



DE-RISKING INVESTMENT TO ENGAGE THE PRIVATE SECTOR

The AfDB, along with its partners, commits to mobilizing private sector investment by supporting policy and regulatory reforms; aligning price signals; making innovative use of policy and finance instruments; and leveraging concessional (below-market-rate) finance to help scale up public and private investments in climate projects.

CIF & PRIVATE SECTOR INVESTMENTS

- Agriculture
- Agroforestry
- Clean transport
- Concentrated solar power (CSP)
- Energy efficiency (industrial and residential)
- Geothermal power
- Hydro-meteorological and climate services
- Sustainable value chains
- Mini-grids
- Solar photovoltaics
- Waste to energy
- Water resource management
- Wind power

The CIF has allocated over USD 2.3 billion—close to 30% of total funding—to projects and programs that attract private sector investments in renewable energy, clean transport, sustainable forestry and climate resilience. In turn, the CIF anticipates that approximately USD 19 billion in co-financing—or 33% of total expected co-financing of USD 58 billion—will come from the private sector.

TYPES OF FINANCING INSTRUMENTS AVAILABLE THROUGH CIF MDB PARTNERS :

- Senior loans
- Equity
- Guarantees
- Subordinated debt
- Convertible grants
- Guarantees
- Contingent recovery loans

To fulfill its role as a living laboratory for climate finance, the CIF continues to test and define financing models that break down barriers to private sector participation in climate action. CIF engagement with the private sector includes:

- Covering high up front costs and risks
- Championing first-movers
- Stimulating markets
- Bridging financing and information gaps

Sectoral solutions

As part of its wider mandate under the New Deal on Energy for Africa, on December 15, 2017, the Board of Directors of the AfDB approved an investment of USD 20 million in the Evolution II Fund – a Pan-African clean and sustainable energy private equity fund. Evolution II is a 10-year close-ended fund with a mandate for equity and equity-related investments into two principle investment streams: development and project finance infrastructure-type investments in clean and sustainable energy; and growth equity investments in energy, resource efficiency companies and the value chains that support them.

RENEWABLES

By absorbing risks that other financiers are unable or unwilling to bear, SREP and AfDB are helping projects advance, mobilizing co-financing, and attracting other investors.

- The Menengai geothermal project is part of Kenya's ambitious plan to increase its geothermal generation capacity, help diversify the country's energy mix, lower tariffs, and make power more affordable for consumers.

- SREP and AfDB funding is covering the riskiest, yet most critical stage of upstream development: exploratory drilling meant to prove the availability of steam resources. By absorbing a risk that other financiers are unable or unwilling to bear, the SREP is helping the project advance, mobilizing MDB co-financing, and attracting other investors.



"Policy restructuring is another key component to de-risking climate investments"

Simon Ngure, KenGen Director

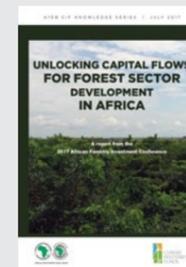
FORESTS

To sustain Africa's forests, AfDB involvement provides client companies with a "seal of approval" that will help mitigate political and market risk and improve access to capital in Africa.

How to unlock purpose-built capital to finance plantation establishments in Africa.

Three potential delivery mechanisms for such blended finance:

- i) long-term debt and direct equity financing to existing companies;
- ii) smallholder grant schemes;
- iii) new greenfield forestry private debt or equity financing facility.



UNLOCKING CAPITAL FLOWS FOR FOREST SECTOR DEVELOPMENT IN AFRICA - A REPORT FROM THE 2017 AFRICAN FORESTRY INVESTMENT CONFERENCE



GHANA PUBLIC-PRIVATE PARTNERSHIP

Sustainable forest management requires substantial financial resources. Investments at the scale needed can only come from global corporations or joint ventures involving both local partners and development banks willing to cover the risk. Ghana's Public-Private Partnership for the Restoration of Degraded Forest Reserve, funded under the CIF's competitive private sector set-aside program, has taken on this challenge. The project, the Bank's first-ever private sector project in the critical forestry sector, is supporting a new business model, leading to the production of high-quality, sustainable wood products that will help meet increasing market demand without increasing pressure on natural forests.

Expected Project Outcomes

Net greenhouse gas sequestration potential **2.8 million tons** of GHG over 40 years

11,700 hectares of sustainably managed forest plantation with FSC and VCS certification

40% jobs for women in male-dominated industry

400 direct full-time jobs and 600 direct seasonal jobs

CTF 2.0

- CTF 2.0 aims to introduce a financing structure capable of independently raising funds from institutional investors by issuing green bonds in capital markets. CTF 2.0 presents a unique opportunity to ensure a highly efficient use of limited public resources through the use of expected reflows from legacy assets in order to mobilize private sector financing. CTF 2.0 is expected to enable the CTF to leverage its significant asset base to access additional funds in the capital markets and to quickly finance the next generation of CTF investments without needing to wait for reflows from the legacy portfolio. The use of reflows for issuing green debt is unique in the international climate finance architecture. CTF 2.0 will provide useful lessons to both GCF and the climate finance architecture at large.