







Africa Circular Economy Facility
Operating principles





AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT

ACEF
AFRICA CIRCULAR ECONOMY FACILITY



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ABOUT THE AFRICA CIRCULAR ECONOMY FACILITY (ACEF)

The Africa Circular Economy Facility (ACEF) is a multi-donor trust fund administered by the African Development Bank to **foster Africa's transformation by adopting the circular economy as an inclusive and green growth strategy.**

ACEF aims to help African countries achieve their development priorities while meeting the goals of the Paris Agreement, the Sustainable Development Goals (SDGs) and Africa's Agenda 2063.

The trust fund was launched at the Bank's Annual Meetings in May 2022 with an initial capitalization of EUR 4 million, contributed equally by the Government of Finland and the Nordic Development Fund (NDF).

The Facility's interventions are designed to accelerate the adoption of circular practices in Africa and promote inclusive green growth, aligning with the objectives of the Bank's Ten-Year Strategy and Climate Change and Green Growth Strategic Framework (2021-2030).

This document aims to outline ACEF's operating principles. The ACEF Operational Guidelines and the Multi-Donor Agreement for ACEF specify detailed operational procedures and legal obligations.

ACEF'S AREAS OF INTERVENTIONS

ACEF operates through a single grant financing window, offering both direct financial assistance and technical support. This includes funding for capacity building and project development.

ACEF assistance is focused on three key areas:

CREATE ENABLING POLICY ENVIRONMENT	**Institutional capacity building**	Supporting national circular economy strategies through institutional frameworks, policy adoption, and harmonized standards.
PROMOTE CIRCULAR BUSINESS MODEL	**Micro-, Small and Medium-sized Enterprise support**	Promote circular business development by ideating, piloting, and scaling innovative ventures to minimize waste, enhance resource efficiency, and address climate change.
SHARE KNOWLEDGE AND BEST PRACTICES	**Support to the African Circular Economy Alliance**	Encouraging African Government buy-in and creation of incentives for circular economy

JOINING ACEF AS A DONOR

- Any government eligible to become a member of the African Development Bank or any entity acceptable to the Bank can become a donor to ACEF by

1. **delivering a Letter of Participation**
2. **becoming a signatory to the Multi-donor Agreement for the Africa Circular Economy Facility.**

- Each Donor contributes funds in the form of grant to support the Bank in the implementation of the ACEF.

- The contribution amount can be agreed upon with each donor and can be made available in one or more tranches, corresponding to the ACEF work programme. The minimum contribution to ACEF is EUR 2 million.

- All contributions to ACEF are administered as untied grant resources.

- By joining ACEF, each donor will have its seat in the ACEF Oversight Committee.

- A donor may decide not to continue its participation in the ACEF by giving written notice of not less than six months to the Bank and, upon the expiration of the notice period, ceasing to make future contributions to ACEF. This will, however, not release the donor from full payment of any contributions previously committed.

ACEF GOVERNANCE STRUCTURE AND ROLES

ACEF operations are guided by the ACEF Operational Guidelines and an estimative ACEF 5-year Workplan and Budget, both approved and revised by the ACEF Oversight Committee. The rules and policies applicable to the operations of the African Development Bank are generally applicable to ACEF, except if otherwise stated in the ACEF Operational Guidelines.

The Oversight Committee (OC)

The OC comprises one representative from each ACEF donor and two from the Bank, chaired by the Bank's Director of Climate Change and Green Growth. Meeting biannually, either in person or virtually for broader participation and cost-efficiency, the OC operates on a consensus basis, with voting as an option.
Decision-making methods are detailed in the ACEF Operational Guidelines.

The OC's key responsibilities include:

- Providing general oversight and strategic guidance
- Reviewing and approving revisions to the results management framework or operational guidelines
- Reviewing and approving regular reports, the annual work program, and budget
- Approving proposals executed by the Bank or those between EUR 750,000 and EUR 5 million
- Initiating discussions for replenishing ACEF resources

The Technical Review Committee (TRC)

The TRC ensures the technical and financial feasibility of ACEF funding requests, aligning them with the Bank's strategies and policies. It reviews and recommends policies, guidelines, and work plans. Chaired by the Director of Climate Change and Green Growth, the TRC comprises eight members from various Bank departments, including urban development, natural resources, youth and skills development, industrial development, impact and results management, financial and procurement management, and partnerships.

The TRC's key responsibilities include:

- Ensuring technical and financial feasibility of ACEF funding requests
- Reviewing and recommending policies, guidelines, and work plans to the OC
- Clearing externally executed proposals below EUR 750,000
- Reviewing and recommending Bank-executed or higher-threshold proposals to the OC

The Resource Mobilization and Partnerships Department (FIRM)

The FIRM Department manages reporting and communications with donors regarding the financial management and administration of contributions, including regular financial reports. It oversees resource management and fiduciary control.
To ensure seamless coordination, FIRM is represented in both the ACEF OC and TRC. Alongside PECG, FIRM also actively participates in resource mobilization, in collaboration with the ACEF Secretariat.

The Climate and Green Growth Department (PECG)

The PECG Department hosts the ACEF Secretariat and leads the execution of activities of ACEF.

The PECG Director oversees ACEF implementation and ensuresalignment with defined priorities.

ACEF SECRETARIAT

The ACEF Secretariat manages daily fund activities, monitors the progress of approved initiatives, and ensures compliance with policies.

It also coordinates project impact assessments and serves as the primary contact for partner engagement. Additionally, the Secretariat enhances trust fund visibility and updates operational procedures with OC approval.

Other key responsibilities of the ACEF Secretariat include:

- Launching calls for proposals as per the work plan or OC approval.
- Reviewing applications for financial support according to ACEF Operational Guidelines.
- Appraising project proposals and screening shortlisted applications before submission to the TRC.

ACEF ADMINISTRATIVE ARRANGEMENTS



ACEF FUNDS MANAGEMENT

The Bank manages ACEF resources per its financial rules, regulations, and policies, utilizing its organization, services, facilities, and staff. **To cover costs, the Bank deducts a 5% administrative fee from each contribution. Operational costs, including consultancy, meetings, and transportation, are also covered by Fund contributions.** These expenses are detailed in the ACEF annual work program and budget.

The Bank may invest contributions and accrued interest, with income retained in the ACEF account for use as outlined in the ACEF Operational Guidelines.



ACEF BUDGETING

Annual budgeting for ACEF is part of its planning and management process. The ACEF Secretariat prepares and manages the budget, submitting proposals to the ACEF approval process.

The budget is based on an annual rolling results-based framework aligned with ACEF's operational focus.



RULES AND PROCEDURES

ACEF resources are untied and may be commingled with other trust fund resources managed by the Bank, but are kept separate from other funds.

ACEF operations follow the Bank's policies and procedures. Third-party projects must also comply with these rules. The Bank's Procurement Rules, integrity policies, and procedures for fraud, bribery, corruption, debarment, and cross-debarment apply to ACEF projects. ACEF grants adhere to the Bank's Integrated Safeguard System (ISS) and Sexual Exploitation, Abuse and Harassment (SEAH) policies. External recipient-implemented grants must comply with the Procurement Framework for Bank Group Funded Operations.

For Bank-implemented grants, the Bank handles consultant selection, contract negotiations, procurement, project supervision, and disbursements, all in line with its policies. Approvals follow the Bank's Delegation of Authority Matrix.



TERMINATION OF THE FUND

The Multi-donor Agreement for ACEF is effective for five years from April 7, 2022, and can be extended by mutual agreement of at least two donors. Without an extension, the Bank will cease ACEF-related activities upon expiration, except for ongoing operations and outstanding obligations, which will be completed. Upon conclusion, the Bank will return a pro rata portion of the funds, including accrued interest, to each donor unless otherwise agreed. Any party can terminate its participation or demand contract cancellation if corrupt or fraudulent practices are found and not promptly addressed.

More details are in the Multi-Donor Agreement for the Africa Circular Economy Facility.

ELIGIBILITY

ELIGIBILITY OF RECIPIENTS

Projects financed by ACEF can be executed by:

- external recipients
- the Bank, either at its initiative or at the request of an external recipient.

ACEF's processes include awareness creation to generate demand-driven proposals aligned with the Bank's and the requesting country's strategies.

Eligible recipients for ACEF Grants include:

1. Regional Member Countries (RMCs) of the African Development Bank (including national, sub-national, local, and municipal government agencies)
2. Non-governmental organizations (NGOs, including civil society organizations, community-based organizations, community and business associations, social enterprises, etc.)
3. Trust funds, research institutions, and regional institutions



NGOs and research institutions must meet specific criteria, including:

- **Be legally registered in Africa**
- **Provide proof of existence for at least two years prior to the activity onset and demonstrate organizational and management capacity, including a governing board**
- **Show evidence of a sound financial system, including clear accounting and budgeting standards, financial statements, a transparent budgeting process, audited accounts, and other indicators confirming the ability to manage ACEF resources responsibly**
- **Supply evidence of competence based on past performance to carry out the proposed activities**
- **Demonstrate credibility and knowledge of local values, networks, and structures necessary for the activities**
- **Be mission-driven institutions committed to advancing continental or national development priorities**
- **Not derive benefits purely from the use of grant proceeds beyond the administrative and prime costs associated with executing the proposal.**

Grant requests and proposals may be submitted by consortia, where two or more institutions partner to leverage their respective strengths and promote collaboration towards a common goal.
In such case,

- **The roles and responsibilities must be clearly defined, including the lead member, through a memorandum of understanding or equivalent agreement accompanying the grant request**
- **The lead member receiving ACEF financing on behalf of the consortium must comply with ACEF eligibility criteria.**

Structuring consortium-executed projects is determined case-by-case and may involve a lead organization sub-granting or subcontracting other members through service contracts to avoid multiple legal agreements with the Bank.

ELIGIBILITY (CONTINUATION)

ELIGIBILITY OF ACTIVITIES

Eligible activities for ACEF funding include:

1. **Policy-driven activities**: Promoting circular economy at a political level through policy, roadmaps/action plans, directives, and regulations
2. **Civil-society-driven activities**: Initiatives, projects by non-governmental authorities, directives, regulations, capacity building, or similar
3. **Private sector-oriented activities:** Funding business development programs

Eligibility principles for ACEF expenditures:

- Expenditures must be productive and verifiably contribute to project objectives;
- An adequate fiduciary control system must be established to ensure expenditure efficiency and compliance with the Bank's fiduciary mandate;
- The specific context of the country or sector where the project is implemented must be considered.

Ineligible expenditures include the purchase of vehicles, land, land rights, real estate, and salaries or travel of Bank staff. Other expenditures, such as goods, works, or activities not listed above, can be agreed upon case-by-case.

PROJECT ELIGIBILITY

To be eligible for ACEF financing, proposed projects must align with one or more intervention areas listed in the introduction chapter.

- Individual calls for proposals may specify a theme, geographical scope, or other specific targets as decided by the OC.
- Eligible projects must have a clear logical framework with realistic outcomes, targets, and robust performance indicators that align with the ACEF Results Management Framework.
- Proposals should demonstrate support for, and not duplication of, ongoing activities by other entities.

ACEF favors projects that:

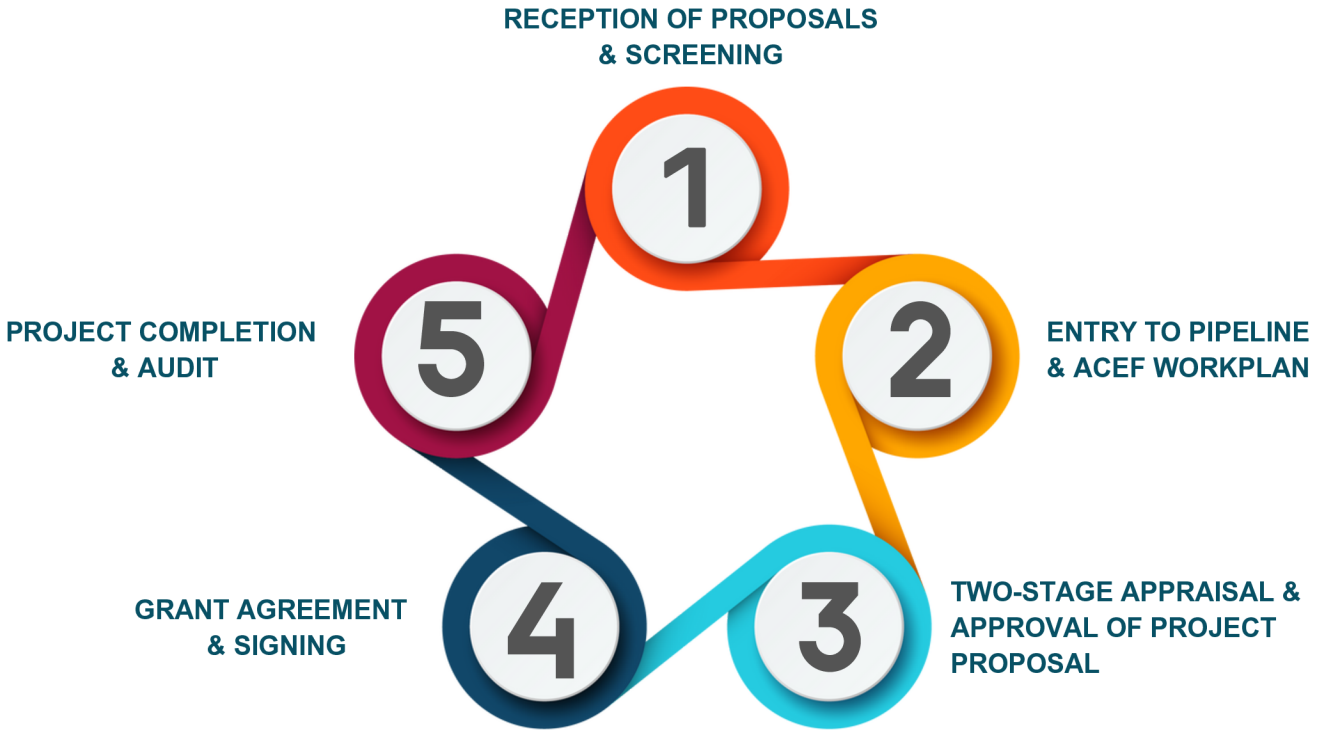
- **Address crucial sub-national, national, or regional gaps in circular solutions diffusion.**
- **Are ready for implementation**
- **Have executing agencies with strong institutional capacity for project implementation, including financial management**
- **Show recipient ownership and commitment through prior active participation in proposed activities.**

For projects involving vulnerable communities, executing agencies must show that **affected communities were adequately consulted, interventions are locally appropriate and address identified needs, and the community will be engaged during implementation and monitoring.**

ACEF PROJECT CYCLE

ACEF PROJECT ORIGINATION

ACEF project proposals can be sourced via calls for proposals or received on a continuous, demand-driven basis from both internal and external recipients. The ACEF Secretariat provides the proposal format through an electronic platform. Bank staff can assist external recipients in preparing and submitting proposals. Call documents outline the assignment's objectives, expected impact, eligibility, target applicants, and selection criteria.



1. The ACEF Secretariat, with nominated evaluators, manages the shortlisting of concept notes and requests full proposals.
2. Qualifying full proposals are submitted to the ACEF approval process

SELECTION AND EVALUATION OF PROJECTS

The ACEF electronic proposal submission process ensures early verification of eligibility and gathers necessary information for project screening and appraisal. Appraisal follows a two-stage approach: concept notes first, then full proposals from shortlisted proponents.

When considering applications for financing, the Bank values the degree of co-financing by the project proponent.A minimum of 5% co-financing, including in-kind contributions, is encouraged. Co-financing positively and proportionately impacts the evaluation of project proposals.

ACEF PROJECT CYCLE (CONTINUATION)

SELECTION AND EVALUATION OF PROJECTS (CONTINUATION)

- The ACEF Secretariat convenes a TRC meeting to review the shortlisted full proposals.
- The relevant Task Manager presents the proposal to the TRC, which then:
  - Approves the proposal or recommends it for funding (depending on thresholds).
  - Recommends concrete improvements before recommending it for funding.

PROJECT IMPLEMENTATION

Implementation is guided by the Work plan and Procurement Plan prepared by the grant recipient and approved by the Bank. These plans are updated annually or as needed throughout the project duration.

The Task Manager assigned by the originating organisational unit is responsible for:

- project supervision
- progress monitoring and evaluation
- the disbursement of approved resources achieving expected results according to the implementation plan.

The Task Manager is supported by the ACEF Secretariat and relevant procurement and disbursement staff at the Bank's headquarters and Country Offices. Implementation control, including payment approvals and project disbursements, is carried out using the Bank's Trust Fund Management System.

ACEF REPORTING PRACTICES

ACEF RESULT MEASUREMENT FRAMEWORK

The ACEF Results Management Framework (RMF), including a logical framework model, is the basis for monitoring and evaluation.

The RMF outlines the hierarchy of ACEF objectives:



Impact: The expected long-term impact beyond the initial lifespan of the Fund

Outcomes: Expected by the end of the trust fund life span, influenced by more factors than ACEF activities alone

Outputs: Direct results of the Fund's interventions with high materialization probability

Each objective level has baseline indicators to track ACEF progress. The RMF balances a manageable number of indicators, level of detail, ease of measuring results, and broad scope. This balance maintains ACEF's flexibility as a 'bridging facility,' helping regional member countries access international finance by closing existing gaps.

The RMF is a permanent agenda item in OC meetings to ensure decisions are made regarding potential revisions.

PERIODIC REPORTING

The ACEF Secretariat, in collaboration with FIRM, is responsible for ACEF reporting.

Fund recipients submit regular reports, typically on a quarterly basis, though this frequency may be adjusted.
These reports, submitted within 30 days after each quarter's end, include:

- **Status of activities**
- **Disbursements made and anticipated**
- **Problems encountered or anticipated and solutions**
- **Projected program for subsequent quarters**

Based on these reports and supervision/monitoring information, the ACEF Secretariat prepares half-yearly activity reports for the OC.

PROJECT COMPLETION REPORTS

Each ACEF project includes a Project Completion Report (PCR) and the Bank's assessment of the financed activities, shared with ACEF Donors using a standard template. The Bank's Operations Evaluation Department evaluates selected projects post-report. ACEF Donors can request additional independent evaluations.

ACEF REPORTING PRACTICES (CONTINUATION)

AUDITS

The utilization of ACEF resources is audited by an independent external auditor upon activity completion, with audit costs included in project estimates and covered by ACEF.

ACEF is also subject to the Bank's internal audit policies, meaning it is audited annually by external auditors like other Multi-Donor Trust Funds. Beneficiaries of externally executed grants recruit their own auditors. All ACEF Audit Reports are provided to donors.

ACEF INFORMATION DISCLOSURE AND DISSEMINATION

Information on ACEF operations is actively shared on the Bank's website as per the Bank's policies, including audited financial reports, project completion reports, and independent evaluation reports.

ACEF operations adhere to the Bank Group's Disclosure of Information Policy, which mandates the public disclosure and dissemination of relevant documents unless there is a compelling reason not to.

For private sector projects, client approval is obtained beforehand.





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