



Urban Pathways

actsheet

on Financing Solutions African Development Bank



Wuppertal
Institut

UN  HABITAT
FOR A BETTER URBAN FUTURE

UN 
environment

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The Urban Pathways project helps delivering on the Paris Agreement and the NDCs in the context of the New Urban Agenda and the Sustainable Development Goals. It has established a facility in close cooperation with other organisations and networks active in this area to support national and local governments to develop action plans and concrete implementation measures to boost low-carbon urban development. This builds on UN-Habitat's role as "a focal point on sustainable urbanisation and human settlements including in the implementation and follow-up and review of the New Urban Agenda". The project develops national action plans and local implementation concepts in key emerging economies with a high mitigation potential. The local implementation concepts are being developed into bankable projects, focusing on the access to urban basic services to create a direct link between climate change mitigation and sustainable development goals.

The project follows a structured approach to boost Low Carbon Plans for urban mobility, energy and waste management services that deliver on the Paris Agreement and the New Urban Agenda. The project works on concrete steps towards a maximum impact with regards to the contribution of urban basic services (mobility, energy and waste management) in cities to global climate change mitigation efforts and sustainable and inclusive urban development. This project makes an active contribution to achieve global climate change targets to a 1.5°C stabilisation pathway by unlocking the global emission reduction potential of urban energy, transport and resource sectors. The project will contribute to a direct emission reduction in the pilot and outreach countries, which will trigger a longer term emission reduction with the aim to replicate this regionally and globally to make a substantial contribution to the overall emission reduction potential.

This project implements integrated urban services solutions as proposed in the New Urban Agenda providing access to jobs and public services in urban areas, contributing to equality and social coherence and deliver on the Paris Agreement and the Sustainable Development Goals. This is the first dedicated implementation action oriented project, led by UN-Habitat to deliver on inclusive, low-carbon urban services. Securing sustainability and multiplier effect, the project aims to leverage domestic and international funding for the implementation projects that will follow from this initiative.

Urban Pathways

Project concept

Project aims

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African Development Bank (AfDB) - Climate change fund

The African Development Bank (AfDB) Group is a regional multi-lateral development finance institution established to contribute to the economic development and social progress of African countries that are the institution's Regional Member Countries. The AfDB comprises three entities: the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF). The AfDB mission is to help reduce poverty, improve the living conditions for all Africans and mobilise resource for the continent's economic and social development. .

Name of initiative

Short description



54 African countries that are its regional members (including all Urban Pathway African countries).

Urban Pathways countries (Total amount lent 1967 - present)

Kenya: Lending amount USD 2, 662 502 million and 101 projects across sectors

South Africa: Lending amount USD 3, 479 697 and 33 projects across sectors

Mozambique: Lending amount USD 1, 392174 and 102 projects across sectors

Ghana: Lending amount USD 1, 888 581 and 105 projects across sectors

Zambia: Lending amount USD 1, 314 444 and 91 projects across sectors

Morocco: Lending amount USD 7, 148 649 and 147 projects across sectors

Sectors

Transport

Energy

Water and sanitation

Land development and forestry

Multi-sector

Directly accessible for cities: YES

South Africa - Southern African Regional Development
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Geographic Scope

Kenya

South Africa

Mozambique

Ghana

Zambia

Morocco

Urban Pathways
Area

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AfDB funding focus:

- Loans
- Risk Management Products
- Guarantees
- Lines of Credit
- Other Financial Services

Project loans where the conventional instrument used by the

AfDB since the 1980s which also included lines of credit and technical assistance. In the mid-1980s Structural Adjustment Loans and Sectoral Adjustment Loans were introduced to address faster-disbursing and policy-based loans. The Bretton Woods Institutions (BWIs) have played a leading role in the design and formulation of these programmes. The Bank has, however, become an active partner in the process, in a complementary context. In order to strengthen its future participation in Policy-Based Lending (PBL) operations, the Bank is playing a more active role in background studies and policy dialogue to ensure it adds value to the content and design of policy framework papers. On 9 December 2009, Board of Directors of the Bank approved several amendments to the menu of the Bank's financial products. These amendments include the withdrawal of the Variable Rate Loan (VLR) Product for all borrowers, the maintenance of the temporary suspension of the Fixed Spread Loan (FSL) product and the introduction of the Enhanced Variable Spread Loan (EVSL) Product for sovereign guaranteed borrowers. The AfDB's standard loans are categorized as either Sovereign-Guaranteed Loans (SGLs) or Non-Sovereign-Guaranteed Loans (NSGLs). SGLs are loans made to Regional Member Countries (RMCs) or public sector enterprises from RMCs supported by the full faith and credit of the RMC in whose territory the borrower is domiciled. Multinational institutions are eligible for SGLs if they are guaranteed by an RMC or by RMCs in whose territory or territories, the projects will be executed.

o Single currency loan

In the 1990s the bank became more responsive to the financial environment of its regional member countries. In response a single currency loan was introduced where borrowers were given the option to choose from a number of currencies readily available to the AfDB including the South African Rand, along with three interest rate bases. Since 2000, the AfDB offers its borrowers flexibility to customise their debt repayment profile with access to annuities, step-up or step-down amortisation of principal or bullet repayment. These features enable sophisticated borrowers to profile their loans to fit their specific needs.

o Sovereign Guaranteed Loans (SGLs)

This loan is the fully flexible loan (FFL) that allows regional member countries to have flexibility to fix, unfix and re-fix the base interest rate

Funding focus

Loans

and also to cap or collar the base interest rate. The FFL product now offers currency conversion flexibility, where borrowers may change the lending currency of all or part of undisbursed and/or disbursed loan amounts during the life of the loan. The FFL introduces a maturity-based pricing structure and increases the maximum tenor and grace period of SGLs from the previous EVSL product, that is, from 20 years to 25 years and from 5 years to 8 years, respectively. This allows eligible borrowers to select loan profiles that match their funding needs and debt management capacities.

o Non-Sovereign Guarantees Loans (NSGLs)

This loan product available to non-sovereign guaranteed borrowers and all private sector borrowers is the Fixed Spread Loan (FSL). There are several available FSL loan structures offered by the Bank including lines of credit (LOCs), corporate loans, parallel and A/B loan syndications and local currency loans.

Interest rate and currency swaps, caps, collars, commodity hedges and indexed loans was introduced in 2002 to enabling borrowers to manage risks occurring during the life of a given loan. These hedging instruments allow borrowers to better manage the financial risks associated with their ADB loans, to access market-based hedging tools using the Bank as an intermediary, and to actively manage their AfDB debt portfolio.

Guarantees allow borrowers who want to access resources from third-party lenders, including capital markets. Guarantees are also an effective tool for encouraging local currency borrowing. The Bank's guarantees are classified into two categories: Partial Credit Guarantees (PCGs); and Partial Risk Guarantees (PRGs). PCGs cover a portion of scheduled repayments of private sector loans or bonds against the risk of default. The PCG can be utilized to support mobilization of private funds for project finance, financial intermediation and policy-based finance. PRGs on the other hand, cover private lenders against the risk of a government, or a government-owned agency, failing to perform its obligations vis-à-vis a private sector project. Such risks could include political force majeure, currency inconvertibility, regulatory risks (adverse changes in law), and various forms of breach of contract.

Private financial institutions (PFIs) are offers lines of credit for on lending to SMEs. The terms of the lines of credit specify the conditions under which Bank funds will be provided to the PFI for on lending. The credit risks of the sub-loans are borne by the PFIs.

The Bank also offers technical assistance through grant funds to supplement its financial products for both the public and private sector windows. The Bank's technical assistance is primarily focused on increasing the development outcomes of its operations, raising the effectiveness of project preparation, which is vital in ensuring the best developmental and poverty-reducing outcomes for projects that receive Bank financing. In addition, technical assistance may aim to foster and sustain efforts in creating an enabling business environment to promote private sector investment and growth.

Risk management products

Guarantees

Lines of credit

Other financial services

The African Development Bank Group finances projects, programs and studies in the areas of agriculture, health, education, public utilities, transport and telecommunications, the industry and the private sector. The AfDB also finance non-project operations, including structural adjustment loans, policy-based reforms and various forms of technical assistance and policy advice. The AfDB Group has also widened the scope of its activities to cover new initiatives such as the New Partnership for Africa's Development (NEPAD), water and sanitation as well as HIV/AIDS. In 2006, the AfDB Group also made a commitment to cancel nearly US\$9 billion owed by the countries concerned in order to help them attain the MDGs. The AfDB Group has also widened the scope of its activities to cover new initiatives such as the New Partnership for Africa's Development (NEPAD), water and sanitation as well as HIV/AIDS. The Bank Group is also involved in important initiatives on debt reduction, to the tune of US\$ 5.6 billion under the Highly Indebted Poor Countries (HIPC) Initiative, which aims at reducing the debt stock of 33 eligible countries to sustainable levels.

All regional member countries are eligible for funding from the AfDB. Countries are classified under three categories on the basis of two criteria: (i) country-creditworthiness and (ii) GNI per capita. The first category comprises 'not creditworthy' countries with a GNI per capita below an established threshold updated annually (in fiscal year 2013-2014: \$1,205). Countries in the first category are only eligible for concessional resources from the African Development Fund window. The second category contains countries with a GNI per capita below the operational GNI cut off but creditworthy: these are called 'blend countries' and are eligible for ADF and ADB resources. Finally, the third category is made up of countries above the operational GNI cut off and creditworthy. Those countries are eligible to ADB resources only. The AfDB's credit policy has been reviewed in May 2014, enabling, under certain conditions, an ADF eligible country to borrow non-concessional resources from the AfDB window.

Budget available is dependent on the project scope, impact and requesting amount of the regional member country. Since 2016, the AfDB has identified "high five grouping" as the priority sectors for lending. These include, energy (light up and power Africa), food (feed Africa), industrial development, infrastructure projects, and poverty alleviation. Finance is treated as a cross-cutting sector and is mapped to each of the High 5s, depending on the specific operation and its intended impact.

The AfDB provides long-term financing/loans to suit the needs of its regional member countries. The maximum maturity loan payback period is 20 years inclusive of a grace period. Maturity restrictions apply to certain product types depending on market conditions. A Non-sovereign Guaranteed loan has a maximum maturity of up to 15 years, inclusive of the grace period.

Projects run by either national government, institutions or private sector companies are funded by the AfDB with the view of helping member countries achieve their developmental goals.

<https://www.afdb.org/en/>

Scope of funding

Eligibility

Budget available

Timeframe

Institutions typically involved

Website



Urban Pathways

www.urban-pathways.org

More Information

Implementing
Partners



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