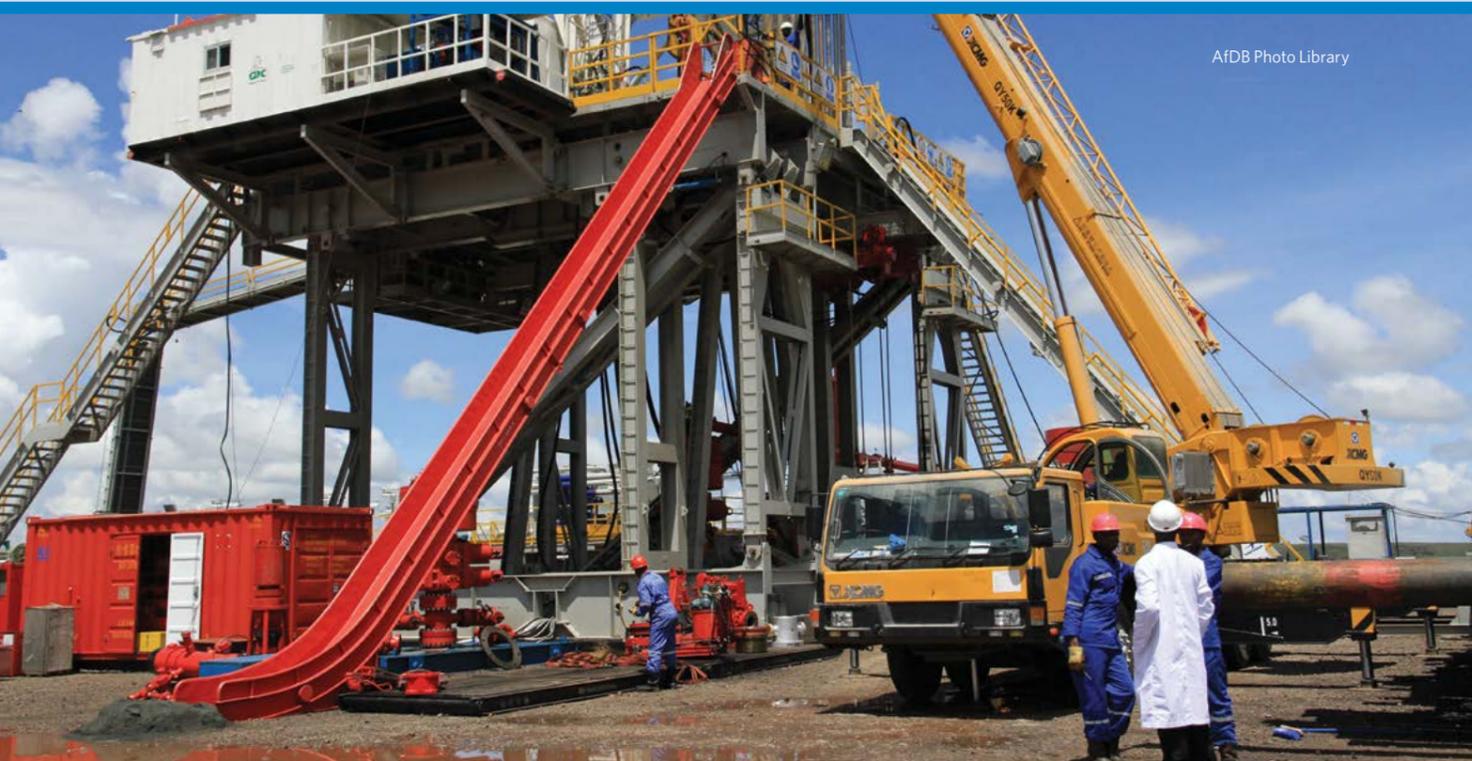


OPENING DOORS, MINIMIZING RISK: CIF'S ADDITIONALITY IN THE AfDB PORTFOLIO

Climate finance increasingly plays a key role in making low-carbon and climate-resilient investments bankable. Climate finance helps lower the cost of capital and buffers risks both for sovereign and non-sovereign operations. Without concessional climate finance such as the CIF, AfDB would likely be unable to deliver to the level currently shown in its development portfolio, and the exponential leap in AfDB's climate finance announced by President Adesina in late 2015 would likely be impossible to achieve without the history of climate-driven development operations supported by the CIF.

Pre-CIF and other climate finance mechanisms, African nations understood development finance but may not have always seen the need for climate finance. The application of CIF support, built on its unique structure of policy-driven programs, MDB collaboration, and stakeholder engagement, has helped minimize risk, opened the door for innovation, and in the process changed that perspective.



AfDB Photo Library



Shutterstock/Daleen Loest

ADDITIONALITY AT WORK IN AfDB CIF PROJECTS*

CTF Morocco Ouarzazate/Noor Concentrated Solar Power Project

The additionality brought by the CIF/CTF resources is linked to reduction of both the investment cost and the kilowatt hour (kWh) tariff, enhancing the project's viability. In the absence of CTF support, the resulting cost increase would place pressure on fiscal subsidies or could even ultimately burden electricity consumers. The CTF funds will also enable the Moroccan Solar Energy Agency (MASEN) to take greater calculated risks, pushing development boundaries beyond what many private companies would be willing to undertake without the CIF bolstering.

For Morocco, implementing this project will be a major step towards achieving the country's clearly stated ambition to diversify its energy sources, help curb greenhouse gas emissions, and create a local industry to provide locally-manufactured inputs to the solar energy programme. With CIF support minimizing the risks, the project will both install concentrated solar power (CSP) at an unprecedented scale and create a business model that could attract and increase private sector backing and enhance the availability of capital and know-how to support the development of a CSP portfolio.

SREP Kenya Menengai Geothermal Development Project

The additionality brought by the CIF/SREP resources is linked to the removal of risks and barriers, establishment of an enabling environment for private sector participation and development of Kenya's full geothermal potential. The relatively low cost of geothermal energy is likely to make Kenya a preferred destination for investors, bringing with it attendant benefits such as: increased fiscal revenue and improved economic development to the country and region; increased rate of access to electricity; and creation of the required reliable base load capacity.

The project is expected to be transformative given its focus on gradually changing the base source of electricity from hydropower to geothermal power, also a renewable energy and more sustainable than the drought-prone hydro-based system. By accelerating geothermal development, the contribution from renewable energy sources to the national grid will dramatically increase. This will translate into lower electricity tariffs given that expensive emergency power from thermal will be replaced by geothermal energy.

Since most of the geothermal resources are located in under-developed areas, it is also expected that various co-benefits will be available for local communities such as: electricity generation; infrastructure development such as roads and water; opportunity for direct utilization of geothermal heat and condensate for industrial and agricultural activities leading to employment creation and income generation; increased security as a result of the economic activities and social amenities. These activities are expected to transform the lives of women (e.g., water supply from geothermal development will lift the burden of searching for water from long distances, improve farming activities through irrigation leading to food security).

PPCR Niger Climate Information Development and Forecasting Project

In Niger, the PPCR offers additionality in bolstering the country's existing early warning system. The system does not have a decision-making tool adapted to climate impacts such as drought, floods, crop enemies and climate-related diseases. In this climate-vulnerable country, establishing a multi-hazard early warning system for climate change is critical, and the PPCR resources will support the mainstreaming of climate information in development actions. In addition, the project will foster development and dissemination of climate scenarios and products to end users, the build-up of capacity in climate data processing, the preparation of a vulnerability map of agro-pastoral activities in the country's district councils, and the improvement of the early warning system to make it multi-hazard.

*Excerpted from http://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_SCF_TFC.10_Inf.6_Annual_update_on_additionality_of_CIF_to_existing_MDB_portfolios.pdf