

# Guidelines on Mainstreaming Climate Change into Lines of Credit

**Pocket Handbook**



# Outline

- The Objectives
- Theory of Change of the mainstreaming guidelines
- The 3 Pillars of the mainstreaming guidelines



# Objectives of the Mainstreaming Guidelines

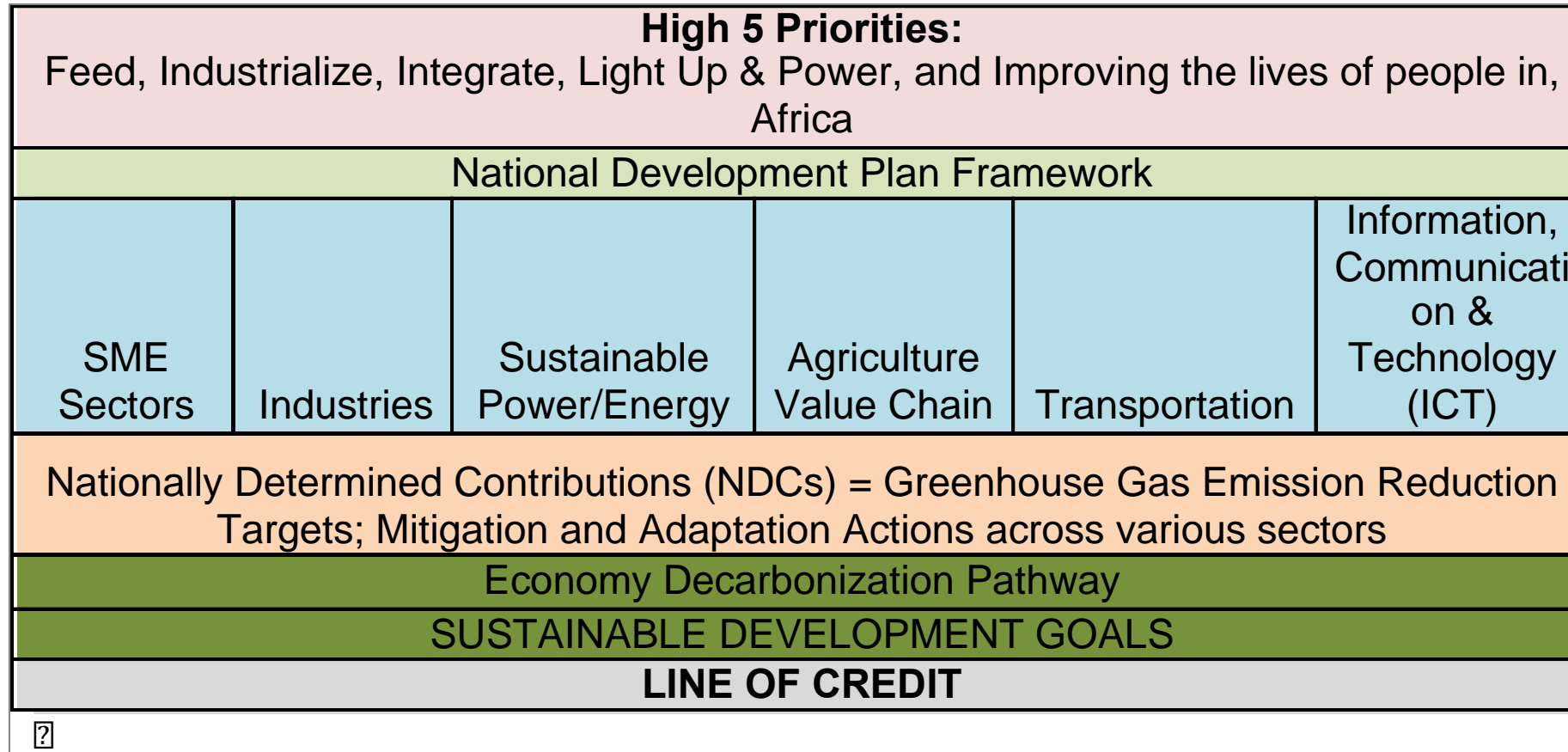
- Leverage green LOC to mobilize private sector funds globally in response to the dire sufferings of the ecosystems from the effects of climate change (adapting) as well as mitigating.
- To strengthen the Bank's green bond programme so that the green bond proceeds can be applied to establish/float green LOCs approved for different eligible FIs across Africa.
- To prepare and support African countries via private sector engagement towards the implementation of the NDCs leveraging financial and non-financial resources/instruments.
- Aligning closely and strategically with specific NDC targets (climate actions) across various economic sectors of African countries where the participating financial institutions (FIs) operate in and intends to utilize the LOC proceeds.
- Build the capacities of financial institutions and SMEs to accelerate the adoption of climate action and finance across Africa.

# Theory of Change of the mainstreaming guidelines

<b>Impact</b>	AfDB High Five Priorities: Feed, Industrialize, Integrate, Power/Light up and improve lives of people in, Africa	Sustainable Development Goals		NDC targets: GHG emissions reductions; adaptation measures	
<b>Outcomes</b>	Green LOCs are established and approved for eligible financial institutions	All tools are tested and adopted as annexes in the approved LOC for adoption by the financial institutions	Pipeline of bankable climate/green projects (mitigation and adaptation benefits) are developed by the financial institutions	Climate actions and risk management are integrated in the proposals from SMEs to the financial institutions	Blended financing mechanisms are in use leveraging the established/approved LOC
<b>Outputs</b>	Technical Assistance for the financial institutions	Capacity development on climate/green financing and the relevant tools for financial institutions in the pilot countries and relevant staff of AfDB	Enterprise development training for pilot SMEs and entrepreneurs across the pilot countries	Consultative workshops in conjunction with AfDB to engage wider regional and global networks	Developed pillars of mainstreaming guideline for the LOC
<b>Activities</b>	<b>Implementation:</b> LOC establishment and disbursement to eligible financial institutions to on-lend to bankable climate actions and green projects across Africa	Challenge formulation & specific calls for LOC application by financial institutions to drive green financing in Africa	Scoping exercise in the pilot countries carried out assess specific needs along the respective Nationally Determined Contribution (NDC) targets.	Development of specific relevant tools for mainstreaming climate actions, climate risks screening, GHG accounting tool	
<b>Challenges</b>	Rising Greenhouse Gas emissions		Climate Change effects & risks: floods, heat waves, drought		Food insecurity/Hunger; infectious diseases; climate change refugees, conflicts, communal displacement; investment/financial losses



# Theory of Change of the mainstreaming guidelines

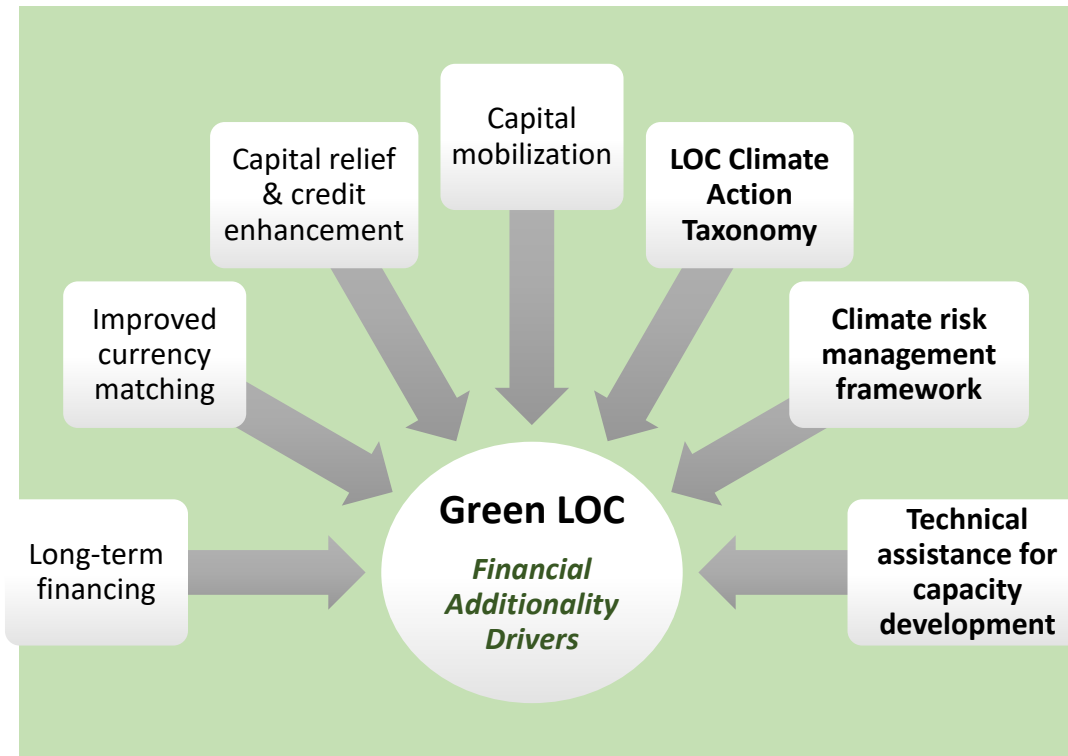


Mainstreaming additions



# 3 Pillars of the mainstreaming guidelines

Building on the existing Financial Additionality Drivers of LOC under ADOA



## PILLAR 1

- Guidelines for the LOC Climate Action Taxonomy

## PILLAR 2

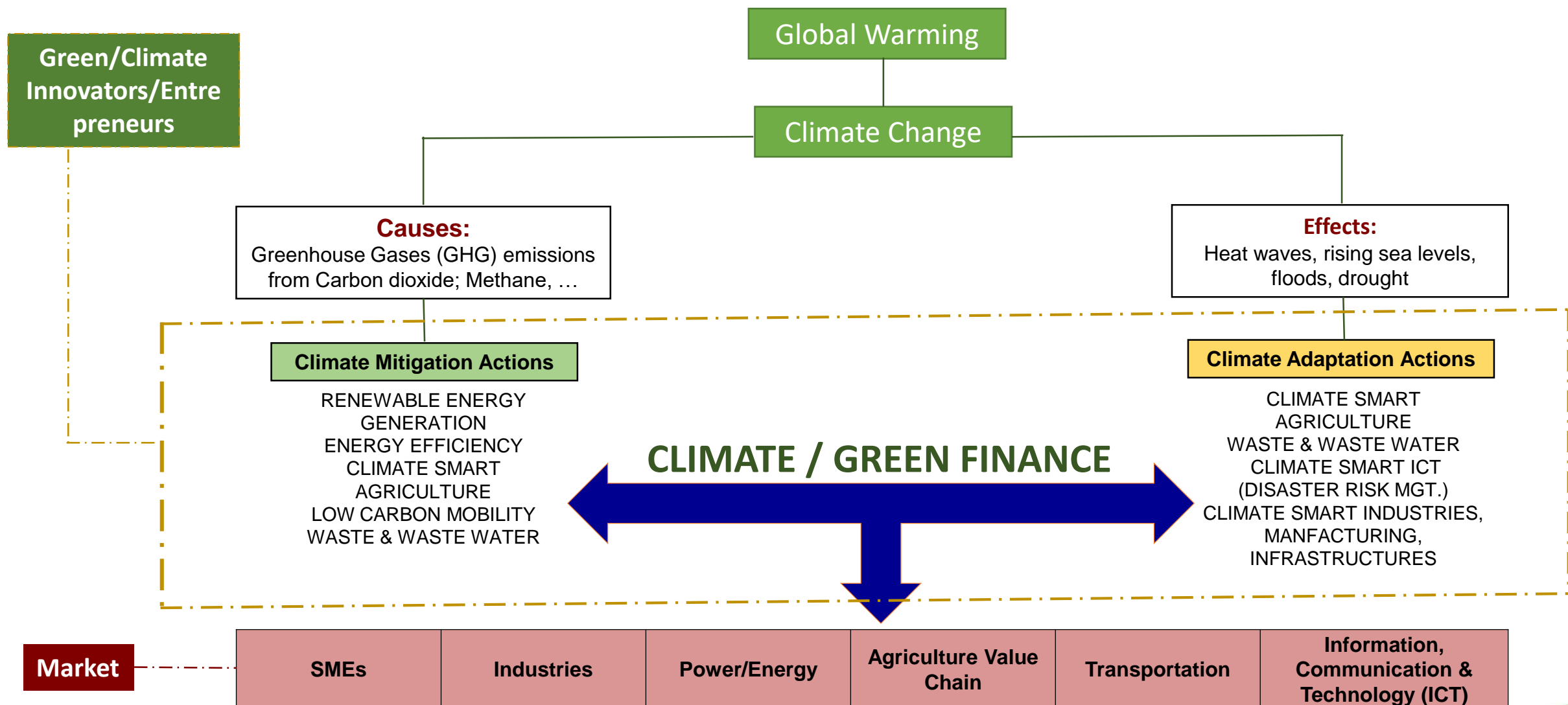
- Climate Risk Management Procedures for the LOC

## PILLAR 3

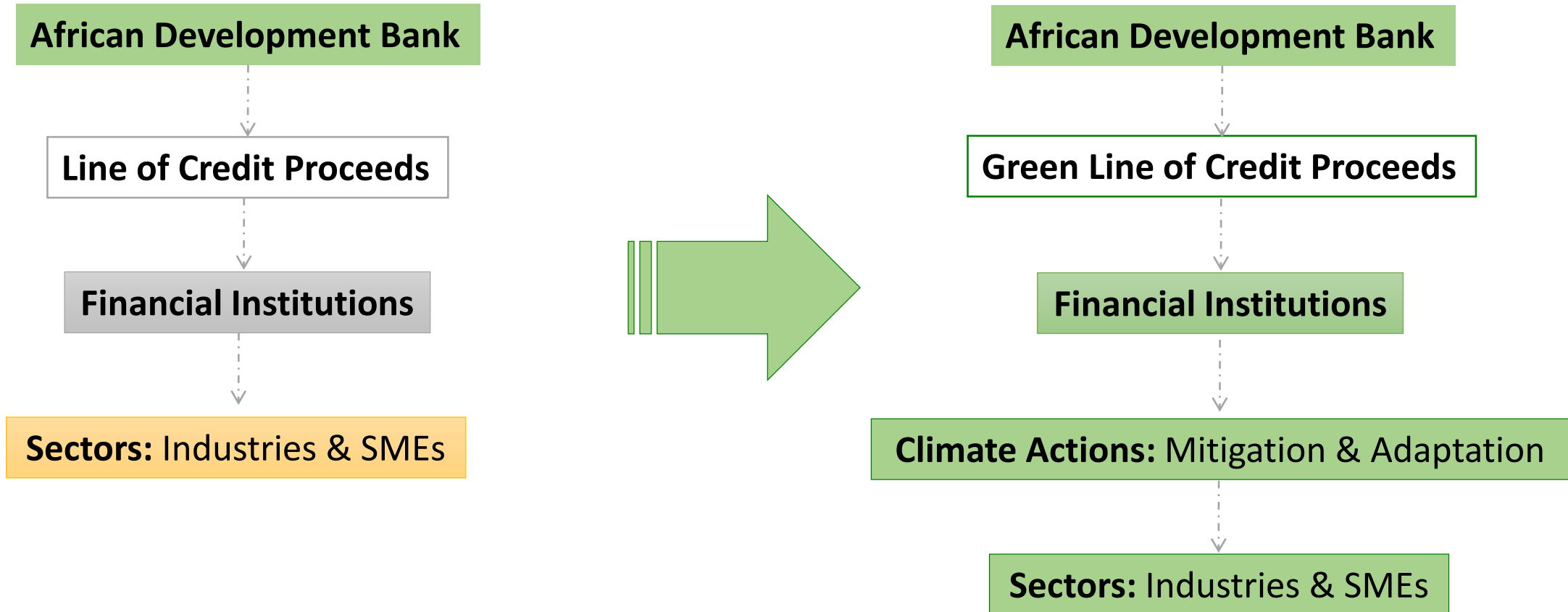
- Scale & Sustainability: Technical Assistance for Capacity Development for Financial Institutions and SMEs



# PILLAR 1: Guidelines for the LOC Climate Action Taxonomy



# PILLAR 1: Vanilla LOC framework Vs. Green LOC framework





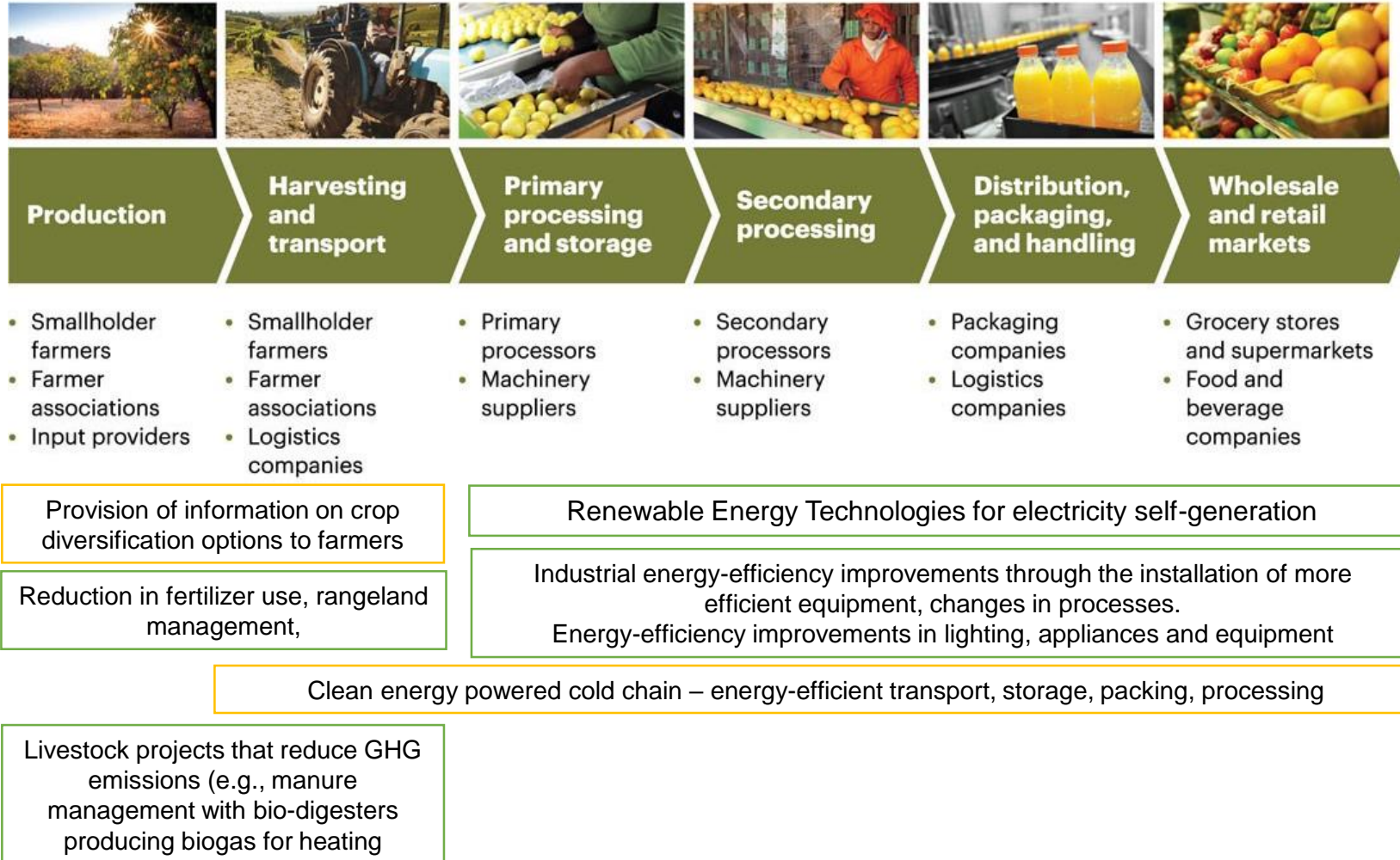
# Climate Mitigation Action Taxonomy

RENEWABLE ENERGY GENERATION	CLIMATE SMART AGRICULTURE
<ul style="list-style-type: none"> <li>Renewable Energy Technologies for electricity self-generation and consumption for any of value chain activities: Solar, Hydro, Biomass, Wind, Gas</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in fertilizer use, rangeland management, collection and use of bagasse, rice husks, or other agricultural waste</li> </ul>
ENERGY EFFICIENCY	<ul style="list-style-type: none"> <li>Rehabilitation of degraded lands – green house farming practice; Reduction in energy use in traction (e.g., efficient tillage), renewable energy powered irrigation, and other <sup>L</sup><sub>SEP</sub> agricultural processes</li> </ul>
<ul style="list-style-type: none"> <li>Industrial energy-efficiency improvements through the installation of more efficient equipment, changes in processes.</li> <li>Energy-efficiency improvements in lighting, appliances and equipment</li> </ul>	<ul style="list-style-type: none"> <li>Clean energy powered cold chain - transport, storage, packing, processing</li> </ul>
<ul style="list-style-type: none"> <li>Use of highly efficient architectural designs or building techniques that enable reduced energy consumption for heating and air conditioning, exceeding available standards and complying with high energy efficiency certification or rating schemes. <b><i>This category excludes efficiency improvements to dirty fossil fuel-fired power plants.</i></b></li> </ul>	<ul style="list-style-type: none"> <li>Livestock projects that reduce GHG emissions (e.g., manure management with bio-digesters producing biogas for heating or cooking) <sup>L</sup><sub>SEP</sub></li> </ul>
LOW CARBON MOBILITY	WASTE AND WASTE WATER
<p>Urban transport modal change: Non-motorized transport (bicycles and pedestrian mobility); Urban mass transit</p> <ul style="list-style-type: none"> <li>Waterways transport resulting in a modal shift for freight and/or passengers</li> <li>Vehicle energy-efficiency fleet retrofit (including the use of lower-carbon fuels, electric or hydrogen technologies, etc.).</li> </ul>	<p>Waste management that reduces methane emissions (e.g., shifting from open dumps and lagoons to municipal / industrial waste (water) treatment, including switching to composting, waste incineration, landfill gas capture and flaring/power production, etc.)</p>
	<p>Waste recycling measures with a demonstrated net mitigation benefit</p>

# Climate Adaptation Action Taxonomy

WASTE AND WASTE WATER MANAGEMENT	CLIMATE SMART MANUFACTURING, TRADE, INFRASTRUCTURES
Installation of domestic rainwater harvesting equipment and water storage where water supply is negatively affected by climate change	Manufacturing (e.g., design of climate-resilient equipment);
Rehabilitation of water distribution networks and building pipelines to improve water resources management, to address changes in water flows/quality caused by climate change, etc.;	Increased cooling requirement in food processing distribution & retail resulting from more extreme heat events (e.g., increased water-efficiency in processing)
Changes in design of sanitation and storm-water management systems in response to extreme weather events arising from climate change.	Adaptation components in projects to improve the climate resilience of existing infrastructure e.g., transport infrastructure, energy infrastructure, riverine infrastructure (including built flood protection) and human settlements (e.g., housing)
CLIMATE SMART ICT - (OTHER) DISASTER RISK MANAGEMENT	CLIMATE SMART AGRICULTURE
Early warning / emergency response systems to adapt to increased occurrence of extreme events by improving disaster prevention, preparedness and management and reducing potentially related loss and damage;	Provision of information on crop diversification options to farmers
Monitoring of disease outbreaks and development of a national response plan (to adapt to changing patterns of diseases that are caused by changing climatic conditions).	Adoption of sustainable aquaculture techniques to address changes in fish stocks resulting from climate change impacts and supplement local fish supplies, etc.

# Test Case: Applying Climate Actions across Agriculture Value Chain



Orange – Climate Adaptation Action

Green – Climate Mitigation Action



# PILLAR 2: Climate Risk Management Procedures for the LOC

Sample Sectors	Climate Risks & Potential Exposure
Urban planning and infrastructure sector	More frequent heat waves may increase the stress on emergency services and hospitals while more intense storms and rising sea levels may increase the vulnerability of coastal housing and infrastructure.
Electricity sector	An increase in heat waves and longevity of temperatures daily would further stimulate air-conditioning demand. Increased peak demands on generation and distribution systems will challenge system reliability. Since investment needs are strongly driven by peak demand rather than by average levels of consumption, per unit cost of electricity can be expected to increase in response to the increased peak demand. The required capital to accommodate such peak demand will also increase.
Agriculture sector	Increases in temperature and net reductions in average rainfall across Africa could make drought sequences more common, while the impact of increased temperatures would make them more damaging to plant and livestock viability and production. To the extent that these increases in drought frequency or severity result from continental impacts, then drought management based on shipping livestock and fodder between areas of localized drought may not be possible.

Success Criteria	Shareholder value	Growth	Supply Chain	Human Resources	Compliance
Rating	Catastrophic	Major	Moderate	Minor	Insignificant



# PILLAR 3: Technical Assistance for Capacity Development for Financial Institutions and SMEs

**Technical Assistance Along the Lifecycle of the Financing Process = Addressing the identified bottlenecks**

Stages in green financing	Technical assistance to FIs	Technical assistance to end borrowers/SMEs	Bottlenecks to address
Project Identification & Origination	Market studies, portfolio assessment	Energy audits, providing information on financing options	Low awareness of green investment opportunities; lack of bankable green projects
Appraisal and Profiling	Technical audits, financial assessments	Support in drafting bankable business plans and loan applications as well as blended financing options	Lack of capacity to evaluate green investment proposals; lack of clear risk profile for green projects
Market-led Product Development	Support in design/development, testing, and deployment of new financial products, capacity building	Hand-holding end borrowers during project implementation and early stage management	Unsuitable financial products or lending practices; lack of market knowledge and information
Monitoring, evaluation, and aggregating	Development of monitoring and evaluation tools, environmental and social risk management	Support in the assessment of the project	Lack of capacity to monitor and evaluating ongoing projects; lack of projects aggregation mechanism
Marketing and communication	Assistance in developing marketing campaigns	Aggregation of bankable projects of the end borrowers	Low awareness of green investment opportunities and benefits



# Thank you

