Green Finance in Africa: Unlocking Sustainable Growth

Exploring financial strategies driving Africa's eco-friendly development

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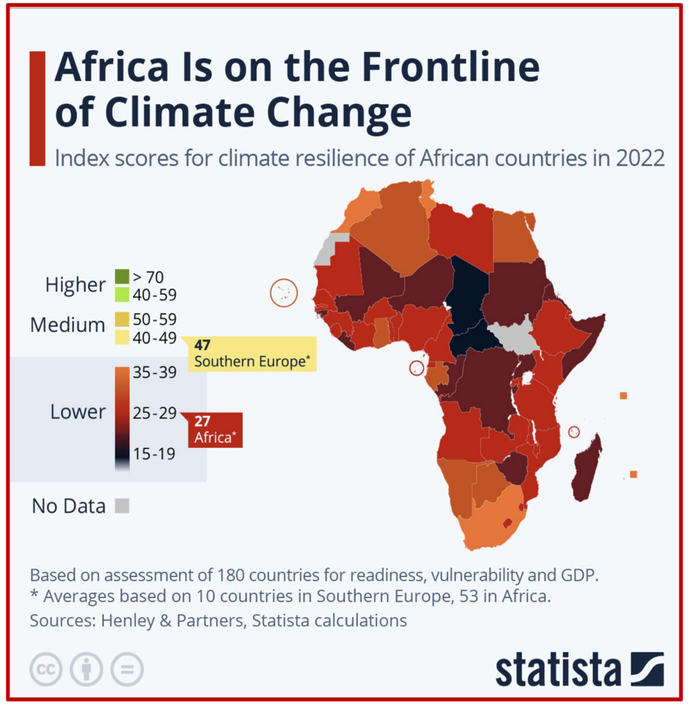
The Top 5 Critical Objectives

Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies

1. **Assess Africa's Climate Vulnerability**
   Examine the continent's environmental challenges.
2. **Define and Explain Green Finance**
   Clarify the concept of green finance and its significance in promoting environmentally sustainable investments and climate resilience across Africa.
3. **Identify Key Financial Instruments**
   Showcase tools such as including grants, concessional loans, equity investments, and guarantees, green bonds, sustainability-linked loans, carbon credits, and ESG funds that mobilize capital for sustainable development.
4. **Highlight Regional Case Studies and Best Practices**
   Present real-world examples—like South Africa's Green Hydrogen investments and Rwanda's FONERWA Green Fund—that demonstrate successful green finance implementation.
5. **Recommend Policy and Strategic Actions**
   Provide actionable recommendations for policymakers, financial institutions, and investors to strengthen green finance ecosystems and promote inclusive growth.



Assess Africa’s Climate Vulnerability:

Examine the continent’s environmental challenges.

Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies

Africa’s Climate Vulnerability

Mobilizing capital to bolster resilience and sustainable growth amid climate challenges

🌍 Africa and the Climate Crisis

- **Minimal Contributor, Maximum Impact:**
  Africa accounts for *less than* 4% of global greenhouse gas emissions, yet it faces some of the harshest climate consequences.
- **Unequal Burden:**
  Despite its small carbon footprint, the continent experiences extreme weather events, droughts, floods, and rising temperatures that threaten millions of lives.
- **Fragile Regions at Greater Risk:**
  Many African economies already struggle with poverty, weak infrastructure, and dependence on rain-fed agriculture — conditions that magnify climate vulnerability.
- **Economic and Social Setbacks:**
  Climate disruptions are eroding agricultural productivity, undermining food security, displacing populations, and slowing economic growth.
- **Urgent Call for Climate Resilience:**
  Building resilience through adaptation, sustainable energy transition, and green investment is essential to safeguard Africa’s long-term social and economic stability.

Source : Statista

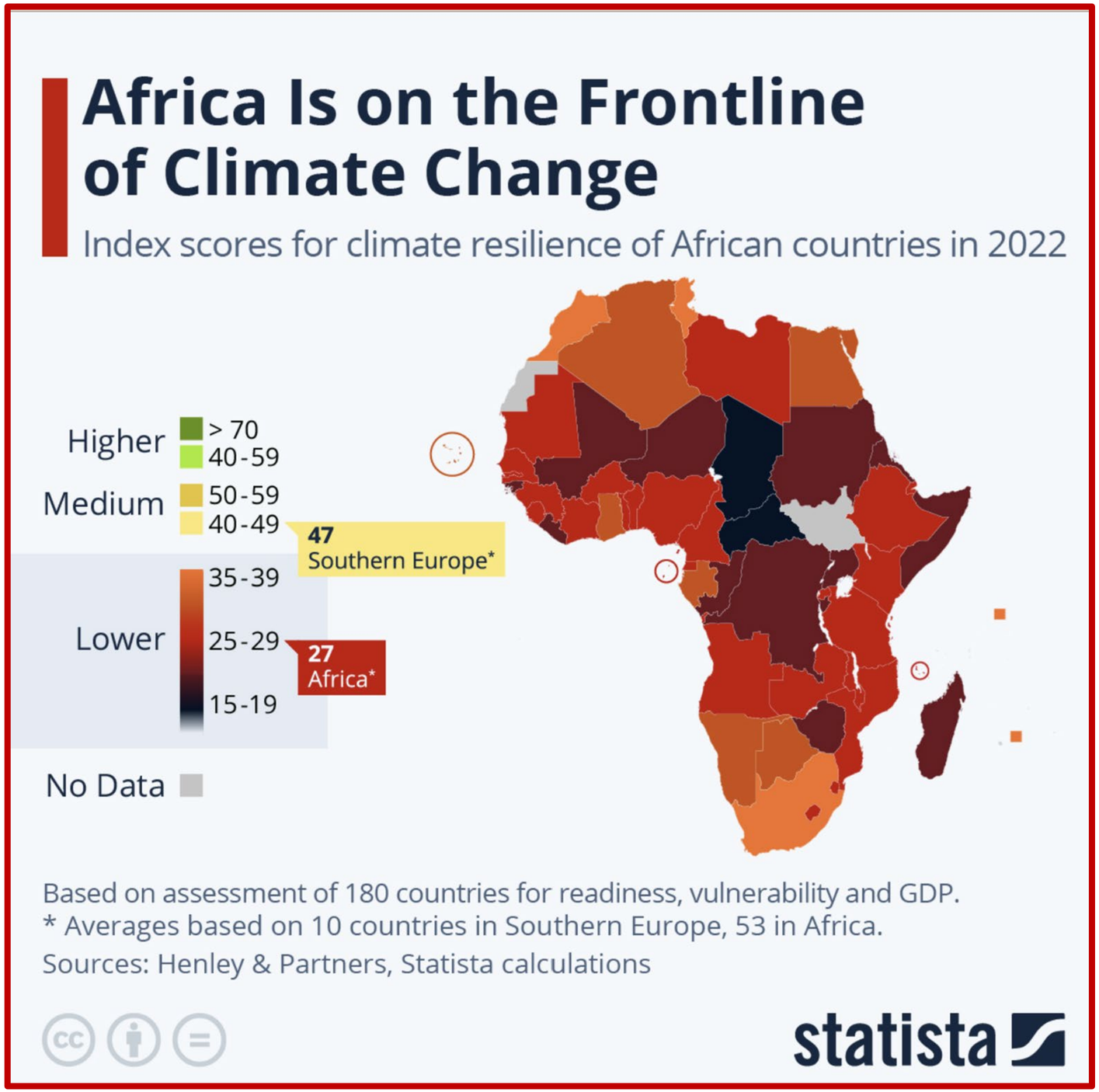
The African Sustainability Landscape

1. Africa's position on a warming planet
- Increasing temperatures
- Greenhouse gas emissions
- Most vulnerable countries

2. Effects of climate change in Africa
- Variations in Africa's climate
- Climate-related disasters

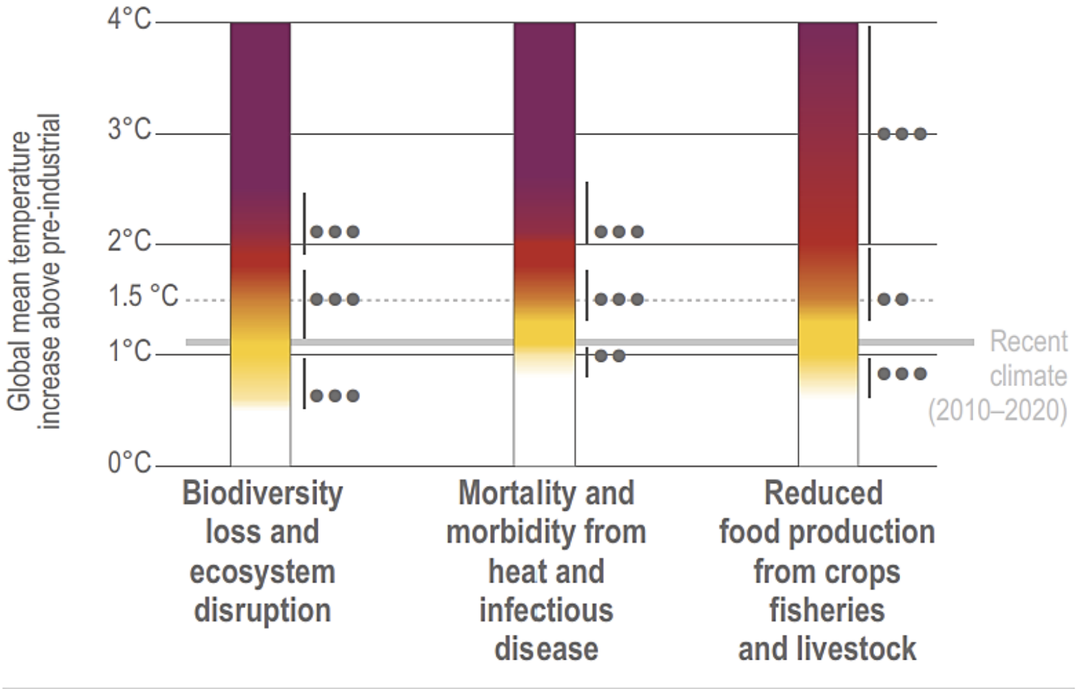
3. Impacts and risks
- Agriculture collapse and food insecurity
- GDP losses
- Displacement

4. Coping and adapting
- Africa's NDCs
- Climate finance needs
- Mitigation and adaptation initiatives



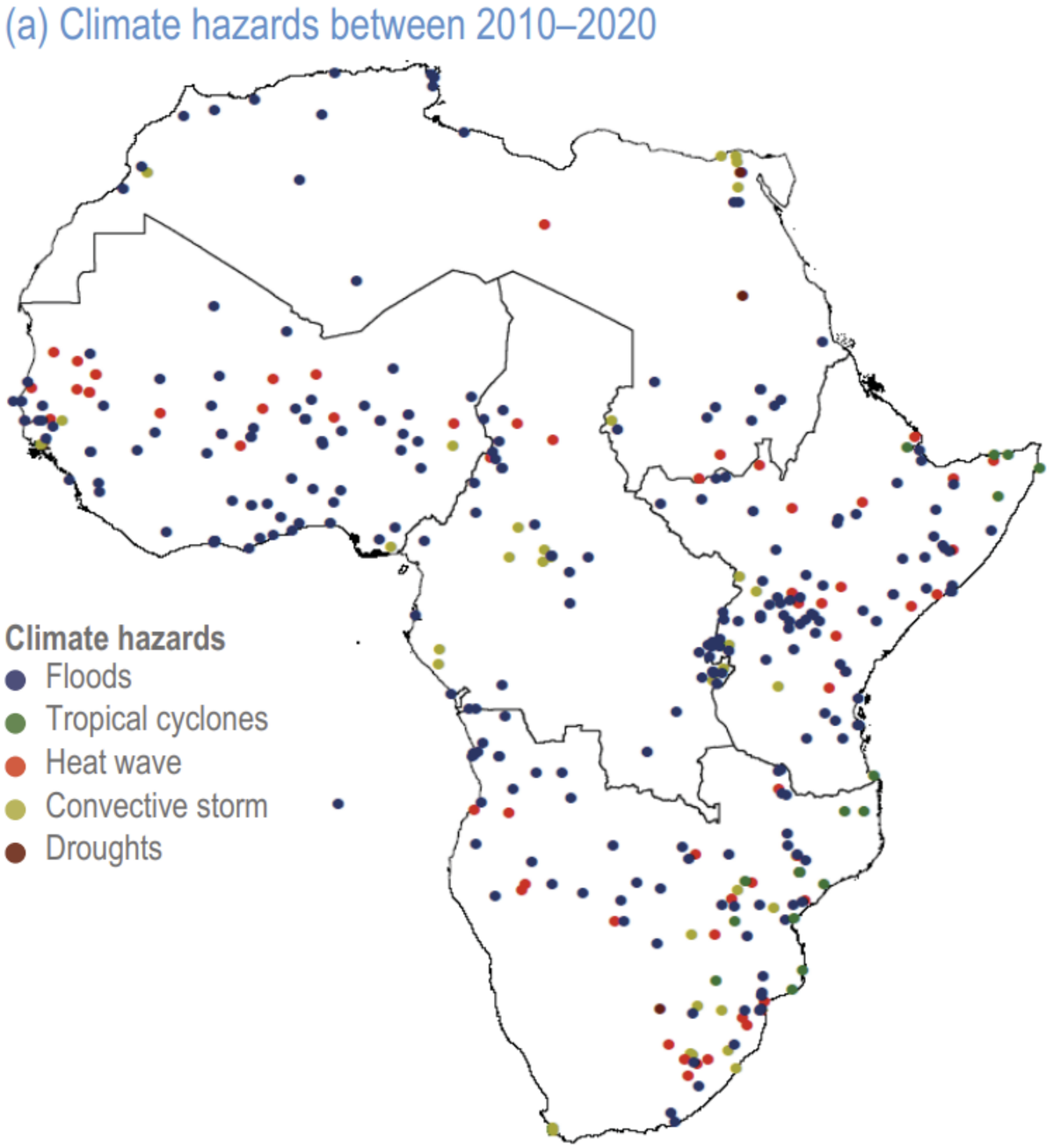
The African Climate Vulnerability

Key risks for Africa increase with increasing global warming



The African Climate Vulnerability

Total people affected by climate hazards across Africa, 2010–2020



Source: IPCC 202 Report

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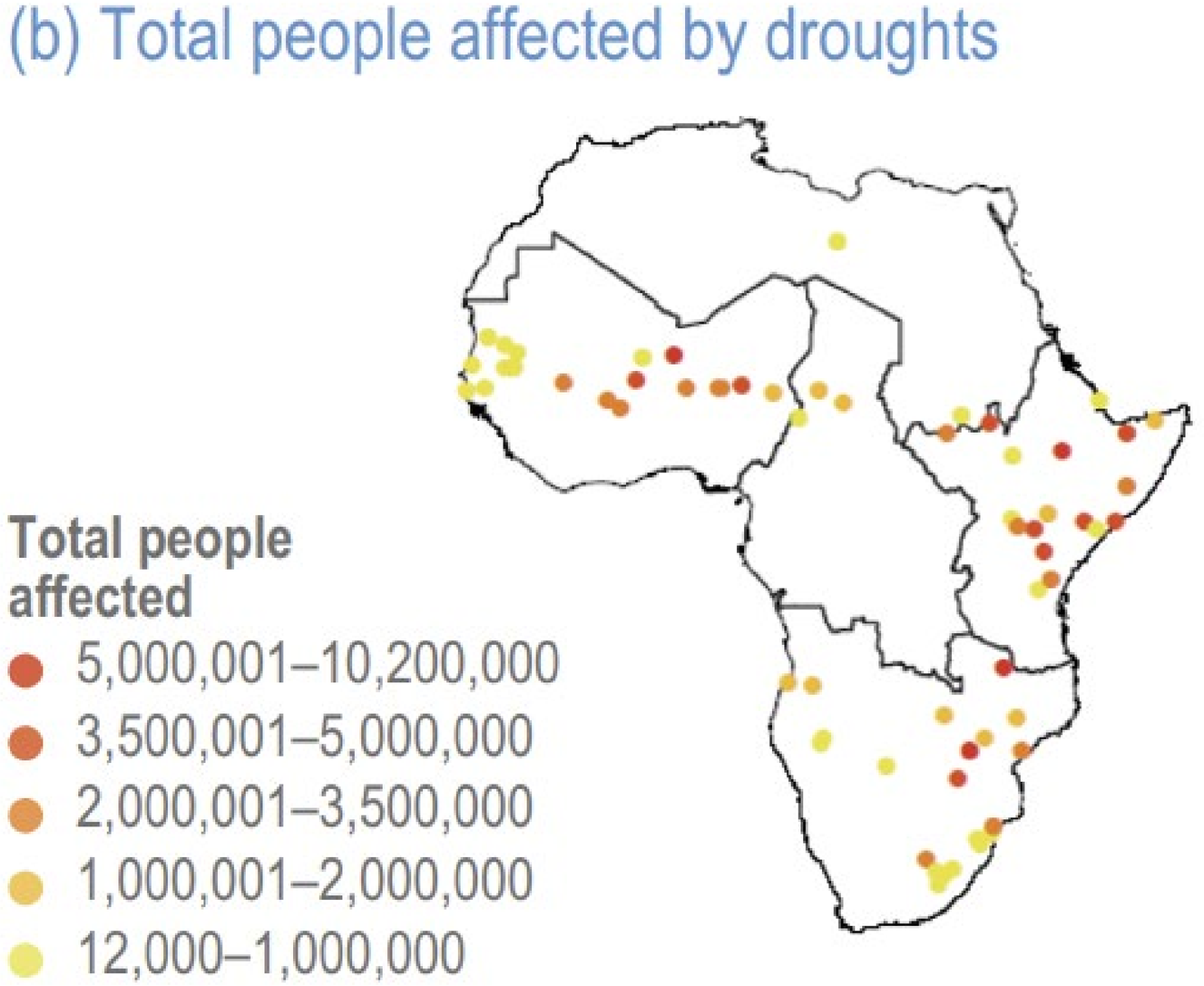

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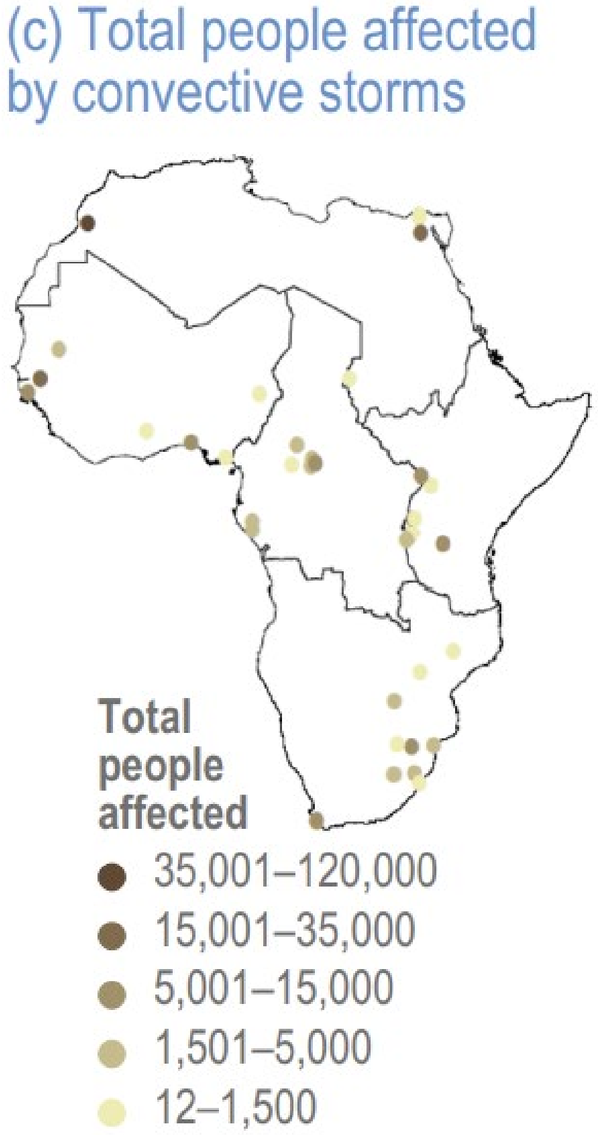

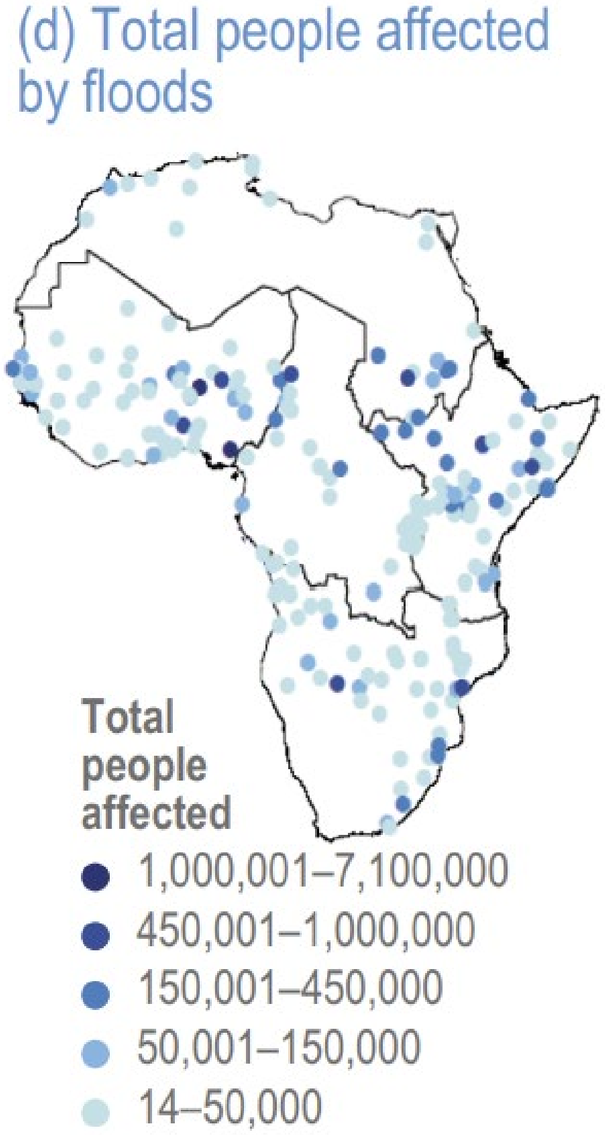

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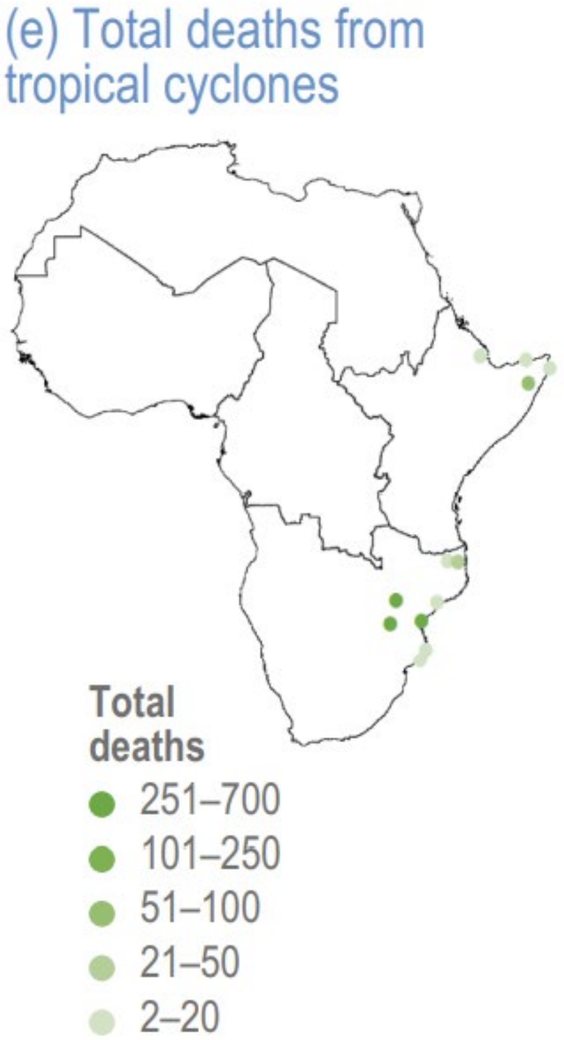
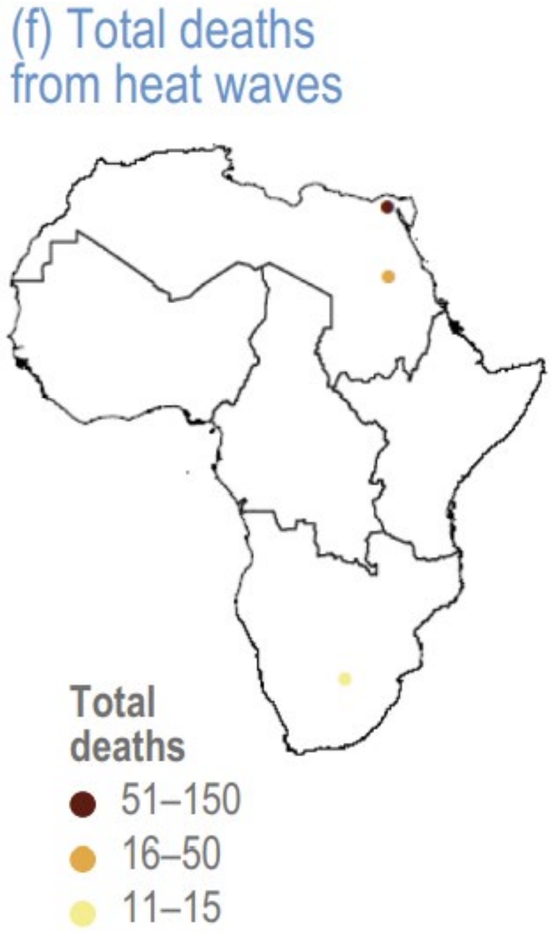




Source: IPCC 202 Report

The African Climate Vulnerability

Total people affected by climate hazards across Africa, 2010–2020

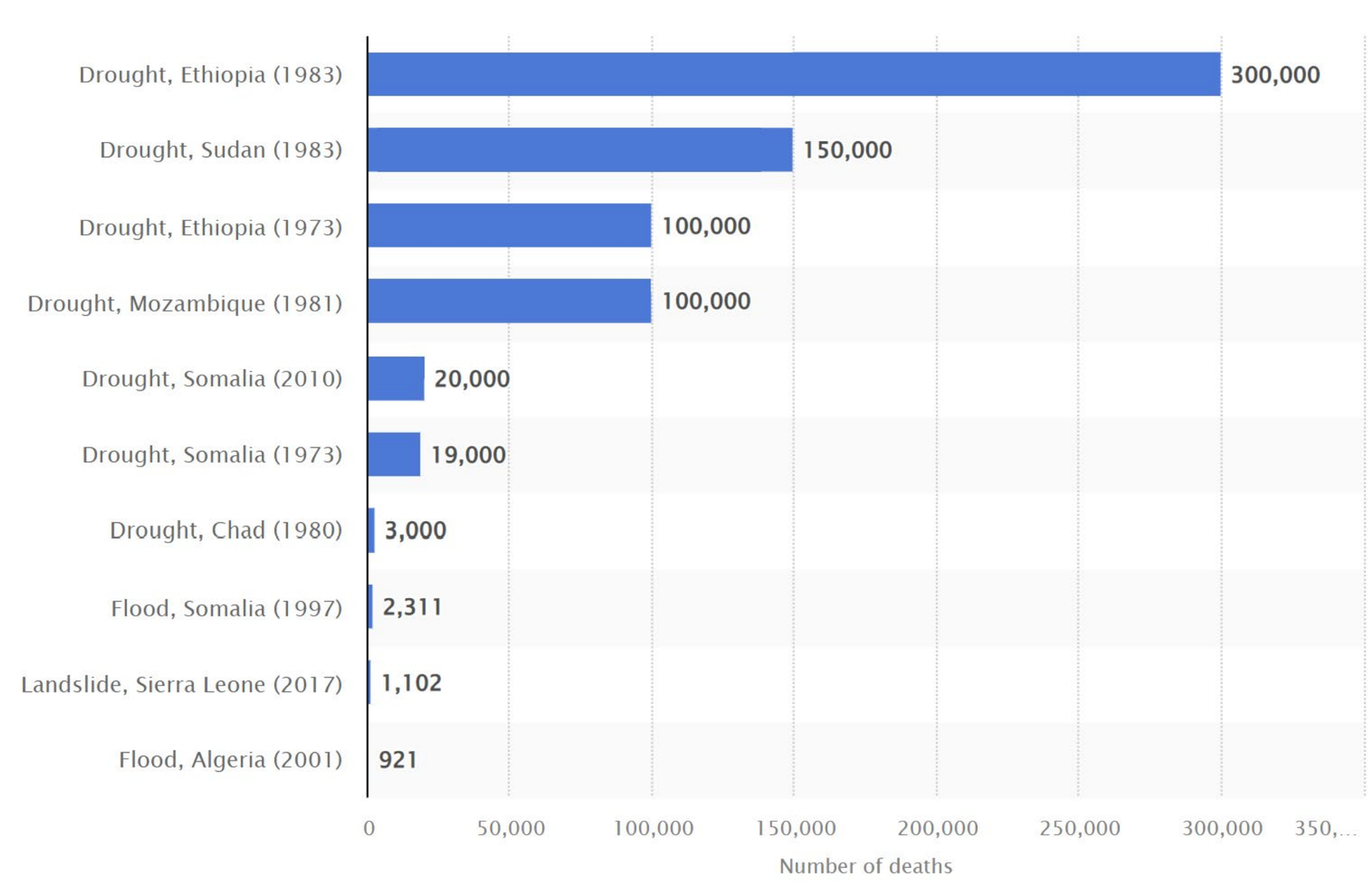
Table 9.7 | Case studies of climate hazard impacts and risks to selected human settlements in Africa

Hazard	Country/City	Impact on Human Settlement and Infrastructure	Source
Sea level rise and storm surge	Egypt (North Africa)	**December 2010, January 2011 and October 2015:** Storm surge of 1.2 m.a.s. l. (metres above sea level) (typical of the Nile Delta coast: 0.4–0.5 m). Coastal flooding and damage to some coastal structures. Moderate flooding of the Nile Delta lowlands. Alexandria city: Flooding generated by heavy rainfall (2015). Increased turbidity of water sources affected efficiency of water treatment plants leading to reduction of water supplies affecting public health systems. Potable water supply affected by saltwater intrusion. Coastal erosion and property damage.	Kloos and Baumert (2015); Abutaleb et al. (2018) Eldeberky Y (2015); Yehia et al. (2017)
Drought	Southern Africa	**El Niño drought, 2015–2016:** Western Cape Region affected 8.6 million people. Losses: >USD 2.2 billion. Power generation reduced by 75% at Kariba dam (Zambia) in 2016, and the Cahora Bassa dam (Mozambique) reduced to 34% of its capacity with widespread impact on electricity supplies across southern Africa.	Davis-Reddy et al. (2017); Spalding-Fecher et al. (2017) Brooks (2019)
	Somalia (East Africa)	**Somalia drought, 2016–2017:** 926,000 newly displaced people reported (November 2016–October 2017). Around 40% of total drought-related displacements accommodated in Mogadishu, Baidoa, Kismayo; 60% hosted in other secondary cities. Increased population density and overcrowding in Somalia's urban areas. Explosion of new shelters and tents for displaced persons within and in outskirts of cities. In Mogadishu, 34% of new settlements developed within 6 months.	Government of Somalia (2018)
Flooding	Malawi (East Africa)	**Floods, 2019:** Approximately 975,600 people affected, 672 injured, 60 persons killed and 86,976 people displaced. 288,371 houses damaged. 129 bridges and 68 culverts destroyed. Around 1841 km of road network estimated at USD 36.1 million destroyed. Total cost of damage and losses: housing sector, USD 106.9 million; energy, USD 3.1 million; water and sanitation, USD 6.4 million; transport, USD 37.0 million. Total cost of destroyed physical assets, USD 157.7 million. Damage and losses in Blantyre city: housing sector, USD 29.87 million; energy sector, USD 0.38 million; transport sector, USD 1.72 million.	Government of Malawi (2019)
Tropical cyclone	Mozambique, Zimbabwe and Malawi (southern Africa)	**Cyclones Idai and Kenneth, 2019:** Severe flooding of districts in Mozambique, Zimbabwe, and Malawi; 233,900 houses completely destroyed or damaged in Mozambique. Cyclone Kenneth: about 40,000 houses and 19 health facilities destroyed. Cyclone Idai: destroyed or damaged 1345 km of transmission lines, 10,216 km of distribution lines, two 90 MW generation plants, 30 sub-stations and 4000 transformers, resulting in estimated damage of USD 133.5 million and loss of USD 47.9 million in the energy sector in Mozambique. 602 and 299 people killed in Mozambique and Zimbabwe, respectively; about 1.5 million people affected in Mozambique and 270,000 in Zimbabwe. In Beira (Mozambique), 60% of city was inundated, 70% of houses damaged or totally destroyed, mostly in the poorest neighbourhood, and 90% of the city's power grid affected. Huge losses and damages to infrastructures in the energy, transport, water supply, communication services, housing, health and education sectors were also recorded.	(Cambaza et al., 2019; Chatiza, 2019; Government of Mozambique, 2019; Hope, 2019; Lequechane et al., 2020; Phiri et al., 2021) (Enenkel et al., 2020)
Landslide	Freetown (West Africa)	**August, 2017:** At least 500 people killed and over 600 people declared missing, >3000 residents rendered homeless; 349 houses destroyed. Damage to health facilities and educational buildings. Economic cost of landslide and flood, USD 31.6 million.	(Cui et al., 2019) (World Bank, 2017b)
	Uganda (East Africa)	**Slopes of Mt Elgon, 2010:** More than 350 deaths and 500,000 people needed to be relocated.	(Croitoru et al., 2019)

Source: IPCC 202 Report

The African Climate Vulnerability

Largest natural disasters in Africa between **1970 and 2019, by number of deaths**



Additional Information

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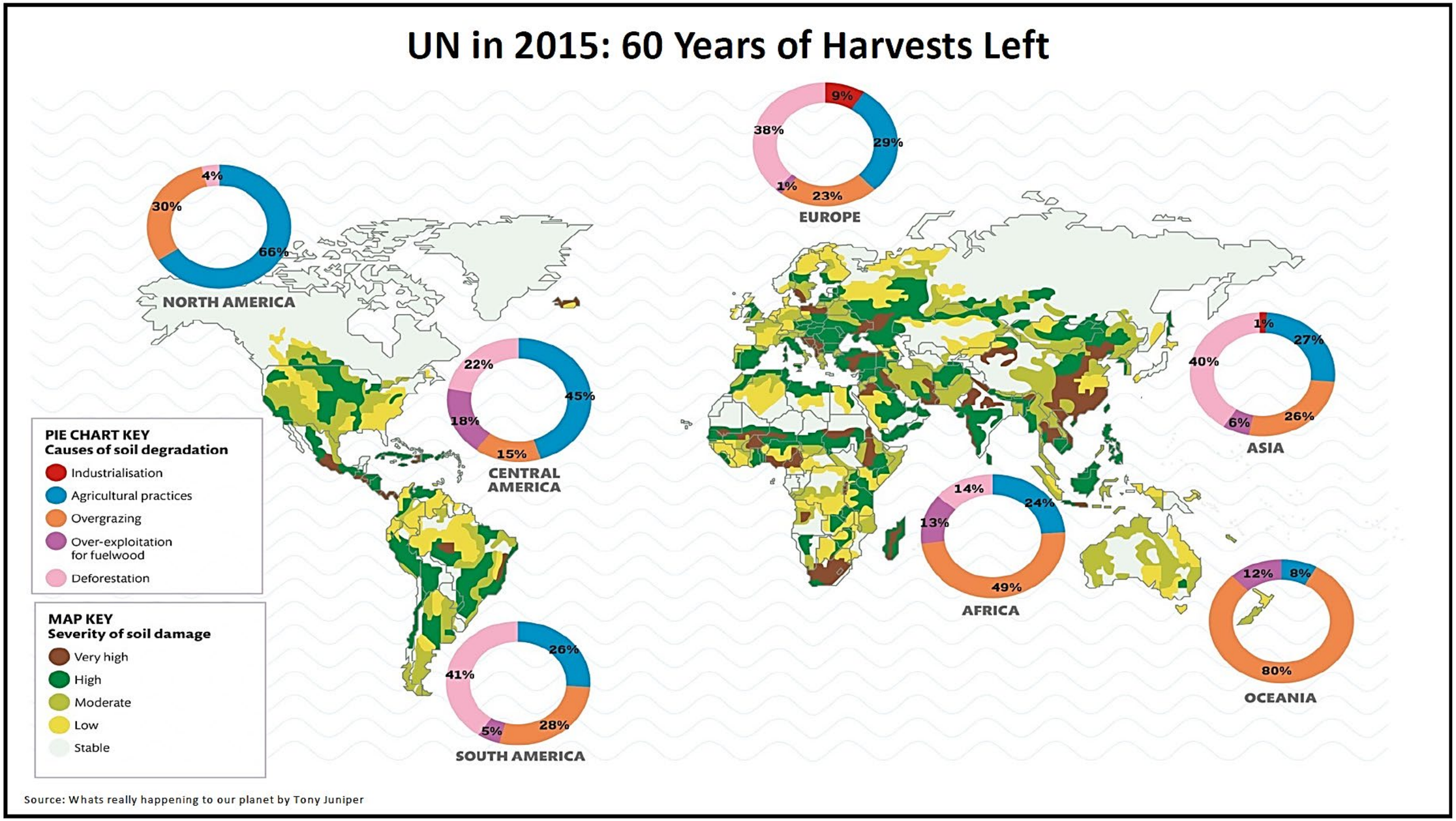
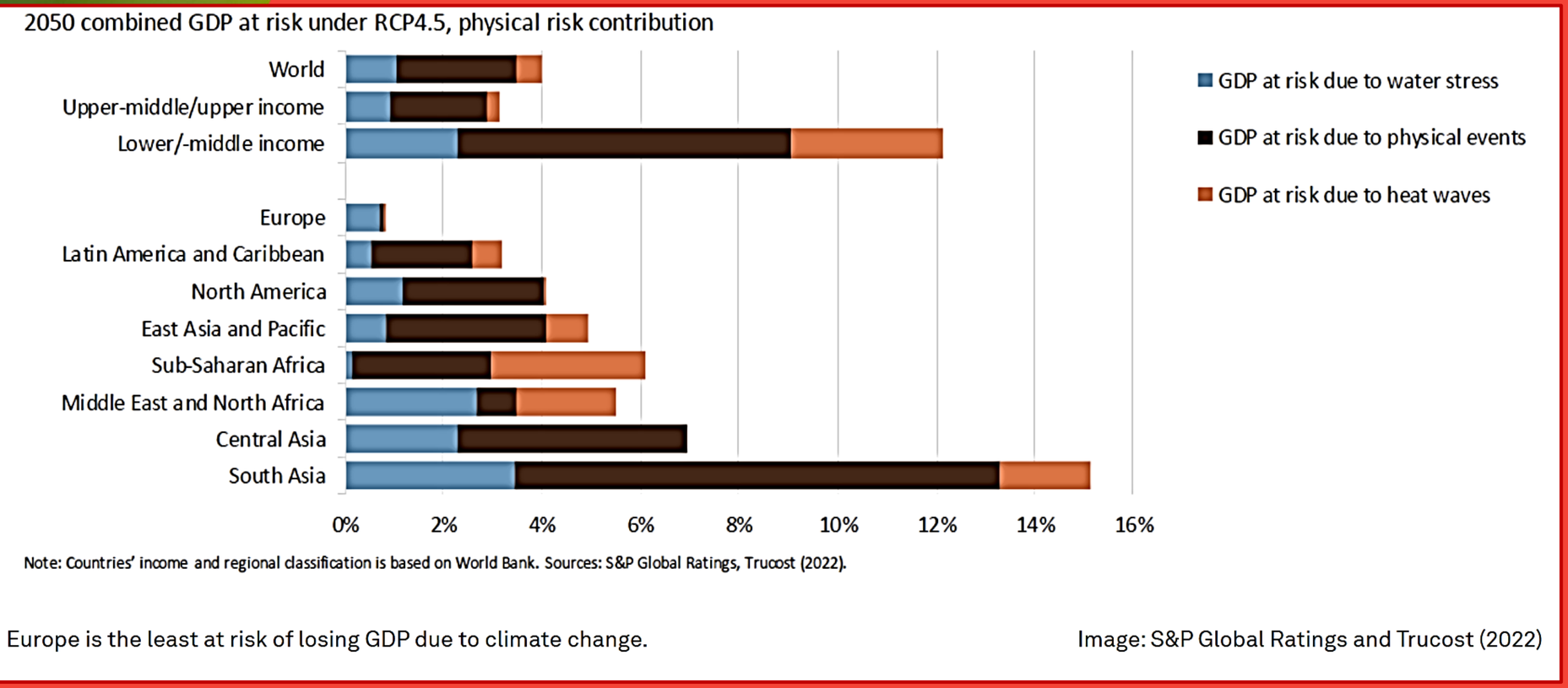
The African Climate Vulnerability



The African Climate Vulnerability vs GDP

- A new study of 135 countries estimates that **4% of global annual economic** output could be lost by 2050 because of climate change.
- **Lower-income** and lower-middle-income countries are more likely to face GDP losses, with South Asia most at risk.
- Over **60 countries could have their credit ratings cut by 2030** due to global warming.
- **International support** for many areas is vital to mitigate the impacts.



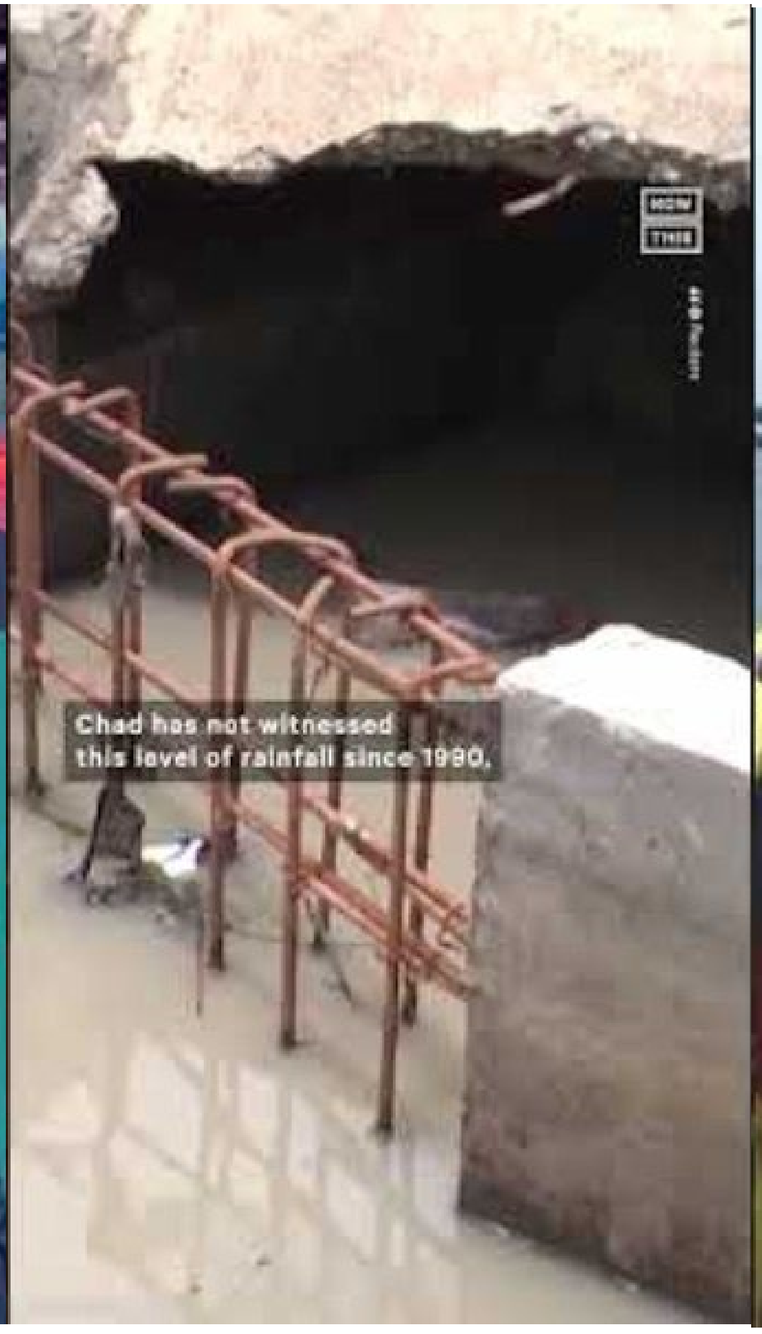
Europe is the least at risk of losing GDP due to climate change.

Image: S&P Global Ratings and Trucost (2022)

In a baseline scenario where governments largely shy away from major new climate change policies - known as **'RCP 4.5' by scientists** - lower- and lower-middle income countries are likely to see 3.6 times greater gross domestic product losses on average than richer one.

Source: WEForum

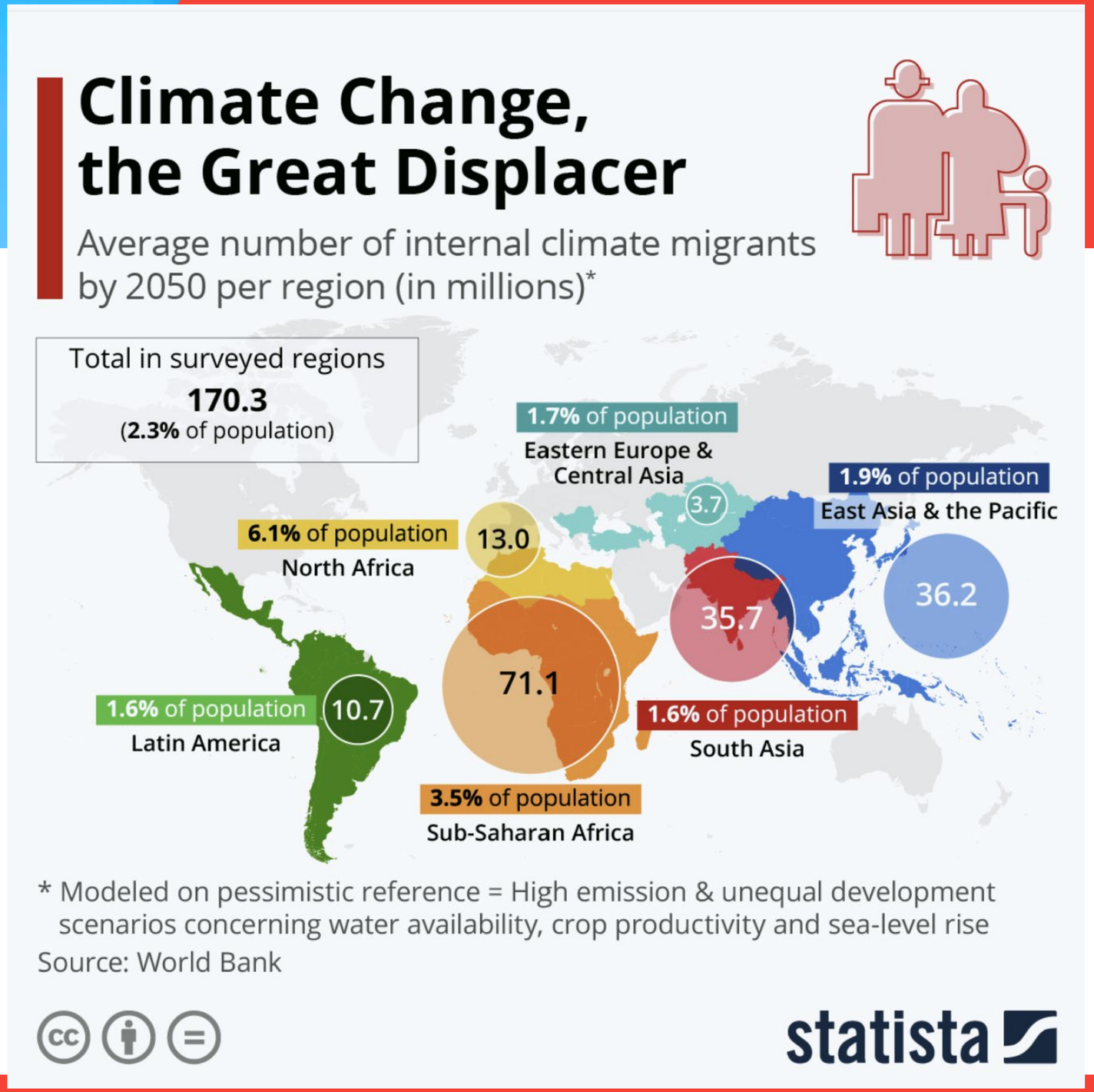

electricity on a regular basis
Africa
CLIMATE SUMMIT
Kenya


Chad has not witnessed
this level of rainfall since 1980.


I was so sad I made up my mind not
to fish again, but then this is all I
know how to do.
Rakuten


DW-TV

Impact of Climate Change



Mobilizing capital to bolster resilience and sustainable growth amid climate challenges

#	Country	Vulnerability Score (0–1)	Vulnerability Rank	Notes on Vulnerability
1	**Chad**	~0.640	187	Saharan country severely affected by drought, water scarcity, and desertification. Extremely low adaptive capacity.
2	**Sudan**	~0.612	182	Exposed to both droughts and floods; civil instability limits resilience and infrastructure.
3	**Somalia**	~0.611	181	Chronic droughts, floods and conflict intersect to create one of the world’s highest vulnerability scores.
4	**Sierra Leone**	~0.597	179	Severe rainfall variability and flooding risk; low adaptive capacity due to poverty and infrastructure deficit.
5	**Eritrea**	~0.592	178	Arid conditions and water stress limit agricultural resilience; among lowest readiness scores globally.
6	**Madagascar**	~0.558	167	Highly exposed to cyclones, coastal erosion and deforestation; frequent humanitarian losses.
7	**Democratic Republic of the Congo**	~0.561	168	Large territory with widespread rainfall variability and weak adaptive institutions.
8	**Mauritania**	~0.578	174	Desertification and water scarcity drive high vulnerability in the Sahel zone.
9	**Mali**	~0.576	172	Severe climate stress in agriculture-dependent economy; low institutional capacity.
10	**Benin**	~0.571	171	Coastal erosion, flood risk and land degradation pose chronic climate hazards.
11	**Burkina Faso**	~0.521	149	Recurring droughts and agricultural dependence make it a high-risk Sahelian state.
12	**Ethiopia**	~0.522	150	Large rural population heavily dependent on rain-fed agriculture; exposed to floods and droughts.
13	**The Gambia**	~0.524	152	Low-lying river system exposed to sea-level rise and flooding; low economic resilience.
14	**Guinea**	~0.529	153	Vulnerability from coastal erosion and deforestation; agriculture and health systems at risk.
15	**Uganda**	~0.536	156	Frequent floods and landslides impact agriculture and settlements; readiness remains low.
16	**Liberia**	~0.538	157	Coastal cities face sea-level rise; reliant on rain-fed agriculture and forestry.
17	**Comoros**	~0.541	159	Island nation susceptible to tropical storms, volcanic activity and sea-level rise.
18	**São Tomé and Príncipe**	~0.542	160	Small island developing state (SIDS); exposed to tropical cyclones and coastal flooding.
19	**Rwanda**	~0.567	169	Mountainous terrain leads to erosion and landslides; agriculture sensitive to climate variation.
20	**Burundi**	~0.553	164	Small land-locked country with severe rainfall variability and high poverty rates.

Loss and Damage from Climate Change

Climate change creates cascading impacts across every sector of society and the natural world. From ecosystem collapse to economic disruption, the losses span environmental, social, and economic dimensions. Understanding these interconnected damages is critical for developing comprehensive climate action strategies.

Ecosystems

- Local, regional, and global extinction
- Reduced ecosystem goods and services
- Declining natural coastal protection
- Biodiversity loss

Water

- Declining lake and river resources
- Reduced hydroelectricity and irrigation
- Disappearing glaciers
- Increased drought frequency

Food Systems

- Reduced crop productivity and revenues
- Increased livestock mortality
- Decreased fodder availability
- Reduced fisheries catch

Human Settlements & Infrastructure

Loss or damage to formal and informal dwellings, transport systems, and energy systems. Disruption to water supply, sanitation, education, and health infrastructure. Increased migration and displacement.

Health

Loss of life and productivity. Reduced nutrition and food security creating cascading health impacts across communities.

Economy, Poverty & Livelihoods

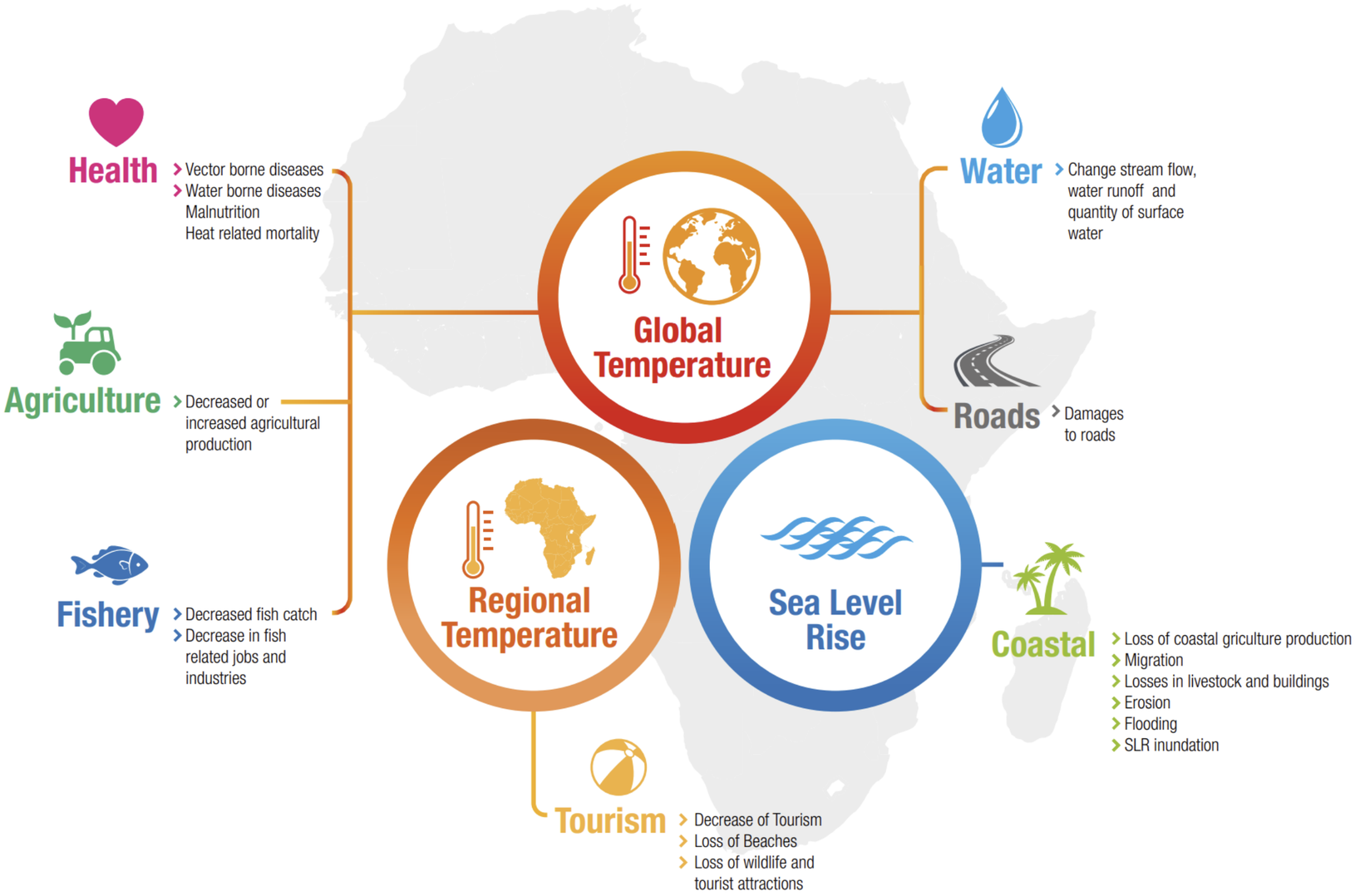
Loss of livelihoods, jobs, and income. Reduced productive land and slower economic growth. Rising inequality, community displacement, and reduced labor productivity. Delayed education progress and declining tourism.

Heritage

Loss of traditional cultures and ways of life. Loss of languages and knowledge systems. Damage to irreplaceable heritage sites.

Source: IPCC 202 Report

Figure 20 Overview of the impact module in the AD-AFRICA model



Source: AFDB, limate Change Impacts on Africa's Economic Growth. 2019

UN environment programme

Running on empty

The world is gearing up for climate resilience — without the money to get there

Adaptation Gap Report 2025

Define and Explain Green Finance:

Clarify the concept of green finance and its significance in promoting environmentally sustainable investments and climate resilience across Africa.

Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies

Defining Green Finance and Its Role in Africa

- **Green financing** is to increase level of **financial flows** (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities.

- **Green finance directs investments** and loans toward projects that deliver **environmental and climate benefits**—such as renewable energy, pollution control, and sustainable agriculture—promoting sustainable development while protecting the planet.

- **Climate finance** mobilizes public and private funding to address climate change **through mitigation and adaptation**, focusing specifically on climate-related goals within the broader scope of green and sustainable finance.

The Scale of Climate Finance Needed in Developing Countries

$7.5T per year in transition investment needed globally by 2035

$4.3T
Developed countries plus China

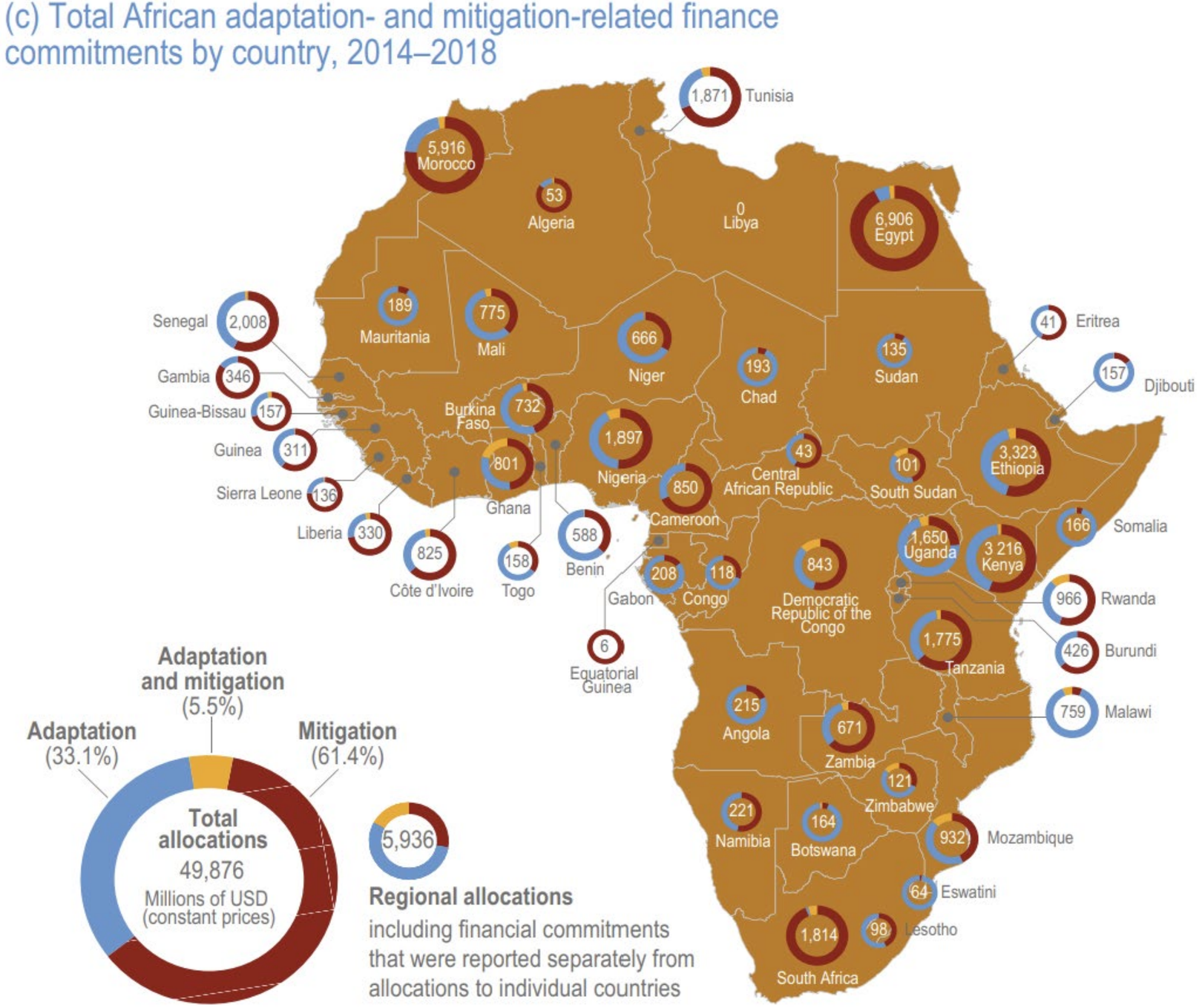
$3.2T
Developing countries

$4.3T
Developed countries plus China

$1.3T
External

$1.9T
Domestic

- Between **2014 and 2018**, Africa received about **USD 49.9 billion** in climate finance, with mitigation projects accounting for 61% and adaptation for 33%. Egypt, Morocco, Ethiopia, and South Africa were the top country recipients.

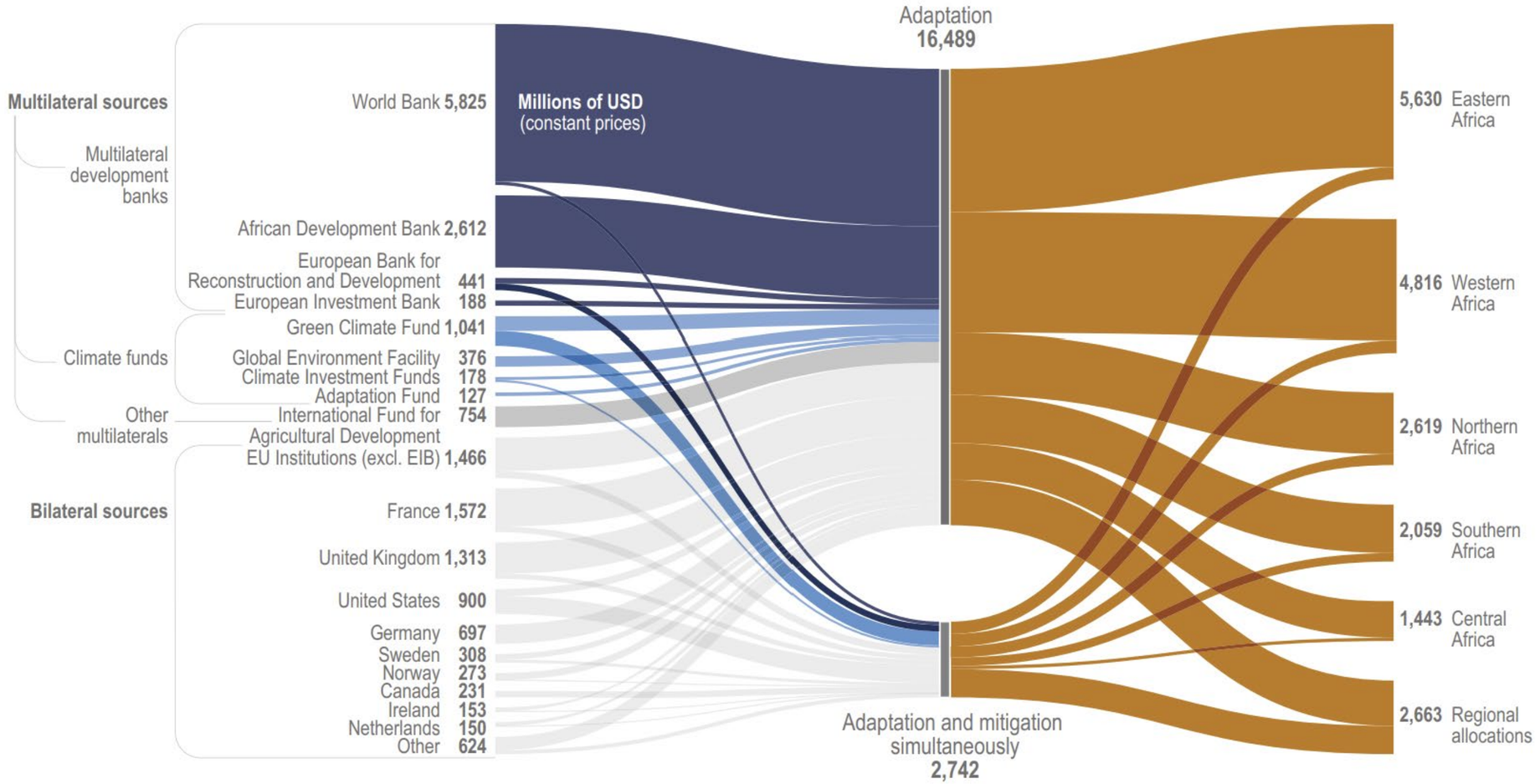


Source: IPCC 202 Report

- Between 2014 and 2018, multilateral and bilateral sources—led by the World Bank and African Development Bank—committed over USD 19 billion in climate finance to Africa, mainly for adaptation projects, with Eastern and Western Africa receiving the largest shares.

Climate finance commitments targeting African countries and regions

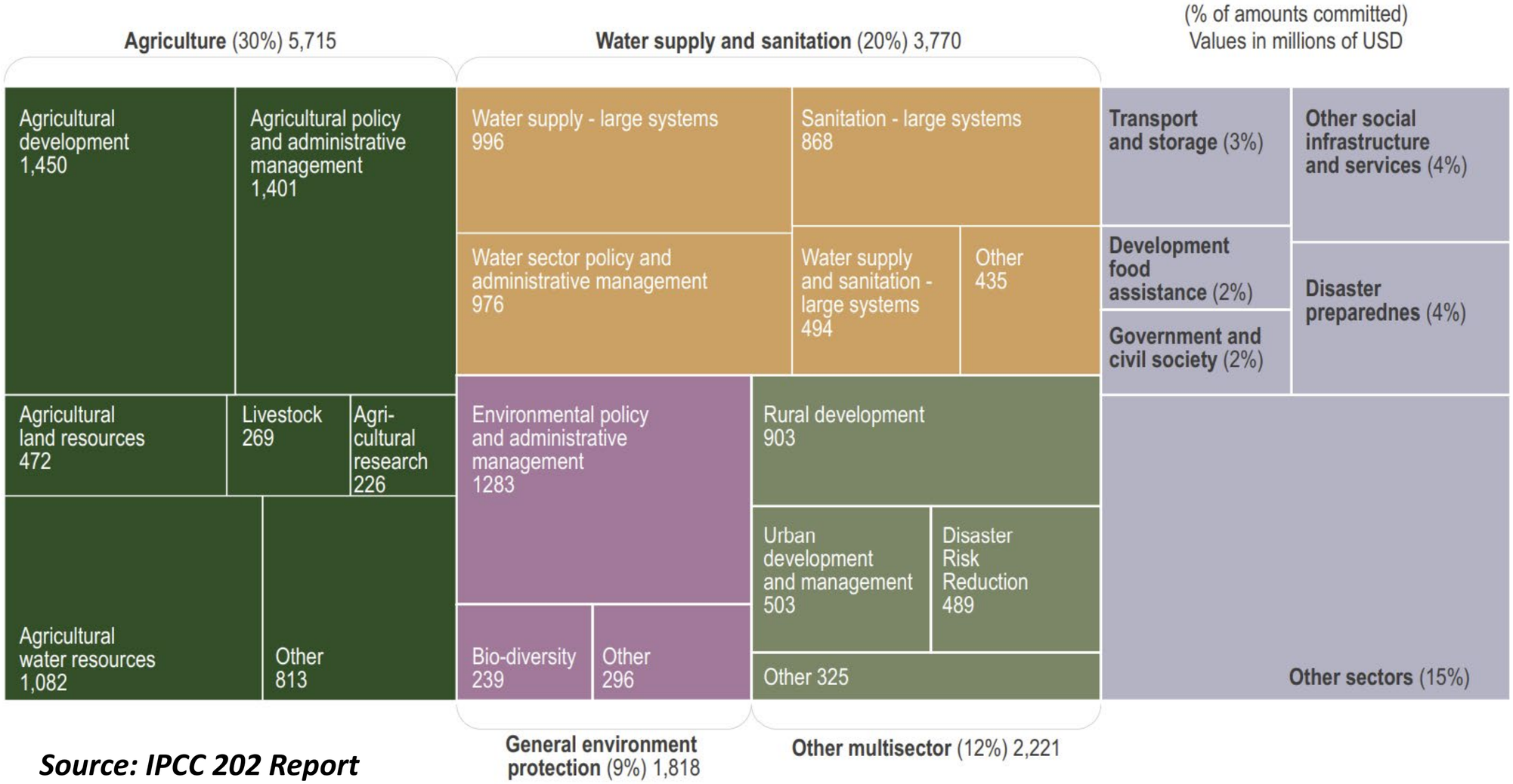
(a) Total adaptation-related finance (commitments) to African countries and regions, by source and recipient regions, 2014-2018



Source: IPCC 202 Report

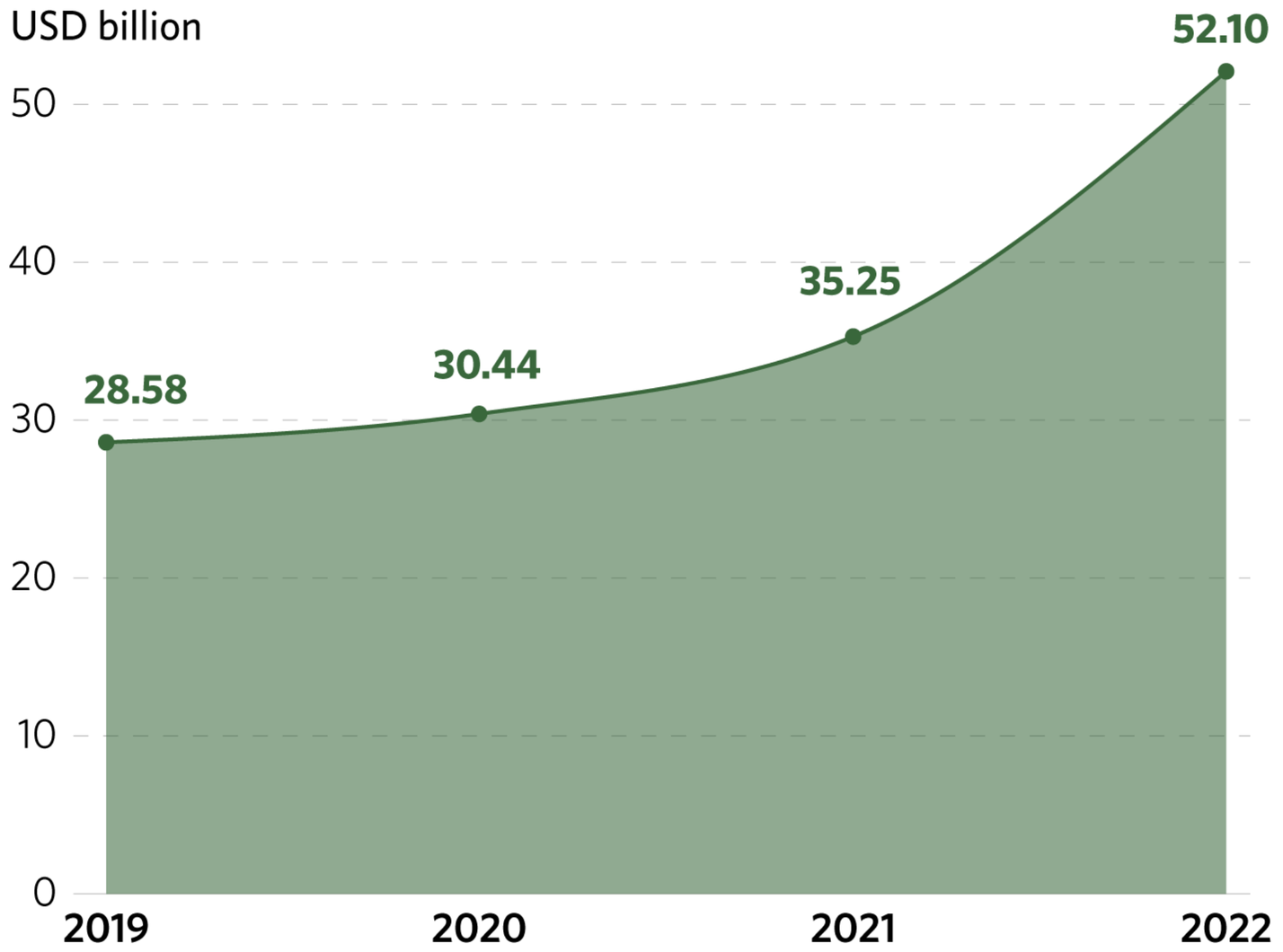
Adaptation finance commitments for Africa focused most on agriculture and water, and disbursement ratios for climate-related finance were very low

(a) Sectoral distribution of adaptation finance commitments to Africa 2014–2018



Source: IPCC 202 Report

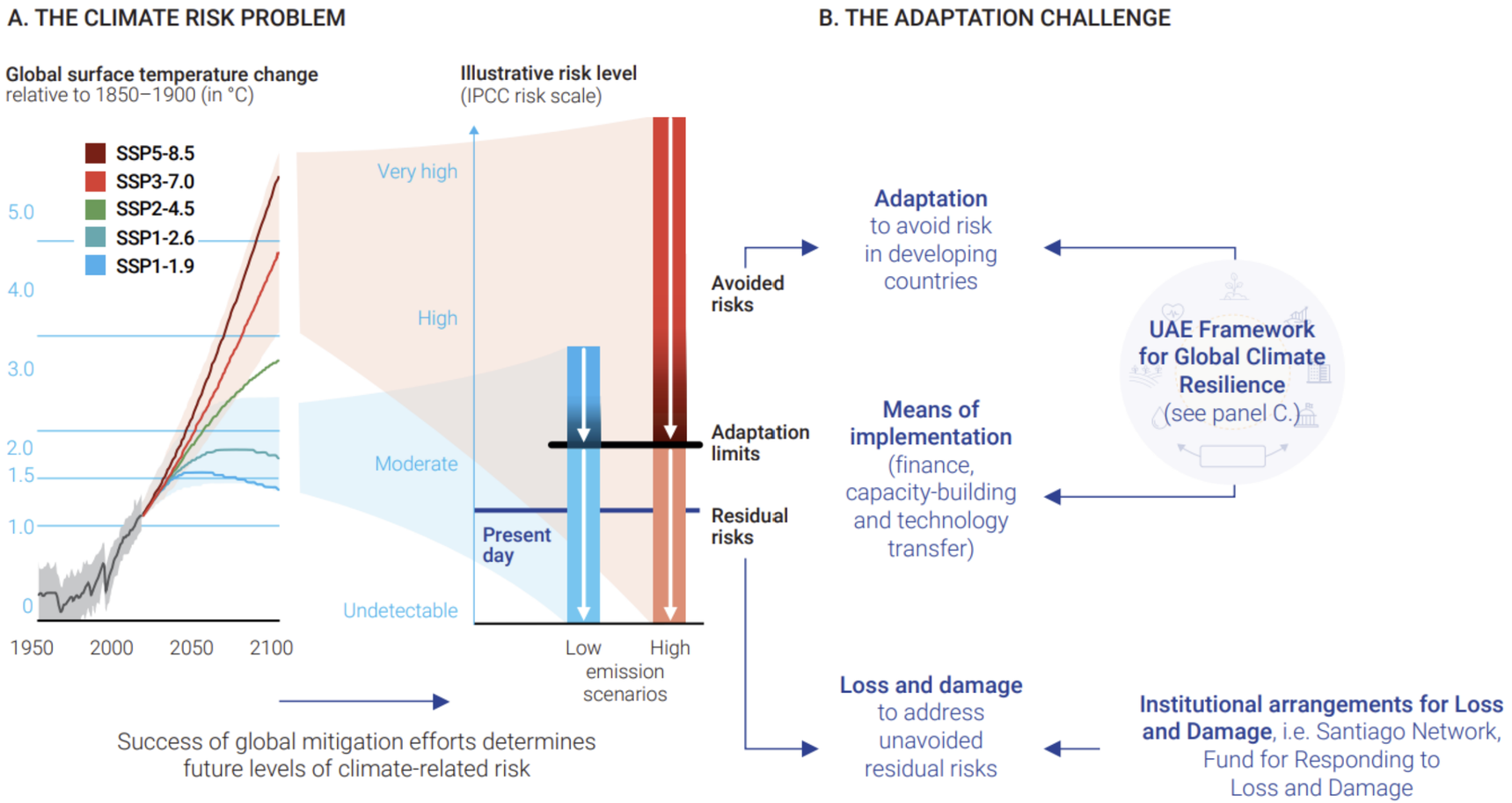
Figure 3: Climate finance flows in Africa



Source: Climate Policy Initiative

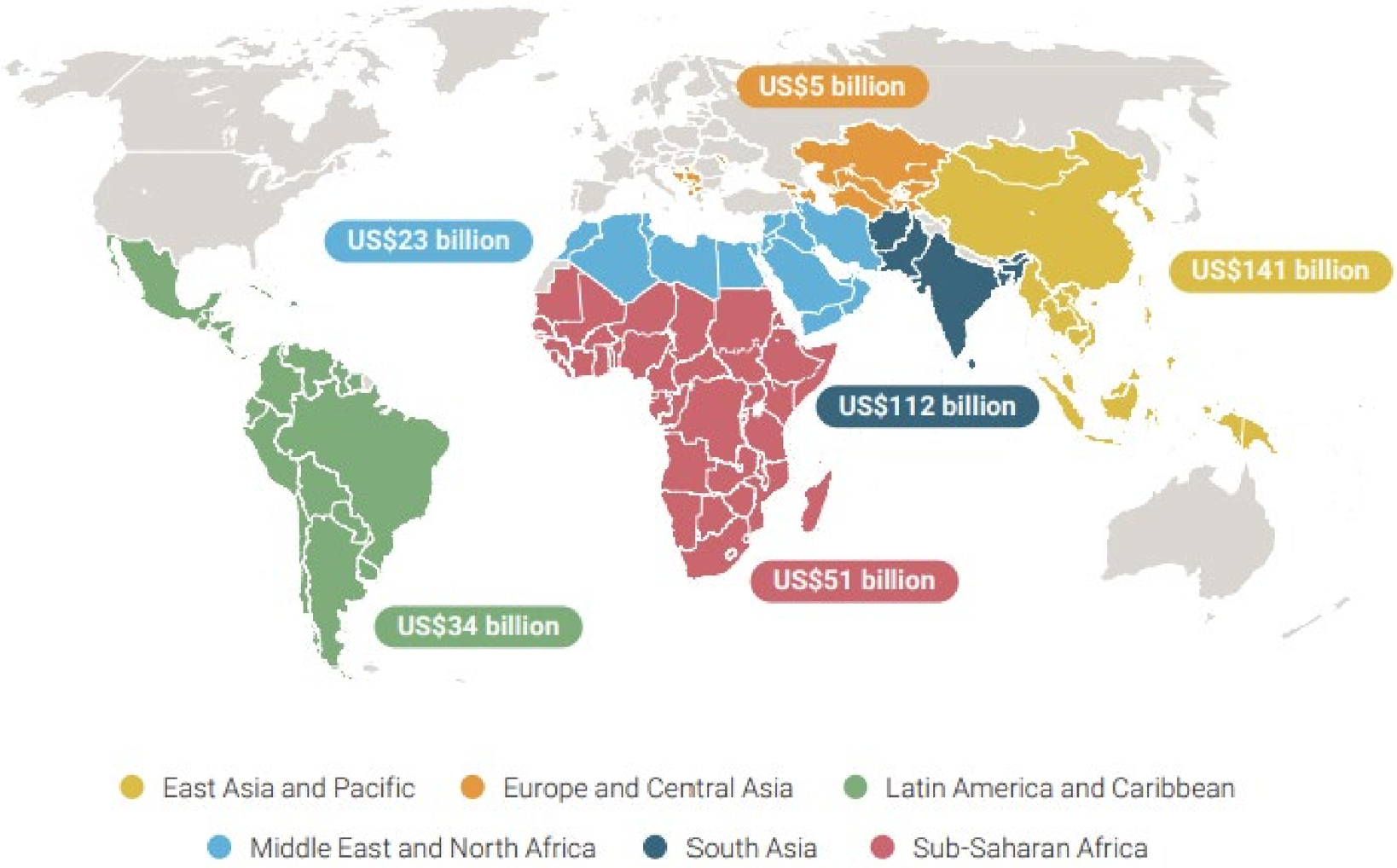
- The figure links rising climate risks with adaptation and loss-and-damage actions, showing that stronger global mitigation lowers future risks, while effective adaptation, finance, and institutional frameworks like the UAE Global Climate Resilience Framework are vital to address unavoidable residual impacts

Figure 1.1 The adaptation-related negotiation agenda items under the UNFCCC, and their connection to the challenge of addressing climate risks



Source: UNEP Adaptation Gap Report 2025

Figure 4.2 Adaptation finance needs in developing countries by region (US$ billion, 2023 prices). Only non-Annex I countries are shown by region.



Source: UNEP Adaptation Gap Report 2025

Climate Finance

Climate finance refers to local, national, or transnational financing drawn from public, private, and alternative sources to support mitigation and adaptation actions that will address climate change.

Purpose

Its purpose is to finance actions that reduce greenhouse gas emissions (**mitigation**) and enhance resilience to the impacts of climate change (**adaptation**).

Financial Tools

It involves a wide range of financial tools, including **grants**, **concessional loans**, **equity investments**, and **guarantees**.

International Context

This includes financial support from **developed countries to developing countries** to assist them in their mitigation and adaptation efforts, as pledged under the UNFCCC framework. **Climate finance is critical for scaling up actions to achieve climate goals**.

Mitigation Examples

- Renewable energy installations
- Energy efficiency programs
- Sustainable agriculture practices

Adaptation Examples

- Climate-resilient infrastructure
- Development of drought-resistant crops
- Implementation of early warning systems

Sources: ISO, IFAD, NDF

Instrument	Meaning	Repayment Requirement	Financial Return Expectation	Typical Use / Purpose	Example
Grants	Non-repayable funds provided to support specific projects or objectives.	❌ No repayment required	❌ No financial return expected	Used for capacity building, technical assistance, or social/environmental projects.	A donor gives $1 million to fund climate resilience training.
Concessional Loans	Loans offered at below-market interest rates or with flexible terms to reduce borrowing costs.	✅ Yes, repayment required (but on favorable terms)	⚠️ Low or minimal return	Used for infrastructure, adaptation, or green energy projects in developing countries.	A development bank lends $10 million at 1% interest for 25 years.
Equity Investments	Capital provided in exchange for ownership or shares in a project or company.	❌ No fixed repayment	✅ Returns depend on profits or dividends	Used to support private sector participation and project sustainability.	Investing $5 million for a 20% stake in a renewable energy firm.
Guarantees	Financial commitments to cover losses if a borrower defaults or a project fails.	❌ No direct repayment unless the guarantee is triggered	⚠️ Indirect return through risk reduction fees	Used to attract private investors by reducing perceived financial risk.	A bank guarantees loan repayment for a solar energy project.

Fund / Mechanism	Year Established / Designated	Managing / Operating Entity	Primary Purpose / Focus Area	Serves / Eligible Countries	Key Features / Notes
Financial Mechanism of the UNFCCC	**1992 (UNFCCC Convention)**	Overseen by the COP	Provides financial resources to developing countries for mitigation and adaptation	UNFCCC, Kyoto Protocol, Paris Agreement	Umbrella mechanism for channeling climate finance via operating entities.
Global Environment Facility (GEF)	**1994**	GEF Secretariat	Supports enabling activities, technology transfer, and capacity building	All developing countries	First operating entity of the UNFCCC financial mechanism; manages SCCF and LDCF.
Climate Investment Funds (CIFs)	**2008**	World Bank Group & regional MDBs	Provides concessional finance for clean energy, resilience, and forestry	Developing countries globally	Includes **Clean Technology Fund (CTF)** and **Strategic Climate Fund (SCF)**.
Special Climate Change Fund (SCCF)	**2001**	Managed by GEF	Finances adaptation, technology transfer, and capacity building	Developing countries (non-LDCs)	Complements GEF and GCF; flexible thematic coverage.
Least Developed Countries Fund (LDCF)	**2001**	Managed by GEF	Supports LDCs in implementing National Adaptation Programmes of Action (NAPAs)	46 Least Developed Countries	Focused on adaptation in most vulnerable nations; grants-based.
Adaptation Fund (AF)	**2001 (Kyoto Protocol)**	Adaptation Fund Board under UNFCCC	Finances concrete adaptation projects and programs	Developing countries (Kyoto; extending to Paris Agreement)	Funded by 2% share of CDM proceeds; offers **direct access** for national entities.
Green Climate Fund (GCF)	**2010 (COP 16), operational 2011**	Independent Board under UNFCCC	Finances large-scale mitigation and adaptation projects via grants, loans, equity, and guarantees	Developing countries	Largest dedicated climate fund; promotes low-carbon, resilient development.
Africa Climate Change Fund (ACCF)	**2014**	African Development Bank (AfDB)	Builds capacity and readiness for accessing climate finance	African countries	Supports project preparation and regional climate resilience.
Africa Adaptation Initiative (AAI) Trust Fund	**2015**	African Union Commission / AfDB	Scales up adaptation financing and implementation in Africa	African countries	Africa-led platform to bridge adaptation finance gaps and align continental priorities.
Loss and Damage Fund (LDF)	**2022 (COP 27), operationalized 2023**	World Bank (interim host) under UNFCCC oversight	Provides financial assistance for **irreversible losses** beyond adaptation limits	Developing countries, esp. vulnerable African, island, and LDC states	Addresses **residual risks** and non-economic losses (lives, heritage, livelihoods).

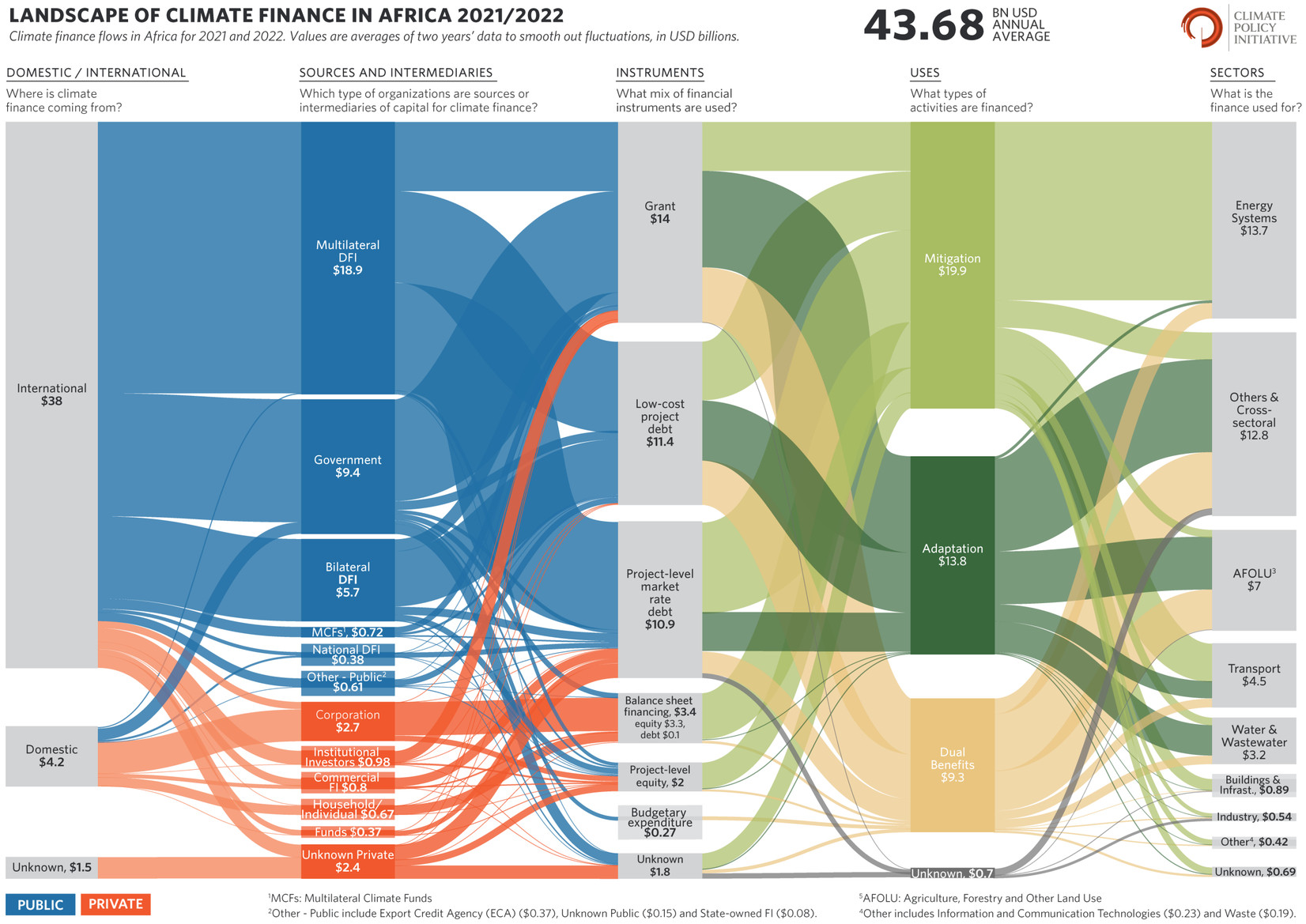
Year	Mechanism / Fund	Scale / Amount (latest public)	What the figure represents
1992	**UNFCCC Financial Mechanism**	—	Umbrella mechanism (no single capitalization figure); channels finance via GEF & GCF.
1994	**Global Environment Facility (GEF)**	**$23.7B**	Cumulative GEF Trust Fund approvals as of Sep 2024. (World Bank)
2001	**Least Developed Countries Fund (LDCF)**	**$2.3B**	Cumulative pledges to LDCF (≈$2.2B paid in) as of Nov 2024. (Climate Funds Update -)
2001	**Special Climate Change Fund (SCCF)**	**$460M**	Cumulative pledges as of Nov 2024. (Climate Funds Update -)
2001	**Adaptation Fund (AF)**	**$1.33B**	Total approved for projects (to Nov 2024). (adaptation-fund.org)
2008	**Climate Investment Funds (CIF)**	**$12.5B**	Total pledges to CIF. (cif.org)
2010/11	**Green Climate Fund (GCF)**	**$21B**	Fund size managed (FT interview, 2025); also **$13.6B** pledged for GCF-2 (2024–27). (Financial Times)
2014	**Africa Climate Change Fund (ACCF)**	**$28.8M**	Current trust-fund value (press, 2023); portfolio noted ≈$18.6M across ~30 projects. (afdb.africa-newsroom.com)
2015	**Africa Adaptation Initiative / AAAP**	**$25B (target by 2025)**	Mobilization goal for the Africa Adaptation Acceleration Program (AAAP). (Global Center on Adaptation)
2022/23	**Loss & Damage Fund (FRLD)**	**$786M**	Initial pledges as of Apr 2025; UNFCCC page describes mandate. (Climate Funds Update -)
2022	**African Development Fund – Climate Action Window**	**$4B by 2025; $13B long-term (targets)**	Mobilization goals; initial window funding $429M. (afdb.africa-newsroom.com)

Identify Key Financial Instruments:

Showcase tools such as green bonds, sustainability-linked loans, carbon credits, and ESG funds that mobilize capital for sustainable development.

Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies

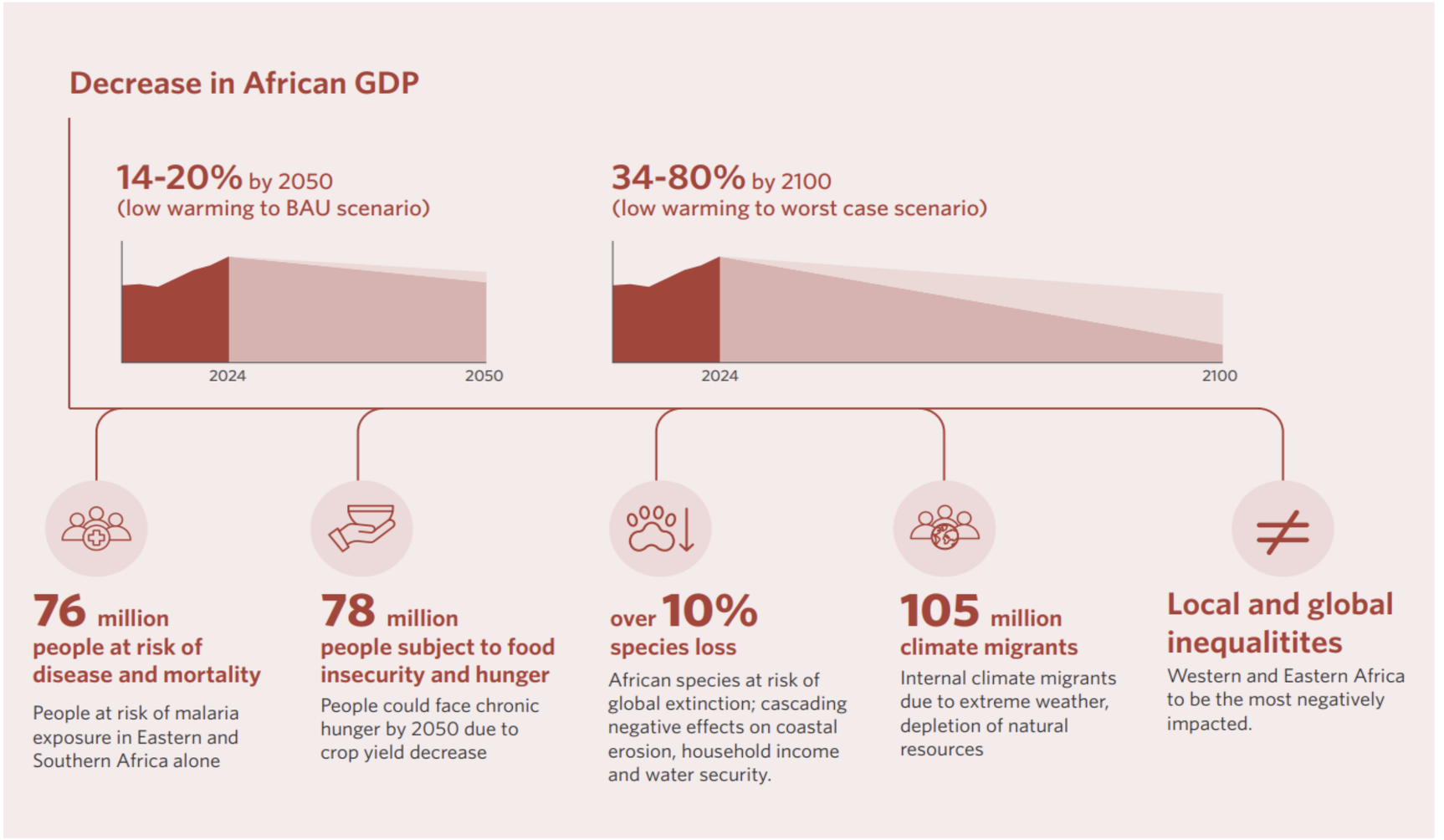
Domestic sources lag behind despite Africa having around **USD 2.4 trillion of** bank, insurance, and pension assets under management.



Source: Climate Policy Initiative

What happens if we refused to FUND our **CLIMATE MITIGATIO N** and **ADAPTATIO N** strategies

Figure 1: Predicted cost of inaction



Note: *The figure presents the current best estimates of specific social costs in the region; actual social costs are likely much larger in scale*

Sources: *Christian Aid, 2022, Burke et al., 2015 and several others*

Source: Climate Policy Initiative

Climate Finance Flow to Africa 2021-20222

Table 1: Climate finance flows in Africa (USD billion, % of total flows)

	2019/20	2021/22
FLOWS	29.5	43.7
PRIVATE FINANCE	4.2 (14%)	8 (18%)
Domestic	2.1 (7%)	3.2 (7%)
International	1.6 (6%)	3.3 (8%)
Unknown	0.5 (2%)	1.5 (3%)
PUBLIC FINANCE	25.3 (86%)	35.7 (82%)
Domestic	1.6 (5%)	1 (2%)
International	23.5 (80%)	34.7 (79%)
Unknown	0.1 (0.5%)	-
USE		
Adaptation	11.4 (39%)	13.8 (32%)
Mitigation	14.6 49%)	19.9 (46%)
Dual benefits	3.2 (11%)	9.3 (21%)
Unknown	0.4 (1%)	0.7 (2%)

Source: Climate Policy Initiative

Climate Finance Flow to Africa 2021-20222

USE		
Adaptation	11.4 (39%)	13.8 (32%)
Mitigation	14.6 49%)	19.9 (46%)
Dual benefits	3.2 (11%)	9.3 (21%)
Unknown	0.4 (1%)	0.7 (2%)
SECTOR		
Energy Systems	9.4 (32%)	13.7 (31%)
Cross-sectoral	8.5 (29%)	12.8 (29%)
AFOLU	4.6 (16%)	7 (16%)
Transport	2.6 (9%)	4.5 (10%)
Water & Wastewater	2.6 (9%)	3.2 (7%)
Buildings & Infrastructure	1.3 (4%)	0.9 (2%)
Other	0.6 (2%)	1.7 (4%)

Source: Climate Policy Initiative

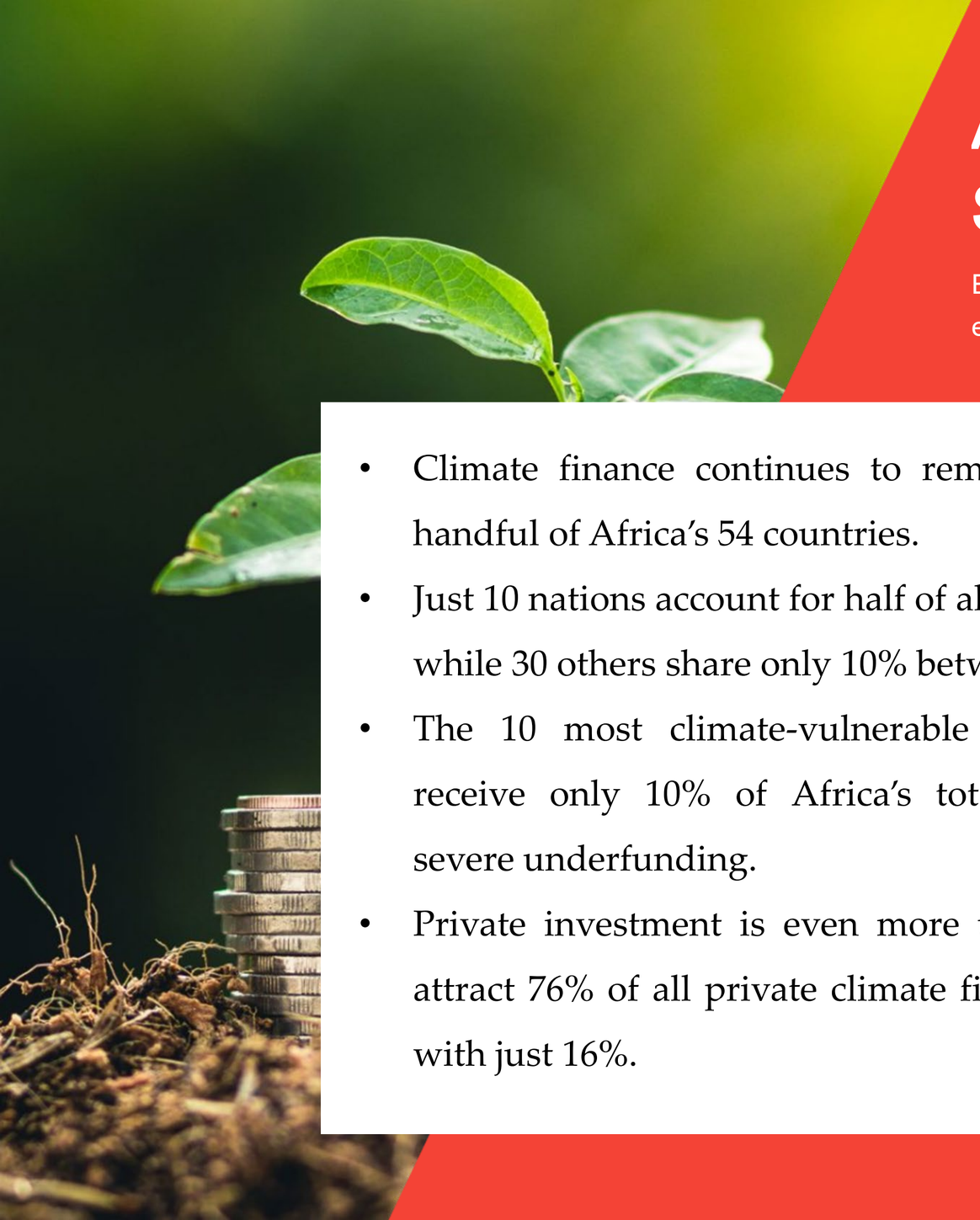
Climate Finance Flow to Africa 2021-20222

INSTRUMENT		
Grant	8.8 (30%)	14.0 (32%)
Low-cost project debt	8.3 (28%)	11.4 (26%)
Project-level market rate debt	7.6 (26%)	10.9 (25%)
Project-level equity	1.8 (6%)	2 (5%)
Balance sheet financing (equity portion)	1.2 (4%)	3.3 (8%)
Balance sheet financing (debt portion)	0.6 (2%)	0.1 (0.2%)
Budgetary Expenditure	-	0.3 (1%)
Unknown	1.2 (4%)	1.8 (4%)
SUBREGION		
Eastern Africa	9.5 (32%)	12.6 (29%)
Western Africa	7.1 (24%)	10.9 (25%)
Northern Africa	5.7 (19%)	7.3 (17%)
Southern Africa	2.2 (7%)	3.9 (9%)
Central Africa	1.8 (6%)	3.5 (8%)
Unknown/Multiple Regions	3.2 (11%)	5.5 (13%)

Source: Climate Policy Initiative

Africa’s Financial Markets and Sustainability

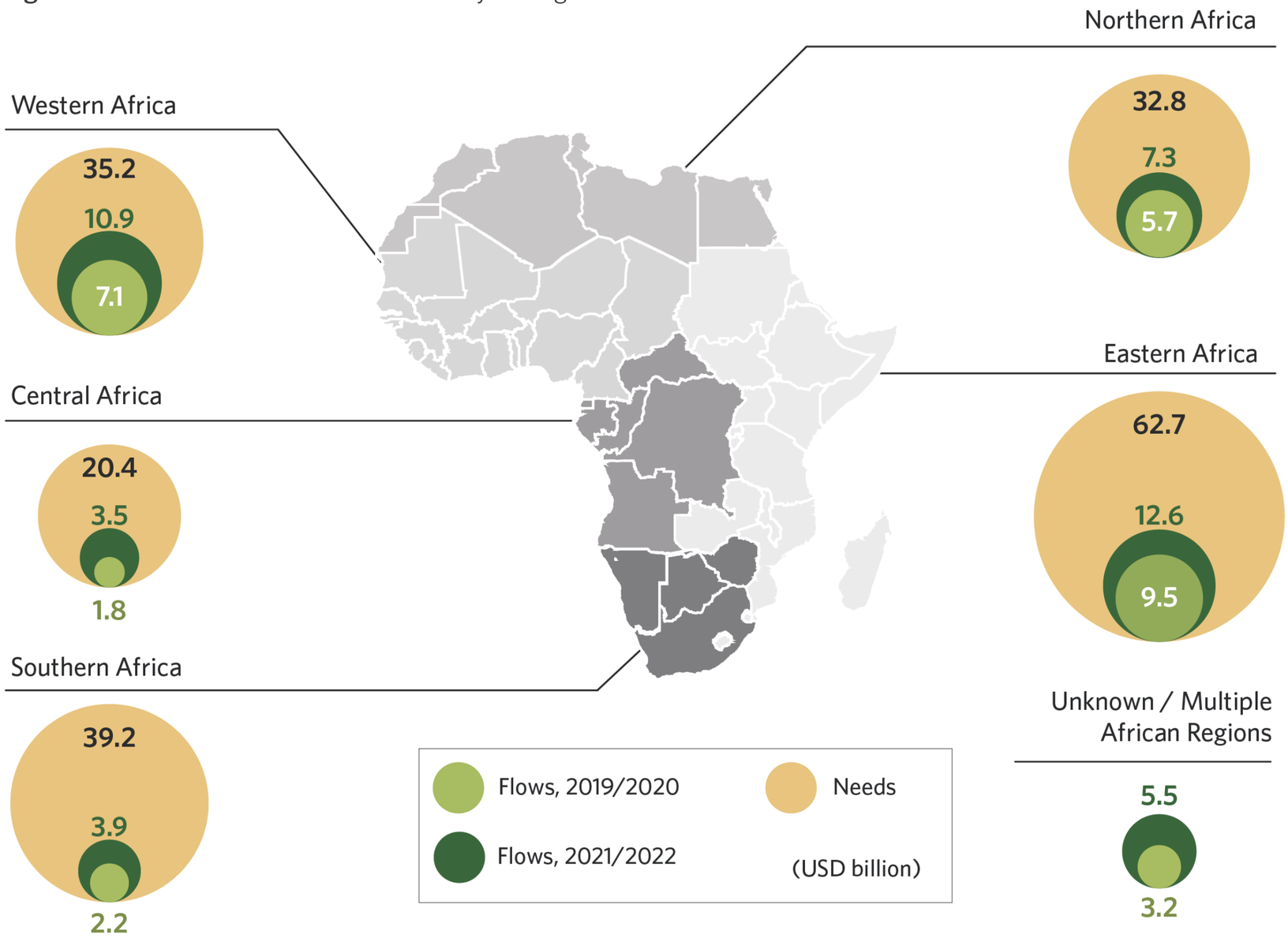
Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies



- Climate finance continues to remain concentrated in a handful of Africa’s 54 countries.
- Just 10 nations account for half of all climate finance flows, while 30 others share only 10% between them.
- The 10 most climate-vulnerable countries collectively receive only 10% of Africa’s total flows, highlighting severe underfunding.
- Private investment is even more unequal: ten countries attract 76% of all private climate finance, leaving the rest with just 16%.

Africa's Financial Markets and Sustainability

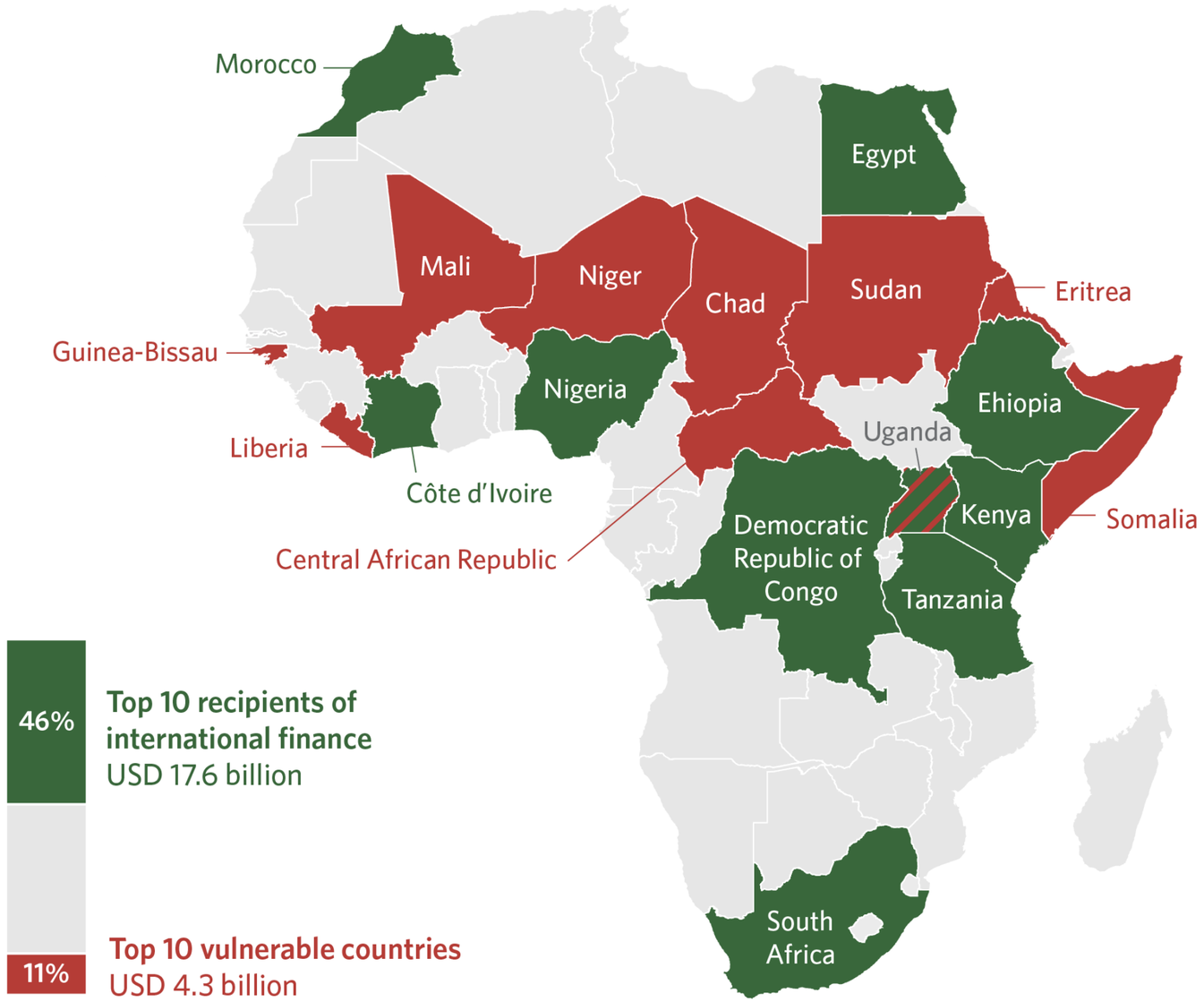
Figure 5: Climate finance flows and needs by subregions



Source: Climate Policy Initiative

Africa's Financial Markets and Sustainability

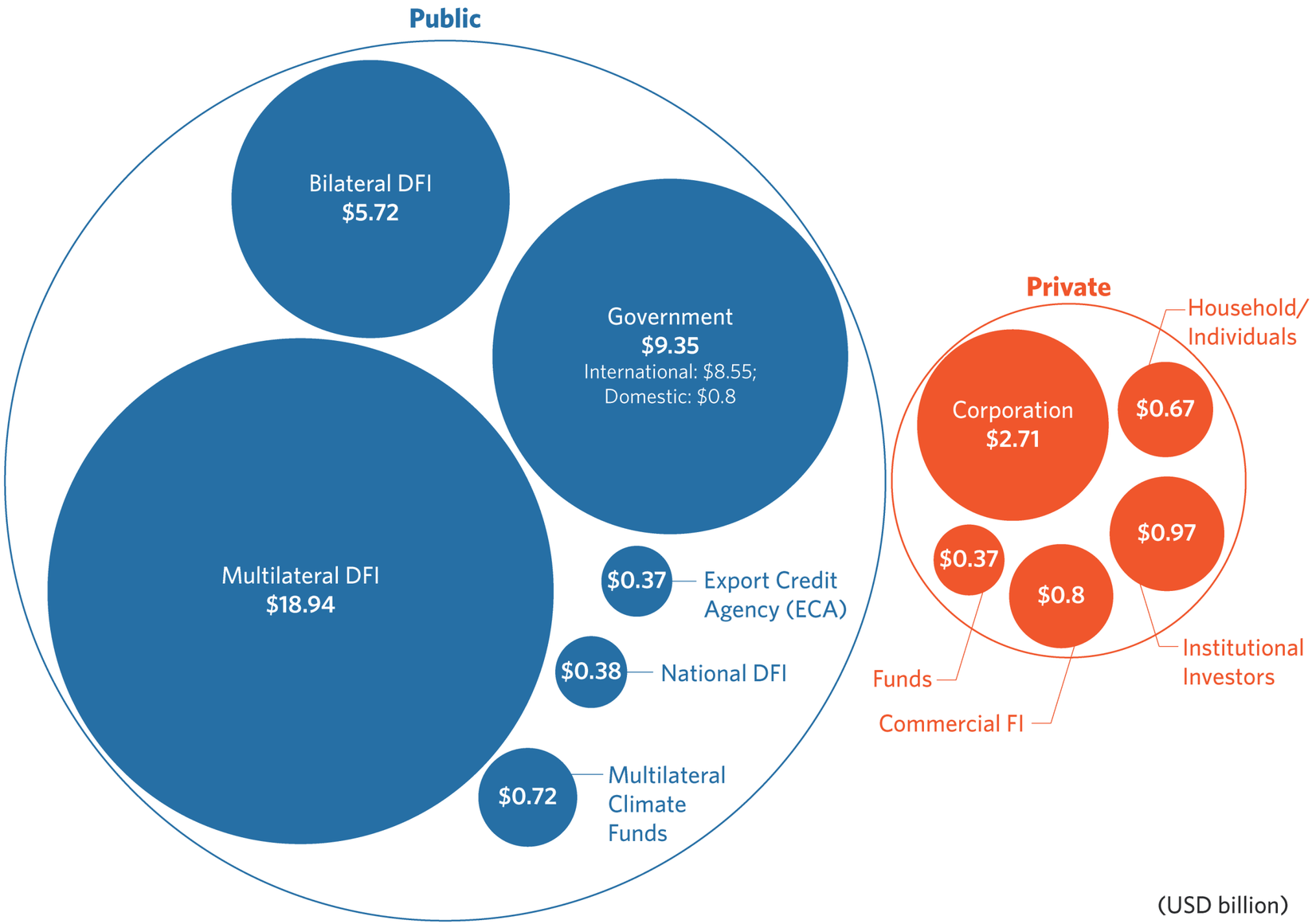
Figure 17: International Climate Finance Flows to Top 10 Recipients vs. Most Vulnerable African Countries



Source: Climate Policy Initiative

Africa's Financial Markets and Sustainability

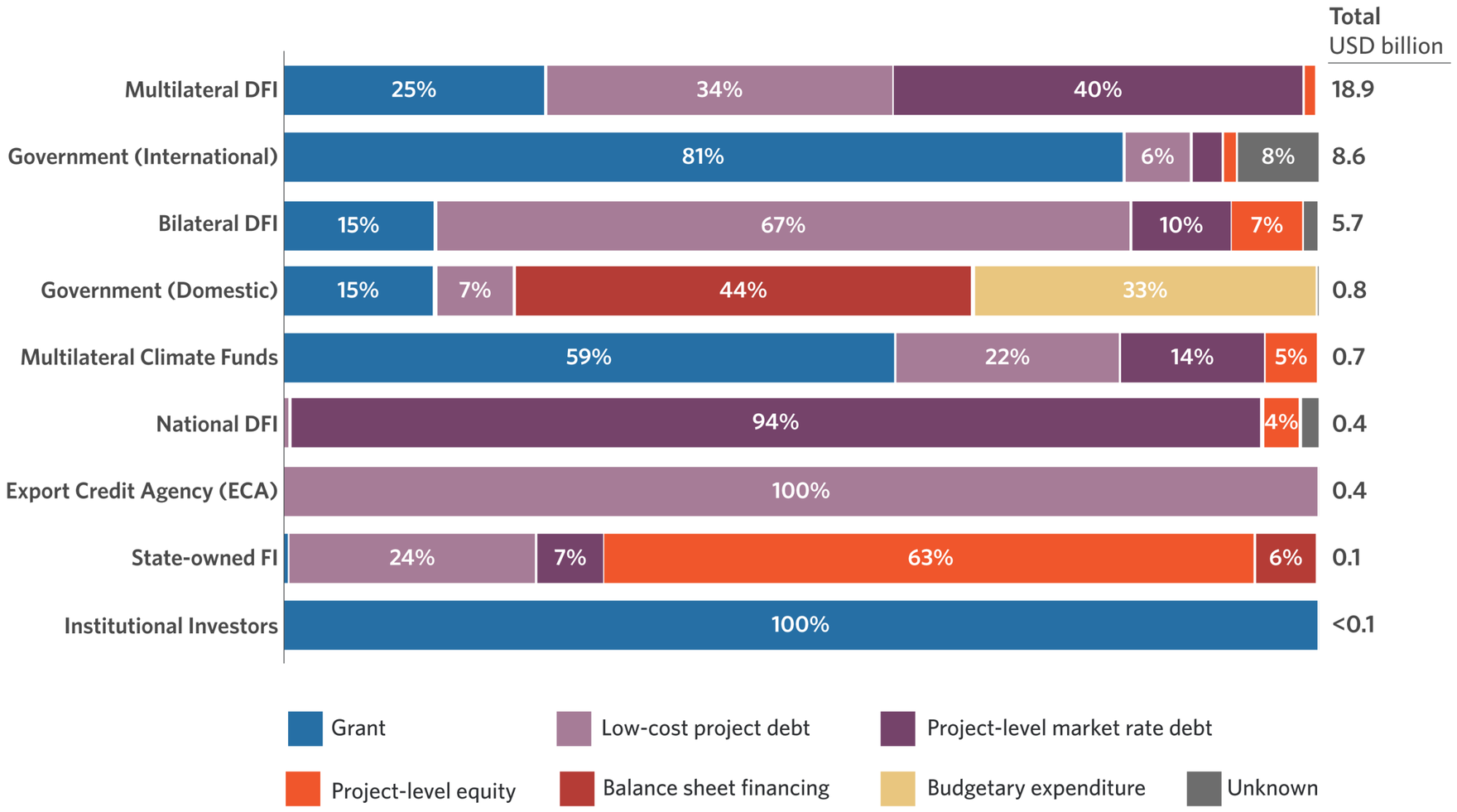
Figure 8: Climate finance sources in 2021/22



Source: Climate Policy Initiative

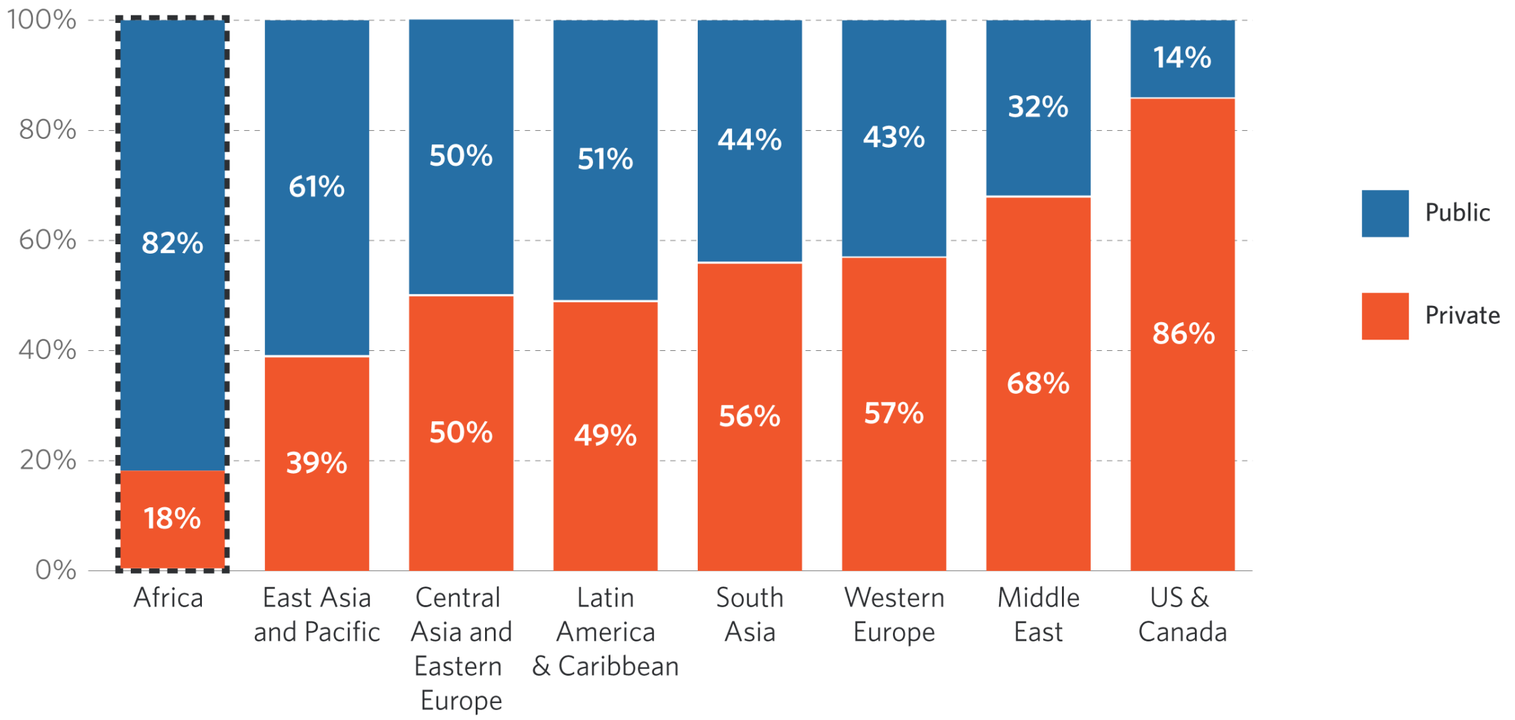
Africa's Financial Markets and Sustainability

Figure 9: Public climate finance by actor and instrument in 2021/22



Source: Climate Policy Initiative

Figure 13: Share of private climate finance to total climate finance by region in 2021/22



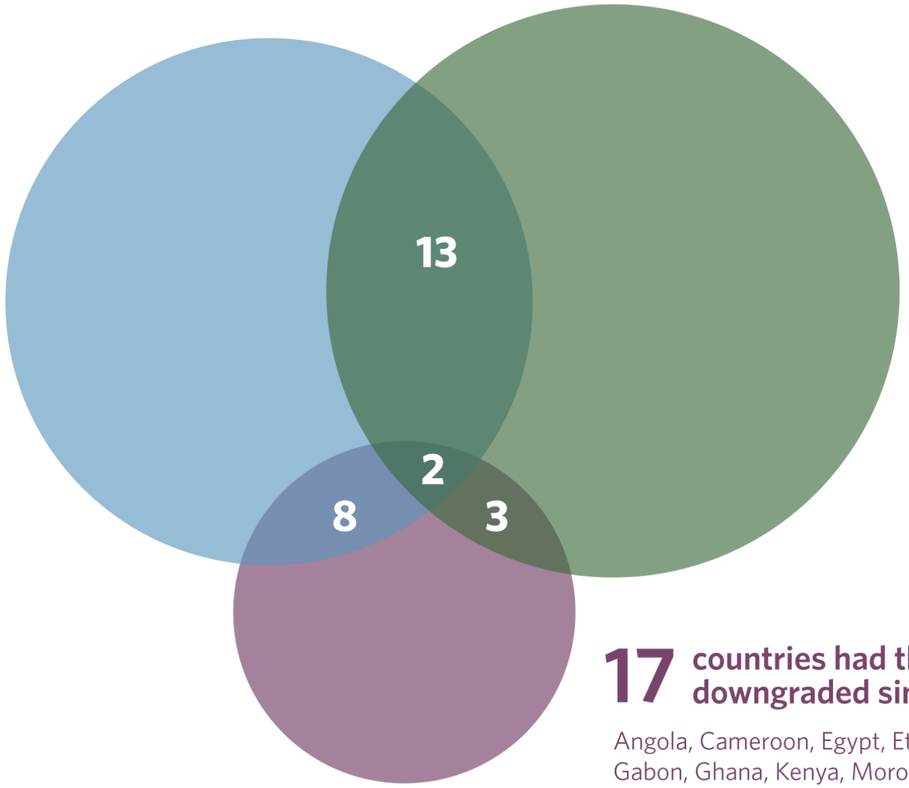
Source: Climate Policy Initiative

Figure 23: African countries at the interaction of debt distress, climate vulnerability, and credit downgrades

28 countries are debt distressed

In debt distress (or crisis)
Angola*, Congo Republic, Djibouti, Egypt*, Eritrea, Ethiopia, Gabon*, Ghana, Malawi, Mauritius*, Morocco*, Mozambique, Sao Tome and Principe, Seychelles*, Sudan, Tunisia*, Zambia, Zimbabwe

At high risk of debt distress
Burundi, Cameroon, Central African Republic, Chad, Comoros, Gambia, Guinea-Bissau, Kenya, Sierra Leone, South Sudan



30 countries are climate vulnerable

Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Congo, Dem Rep of Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mauritania, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda

17 countries had their credit rating downgraded since 2020

Angola, Cameroon, Egypt, Ethiopia, Gabon, Ghana, Kenya, Morocco, Mozambique, Niger, Nigeria, Senegal, South Africa,Tunisia, Uganda, Zambia

*These countries were not part of IMF debt sustainability analysis but have been identified as being in debt crisis as per the debt data portal

Source: Climate Policy Initiative

Environmental Challenges and Green Opportunities in Africa

...while harnessing demographic and renewable energy advantages

Green Bonds– Growth and Impact

New issuers boost Africa’s green finance with innovative markets and incentives

Four African countries issued green bonds for the first time in 2024–25, raising total issuers to 14

Egypt leads with Africa’s first regulated voluntary carbon market and a $500 million sustainability bond

Egypt’s bond allocates 75% to green projects and 25% to social assets

Botswana launched a Sustainable Bonds Segment with 25% listing fee discounts and new ESG disclosure rules

Tanzania’s sovereign sukuk and infrastructure bonds attracted strong investor demand

These advances reflect Africa’s growing investor appetite and innovation in green finance

Source: AFMI-2025-Report

Which sector offers the greatest potential for green finance impact in Africa?

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New issuers boost Africa's green finance with innovative markets and incentives

Advancing Regulatory Frameworks for Green Finance

Climate stress testing, ESG incentives, and reporting standards drive sustainable market growth

Nine African countries have implemented **climate stress testing**, with Ghana and South Africa leading progress

ESG integration advances as 15 countries incentivise ESG asset issuance and 23 embed ESG measures into market infrastructure

Botswana, Zimbabwe, and Mauritius introduce **ESG reporting standards** and launch **green bond incentives**

Rwanda's phased roadmap for 2024–27 guides adoption of **IFRS Sustainability Disclosure Standards**, enhancing ESG transparency

These frameworks promote **investor confidence**, standardise disclosures, and support green finance market growth

Source: AFMI-2025-Report

Institutional Support and Strategies Driving Green Finance in Africa

Key initiatives and regulatory frameworks mobilise capital for sustainable, climate-resilient development across the continent

African Development Bank's Africa Green Investment Initiative commits $4.5 billion to deliver 15 GW of renewable power in 23 countries

National strategies like South Africa's Just Energy Transition Investment Plan (JET-IP) and Rwanda's FONERWA structure climate finance mobilisation

Central banks and regulators back sustainable finance via Africa ESG Hub and UNEP FI taxonomy roundtables standardising ESG disclosures

Combined efforts create enabling environments attracting capital for climate-resilient development continent-wide

Source: AFMI-2025-Report

3.2. Nine countries now implement stress testing

Existence of sustainability-focused policies. Green highlight represents new policies this year.

Country	Climate stress testing	Incentives for issuing ESG assets	ESG market standards
Egypt	✓	✓	✓
Kenya	✓	✓	✓
Mauritius	✓	✓	✓
Morocco	✓	✓	✓
South Africa	✓	✓	✓
Zimbabwe	✓	✓	✓
Rwanda	✓	✓	✓
Zambia	✓	✓	✓
Ghana	✔	✓	✓
Botswana		✓	✓
Tanzania		✓	✓
Cabo Verde		✓	✓
Nigeria		✓	✓
Tunisia		✓	✓
Uganda		✓	✓
Malawi			✓
Angola			✓
Cameroon			✓
Eswatini			✓
Namibia			✓
Benin			✓
Côte d'Ivoire			✓
Senegal			✓

Source: AFMI 2025 survey

Note: Countries not presented in the table are DRC, Ethiopia, Lesotho, Madagascar, Mozambique and Seychelles. At the time of measurement, none of these countries had implemented sustainability-focused policies in the financial sector.

Highlight Regional Case Studies and Best Practices:

Present real-world examples—like South Africa's Green Hydrogen investments and Rwanda's FONERWA Green Fund.

Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies

Case Studies Overview

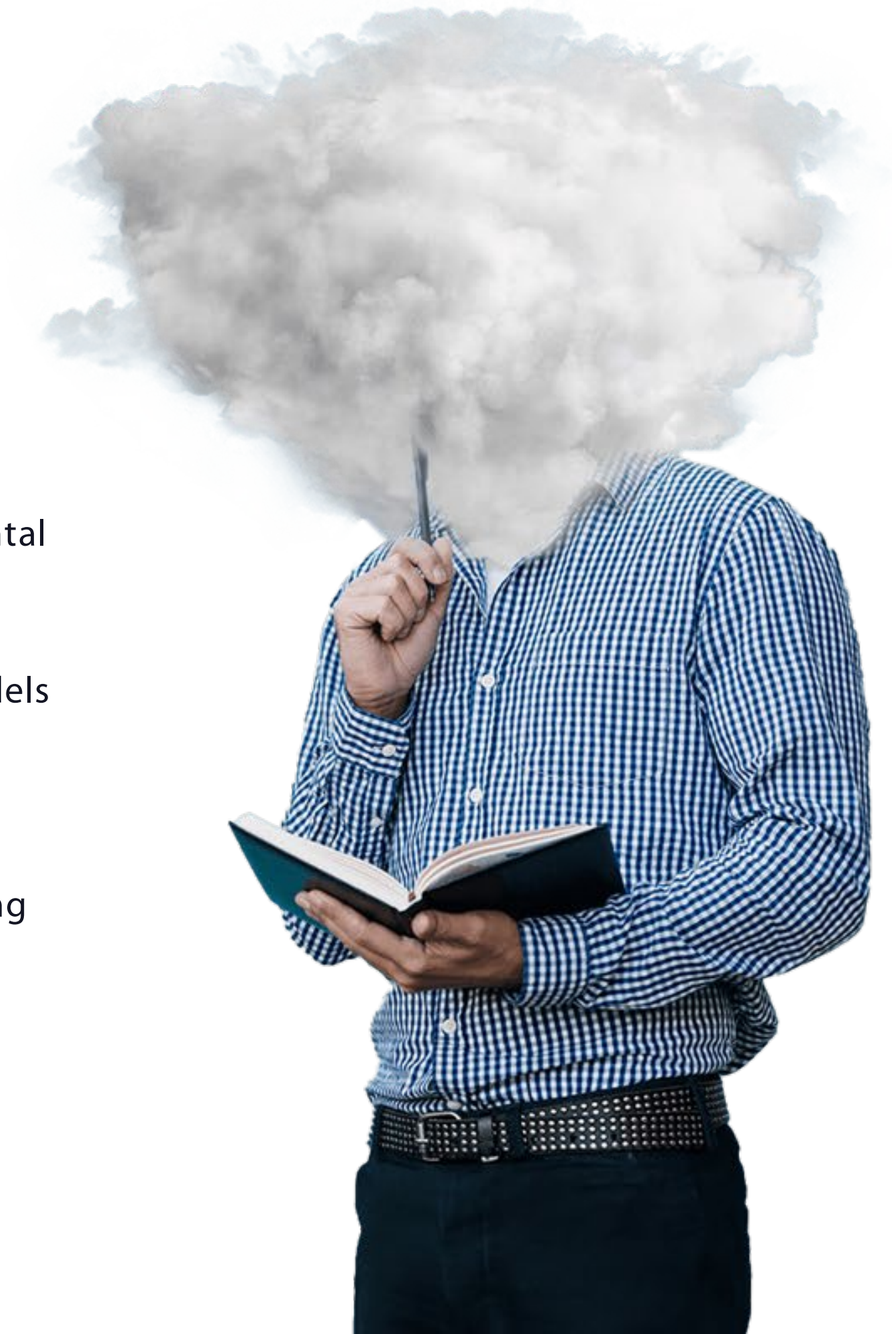
Showcasing Strategic Green Finance Across Africa

South Africa's green hydrogen and infrastructure projects, supported by the EU, highlight effective strategic partnerships

Rwanda's Green Fund (FONERWA) demonstrates innovative financing driving impactful environmental and social outcomes

Sustainability-Linked Bonds illustrate finance models that tie investment to measurable sustainability targets

These examples provide valuable lessons for scaling sustainable development throughout Africa



South Africa – EU-Supported Green Hydrogen and Infrastructure Investment

Driving a low-carbon transition through €11.5 billion funding aligned with South Africa's Just Energy Transition Investment Plan

01 European Union's €11.5 billion commitment

- Targets green hydrogen, renewable energy, transport, vaccine manufacturing, and digital infrastructure sectors
- Supports South Africa's Just Energy Transition Investment Plan (JET-IP) objectives

02 Goals of the initiative

- Boost employment and competitiveness in emerging green industries
- Enhance climate resilience amid low-carbon economic transformation

03 Wider economic and environmental impact

- Advances clean energy supply chains and sustainable mineral processing
- Positions South Africa as a green industrial leader across Africa
- Demonstrates how blended finance and international cooperation accelerate sustainable development

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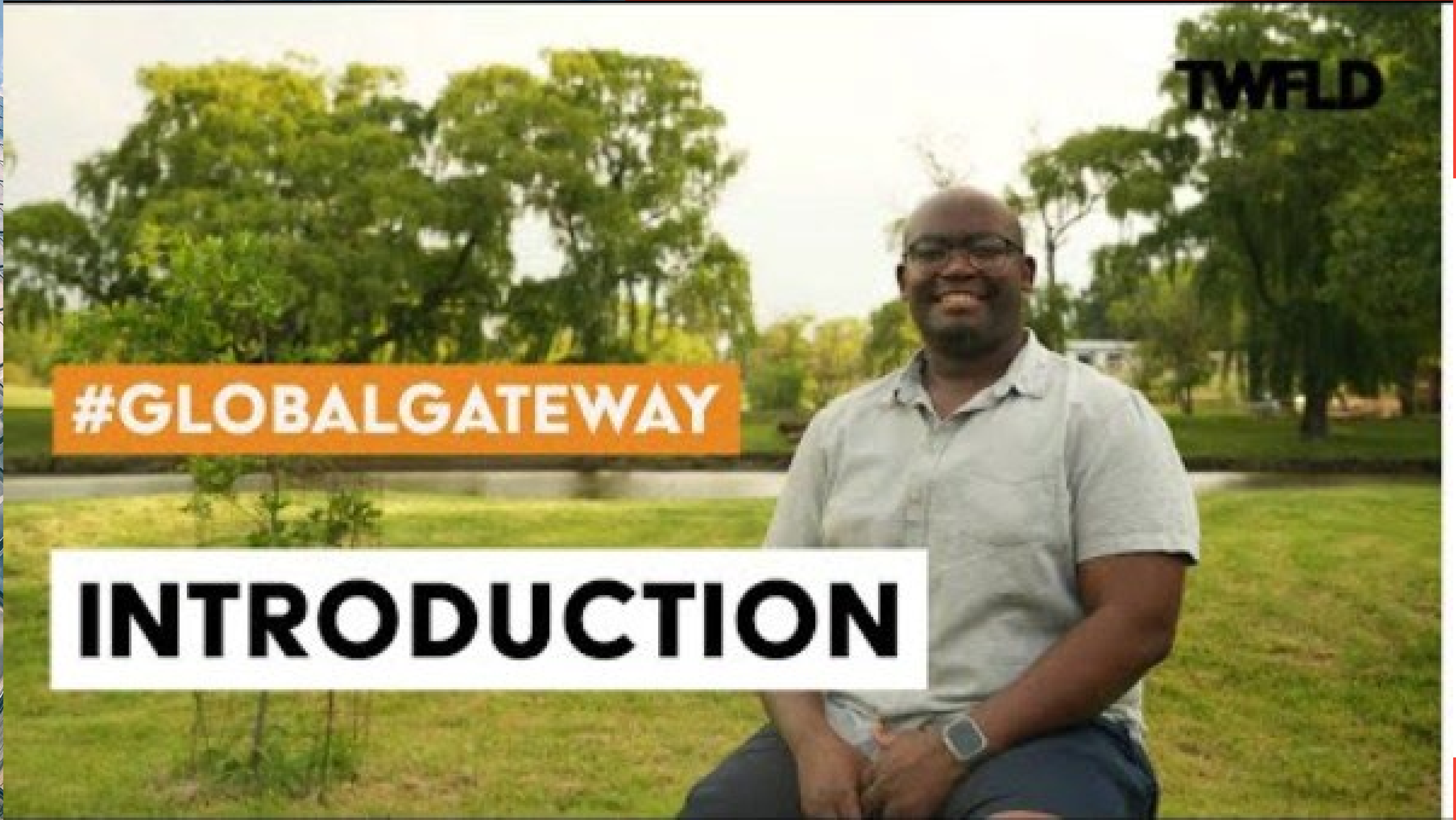

Rwanda’s Green Fund and Sustainability-Linked Bonds Drive Inclusive Climate Action

FONERWA’s $130M mobilization creates jobs, expands clean energy, and sets ESG benchmarks

01 FONERWA Impact and Green Jobs

- Mobilised $130 million to fund climate resilience initiatives
- Created 137,500 green jobs supporting sustainable livelihoods
- Extended clean energy access to 57,500 households nationwide

XЧ World Bank-Backed Sustainability-Linked Bond (SLB

- Includes ESG performance targets driving sustainable finance
- Funds women-led projects and affordable housing to promote inclusion

03 Renewable Energy Fund (REF) Support

- Promotes off-grid solar solutions for remote communities
- Encourages private sector participation in sustainable energy markets

XЦ Model for Africa’s Green Finance

- Demonstrates effective climate resilience financing techniques
- Showcases inclusive growth strategies replicable across Africa

Rwanda’s Green Fund and Sustainability-Linked Bonds Drive Inclusive Climate Action

Rwanda's Green Fund and Sustainability-Linked Bonds Drive Inclusive Climate Action

Driving Africa’s Green Finance Momentum

Harnessing fintech, ESG insurance, asset mobilization, and regional cooperation to accelerate sustainable growth

FINTECH PLATFORMS ENABLE **GREEN MICROFINANCE** AND ENHANCE **CARBON TRACKING**, IMPROVING ACCESS AND TRANSPARENCY

ESG-LINKED INSURANCE AND REINSURANCE MODELS ARE EXPANDING, SUPPORTED BY INSTITUTIONS LIKE **ZEP-RE** AND **AFRICA RE**, OFFERING INNOVATIVE RISK MITIGATION

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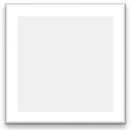
REGIONAL FORUMS DRIVE COOPERATION AND KNOWLEDGE SHARING, ESSENTIAL FOR **HARMONIZING STANDARDS** AND ACCELERATING SUSTAINABLE FINANCE INTEGRATION

Overcoming Financial Barriers to Green Finance

Addressing liquidity, investment patterns, and regulatory challenges to unlock sustainable market growth



Liquidity is limited as market depth is concentrated in few exchanges with low secondary activity

Pension funds and insurers hold $165 billion+, but mainly invest in government securities, restricting green finance capital

Financial literacy is growing: 27 countries offer mobile or online access to financial assets

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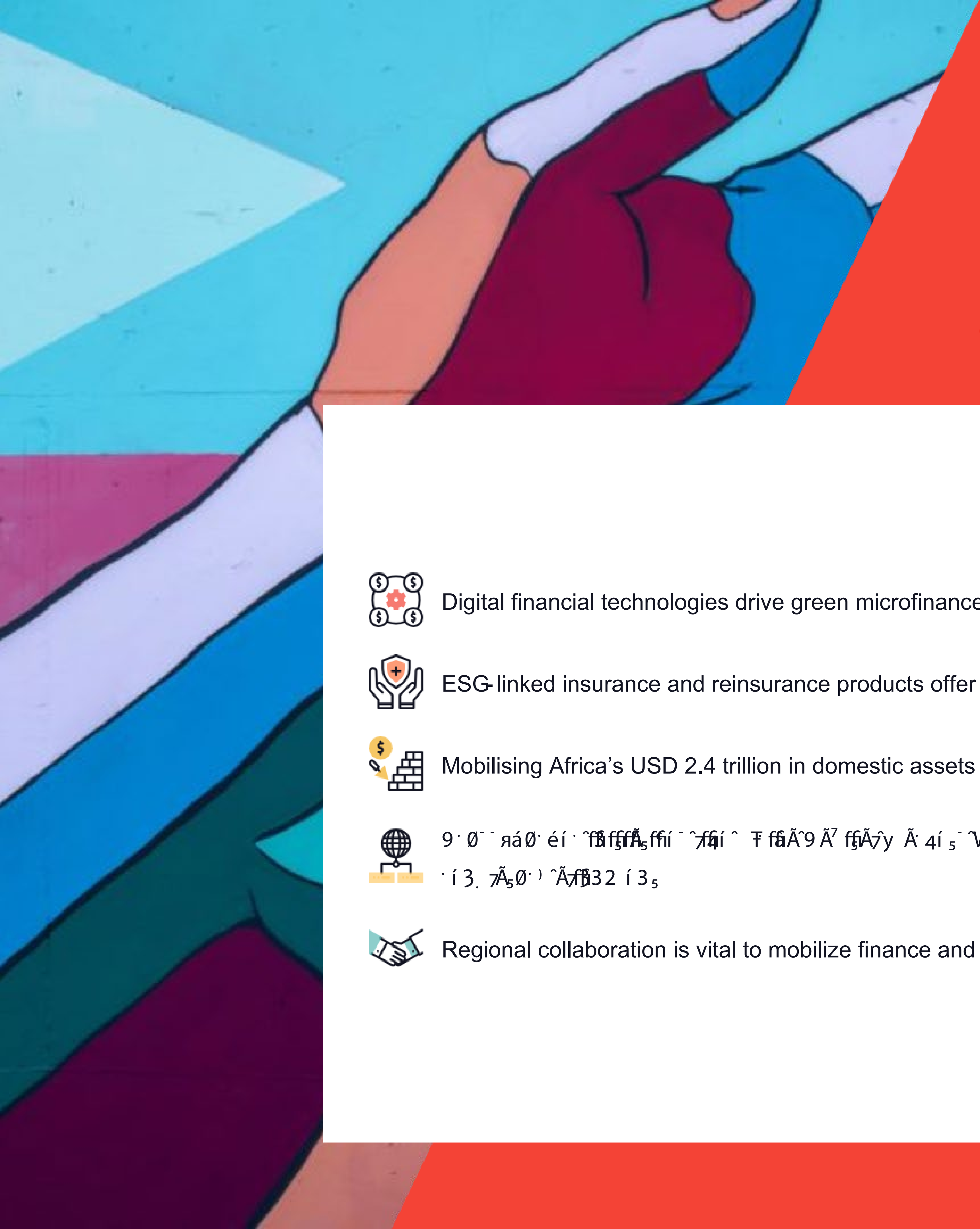
Ongoing reforms focus on expanding access and improving market structures to boost green finance



Emerging Solutions and Regional Cooperation in Green Finance

Leveraging fintech, ESG insurance, and asset mobilisation to close Africa's climate finance gap

- Digital financial technologies drive green microfinance and carbon tracking, broadening sustainable finance access
- ESG-linked insurance and reinsurance products offer innovative climate risk management, backed by regional institutions
- Mobilising Africa's USD 2.4 trillion in domestic assets can accelerate private green investments continent-wide
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- Regional collaboration is vital to mobilize finance and bridge Africa's climate financing shortfall

How can Africa attract more private sector participation in green finance initiatives?

Policy Recommendations for Africa's Green Finance

Targeted reforms to boost liquidity, investor diversity, regulation, and market integration

- Enhance **market liquidity** via active market-making, development of repo markets, and establishing robust primary dealer systems
- Broaden the **investor base** by attracting pension funds, insurers, and retail investors through targeted incentives
- [illegible]
- Promote **regional integration** under the African Continental Free Trade Area by harmonizing trading, disclosure, and settlement standards
- Mandate **climate stress testing** and ESG reporting to replace voluntary practices and improve market transparency and resilience

Recommend Policy and Strategic Actions:

Provide actionable recommendations for policymakers, financial institutions, and investors to strengthen green finance ecosystems and promote inclusive growth.

Exploring transparency, accessibility, and the rise of sustainable finance across 29 economies

Conclusion – Unlocking Africa’s Green Finance Potential

Key insights and strategic priorities to drive growth in sustainable finance

AFRICA’S FINANCIAL MARKETS DEMONSTRATE **RESILIENCE AND GROWING DIVERSITY**, BOOSTING SUSTAINABLE FINANCE ADOPTION

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CAPACITY BUILDING REMAINS CRITICAL FOR ENABLING CLIMATE ACTION AND INCLUSIVE DEVELOPMENT ACROSS THE CONTINENT

THE **AFMI 2025 REPORT** PROVIDES A CLEAR STRATEGIC ROADMAP FOR POLICYMAKERS, INVESTORS, AND STAKEHOLDERS

ACCELERATING AFRICA’S GREEN FINANCE GROWTH IS KEY TO ACHIEVING **SUSTAINABLE, CLIMATE-RESILIENT FUTURES**

Africa’s Green Finance Momentum and Action

Accelerating sustainable growth by overcoming challenges through collaboration and leadership

Africa’s green finance momentum grows with strategic initiatives and robust policy frameworks

Key challenges include limited domestic finance, regional disparities, and high debt constraints

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Bold leadership and inclusive innovation are critical to develop investable, resilient ecosystems

This approach supports Africa’s sustainable development aspirations through scalable impact

William Ruto (Kenya): " In the face of impending catastrophe, whose warning signs are already unbearably disastrous, weak action is unwise. No action is dangerous".

[illegible]

Abiy Ahmed (Ethiopia): Africa has the potential to become the first continent to industrialize without damaging its ecosystems by making the right decisions now.

Julius Maada Wonie Bio (Sierra Leone): Beyond the usual declaratives, we must collaborate on and coordinate mitigation efforts, improve infrastructure for early warning systems, invest more in improving the management of water resources, promote disaster risk management, and enhance the conservation and protection of natural habitat

This approach supports Africa's sustainable development aspirations through scalable impact

Africa's Green Finance Momentum and Action

Accelerating sustainable growth by overcoming challenges through collaboration and leadership

"We cannot afford to wait for others to stand up for our environment – as nobody stands to lose more than we do. It is our duty to be proactive in the battle to protect Africa's natural environment." –

Interpreted sentiment from Nelson Mandela's legacy and general African environmental ethics.

Let's Connect and Collaborate

Let's Connect and CollaborateThank you for your valuable time and interest in our services.I encourage you to connect with me directly on LinkedIn:

https://www.linkedin.com/in/mondayutomwen/

I am keen to answer any questions you may have and explore how we can forge a successful partnership.