



# Climate Finance: International Business Opportunities



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For insights on climate finance in Africa, contact [Euloge.Camara@international.gc.ca](mailto:Euloge.Camara@international.gc.ca)

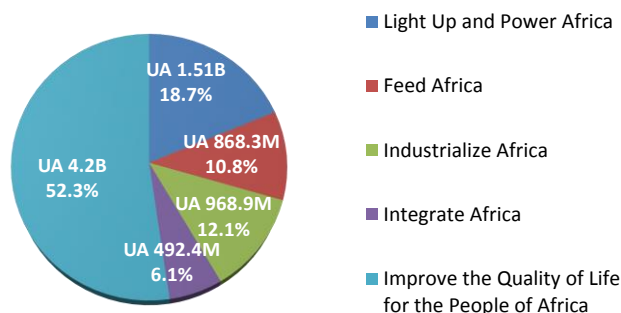
## African Development Bank Group (Abidjan, Ivory Coast)

The [African Development Bank](#) (AfDB) Group is a multilateral development bank whose mission is to spur sustainable economic development and social progress in its regional member countries (RMCs) and reduce poverty. The AfDB Group comprises three entities: the African Development Bank (AfDB), which is the parent institution, established in 1963; the African Development Fund (ADF), established in 1972; and the Nigeria Trust Fund (NTF), set up in 1976. Currently, the AfDB has 54 RMCs in Africa and 26 non-African member countries.

The AfDB Group focuses on five development priorities—the “High 5s”: Light Up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa—within the framework of its 10-year strategy (2013–2022) aimed at promoting inclusive and green growth. The AfDB Group offers a variety of instruments to support RMCs, including loans, guarantees and equity investments to sovereign-guaranteed and non-sovereign-guaranteed operations.\* AfDB Group approvals in 2016 amounted to UA8.04 billion (equivalent to US\$10.8 billion).

As of December 2016, Canada has been the AfDB’s seventh-largest shareholder, at 3.9%.

**Total Approvals by High 5 Grouping, 2016**



Source:

<https://www.afdb.org/en/documents/document/afdb-annual-report-2016-95954/>

\* Non-sovereign-guaranteed operations refer to projects undertaken by public clients—such as subnational governments and state-owned enterprises—that do not benefit from a sovereign guarantee, and to projects undertaken by the private sector.





## Procurement Processes

In January 2016, the AfDB Group implemented a new procurement framework that included a new [procurement policy](#) for AfDB Group-financed operations and an associated [implementation methodology](#). For projects initiated prior to that date, the AfDB's previous procurement framework applies. For further detail on current opportunities, please refer to the [General Procurement Notices](#), [Specific Procurement Notices](#), [Invitations to Bid](#) and [Expressions of Interest for Consultants](#) pages of the AfDB website. It is important to note that under the AfDB's procurement framework, procurement pertaining to private sector and non-sovereign operations shall be carried out by project proponents on the basis of acceptable private sector or commercial practices and includes a requirement for negotiations on an arm's length basis. The policy encourages the use of competitive bidding methods by private sector clients, particularly for large contracts.

**Procurement by Developing Member Countries Goods, works, non-consulting and consulting services:** The AfDB's procurement framework recommends that RMCs use open competitive bidding, a process available equally to national and/or international bidders, for procuring goods, works and services. In certain circumstances, other procurement methods (e.g. limited/restricted bidding, direct procurement, shopping, etc.) may be permitted. Should RMC procurement systems be deemed inadequate, the AfDB's procurement systems may be used. In accordance with stated eligibility criteria, firms and individuals from all countries are permitted to bid for procurement opportunities.

**Procurement by the AfDB**  
**Corporate procurement:** The AfDB's General Services and Procurement Department is responsible for corporate procurement and issues [corporate procurement-related solicitations](#). The [Vendor Kiosk](#) is aimed at vendors interested in supplying goods, works and services that respond to the bank's internal needs. In addition, various departments/units within the AfDB seek junior consultants to work with more senior colleagues. Such opportunities can be viewed at [Expression of Interest for Junior Consultants](#).

**Consulting firms and individual consultants:** Individual consultants and consulting firms must register with the [AfDB E-Consultant](#) database.

In 2016, Canada ranked 14th in terms of consulting services provided to the AfDB, as measured as a percentage of dollar value. Contracted volume with Canadian firms amounted to UA34.5 million (equivalent to US\$47.8 million) across 30 engagements (average number of contracts is 20 per year). While the power sector accounted for the largest average dollar value of contracts, other areas of activity represented included finance, transport, agriculture, the social sector and multi-sector engagements.

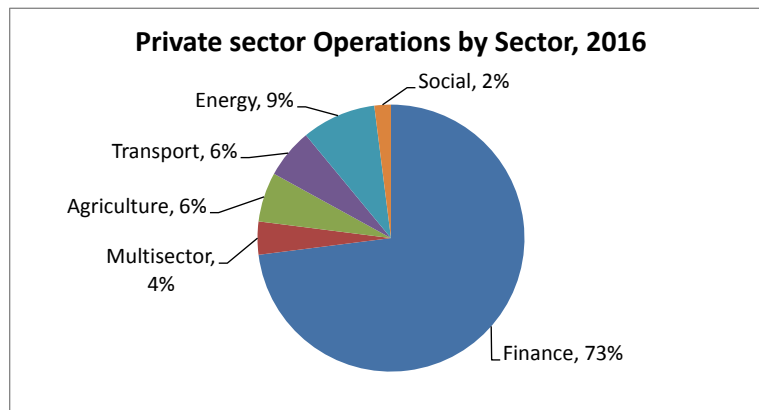
## Private Sector Operations

[Private sector operations](#) play an important role in helping the AfDB Group achieve its mission, as strong and dynamic private participation is recognized across sectors, such as infrastructure, agriculture, education, health and financial markets in the context of the High 5s. The AfDB's private sector operations encompass two types of activities: (1) financing to private companies as well as to public-private partnerships and state-owned enterprises that do not benefit from a sovereign guarantee; and (2) non-financial support (e.g. grants and technical assistance) to RMCs to improve business enabling environments.





In 2016, UA1.9 billion (equivalent to US\$2.7 billion), or about 30%, of the AfDB's operations supported projects in the private sector in the form of loans, guarantees and equity investments.



Source: <https://www.afdb.org/en/documents/document/afdb-annual-report-2017-101996/>

### Private Sector Finance

For a private company to benefit from AfDB financing, the enterprise/project receiving financing must be located and incorporated in an RMC and the enterprise/project must be majority-owned by private sector investors (if publicly owned, the enterprise/project must have strong financial standing and proven managerial autonomy). In addition, the AfDB limits its participation to a maximum of 33% of total costs for greenfield projects, although the bank may consider larger investments for existing enterprises and expansion projects. Shareholders and project proponents must demonstrate strong integrity, good reputation and adequate financial standing. As mentioned above, the AfDB offers several financial products to private sector companies, including:

#### Loans

- Senior and subordinated debt
  - Tenor up to 15 years
  - Foreign and local currencies
- Syndicated loans

#### Equity and quasi-equity

- Direct investments, primarily in financial institutions
- Up to 25% (with or without board representation)

#### Guarantees

- Partial credit and partial risk

#### Technical assistance/grants

- For various studies and capacity building to enhance inclusiveness of private sector projects (e.g. women, youth)

For more productive conversations with the AfDB on private sector financing, companies should be prepared to provide: (i) a description of the enterprise/project; (ii) sponsors/shareholders information, including track record and financial wherewithal; (iii) an initial financing plan, including type and amount of AfDB financing desired, and uses of funding; (iv) a preliminary business plan demonstrating commercial viability; (v) the current status and implementation path; and (vi) the project's estimated environmental, social and economic impacts. The AfDB requires that sponsors have 30% equity interest in a given project.



## Climate Finance

The AfDB Group has committed to tripling its climate finance to US\$5 billion a year by 2020, or 40% of total approvals. In 2016, the AfDB Group approved 60 projects with climate change mitigation or adaptation components, amounting to US\$1.1 billion and leveraged about US\$700 million in co-financing. In addition to directing its own capital toward low-carbon and climate-resilience projects, the AfDB Group acts as an intermediary for the [Green Climate Fund](#), the [Global Environment Facility](#) and the [Climate Investment Funds](#) as these funds generally do not accept direct applications from the private sector. The AfDB also manages several donor trust funds that support climate change projects. While financial products that the AfDB provides from its own capital are subject to market-based terms and conditions, financial products offered through intermediated and donor funds may be offered at concessional (or sub-market) terms and conditions at just a level of concessionality needed to facilitate the investment; thus, funding recipients are provided with a blended financing solution.

## Accessing private sector and climate finance

Canadian private sector companies can access private sector financing for climate change projects for which they are a sponsor through the AfDB's Private Sector Operations Department: [private-sector@afdb.org](mailto:private-sector@afdb.org)

