Africa’s sustainable investments in times of global crises

Africa's USD 194 billion annual sustainable financing gap can be bridged

with Africa's unique assets...

Median age

19 Africa

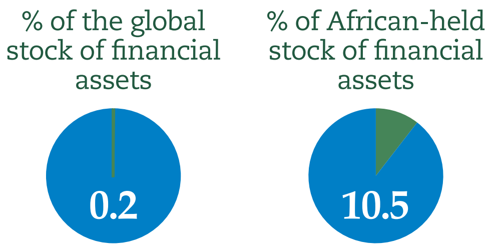
42 Europe

African forests increased carbon stock by almost **12 million kilotons** of CO_2-equivalent net emissions

2011 — 2020

... and available resources

The annual gap is equivalent to:



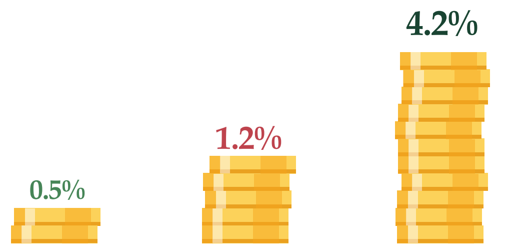
Investor confidence is much lower in Africa than in other world regions

Cost of capital for energy projects:

Europe and North America: $

Africa: $ x7

Africa received a tiny fraction of capital from **global pension funds and insurance companies**



Attracting sustainable investment: Where to look

External financial inflows

USD 1 million **greenfield FDI** creates:

- 14 jobs in textiles
- 9 in automotive
- 10 in electronic equipment

and yet...

these sectors combined attracted only 4.5% of greenfield FDI to African countries over 2003-20

Regional lead firms

Intra-African FDI was about **3** times more resilient during the pandemic than non-African FDI

and yet...

it accounts for only 9% of greenfield FDI to Africa

Africa’s institutional investors

Assets held by Africa-based **institutional investors** amount to USD **1.8 trillion**, or 73% of GDP

and yet...

alternative and green assets represent less than 3% of portfolios in Africa’s major pension fund markets

Central Africa

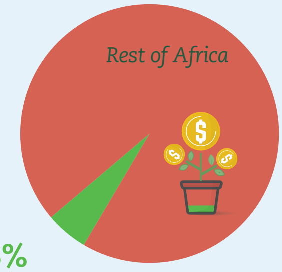
Central Africa attracts less sustainable investments than other African regions

Greenfield FDI inflows

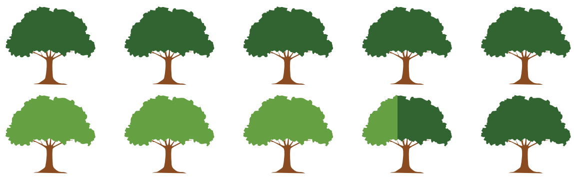
-23%

2012-16 2017-22

In 2019-20, *Central African* *countries received USD*
1.5 billion
in climate finance

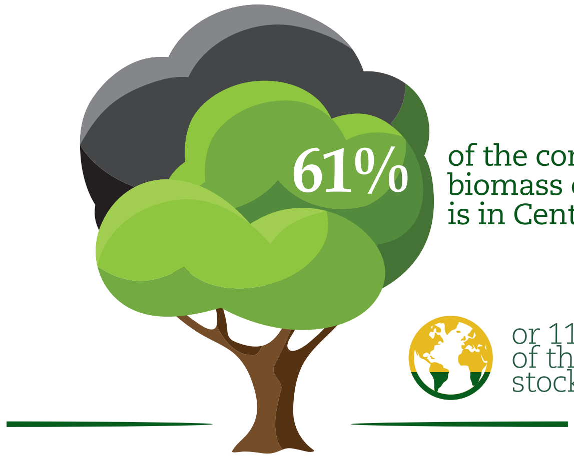


or **5.3%**
of climate finance
towards **Africa**



Central Africa accounts for
of the continent's forest area **35%**

or 5.5%
of the world's
forest area



of the continent's
biomass carbon stock
is in Central Africa

or 11%
of the global
stock

Multiple financial mechanisms enable natural ecosystems monetisation

Carbon credits

or 29% of total world
wealth in 2018

Ecotourism

950 000km² - roughly
18% of land and 8%
of marine area in the
region are protected

more than the African
and world average

What's next?

- **Improve natural capital accounting** to better inform investors and stakeholders
- **Establish institutional frameworks** for the monetisation of natural ecosystems
- **Ensure local ownership** when developing innovative financing mechanisms

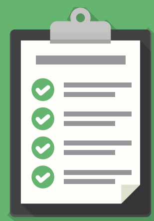
Policies to accelerate sustainable investments for Africa

Information and data improve resource allocation and investor confidence

Enhance national statistical capacity to improve debt transparency

Better data transparency could reduce African sovereign bond spreads by **14.5 basis points** and decrease external debt by at least **USD 400 million**

Improve the collection of sustainability data

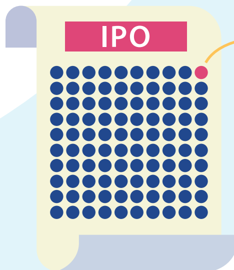


Top **3** barriers for tracking the sustainability of investments:

1) lack of supply chain reporting
2) unclear sustainability standards
3) difficult measurements

African-led partnerships can make sustainable finance more effective

Between 2019 and 2020 an estimated USD **11.4 billion** went to **climate change adaptation** in Africa - significantly less than the USD 53 billion needed annually



African-based initial public offerings (IPO) represented less than **1%** of the USD 1.5 trillion global IPOs over 2017-21

Africa is home to **102** **Development finance institutions** (DFIs)

That's about **20%** of the global total

Yet, African DFIs rarely manage assets worth more than **2-3%** of their country's GDP

Effective regional integration policies can scale up sustainable investments

By 2030, increased trade due to the **AfCFTA** will require **USD 411 billion** worth of investment in transport equipment

Investment in Africa's development corridors projects mostly comes from:

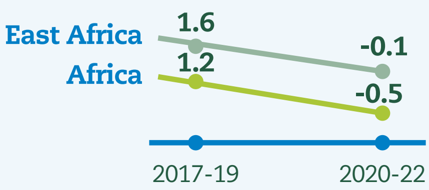
Regional development banks

National governments

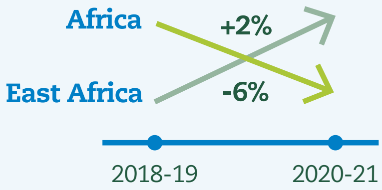
International development finance providers

East Africa

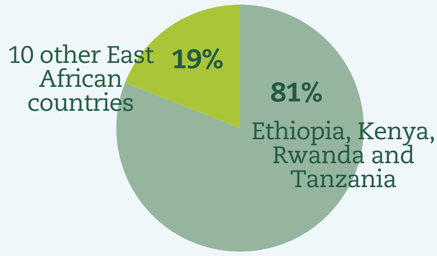
Contribution of investments to GDP growth (p.p.)



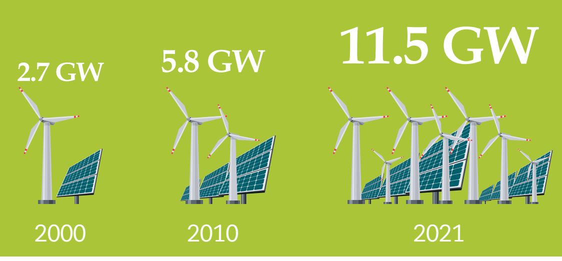
Growth of government revenues



Philanthropic finance recipients:



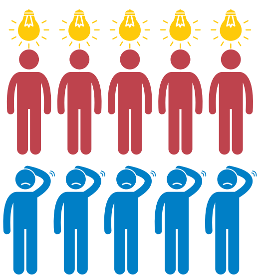
Installed electricity generation capacity from renewable energies



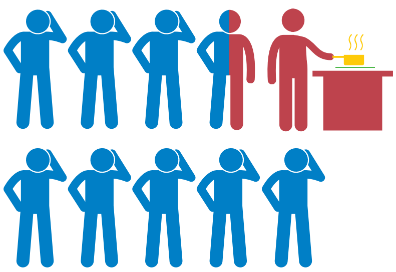
Renewable power generation capacity could increase by:

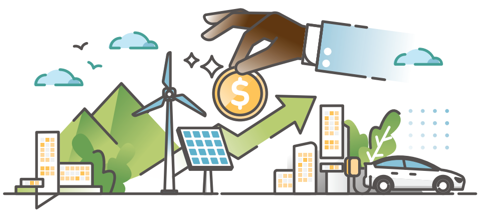
Investments in renewable energies can expand access to electricity and support entrepreneurship

Only **49%** of the population has access to **electricity**



Only **14%** of the population has access to **clean cooking**





Public financial flows into renewable energy projects amounted to **only** **USD 900 million** per year from 2015 to 2020

East Africa needs about **USD 66 billion** per year to meet the goals of the **Paris Agreement** by 2030

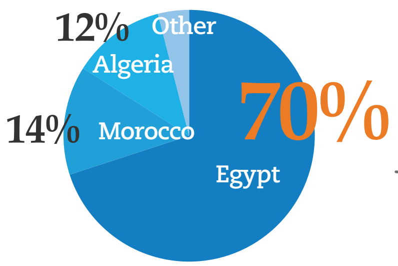
What's next?

- **Enhance regulatory frameworks** and the capacity of energy utilities to improve investor confidence
- **Strengthen local financial institutions and instruments** to catalyse resources for renewable energy projects
- **Couple regional integration policies with programmes** to promote innovative enterprises

North Africa

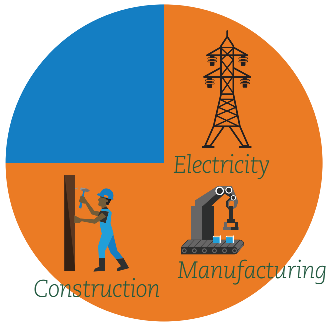
An unequal allocation of investments

Greenfield FDI allocation



(in 2017-22)

75% of greenfield FDI targeted:



Only 1/4 of FDI in the energy sector went to renewables

despite a potential **3** *times greater than Europe's total installed energy capacity in 2021*

Climate finance is lagging behind

USD 38.9 billion

the annual amount required
for the implementation over 2020-30 of Nationally Determined Contributions (NDCs) under the Paris Agreement by North African countries

USD 5.8 billion

the annual amount received
on average by North African countries over 2019-20

Green bonds issuance in Egypt and Morocco between 2016-21 mobilised

USD 1.1 billion

=

25% *of the total amount mobilised by the entire continent*

Blended finance allocated to climate action in North Africa

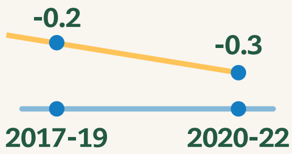
What's next?

- **Improve assessment of financing needs** based on national and multi-sectorial priorities
- **Adopt and implement inclusive regulatory frameworks** on sustainable finance
- Encourage the **development of sustainable finance markets**

Southern Africa

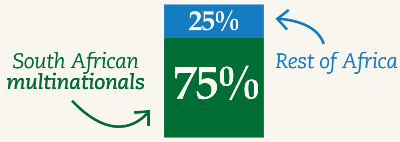
Decreasing investment → low growth

Annual GDP growth percentage points

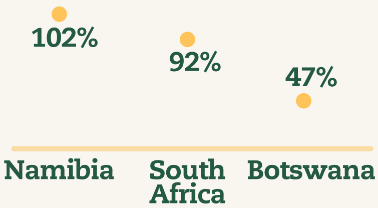


Domestic sources of finance → untapped potential

Total turnover and market capitalisation of Africa's listed companies

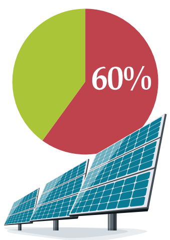


Pension funds as % of GDP

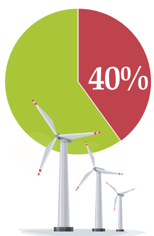


Renewable energy has potential for sustainable development

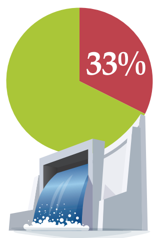
Southern Africa's share of the continent's installed electricity capacity:



Solar energy



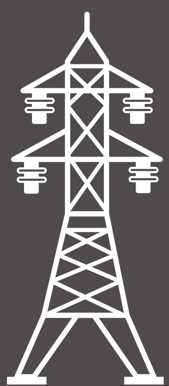
Wind power



Hydropower

Solar energy creates twice as many jobs in operations and maintenance as fossil fuels

More investments can achieve energy security and universal clean energy access



Access to electricity (% of population), 2016-20

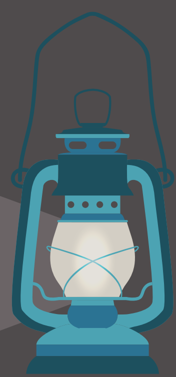
79%

Urban

26%

Rural

Electricity **blackouts** in South Africa's coal-based energy system are estimated to drag growth by **2 percentage points** in 2023

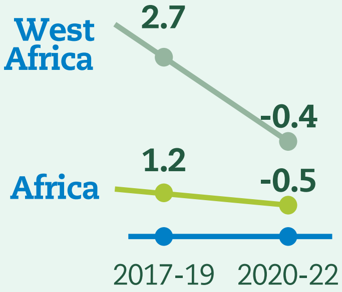


What's next?

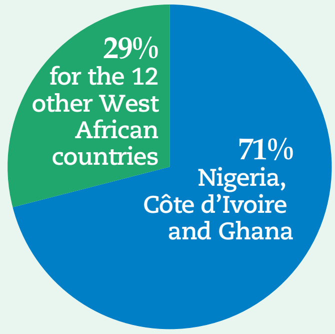
- **Harmonise regulatory frameworks and accelerate regional initiatives** on renewable energy infrastructures
- **Enhance public-private alliances and development finance** based on national energy priorities
- **Adopt targeted policy solutions** to scale up off-grid renewable energy projects **in rural areas**

West Africa

Contribution of investments to GDP growth (p.p.)



Share of greenfield FDI (2017-22)

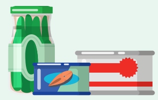


West Africa's export of food products in 2021 (USD billion)

11.3

Primary food products

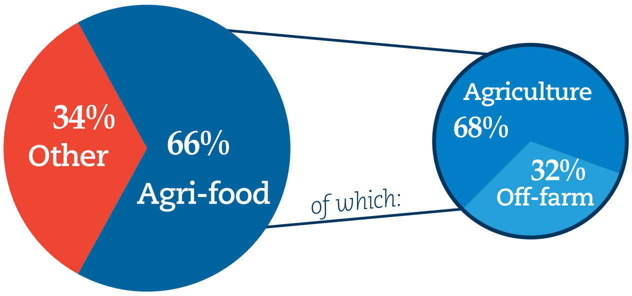
3.8



Processed food products

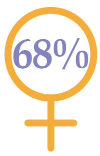
Agri-food industries accounts for the bulk of employment in West Africa

% of total employment



The region's growing off-farm food economy employs

82 million people

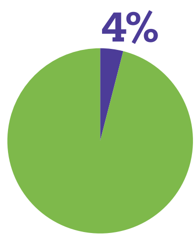


of the region's food economy workers are **women**

Investments in West Africa's agriculture, forestry and fishing sector amounted to only

USD 23.1 billion

in 2020



Agro-industrial activities received only 4% of total development finance in 2010-20

What's next?

- **Improve smallholder farmers' access to financial products** that include support for improving productivity and social or ecological sustainability
- **Strengthen regional agricultural policies** and place-based programmes, such as agro-industrial parks
- **Build agro-poles and incubators**, to enhance food security and agricultural practices