

STRENGTHENING PRIVATE SECTOR ENGAGEMENT

Looking out at **Africa's ten year horizon**, AfDB has committed to an institutional vision of inclusion and sustainable growth, helping African nations gradually transition to "green growth" that will protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources, and spur innovation, job creation and economic development.

This can only happen with an exponential increase in private sector engagement. To achieve climate-smart

growth, the private sector is critically important to stimulate markets, increase investment potential, and enable financial gain in climate-friendly enterprises and businesses. Without these, there can be no long-term and widespread shift to effective climate action.

But there are risks preventing private sector's entrance into climate-friendly solutions: upfront risks for early entrants, large capital costs, a lack of suitable

insurance products, a lack of understanding of the value of climate investment, and a need for new types of investment products.

Some of the AfDB/CIF projects are paving the way for significant private sector engagement to help break down barriers. In Kenya, for instance, AfDB and CIF are financing drilling and exploratory risks in the **Menengai geothermal steam fields** as part of a project through which 400 megawatts of power will be generated by the private sector as independent power producers (IPPs) and sold to the national grid.



Private Sector Leadership in Menengai

As the first geothermal steam field in the country being developed by the country's national Geothermal Development Company (GDC), it will serve as a test-pilot for an investment and project structure that can be replicated elsewhere in Africa. In addition, the AfDB and CIF are looking to help Kenya create support to local manufacturing capacity, developing local industries that would be suppliers of components to these projects. The project is significant because it has the potential to generate 400 MW, supporting access to energy for an additional 500,000 households and 300,000 businesses.

"Africa can benefit

from private sector involvement in closing its infrastructure investment gap. Providing incentives to investments in green technologies are most successful when they come with a complete package of enabling policy environments and long-term certainty, economic incentives and preferential financing mechanisms."

Thomas Nagle
World Resources Center



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To encourage private sector engagement in CIF pilot countries, the CIF worked with AfDB and the other partner MDBs to run a **call for competitive submission of**

innovative project ideas engaging the private sector. The competition made available \$70 million in PPCR credit financing, \$56 million in FIP credit financing, \$90 million in SREP credit financing, and \$150 million for two Dedicated Private Sector Programs (DPSP) under the CTF.

Forests

- Climate change mitigation and poverty reduction through the development of the cashew sector
- Public-private partnership for restoration of degraded forest reserve through Verified Carbon Standard and Forest Stewardship Council certified plantations
- Community plantations on degraded lands to reduce deforestation

Renewable Energy

- Creation of a privately financed Solar Farm which will generate 227 GWh per year of electricity from renewable sources
- Development, building and operation of a solar photovoltaic power plant of 33 MW

Resilience

- Development of a sustainable 24,000 ha forest plantation to increase climate resilience and protect against catastrophic flooding

The AfDB took an early and active lead in bringing viable African project concepts to the table. With AfDB support, seven project concepts were endorsed for full project development in Africa, focusing on forests in Burkina Faso, DRC and Ghana, renewable energy in Kenya and Mali, and climate resilience in Mozambique.

CIF is running a new call for proposals under the PPCR and SREP in early 2014, and AfDB has begun work with stakeholders to bring new viable concepts to the table.