

African Development Bank



STATEMENT FOR THE CIF PARTNERSHIP FORUM OPENING CEREMONY

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CAPE TOWN

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As one of the main implementers of the Climate Investment Funds (CIF) in Africa, the African Development Bank is honored to host the 2011 CIF Partnership Forum. We thank the Government of South Africa for their hospitality and the CIF Administrative Unit for all their support. The African Development Bank has worked closely with the CIF Administrative Unit and other partners in planning this event. On behalf of all, we would like to welcome the more than 250 participants, including government officials, donor countries, multilateral institutions, civil society, private sector, media and others who are here today.

The Forum features sessions relevant not only to Africa but also to other regions as well. Topics range from how best to leverage private sector investment for mitigation or adaptation projects to how to promote the development of local manufacturing industries that serve climate change purposes. There is increasing work to explore innovative tools for financing climate action, including green bonds, guarantees, climate risk insurance instruments, and dedicated financing facilities for low-carbon/ climate resilient investments. There is also work on how to improve the market and employment opportunities for green technologies, and these will be discussed this afternoon and tomorrow morning.

Given that we are in Africa, let me touch briefly upon specific African challenges and opportunities.

Africa has contributed less to climate change than other continents, but the relative economic costs are significantly higher than elsewhere in the world. Until 2030, the estimated costs are around 3% of the continent's GDP, or \$40 billion each year. The frequency and intensity of extreme weather conditions in Africa present a significant threat to people, economies, and development. Climate change casts a long shadow on development prospects and goals, including the Millennium Development Goals.

Given that about 560 million people in Africa remain without access to modern energy; given that such energy access is critical for the productive sectors, for health, education, and general development; given that the average total cost of producing power in Africa is exceptionally high, promoting affordable energy access and regional integration of power systems is a critical development theme for Africa.

Most Africans are highly dependent on agriculture – which in turn is highly dependent on the climate. Rain-fed agriculture contributes around 30 percent of GDP and employs about 70 percent of the

continent's population. Only 4% of African land is irrigated. Unpredictable rainfall patterns are lowering agricultural productivity and contributing to food shortages. In addition, most farmers expand their agricultural productivity by bringing new areas under cultivation, a major cause of deforestation in the continent. Agriculture provides, therefore, opportunities for "triple-wins" (higher yields, higher resilience, reduced carbon emissions/ enhanced carbon storage).

Africa faces serious water security challenges with only about a 9 percent share of global freshwater resources, which are distributed unevenly and characterized by highly variable levels of rainfall. The average storage capacity in Africa is about 30 times less than in North America. As a result, the available renewable freshwater in Africa will not be enough to sustain the expanding population. As climate change makes water an increasingly precious commodity, expanded water and water services will be needed to avoid the projected water stress anticipated from climate change.

The African Development Bank is responding to climate change with a clear focus on the areas that are most critical for Africa and on expanding Africa's access to international climate change financing, both through global mechanisms like the CIF and dedicated internal mechanisms designed to meet specific African challenges. Allow me to briefly touch upon two of those critical areas that the Bank is addressing, namely energy access and sustainable forest management.

Africa must develop its abundant renewable energy resources. Over the next 3 years, the AfDB intends to invest more than \$3.5 billion in improving energy access, with more than a third of it going to renewable energy. The fact that energy is so expensive in many African countries makes it viable to use the normal public and private financing instruments to implement projects; yet there is still an absence of substantial concessional climate financing to help make such clean energy investments more affordable, and help reduce the burden on the poor and the low-income countries.

The Bank also invests substantially in preserving Africa's forests. The Congo Basin forests are the world's second largest rainforest, containing an estimated 25-30 billion tons of carbon or roughly 4 years of current global CO2 emissions. The Bank Group has financed about 100 operations worth approximately US\$ 2.8 billion in these forests. In addition, the Bank houses the Congo Basin Forest Fund, which supports sustainable forestry management, the reversal of deforestation and forest degradation and the implementation of the REDD+ mechanism.

Despite all of these efforts, the bottom line is that there is an urgent need to improve access to climate finance at the scale required for transformational impact in Africa and put in place mechanisms that can best respond to Africa's needs. Africans are leading with their own plans for climate change, and they have called for additional financing instruments that respond directly to their priorities.

The Climate Investment Funds have been an important transitional instrument since 2008 to commit fast-start financing to developing countries for climate-smart development and maintain a certain momentum while the international negotiations are ongoing. They have and will continue to allow certain projects to become bankable by underwriting additional capital costs and risks faced by investors.

They have also provided learning experience, not just in terms of challenges and opportunities, but also in-country multi-stakeholder engagement in program design and implementation. In the case of Africa, each of the four CIF programs has pilot African countries at varying stages of fulfilling the requirements

to start receiving CIF funds. Yet, most African countries are not yet eligible. Looking ahead, it is becoming clear that future climate financing could benefit from:

- Instruments that are open to all countries and can be adjusted to respond to country priorities and implementation capacity;
- A clear allocation of resources per implementing agency, which can be revised based on the pace of execution of projects and programs.

We hope the lessons that are and will continue to be learned will be used in the design of the Green Climate Fund and of a tailored financing platform for Africa that can benefit all African countries – platforms that provide the scale of financing needed for adaptation and mitigation through practical programmatic approaches; bring other sub-regional and national financial institutions to play a role; and provide incentives to the private sector to leverage investments at the scale needed.

I wish you all a very successful Forum with open and frank discussions and information sharing. This is an important opportunity to gain knowledge on how best to continue with the implementation of the CIFs but also climate change initiatives in general – knowledge vital for Africa and for the rest of the world.