funded urban development relevant projects | |
| Baseline | Year | 2022 | 1.0 2.1 |
| Target | Year 1 | 2023 | |
| Target | Year 2 | 2024 | |
| Target | Year 3 | 2025 | |
| Target | Year 3 | 2026 | 1.10 2.5 |

7. Inputs/budget

The commitments from 2024 in the proposed budget below (outcome based as per Danish MFA guidelines) are subject to approval from appropriating authorities. The authorities' final approval of the 2024-2026 commitment will be based on an inception review in 2023. The inception review will consider the performance of UMDf with respect to focus, management, and results, among others.

| | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|--|---------------|-------------|-------------|-------------|-------------|--------------|
| | (DKK million) | | | | | |
| Outcome: A scale-up in improved and climate change resilient infrastructure and service provision in better-planned and governed African cities : | <u>18,5</u> | <u>16,6</u> | <u>55,1</u> | <u>55,2</u> | <u>55,3</u> | <u>200,7</u> |
| 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>0,9</i> | <i>0,8</i> | <i>2,8</i> | <i>2,9</i> | <i>2,9</i> | <i>10,3</i> |
| Programme related (administered by MFA) | <u>1,5</u> | <u>3,4</u> | <u>4,9</u> | <u>4,8</u> | <u>4,7</u> | <u>19,3</u> |
| UMDF-DFC partnership re training and learning (crosscutting the outputs)**) | 1,5 | 1,0 | 2,5 | 2,5 | 2,5 | 10,0 |
| Programme monitoring, process consultancy, review, and technical studies | | 1,2 | 1,2 | 1,1 | 1,0 | 4,5 |
| Secondment/ Advisor | | 1,2 | 1,2 | 1,2 | 1,2 | 4,8 |
| Grand total | 20,0 | 20,0 | 60,0 | 60,0 | 60,0 | 220,0 |

(*) UMDf has USD 2,2 million for spending in 2022 from original allocation of U 5,3 million

Note: The label of "outputs" is to enable alignment with Danida's Results Framework Interface, which requires all commitments to be structured in outcomes/outputs

***) An amount is budgeted in for 2022 to enable planning for early 2023 course to commence in Q4/2022

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 next Business Plan.

The budget includes an amount for the partnership (in the making) 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 bureaucrats. The training

activities contribute crosscutting to the outcomes, especially outcome 1 and output 3. The two first years 2022 – 2023 are seen as a pilot phase, and can be extended into future years pending UMDF's request and recommendations from the review anticipated prior to the commitment to be made in 2024. 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, the budget for the Danish contribution includes a special allocation for thematic studies and lessons learned within the Danish priority areas to enable adaptive management. Disbursements on the three above mentioned budgets rest with MFA.

8. Institutional and Management arrangement

UMDF has a two-tier governance structure comprising of the AfDB Board of Directors, Bank's Senior Management, and a Technical Committee and an Oversight Committee. The mandate of UMDF and its governance structure is set out in the AfDB document approved by the AfDB Board of Directors, further unfolded in the Operational Procedures and Guidelines.

The Oversight Committee (OC) consists of two representatives from the Bank 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 two years. 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 been invited to participate in the OC with an observer status and will join as full member of the OC pending approval of the proposed contribution.

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 day-to-day implementation and management is done by the Bank'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 procedures for monitoring, reporting, and evaluation. Semi-annual and annual reports.

The Danish contribution through UMDF will be managed based on UMDF's management set-up and operational guidelines. Denmark will base the monitoring and reporting on UMDF's reports and procedures. However, in addition, Denmark will conduct an inception review in 2023 as basis for finally approving the 2024-2026 commitment. In accordance with the Danish Aid Management Guidelines, a mid-term review will be conducted by end-2024; preferably this will be conducted jointly with other UMDF donors if possible.

9. Risk Management

The main risks relate to

- 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: Process Action Plan

| PROCESS ACTION PLAN | | |
|---|--|--------------|
| Activity | Timing/ deadline [month or quarter] | Responsible |
| Presentation in MFA Programme Committee | 18 th August | GDK |
| Finalisation of project/programme document following PC meeting | August | GDK/GCA/AfDB |
| Appraisal – desk appraisal note submitted | Early September | GDK |
| Follow up to appraisal recommendations | September | GDK |
| Submission for presentation to Council for Development Policy | 26 th September | GDK |
| Presentation for the Council for Development Policy (UPR) | 13 th October | GDK |
| Finalisation of project/programme documentation | October | GDK |
| Approval by the Minister | October | |
| Parliamentary Finance Committee, if applicable | October/November | GDK |
| Expected timing of commitment | December 2022 | GDK/GCA/AfDB |
| [Other points as relevant] | | |

Annex 2: Budget and funding information

UMDF Consolidated budget and funding requirements (2022-2026), in Millions of US\$)

| | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|---------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
| African Cities Program | 2.425 | 3.850 | 5.225 | 6.800 | 8.075 | 26.375 |
| PDF (project preparation) | 1.100 | 1.600 | 2.600 | 2.600 | 2.600 | 10.500 |
| AfGCF | 0.120 | 2.150 | 3.700 | 5.250 | 7.250 | 18.470 |
| Balance | (2.600) | | | | | (2.600) |
| New Funding Requirements | 1.045 | 7.600 | 11.525 | 14.650 | 17.925 | 52.745 |

Final information on commitments from other donors are still pending, but expected to be available around August/September. The preliminary indication from Switzerland is CHF 4.9 million for 2022/2023, a second NDF contribution for 2023, and support from the Government of Spain in 2022.

Note: The “African Cities Programme”-budget line corresponds to UMDF’s assumed base-scenario with regard to funding; the total budget (USD 52.745) corresponds to the top-scenario with regard to funding.

