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# SHIFTING THE CLIMATE MARKET: Enabling Private Sector Leadership

As the global economy begins its essential shift to a climate-smart pathway, major financial investments are needed to ensure that this shift can take place as rapidly and effectively as possible. In few places is climate-smart development and its accompanying investment more needed than in Africa. But public funding is scarce, and the AfDB and CIF have recognized the central role the private sector must play in mobilizing considerable finances to aid Africa's climate-smart development.

Private enterprises are uniquely positioned to contribute to climate action, through innovative emission-reducing technologies, novel business models, and financial instruments which embed sustainability into business operations. Ultimately, they can also stand to profit from their investment, as demand increases for renewable energy, efficient power plants, better public transport, high quality agricultural products, and climate-resilient infrastructure.

But for the private sector, this shift carries inherent risks including project-specific risk, perceived country risk and financing risk. These risks are further compounded by conditions in some of Africa's emerging markets. As a result, the CIF has set aside funding to mobilize private sector engagement and have worked with the AfDB and other MDBs to put in place mechanisms which address barriers and attract private investment.

### Linking Mozambican farmers to markets through Public-Private Partnerships

A key feature of Mozambique's Baixo Limpopo Irrigation and Climate Resilience Project (BLICRP) is the use of market service providers (MSPs), expected to be agricultural consulting companies or NGOs, to support the 8,000 Mozambican farmers who are project stakeholders and beneficiaries.

As part of the project, two competitive MSPs will be proposed, and the farmers can decide if they want to enter into a contractual agreement with one.

The selected MSP will provide farmers who are willing to be supported with training and technical advice on crops and agronomic techniques, and will help them seek markets, including corporate retail chains, and negotiate on the farmers' behalf. While the project will cover the MSP's costs for the first two years, it will then be up to the farmers to pay for these services.

This Public Private Partnership (PPP) is expected to bring more efficiency and sustainability to the project's implementation, particularly due to the performance-based remuneration for the MSPs.

## The Evolving Private Sector Set-Asides

In 2013, with the support of AfDB and other MDBs, the CIF created key windows to attract the private sector in combating some of Africa's most pressing challenges — **climate resilience, forestry and renewable energy** — and invited potential investors to submit concepts. After two rounds of competitive selection, five AfDB-supported project concepts

are slated to move ahead. These projects are projected to result in a number of compelling development results, including reducing CO<sub>2</sub> emissions, electricity generation, reforestation of degraded forests, and creating new jobs and economic opportunities.



### SREP

#### Kenya: Kopere Solar Park

The project will construct a 22.7 GWh/year Solar Photovoltaic (PV) power plant to be implemented under an IPP scheme, and as the first utility-scale solar PV IPP in Kenya will open doors for other investors in renewable energy. AfDB expects the project to be ready for AfDB approval by December 2015.

#### Kenya: Olkaria IV Geothermal Power Plant

The project aims to construct a 140 MW geothermal power plant for Phase I of the Olkaria geothermal field under a Build, Own, Operate and Transfer (BOOT) scheme. The project will test a unique financial scheme among Sub-Saharan IPPs. Following successful due diligence, AfDB expects the project to be ready for AfDB approval by November 2015.

#### Mali: Segou Scatec Solar Park

The project seeks to develop, finance, build and operate a Solar PV power plant with an installed capacity of 33 MW that will provide about 4% of Mali's electricity demand. The negotiations on the Power Purchase Agreement (PPA) are underway between the project sponsor and the off-taker. AfDB expects the project to be ready for AfDB approval by November 2015.



### FIP

#### Ghana: Public-Private Partnership for restoration of degraded forest reserve through VCS and FSC certified plantations

The project's objective is to create a Public-Private Partnership between Form Ghana (FG) and the government to expand its Restoration of Degraded Forest Reserves Program by establishing 8,000 ha (hectares) of new commercial forest plantation. The project is under due diligence with expected approval from FIP during the first half of 2015 and approval from the AfDB soon after.



### PPCR

#### Mozambique: Lurio Green Resources Forestry private sector project

Lurio Green Resources (LGR) will develop a sustainable, 24,000 ha eucalyptus forest plantation. The plantation will generate revenues through the sale of diverse forest products. The project is expected to win PPCR approval during the first quarter of 2015 with approval from the AfDB coming soon afterward.



The Scatec project document indicates that there will be:

44-50,000 tons of CO<sub>2</sub> saved per year

Similarly, the Kopere project document indicates

approximately 8,000 tons of CO<sub>2</sub> substitution per year totaling 160,000 tons during the life of the project.