



Climate Change Finance

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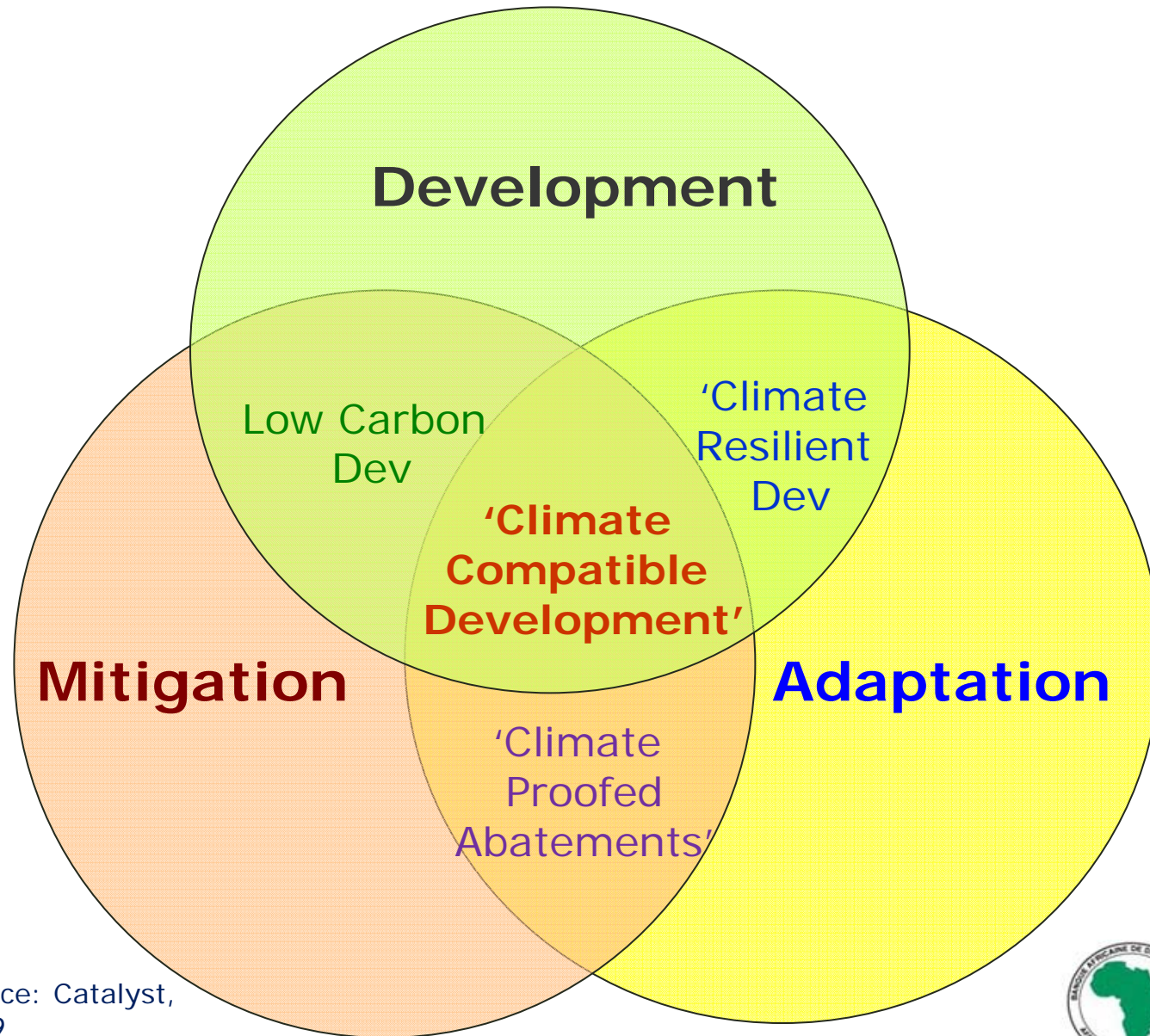


Outline

- Overview on Climate Finance
- Making Climate Finance work in Africa
- MDB's Contribution to Climate Finance
- AfDB and Climate Financing in Africa
- Conclusions



Climate Change interventions must be rooted in Development, aligned with mitigation & adaptation



Source: Catalyst, 2009





Key Global Financing Instruments

- Funds under UNFCCC/Kyoto Protocol
 - GEF the financial Mechanism allocated \$ 3.675 billion for climate change since 1991
- Non-convention sources managed by funding agencies
 - Climate investment Fund \$ 6.3 billion -2009
 - Forest Carbon Facility \$165 million
 - Carbon Facility \$470 million
 - Congo Basin Forest Fund \$200 million
 - EU-Global Climate Change Alliance (\$300 million)
 - Environmental Transformation Fund (\$1.2 billion)
 - International Climate Initiative –Germany (\$170)
- MDBs





Climate Finance Status

- ❑ Current financing instruments are based on voluntary contributions from developed countries
- ❑ So far, the level of **disbursement is very limited** as compared to the needs, the **funds are difficult to access and track**, and therefore have **lower impact**
- ❑ Much climate financing is in the form of global funds, also called ‘vertical funds’
- ❑ Climate financing debate should focus on issues like:
 - **Level of funds required** (measured in USD billion)
 - **Form of funding**, in particular how much of this finance should be additional to ‘traditional’ ODA
 - **Accessibility** for African countries to respond to Climate Change



Cost estimates

- Adaptation costs in Africa are estimated between \$13-19 billion a year through 2015;
- Mitigation costs are estimated at between \$9 and \$12 billion through 2015;
- Costs estimated to double by 2030;
- Economic costs of CC estimated to 1.5 -3% of GDP through 2030 (Higher than other regions);
- These costs are low in comparison with the economic benefits of adaptation and mitigation;





Role of MDBs in Climate Finance

- MDBs are playing an important role in responding to climate change through:
 - Investing in development interventions
 - Providing climate financing instruments
 - Supporting target programs
 - Contributing to the development of carbon markets
- **Only 12% of climate financing flow from MDBs reach Africa, as compared to Europe-MENA (37%); Asia-Pacific (26%) and Latin America (24%)**





MDBs' Response to Climate Change

- The role of MDBs in responding to climate change is being extended to cover issues such as:
 - Increasing analytical, policy and capacity building;
 - renewable energy;
 - Providing innovative climate change financing instruments;
 - Leveraging private sector capital;
 - Contributing to the development of carbon markets;



Making Climate Finance Work in Africa





Making climate finance work will require:

- Predictability;
- Public and Private sources.
- Balance between Adapation and Mitgation
- Carbon Market Reform



However Challenges Remain:

- Transparency and accountability in fund access and management;
- Increasing the absorptive capacity of recipient countries;
- Increasing volume of aid in the face of the global financial crisis





AfDB and Climate Change Financing in Africa



Draft Climate Change Action Plan

AfDB's Draft Action Plan on Climate Change

**Low-Carbon
Development**

Enhanced Investment in Clean Energy & Energy Efficiency

Promoting Sustainable Transport

Promoting Sustainable Land and Forestry Management

**Adaptation
Climate-Resilient
Development
Adaptive
Capacity**

Promoting Sustainable Land Use & Water Resource Management

Building Resilience of Key Infrastructure & Urban Systems

Climate Proofing of AfDB's Projects

**Financing
Platform**

Mobilizing
Concessionary
Resources

Catalyzing
Private
Capital

Maximizing
Market
Mechanism

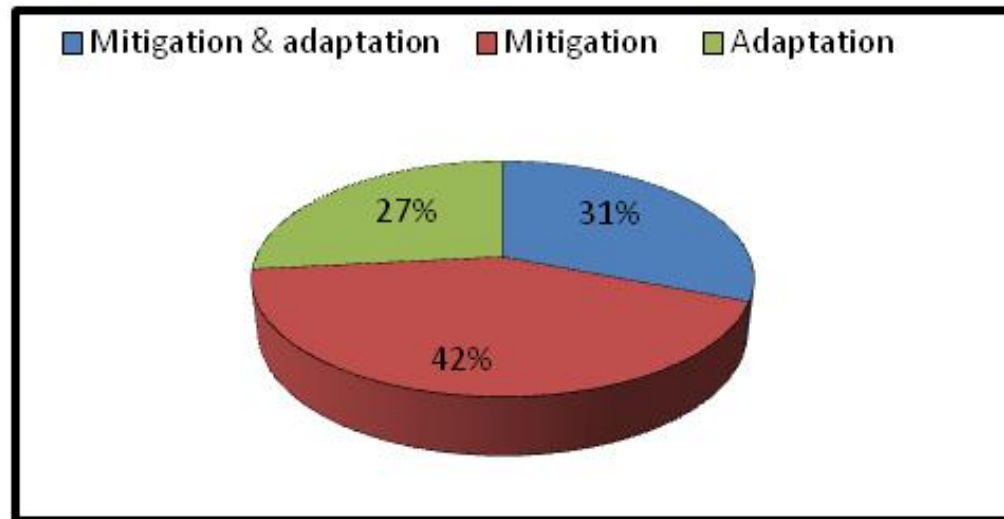
**Policy reform & Knowledge
Generation/Competency building**





Budget Allocation of Action Plan

US\$ 6 billion on climate change related projects 2011-2016



Key sectors include Agriculture, Water, Renewable Energy and Energy Efficiency, Sustainable Transport





Support to Climate Resilience

□ The Bank supports:

- Enhanced human and institutional capacity
- Effective climate information systems
- Resilient infrastructure

□ Examples:

- Lake Chad Basin Sustainable Development Program
- Support Program to Preserve the Congo Basin Ecosystems
- Support to African Regional Climate Centers





The Congo Basin Forest Fund (CBFF)

- The CBFF awards grants for activities that slow and eventually reverse the rate of deforestation in the Congo Basin Forest
- Hosted by AfDB and supported by the United Kingdom and Norway
- 100 million GBP initial commitment





Support to Mitigation

Examples of AfDB Mitigation Operations

- ❑ Regional co-generation Initiatives in Eastern and Southern Africa.
- ❑ Lake Turkana Independent Wind Power project
- ❑ Support to Solar Energy Technologies (PV/CSP)
- ❑ Major analytical pieces of work on finance platform.
- ❑ Off-setting of Carbon emissions for Major Corporate Events and travels of the Bank





Support to Mitigation

The Bank's portfolio to support a low carbon economy and mitigation is focused on renewable energy, energy efficiency, sustainable transport, forestry, clean energy,

The Bank's regional renewable energy projects also support regional integration

INGA Dam in DRC

Bujagali Dam in Uganda





What the Bank is doing under the CIF

- ❑ **Pilot Program for Climate Resilience (PPCR): Niger, Mozambique, and Zambia;**
- ❑ **Sustainable Renewable Energy Program (SREP): Ethiopia, Kenya and Mali;**
- ❑ **Forest Investment Program (FIP): Burkina Faso, Democratic Republic of Congo and Ghana;**
- ❑ **Clean Technology Fund (CTF): Egypt, Morocco, Nigeria, South Africa and MENA program;**





Africa Green Fund (AGF)

- ❑ At COP 15, African leadership represented by H.E. Meles Zenawi, PM of Ethiopia requested that Africa's share of the new climate finance be managed by the AfDB
- ❑ In the recent AU Summit in Malabo, African Heads of State decided that the Bank should pursue the design of the Fund to be presented in Durban at COP 17;
- ❑ **Potential activities include**
 - **Adaptation**
 - **Mitigation**
 - **Technology development and transfer**
 - **Capacity enhancement**





Conclusion

- ❑ Africa has low access rate to global resources, and therefore requires substantial resources and effective financing instrument
- ❑ Africa's needs are enormous and resources can come both from Public and Private sources
- ❑ The existing climate finance instruments have so far low impact, as they support small-size and pilot projects, with more emphasis on capacity building
- ❑ Effectiveness of climate finance in Africa depends on the availability of new and additional resources
- ❑ As lead development partner for Africa, the AfDB has comparative advantages in dealing with climate finance in the continent.
- ❑ The Africa Green Fund is key to deliver climate finance in Africa





Thank You

For Further Details

www.afdb.org

