fsdafrica

Annual Impact Report 2024

Mobilising and Allocating Finance for Africa's Sustainable Future

UK International Development

Partnership | Progress | Prosperity

Contents

A word from our CEO

I am delighted to introduce our 2024 Development Impact Report. I am proud of the way our team has kept delivering significant, tangible results despite the challenging context over the past year.

FSD Africa exists because we believe that well-functioning financial systems can make a critical contribution to development in Africa by creating economic opportunity, reducing vulnerability and bringing environmental benefits, by providing the capital needed to build climate resilience and spur green growth. At a time when public finances in almost all countries in Africa are constrained, financial markets play an especially important role in mobilising private capital, sustaining the momentum of economic development and ensuring that people can still benefit from the delivery of critical infrastructure and services.

This is why, this year, our Development Impact Report emphasises the way FSD Africa and FSD Africa Investments (FSDAi), working together as market facilitators, have been driving private capital mobilisation all the way up and down the financing continuum.

The Report highlights, for example, our collaboration with Morocco's rail operator, ONCF, as it issued a MAD1 billion (£80 million) green bond to finance rail electrification; and the key role that FSDAi played in enabling Lendable to mobilise $678 million (£537 million) from institutional investors using a blended finance structure. We also highlight the impact of a £250,000 grant to InfraCredit to help SMEs pay for pre-transaction activities, such as feasibility assessments and legal work, thus lowering the cost of accessing long term finance.

We are proud this year to have accelerated innovation in the insurance sector through BimaLab; reinforced our commitment to carbon market development by investing in Africa Climate Ventures; and deepened our involvement in nature and biodiversity financing, working through the African Natural Capital Alliance.

FSD Africa and FSDAi are linked through shares and strategy: they work in a complementary and synergistic way to deepen financial markets.

FSD Africa mostly uses grants and returnable grants to strengthen policy and regulation, support the development of financial infrastructure (such as exchanges) and encourage innovation in new products, or fund concepts, that channel domestic institutional capital to SMEs or other parts of the real economy.

FSDAi is an investor in Africa's evolving financial markets. It deploys catalytic capital into market-shaping financial instruments, financial intermediaries and financial infrastructure to strengthen Africa's financial markets. Its "test, accelerate and mobilise" approach – testing solutions, accelerating their use and mobilising further investment – aims to push the frontiers of investment and demonstrate that it is possible to create investible asset classes in these new markets.

FSD Africa is rarely the biggest investor in a transaction. It never works alone in tackling regulatory barriers. It builds on the capacity strengthening contributions of others. It relies on the technical expertise of experts all round the world. But our aspiration is always that our interventions can make a crucial difference, whether through well-timed and well-informed technical assistance or through the way we are positioned in the capital stack of an investment. The idea of change is what drives us: we see ourselves as agents of change.

We depend on, and value greatly, our partnerships, especially with people in the private financial sector whose daily experience of the frustration of working in markets that could be so much better provides us with crucial information that keeps our programme relevant. Therefore, our successes this year also belong to our partners and we thank them for participating in our common enterprise.

2025 will see FSD Africa begin a new strategy premised on the need to continue our work of building more sophisticated, efficient and liquid financial markets, whilst at the same time accelerating capital mobilisation for investment in the green economy.

As our recently published Africa Landscape of Climate Finance 2024 highlights, Africa is getting less than a quarter of the climate finance that it says it needs to tackle the effects of climate change and the private sector share of total climate finance in Africa, at 18%, is far lower than in other global regions. This is a key reason why we need deeper financial markets.

The whole team at FSD Africa has enjoyed excellent support from its principal funder, FCDO, and from its Board of Directors throughout 2024. We are very grateful for that.

Mark Napier
Chief Executive Officer, FSD Africa

A word from our Board Chair

I am pleased to be introducing FSD Africa's 2024 Development Impact Report. Sharing stories of innovative and impactful interventions is an important part of the market-building process. We serve a continent whose financial markets are fragmented and where access to market information is asymmetric. FSD Africa's regional approach to financial market development helps overcome fragmentation, improving information flows on which more efficient markets depend.

It would be disingenuous to put out a report like this without acknowledging that we are operating in a difficult context. Social and economic development in Africa is being held back by the debt overhang affecting most countries. The African Development Bank (AfDB) has highlighted a $402 billion annual financing gap for SDG sectors like education, energy and infrastructure: today, according to the UN, 768 million Africans live in countries spending more on interest payments than on health. Inward investment has been impeded by currency weakness. And dissatisfaction with economic mismanagement has led to serious social unrest across the continent, notably in Kenya and Nigeria.

While it may be true that Africa is among the fastest-growing regions in the world, growth is neither as fast nor as broadly spread as it needs to be. We have never needed an innovative, efficient, competitive financial system in Africa more than we do today.

And this is where FSD Africa comes in. I firmly believe that FSD Africa is contributing meaningfully to improving prosperity on the continent and to reducing vulnerability. It does so through excellence in executing its unique mandate to build financial markets through policy and regulatory reform and capacity strengthening, and by investing in the intermediaries and fund structures that activate those market-building efforts, even in risky, new markets like carbon and nature.

I am proud of the impact FSD Africa has had this year. Highlights include the successful capitalisation of the ESX, Ethiopia's new stock exchange, which FSD Africa has supported since inception. Or the launch of the $20 million Tanga Uwasa Water Bond in Tanzania, the continent's first sub-national utility bond. Or helping Acre Impact Capital achieve a successful, $95m first close, crowding in domestic bank capital alongside export credit agency guarantees.

Critically, in its publications and at forums this year, FSD Africa has reinforced the message that Africa needs to use its substantial capital resources to power its development, deploy local currency in transformational projects and reduce dependence on external funding which is not always available at affordable rates when needed.

The Board has worked closely with the management team on a new strategy for 2025 – 2030. The strategy re-emphasises our commitment to deepening financial markets – building out the "pipework" that allows finance to flow to where it is needed – and to supporting the greening of the financial system in Africa to create the conditions for faster growth that delivers environmental benefits and respects the natural world on which we all depend.

On behalf of the Board of FSD Africa, I would like to thank the CEO and his team at FSD Africa for their hard work and results this year; our many partners and co-funders without whom we could not do our work; and especially the UK Government for their extraordinary commitment.

Frannie Leautier
Board Chair, FSD Africa

A word from our Principal Funder - FCDO

My vision, as Minister for Development, is of a world free from poverty, on a liveable planet. This vision can only be achieved if underpinned by a modern approach to development, based on genuine partnerships. The work of FSD Africa exemplifies this partnership, as set out in this report. FSD Africa's engagement with governments, businesses, regulators, investors and project developers has given rise to greater flows of capital, a greater focus on sustainable investments including those that benefit women and girls, and growing innovation in African financial markets.

The challenges posed by the climate crisis, debt and economic insecurity are formidable, with Africa needing more than £150 billion annually to meet the SDGs. There is work to be done, but progress is being made. Underpinned by more than a decade of British support, FSD Africa has worked with African partners to strengthen financial and capital markets and increase flows of private capital.

For example, support to set up the East Africa Bond Exchange (EABX) and Ethiopian Securities Exchange is helping to overcome missing market infrastructure in East Africa. Technical assistance from FSD Africa has underpinned ground-breaking gender and sustainability bonds, helping to ensure that finance is channelled to promote gender equality where women are often most affected by the impacts of the climate crisis. FSD Africa's investment arm, FSDAi, has invested in 21 projects since 2017, which have mobilised additional finance from public and private sources. In the last year alone, this includes unlocking funding for sustainable infrastructure development in Nigeria through an investment in a risk-sharing facility with InfraCredit, enabling healthcare businesses to access commercial capital through the Transform Health Fund, and supporting pioneering venture builders such as Africa Climate Ventures that will catalyse the carbon asset class in Africa.

These investments are having a real impact on people's lives and on the planet. Since 2021, FSD Africa has supported over 600,000 people with improved access to essential services such as energy, healthcare and housing. Over 120,000 individuals have been supported to better adapt to the effects of the climate crisis through thought leaders like Catalysing Climate Resilience (CCR) which supported AquaMnara, an aquaculture business in Kenya. AquaMnara will launch 'Women in Aquaculture' to provide women fish farmers with finance and a link to CCR, helping women rear their own fish stock in Mwanza (Lake Victoria), Tanzania, through the gender focused Victoria Blue Cooperative.

I am immensely proud of the achievements, stories and lessons highlighted in FSD Africa's impact report. I invite you to reflect on what more the UK and our partners in Africa can do to collectively build a financial ecosystem that tackles climate and supports economic development so that together we are working for the well-being of our planet and its people.

The Rt Hon Anneliese Dodds MP
Minister of State (Minister for Development) and
Minister of State (Minister for Women and Equalities)

1. Introduction

FSD Africa is a specialist development agency committed to making finance work for Africa's future.

Introduction

We are a regional programme working in more than 30 African countries, to build the continent's financial ecosystem. FSD Africa, together with its investment arm, FSD Africa Investments, plays a unique role in deepening Africa's financial markets, de-risking investments, creating new investment vehicles, and allowing capital to flow to under-invested parts of the economy. Over the years, we've supported innovative market-building instruments that unlock finance (through capital mobilisation[1] and catalysation[2]) and broaden the availability of financial products for local and foreign investors.

WE DEPLOY A FIVE-PRONGED MARKET-BUILDING APPROACH:

- Supporting the development of policies, regulations and guidelines for the financial sector.
- Providing technical assistance and financial support to design and implement transactions that crowd-in investors and are replicable in other African markets.
- Designing and implementing appropriate financial market infrastructure to enable capital flows.
- Providing thought leadership through research, knowledge sharing, and capacity-building initiatives.
- Deploying patient and catalytic capital to meet the needs of investees through a range of financial instruments, including equity, loans and guarantees.

1. *https://fsdafrica.org/our-work/fsdai/tools/*
2. FSD Africa defines capital catalysation as the amount (£m) of private investment catalysed downstream by FSD Africa's activities either (a) through TA or grant support, or (b) follow-on private investments after an initial FSDAi or FSDA intervention or replication by third parties.

OUR WORK HAS ALSO DELIVERED:

Economic benefits, increasing access to basic services such as healthcare (SDG 3) and clean energy (SDG 7) for close to:

600,000 people

Since 2021, we have created or sustained

>10,000 full-time equivalent jobs (SDG 8)

OF WHICH 47% WERE GREEN JOBS AND 34% WERE OCCUPIED BY WOMEN

(Section 2.2 of this report discusses our experiences in allocating capital to foster economic opportunities for women). These jobs are in addition to over 67,000 created during previous strategy periods, going back to 2012.

SINCE APRIL 2021, WE HAVE CLOSED:

24 Innovative transactions providing technical assistance and catalytic capital, with:

58% of these transactions financed in local currency.

Through these transactions, FSD Africa has also supported the mobilisation and catalysation of:

$1.31 billion

(£1.04 BILLION)

to advance Africa's green growth and social development agenda.

While the mobilisation of finance for Africa is critical, it is not an end in itself. We support the effective allocation of finance mobilised and catalysed from public and private sources to support Africa's Sustainable Development Goals (SDG), with a particular emphasis on reducing the effects of climate change (SDG 13) on the African continent. Our work contributes to and aligns with ambitions set out by African leaders in September 2023's *Nairobi Declaration for Climate Change*, which calls for reforms to international financial institutions and a range of initiatives to fund climate action in Africa.

FSD Africa has deployed capital to businesses that are helping to address climate change by reducing greenhouse gas emissions, advancing clean energy and developing innovative transport solutions, among other things.

Since we launched our Finance for a Sustainable Future Strategy in 2021, we have enabled a total reduction and/or avoidance of:

>4.5M tCO_2e[3]

of greenhouse gas emissions.

PROMOTING GENDER EQUALITY (SDG 5) IS A FOUNDATIONAL ASPECT OF OUR WORK

Promoting gender equality (SDG 5) is a foundational aspect of our work, and we have allocated capital to meet the needs of women and enhance their economic situations, leadership capacity and agency. For instance, we have supported initiatives that have unlocked finance for over 23,000 women-owned businesses through the issuance of gender bonds in Morocco[4] and Tanzania.[5] We have also strategically employed gender lens investing to foster effective capital allocation to alternative local capital providers, who in turn finance Africa's small and growing businesses, with a deliberate focus on outcomes for women.

3 This figure is compiled as our contribution to reduction/avoidance of greenhouse gas emissions through our partners and investees, while the figure attributed to our investment is approximately 800,000 tCO_2e.

4 UN Women, *Morocco: Social Bond Issued by a Commercial Bank*, Case Study Series: Innovative Financing for Gender Equality via Bonds.

5 NMB Bank, *Sustainability Report 2023*.

2. Our impact story

We're helping to build a resilient financial ecosystem **that drives improved capital mobilisation in Africa.**

Our work addresses various supply, demand and regulatory barriers sustainably, by using innovative financing instruments and platforms.

The case studies in this section show what has worked well, what hasn't worked well and what else can be done to contribute to Africa's ambitious capital mobilisation needs. The initiatives speak to four major capital leveraging approaches:

- **Catalysing** and mobilising finance through sustainability bonds
- **Deploying** de-risking instruments and alternative investment vehicles
- **Financing** nature-based solutions in Africa
- **Transforming** Africa's financial market infrastructure

Our impact story

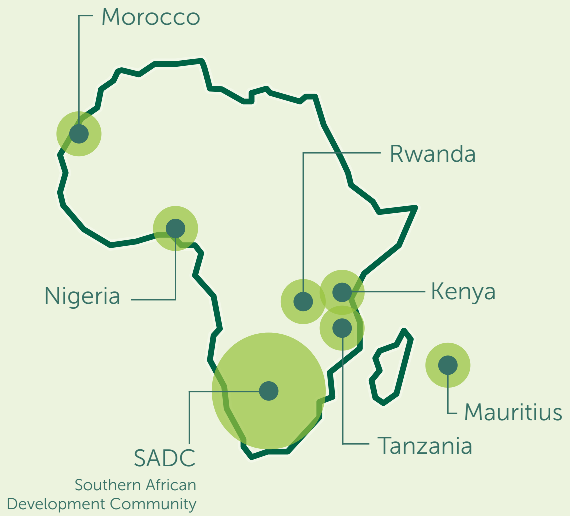
SECTION 1: MOBILISING CAPITAL FOR AFRICA'S SUSTAINABLE FUTURE

1.1. Catalysing and mobilising finance through sustainability bonds

Globally, the financial industry is reducing its exposure to assets carrying climate risk and increasing investment in green projects. Climate change mitigation presents a $3 trillion (£2.38 trillion) investment opportunity in Africa up to 2030, with 75% of this finance expected from the private sector.[6] Africa's financial sector is relatively small and predominantly bank-based and is still characterised by high interest rate margins and high risk-adjusted returns on equity and assets.[7]

Bond issuances, therefore, represent an attractive alternative way to raise capital. Since 2017, FSD Africa has supported bond issuances, which are helping to diversify the financial sector, broaden finance sources and reduce refinancing risk by aligning funding with project tenor. FSD Africa is working to enhance market infrastructure, improve regulations and increase transparency, all of which are essential for leveraging bond markets to drive economic growth. Through various initiatives, particularly within our *capital markets pillar*, FSD Africa has supported the development of listing guidelines and regulations, nurtured a pipeline of potential issuers, engaged institutional investors, and provided vital technical assistance to strengthen institutional capacity. We've also contributed to the creation of *social bond frameworks* and assisted issuers in obtaining a second-party opinion.

Through this support, and in partnership with the public and private sectors, FSD Africa has facilitated the issuance of over 20 bonds and bond-like instruments in:



THE ISSUED BONDS INCLUDE GREEN AND GENDER BONDS

They have collectively raised:

~$620 million

(£491 MILLION)

On average, each bond raises:

~$25-32 million

(£20-25 MILLION)

[6] *The push to close Africa's Infrastructure funding gap'*, Devex, 14 February 2024.

[7] FSD Africa, *Capital Markets Impact Report, 2022.*

"ONCF is probably one of the best railway companies in Africa. When they indicated they wanted to be involved in green bonds, we knew they were already green-geared, and we helped them issue a local currency bond. The financial conditions in the market were just right. We are still trying to encourage clients to think differently about diversifying their funding sources and embracing these new mechanisms. More education is needed as this is very new."

Sue Barrett, Director,
Sustainable Infrastructure, EBRD

CASE STUDY

ONCF Green Bond Morocco

In line with Morocco's commitment to sustainability and its New Development Model, the Office National des Chemins de Fer (ONCF), Morocco's national railway office, issued a ground-breaking green bond in 2022, marking a significant step toward greening its operations. FSD Africa, in partnership with the European Bank for Reconstruction and Development (EBRD), played a key role in facilitating this issuance by providing technical assistance that enhanced the green financing capabilities of CDG Capital (a Moroccan investment bank)[8] and supported the green bond labelling process.

We helped ONCF develop a comprehensive Green Bond Framework, which sets criteria for selecting eligible projects, ensuring that funds are used to finance or refinance electrified and low-carbon rail infrastructure for passenger and freight transport. We also collaborated with the Moroccan capital market regulator, AMMC,[9] to ensure compliance with local regulations, offering guidance on developing green bond guidelines.

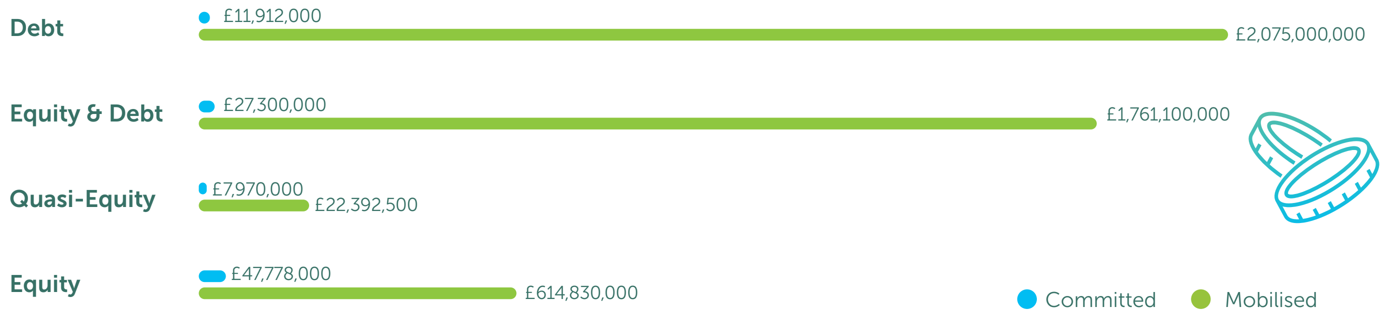
Given that Morocco's green bond market is still in its early stages, FSD Africa through our capital markets pillar continues to play a critical role in building capacity within companies, promoting third-party certifications, and advancing green bond issuances. Additionally, we have continued to offer capacity building for local stakeholders and worked on enhancing market readiness to ensure the bond's credibility and attractiveness to investors. This comprehensive support framework is designed to catalyse sustainable finance initiatives and bolster green infrastructure projects across Africa. However, effort is still needed to develop Morocco's green finance market further and strengthen local capital market dynamics.

8 CDG Capital S.A. is a Moroccan investment bank founded in 2006. It is a wholly owned subsidiary of the Moroccan Caisse de dépôt et de gestion.
9 Autorité Marocaine du Marché des Capitaux.

1.2 Deploying de-risking instruments and alternative investment vehicles

Africa's financial markets have great potential for growth and development. However, they are often perceived as high risk, which deters capital investment. Deploying de-risking instruments, such as guarantees and alternative investment vehicles, can mitigate risks to attract more capital. FSDAi deploys catalytic capital into market-shaping financial instruments, financial intermediaries and financial infrastructure to strengthen Africa's financial markets. We reduce the risk associated with investments, attracting more capital from other investors.

FINANCIAL INSTRUMENTS



Total	£94,960,000	£4,473,322,500

We deploy risk capital into market-shaping transactions that address market failures. This includes investments in sectors like digital finance, where emerging financial models such as mobile technology are presenting new commercial opportunities in SME credit, asset finance and personal finance. Our support for alternative lenders helps them access funds and overcome historical exclusion from more affordable commercial capital.

FSDAi leverages concessional finance to support early-stage and high-risk activities, with a high development impact. This approach allows us to assume the commercial risk of innovative financial solutions that traditional investors are not willing to take on, especially in support of climate and nature investments. We also maintain alignment and partnerships with other investors to maximise comparative advantage and leverage capital increases to secure financing from other investors, as demonstrated in the case study below through our partnership with InfraCredit Nigeria.

AS OF MARCH 2024, FSDAi HAD COMMITTED:

$119 million
(£94 MILLION)

AND DISBURSED:

$59.7 million
(£47.3 MILLION)

IN INVESTMENTS

ENABLING:

$5.63 billion
(£4.46 BILLION)[10]

OF CAPITAL TO BE MOBILISED FROM PUBLIC AND PRIVATE SOURCES.

[10] This amount includes mobilisation amounts by Africa Local Currency Bond Fund and Frontclear up to 2021. FSD Africa does not include mobilisation amounts from these two investments as of 2021 in our total mobilisation from 2021 to date.

Lendable's platform targets alt-lenders to extend credit to them quickly and efficiently using digital technology.

SINCE ITS INCEPTION, LENDABLE HAS FUNDED 23[11] ALT-LENDERS:

[11] Includes SunKing in SubSaharan Africa

CASE STUDY

Leveraging 'first debt' platforms to mobilise capital

Our investment in Lendable, a first debt platform, has helped to finance a new generation of tech-enabled non-bank lenders, often referred to as alternative lenders (alt-lenders).

ALT-LENDERS....

do not take deposits but instead rely on alternative sources of finance to fund loans.

Alt-lenders play a crucial role in providing affordable credit to consumers and small and medium enterprises (SMEs) by utilising mobile technology, payment infrastructure and data analytics.

But their growth has been constrained by limited access to funding and transparency issues in pricing and lending practices.

FSDAI PLAYED A KEY ROLE IN ENABLING LENDABLE TO MOBILISE:

£537 million

($678 MILLION)

from institutional investors.

FSDAi's catalytic contribution was instrumental in attracting capital from insurance companies, pension funds and other financial institutions, supporting the growth of Africa's alt-lender market.

By employing a blended finance approach and investing in both senior (Class A) and junior (Class C) tranches, FSDAi sent a signal of confidence to the market, reducing the perceived risk of the fund. This enabled Lendable to reach its first close, unlocking further capital commitments.

FSDAi's support also extends beyond financial investment. Technical assistance funding has been provided to strengthen Lendable's role in building sustainable, responsible and affordable private credit markets in Africa. This has included promoting responsible lending practices to protect consumers, enhancing alt-lenders' risk and portfolio management capabilities, and developing innovative currency hedging solutions to support early-stage alt-lenders.

IN 2022, FSD AFRICA PROVIDED INFRACREDIT WITH A TECHNICAL ASSISTANCE GRANT OF:

£250,000

($315,420)

to support infrastructure-related SMEs, particularly in the clean energy sector.

THE GRANT FUNDS COVER:

Pre-feasibility and feasibility studies: Offering upfront funding for technical, commercial and environmental assessments to enhance the business models of eligible SMEs and attract private capital.

Pre-transaction support: Providing financial assistance for deal-specific services, including legal support, financial advice, environmental standards reporting, technical due diligence, and credit ratings for new issuers.

CASE STUDY

Innovative investment structures to unlock private capital in Nigeria through InfraCredit

Many infrastructure-related SMEs need local currency financing to support their development and construction plans for new greenfield assets. But there are significant up-front costs and institutional investors generally prefer operational, lower-risk assets.

FSD Africa's technical assistance has lowered the initial costs of accessing debt capital markets for first-time issuers, unlocking long-term funding that aligns better with their asset profiles. Companies that previously lacked access to capital markets have secured long-term funding for their green infrastructure projects. InfraCredit has supported 13 transactions and four projects have reached financial close: Darway Coast, ACOB Lighting, Prado Power and Hotspot Network.

The support has driven systemic change, enabling eligible SMEs to obtain financing from non-traditional sources. With InfraCredit guarantees, companies have accessed $8.1 million (£6.4 million) in local currency from institutional investors, including insurance companies. They've also attracted funding from the Climate Finance Blending Facility, which received £10 million ($12.6 million) in concessional funding from the Foreign, Commonwealth & Development Office (FCDO). A construction warehouse facility established using the non-returnable component of FSD Africa's grant (£22,800 / $28,766) has also attracted NGN 10 billion ($7.1 million / £5.6 million) from the Nigeria Sovereign Investment Authority as an anchor investor.

FSD Africa's technical assistance has also enabled InfraCredit to compile evidence-based due diligence data from assessments funded by the grant. This data has facilitated a new partnership between InfraCredit and the World Bank under the Distributed Access through Renewable Energy Scale-up (DARES) programme, establishing Nigeria's Distributed Renewable Energy Enhancement Facility (DREEF).

DREEF WILL SUPPORT THE DARES PROJECT BY:

INITIAL FUNDING OF $10–25 MILLION (£8–20 MILLION) ON A PHASED BASIS

Strengthening the institutional capacity, technical capacity and corporate governance of distributed renewable energy (DRE) developers/sponsors.

Helping developers create a pipeline of bankable DRE investments and standardising due diligence processes, leveraging InfraCredit's experience.

Providing project capital to bridge the gap for early-stage renewable energy financing, enabling financial close and progress to commercial operations and revenue generation.

Environmental protection is a key part of sustainable development. Climate change and biodiversity loss are existential threats, and Africa is disproportionately impacted by them because of its reliance on natural capital.

1.3 Financing nature-based solutions in Africa

Globally, $700 billion a year (£554 million) will be needed until 2030 to protect biodiversity, but only 16% of this is currently being provided. Of that $700 billion, $32.5 billion (£25.7 billion) is required for nature-based solutions and carbon markets, but only 3% of this amount is currently flowing.[12] Biodiversity is a complex issue to tackle. Establishing nature markets and 'internalising the externality' will be challenging, because of a lack of private sector demand for nature assets, limited awareness and data, scarce transaction skills to raise capital and negotiate terms, and a lack of measurement methodologies. FSD Africa is responding to these challenges with several initiatives aimed at promoting a nature-positive approach across Africa. These projects cover the entire financial system, including regulation, governance and risk management, as well as specific nature-based solution transactions. We are supporting the integration of nature into financial sector regulation and policy through National Nature Strategies and 30x30 transformation plans.[13] We are also supporting the integration of Nature into the private financial sector through the Taskforce on Nature-Related Disclosures (TNFD) program, whose aim is to drive nature-positive financial assessment and disclosure capabilities from African financial institutions. FSD Africa is leading advocacy on nature finance through the Africa Natural Capital Alliance (ANCA) programme that provides a consistent and unified African voice on the need, opportunity and risk associated with nature in Africa.

ANCA aims to become the global voice for nature in Africa, fostering awareness, enhancing financial markets for nature-positive investments, and increasing accountability in reporting nature-related risks and opportunities.

CASE STUDY

Africa Natural Capital Alliance (ANCA)

ANCA was established in 2022 as a collaborative platform to enable institutions to promote nature-positive outcomes across Africa. Founded by FSD Africa and the United Nations Economics Commission for Africa (UNECA), and supported by the UK's Department for Environment, Food & Rural Affairs (DEFRA), ANCA has since grown its membership to over 50 institutions.[14]

ANCA's initiatives have raised awareness about the financial risks and investment opportunities associated with nature, bridging the gap between climate and nature considerations. The Alliance has also influenced regulatory engagement, demonstrated by a central bank stress test that was designed to showcase the impact of nature on the financial system. ANCA has launched a comprehensive executive leadership programme (the Nature Leadership Fellowship initiative) focused on natural capital and biodiversity in Africa. Over a five-year period, the programme aims to build an army of 100 African nature finance change-makers, who will launch and implement nature-based solution projects within their organisations. This initiative aims to direct at least $10 million (£8 million) into nature-related projects within the first three years, with this amount expected to double in the following two years.

There is a growing interest in funding nature-related projects, although current financial flows remain weak. ANCA facilitates potential funding through its working groups and partnerships, developing scalable transactions like biodiversity bonds, carbon-plus projects, debt-for-nature swaps and natural asset companies. The Alliance also advocates for coordinated nature policies, financial regulations and enhanced market infrastructure to support nature-related finance in Africa.

12 A. Deutz et al, *Financing Nature: Closing the Global Biodiversity Financing Gap*, The Paulson Institute, The Nature Conservancy and the Cornell Atkinson Center for Sustainability, 2020.

13 30x30 is a worldwide initiative for governments to designate 30% of Earth's land and ocean area as protected areas by 2030.

14 These include financial sector institutions, conservation organisations, academic institutions, civil society organisations and indigenous communities.

"What we try to do at the Taskforce level, is to make sure that there's a data store available to everybody at no cost, because this is a battle that we always fight when we, in Africa, take part in any memberships or data: we pay in euros, and it's just huge,"

Madeleine Ronquest
Head of Environmental, Social Risk and Climate Change, FirstRand, South Africa

CASE STUDY

Promoting an African voice through the Taskforce on Nature-Related Disclosures

Building on its comprehensive approach to promoting nature-related financial risk management in Africa, FSD Africa has fostered several strategic partnerships with key financial institutions across the continent as part of TNFD. A notable example of this collaborative effort is FSD Africa's partnership with FirstRand, one of Africa's largest financial services groups. This partnership embodies the organisation's commitment to capacity building and advocacy within the African financial sector.

As a member of the TNFD, FirstRand's involvement spans several critical working groups, including data, communication and finance sector guidance. This multi-faceted participation allows FirstRand to contribute valuable African perspectives to the global discourse on nature-related financial risks and opportunities.

The first pilot involved conducting an initial nature-risk assessment and stress testing exercise. This focused on the agricultural and extractive industries, sectors chosen for their high impact and sensitivity to nature risks. The assessment evaluated how these sectors impact and depend on nature, and how nature-related factors affect their business activities and supply chains. This exercise yielded preliminary results, estimating the influence of identified nature-related opportunities and risk factors on average company-level financial performance and asset values over time within each sector.

The second pilot centred on applying the beta version of the TNFD framework directly to FirstRand's operations. This involved assessing the institution's readiness to implement the framework across its risk management practices, disclosure procedures and existing organisational structures and processes.

Both pilots enabled FirstRand to provide constructive feedback on the beta TNFD framework, contributing to its refinement and ensuring its applicability in the African context. Moreover, these initiatives are guiding the development of FirstRand's own nature and biodiversity risk management programme, demonstrating the practical outcomes of this partnership.

This collaborative effort not only improves FirstRand's capacity to manage nature-related risks but also contributes to the broader goal of making the TNFD framework fit for purpose in Africa. In this way it strengthens the continent's voice in global discussions on sustainable finance and natural capital preservation.

We recognise the critical role of regulation and market infrastructure in enabling financial markets to function properly.

African financial markets face several challenges, such as weak regulatory frameworks and underdeveloped infrastructure, which result in low market liquidity. These challenges deter the continent from mobilising capital effectively and at scale.

1.4 Transforming Africa's financial market infrastructure

FSD Africa continues to play a leading role in helping address these challenges by supporting stronger regulatory and market infrastructure systems that de-risk financial markets and incentivise capital mobilisation from domestic and international investors. Since 2021, we have supported nine market infrastructure transactions, with five advancing significantly in the last year: the East Africa Bond Exchange, Agence UMOA-Titres, Ethiopian Securities Exchange, Kenya Credit Enhancement Facility (Dhamana Guarantee Company), and the fourth round of the BimaLab Africa Accelerator programme.

In Kenya, FSD Africa has played a key role in establishing the East Africa Bonds Exchange Public Limited Company (EABX Plc), an Over-the-Counter (OTC) securities exchange designed to increase liquidity and investor confidence. In Ethiopia, FSD Africa supported the creation of the Ethiopia Securities Exchange, a platform providing a regulated market for long-term capital raising. These efforts aim to create more accessible and sustainable markets, boosting Africa's economic growth and investment potential.

CASE STUDY

East Africa Bonds Exchange (EABX)

EABX was formed through a partnership between the Kenya Bankers Association (KBA), the National Treasury, and FMDQ Securities Exchange Nigeria.

Since 2018, FSD Africa has provided technical support to EABX, assisting in the creation of its board, recruitment of key management personnel, and appointment of advisors to guide its interactions with regulators and investors.

Many African financial markets face the challenge of fragmentation, which limits liquidity and efficiency and hampers investment. EABX is an over-the-counter securities exchange programme in Kenya, aiming to support the raising of longer-term capital in the East African region by creating more liquid, safer and more efficient bond and money markets. As market confidence grows, this is expected to broaden the investor base to both domestic and international investors, which will help address the fragmentation challenges faced by many African capital bond markets.

In January of 2024, the Capital Markets Authority authorised EABX to operate as an OTC securities exchange and function as an independent self-regulatory organisation (SRO) in Kenya.

AS PART OF ITS CAPITAL-RAISING EFFORTS:

KES 1 billion
($7.5 MILLION / £5.9 MILLION)

EABX has already secured investment from KBA and FSDAi, with additional investors currently undergoing due diligence.

IN THE NEAR TERM:

The exchange is expected to boost trading activity and enhance liquidity in the financial markets, with a mobilisation potential, by 2030, of:

$1 billion
(£791.8 MILLION)

CASE STUDY

Enabling local currency solutions through Multilateral Development Bank (MDB) portfolio transfer

In June 2024, FSD Africa alongside key partners[15] launched a pioneering project to explore the potential to transfer assets by MDBs to domestic institutional investors in Africa through a local currency solution. This approach will broaden the scope of MDBs' investments in two ways:

- Free up their capital
- Expand domestic capital markets by allowing African institutional investors to invest in alternative assets.

A feasibility assessment[16] commissioned by FSD Africa in seven African countries[17] highlighted several key considerations for the institutional structure of asset transfers. These include:

1. Pooling the transfer of assets across several MDBs
2. The extent to which investors can place reliance on the MDB's preferred creditor status
3. The possible use of first-loss guarantees

As part of the next phase, FSD Africa intends to establish a permanent vehicle for asset transfers and to appoint a Fund Manager to oversee this task. We shall co-create the Fund with the Fund Manager, leveraging its relationships with institutional investors and pension supervisors. Priority will be given to long-term investment needs, focusing on critical areas such as:

- Climate risk mitigation
- Renewable energy
- Infrastructure
- Urban development
- Housing

[15] Bill & Melinda Gates Foundation, Open Society Foundations, and The Rockefeller Foundation
[16] FSD Africa (2024) *Local Currency Solution for Multilateral Development Bank Portfolio Transfer: Feasibility Study*
[17] Kenya, Uganda, Tanzania, Nigeria, Ghana, Senegal, and Cote D'Ivoire

The company was formally incorporated in October 2023 and commenced its capital raise in November 2023, successfully completing it in March 2024.

INVESTORS RAISED:

ETB 1.51 billion
($26.4 MILLION / £20.9 MILLION)

WHICH REPRESENTED:

240%

ESX's original target of ETB 631 million ($11 million/ £8.7 million).

ESX ACCEPTED:

ETB 1.26 billion
($22 MILLION / £17.4 MILLION)

from a total of 48 institutional investors, from both the financial and non-financial sectors, underscoring ESX's potential to mobilise capital at scale.

ESX AIMS TO MOBILISE:

$500 million
(£395.9 MILLION)

through exchange issuances by 2030.

CASE STUDY

Ethiopian Securities Exchange (ESX)

Ethiopia has made significant economic and developmental progress in recent years. But this growth has been mostly reliant on government spending, external borrowing and donor money, which are not sustainable in the long term. This motivated the development of a formal securities exchange, to enable the flow of capital from the private sector to the economic and development priorities of Ethiopia.

FSD Africa acted as the main technical assistance partner to Ethiopia Investment Holdings (EIH) and the Ministry of Finance in setting up the exchange. This included project management and administration support, legal support, business plan development, exchange operationalisation, and support in capital mobilisation.

CURRENT LIST OF INVESTORS

16
Domestic private commercial banks

12
Private insurance companies

17
Private domestic investors

International strategic investors

Such as FSD Africa, the Trade and Development Bank Group and the Nigerian Exchange Group.

Public sector

Represented by EIH and its subsidiaries, including the Commercial Bank of Ethiopia and Ethiotelecom, which collectively hold a quarter of the shares.

SECTOR ALLOCATION (GBP MILLION):

622	AGNOSTIC
170	GREEN[18]
80	HOUSING
80	MOBILITY
48	GENDER
26	ENERGY
14	CLIMATE ADAPTION

Our impact

SECTION 2: CAPITAL ALLOCATION FOR GREEN AND INCLUSIVE GROWTH

FSD Africa helps to allocate much-needed capital to interventions designed to achieve important environmental outcomes, such as achieving net-zero carbon emissions and stopping biodiversity loss. These interventions target a just transition, taking into account the people who will be most affected, aiming to increase both businesses and individuals' climate resilience.

We also help identify and implement initiatives that build, protect or improve networks and institutions that promote inclusive growth, often advocating for others to do the same. In total, we've helped to allocate $1.32 billion (£1.04 billion) mobilised and catalysed from 2021 to 2024, of capital across different sectors and groups. In this section, we tell the story of how we've done this, highlighting interventions that serve Africa's clean energy and clean mobility needs, support early-stage businesses, create more economic opportunities for women, and strengthen climate resilience and adaptation.

2.1 Supporting Africa's transition to clean energy

Africa urgently needs more renewable energy, to meet the needs of rapid population growth, industrialisation and sustainable economic development. Expanding renewable energy is also critical for improving energy security and reducing poverty, with 600 million people, mainly in sub-Saharan Africa, currently lacking access to electricity.[19] Clean energy also offers opportunities for economic growth, job creation and the mitigation of climate change.

Through FSDAi, we provided early equity and leadership support to *Persistent Energy* and *Nithio* to enable these companies to scale their innovative financing platforms for climate adaptation and last-mile renewable energy access.

We also helped *Africa Climate Ventures (ACV)* to build climate-smart businesses by backing low-carbon technologies and scaling successful carbon businesses. Our investment in Spark Energy supports the installation of sustainable energy systems, contributing to greenhouse gas reduction and making businesses more resilient to climate change. Through our work, FSD Africa has supported the installation of 78 MW of clean energy capacity in various geographies across the continent.

SO FAR, FSD AFRICA HAS COMMITTED:

>$13 million
(£10.3 MILLION)

to clean energy interventions across Africa

TO DATE, FSD AFRICA HAS LEVERAGED:

~$33.3 million
(£26.4 MILLION)

to deliver greater impact

[18] Green projects include carbon market projects and green bond issuances.
[19] IEA, *Africa Energy Outlook 2019.*

"These people have wanted solar since the 1970s but could not afford its exorbitant installation costs."

Sanmi,
Founder and CEO, Winock Solar

CASE STUDY

Winock Solar - Investing in clean energy solutions in Nigeria

More than 60% of Nigerians (over 120 million people) lack access to reliable electricity. Even the privileged 40% are overburdened by costly and unstable electricity. Small businesses, the backbone of Nigeria's economy, have been the hardest hit. Winock Solar, a renewable energy start-up in Abuja, has dedicated itself to significantly improve the energy landscape in Nigeria. Through affordable solar energy solutions to micro-businesses, Winock has not only provided cleaner energy but also bolstered Nigeria's micro-economy, helping thousands of businesses survive and thrive in an unstable environment.

Three years ago, FSD Africa Investments supported Nithio in preference shares to scale up off-grid energy financing in Kenya, Nigeria and Uganda. Winock is one of the Nigerian companies that Nithio supports, being its largest investor at 68%. The timely intervention of Nithio FI has been pivotal to Winock Solar's growth.

Since its inception in 2019

WINOCK SOLAR HAS SERVED:

>2,600
customers

TRANSLATING INTO:

>2 megawatts
of rooftop solar capacity installed

This includes the replacement of 1,200 petrol-fuelled generators, cutting CO2 emissions by over 20,000 tonnes per year and saving customers up to 50% of their individual income by eliminating the cost of running generators (a total of over $1 million / £792,000 saved). The company's model combines solar installations with flexible financing options, such as lease-to-own plans, making solar energy accessible even to the smallest businesses.

With the ongoing support of Nithio and other partners, the company plans to expand its services to offer inventory financing and insurance, creating an ecosystem that fosters long-term sustainability. Winock is also focusing more on social impact investment, eschewing profit maximisation to ensure its products are as affordable as possible.

To date, we have helped to allocate over $60.2 million (£47.7 million) to the integration of gender considerations in the businesses and programmes we support.

2.2 Creating economic opportunities for women in business

FSD Africa continues to invest in gender inclusion, guided by our gender strategic framework. We want to equip African financial systems to increase the incomes, voice and agency of women in the African economy, in support of a sustainable future for the continent. This involves allocating capital to gender-aligned investments that drive business growth and key development outcomes such as job creation. We invest in alternative local capital providers that integrate gender into their investments by prioritising women-owned or women-led businesses, offering tailored financial products that enhance women's businesses.

FSD Africa has also helped to introduce landmark gender bonds in recent years, including the *BCP Gender Bond in Morocco* and the *NMB Gender Bond in Tanzania*.

Our support of these instruments has enabled access to loans for over 23,000 women-owned businesses. These businesses often operate in sectors that directly impact their communities. As they grow, they create jobs, improving local economies and contributing to the socio-economic development of their regions.

FSD Africa supported BCP-Attawfiq in Morocco in the issuance of Africa's first ever gender bond.

THE BOND RAISED:

$20.4 million

(£15.9 MILLION)

THE BOND DISBURSED:

17,080 loans

TO WOMEN IN URBAN AND RURAL AREAS, TO SUPPORT A RANGE OF BUSINESS-RELATED ACTIVITIES.

CASE STUDY

Enabling credit access for micro-level businesswomen

The impact of the bond is evident in stories like that of Khaddouj, a proud businesswoman in her late fifties and a pioneer in her village. Thanks to the gender bond, she has been benefiting from micro-loans for a few years now, slowly increasing the amount she takes each time. This has enabled her to triple her capital and diversify her business activity – she now sells chickens and eggs as well as sheep. Thanks to the success of her business, Khaddouj has been able to support and provide for her family, including sending her two children to school.

Malika Laachoubi, a businesswoman in Casablanca, has also benefited from the gender bond. She has been taking micro-loans for the past three years. She uses the capital to buy seasonal goods, which she then sells. The gender bond allowed her to access a loan seven times larger than she would usually have taken, multiplying her gains. *"People don't trust women to make sound financial decisions, so you must be strong and prove them wrong. Micro-finance has enabled me to do so and show that we are very capable as well,"* Malika remarks. She also benefited from capacity building sessions provided by Attawfiq as part of the services they provide to empower more women and accompany them throughout their entrepreneurial careers.

Women like Khaddouj and Malika are traditionally excluded from the banking system as they lack the necessary requirements for getting credit at a conventional bank. The gender bond's targeted micro-credits have helped to ensure that capital is allocated to those who need it most, shifting societal perceptions and empowering women economically. What's more, 31% of loan grantees were between the ages of 18 and 35 years. *"Women are excellent payers and hardly ever default on their loans,"* says Hassan Alami, Attawfiq Micro-finance Branch Manager. *"A woman might even borrow from her family during a bad month to make her payment. Men, on the other hand, are a different story."*

IN 2022-2023, THE BOND HAS FACILITATED LOANS WORTH:

TZS 131.6 billion

($50.9 MILLION / £40.3 MILLION)

By 2022, the bond had allocated TZS 74.3 billion ($28.8 million / £22.8 million), far ahead of the 18-month timeline originally envisaged. In 2023, TZS 57.3 billion ($22.2 million / £17.6 million) was refinanced from matured loans.[20]

This rapid deployment of funds underscored the bond's effectiveness in addressing the urgent financing needs of women-led SMEs.

The bond boosted profitability and growth prospects by providing loans at a highly competitive interest rate[21] of:

14%

COMPARED TO A MARKET AVERAGE OF 19%

[20] NMB Bank, *Sustainability Report* 2023.

[21] 'Incentives given to [women] borrowers to encourage on-time repayment, the timing and flexibility of repayments, and the flexibility of borrowers' contracts (e.g., loan size or interest rates) all have an impact on both business outcomes and loan default rates.' F. Siegrist, *Supporting Women Entrepreneurs in Developing Countries: What Works?* Women Entrepreneurs Finance Initiative, 2022.

CASE STUDY

Supporting women-led SMEs in Tanzania

FSD Africa collaborated with NMB Bank in Tanzania on the issuance of the Jasiri Gender Bond, which facilitated capital provision to SMEs across the country that support the empowerment of women.

The Jasiri Bond facilitated capital provision to SMEs across Tanzania that are owned by women or controlled by women. It also included SMEs with 30–50% female employees, and those that offer products and services that particularly benefit women.

This capital has been essential in enabling business growth for many businesswomen, such as Gudila Kimathi, the owner of Maggy Dress-Up, a clothing and accessories business in Dar es Salaam. The mother of three embarked on a mission to tap into the plus-size clothing market in Tanzania, especially for official wear. Initially, the limited product range posed a challenge. *"One of the significant challenges I faced as a small-scale business was the inability to offer a variety of products, which limited customer purchases. However, upon obtaining a loan from NMB Bank, I was able to diversify and bring in more options for our customers,"* she notes. This expansion included adding shoes, handbags and children's clothing to her product line, transforming Maggy Dress-Up into a one-stop shop for her customers.

Gudila's introduction to NMB loans and the Jasiri Bond came at a pivotal moment, offering her business the boost it needed. *"I attended the NMB Business Club where they discussed Jasiri Bond, and my interest was piqued, prompting me to follow up on the opportunity,"* she recalls. *"The difference between Jasiri loans and others is that it has more favourable terms and that interested me,"* Gudila says. Looking ahead, Gudila hopes to broaden her business's reach by adding uniforms and securing tenders from various organisations, aiming for exponential growth.

Clean mobility is estimated to reduce up to 25% of GHG emissions from transport in SSA by 2040.[22] If no action is taken, vehicle emissions are expected to increase by 2–3 times by 2050 due to the projected increase in the continent's population.

2.3 Supporting clean mobility in sub-Saharan Africa

Despite its importance to development, the mobility sector in Africa faces a financing gap. An analysis of five SSA countries presented a financing need of $3.5 – $8.9 billion (£2.8 - £7 billion) of total cumulative costs needed to finance electric 2-wheelers alone by 2030.[23]

FSD Africa has prioritised measures to help mitigate the environmental impact of transport, contributing to both air quality improvements and global efforts to combat climate change. For example, our investment in Persistent Energy is driving capital into the e-mobility sector, while our support of the ONCF Green Bond in Morocco has helped enhance the construction of a high-speed electric rail line. In July 2024, we launched the Powering the Energy Transition (Potentia) project, aimed at developing a de-risking facility to mobilise and deploy capital into the EV sector. To date, these interventions have contributed to an emissions reduction of approximately 120,000 tCO2e annually.

WITH APPROXIMATELY:

£80 million

($101 MILLION)

of capital mobilised, ONCF embarked on the construction of Africa's first high-speed rail line powered entirely by wind energy, spanning a network of 2,295 kilometres between Kenitra and Tangier in northern Morocco.

CASE STUDY

Impact of the ONCF Green Bond

In 2022, ONCF, CDG Capital, the EBRD and FSD Africa collaborated to issue the ONCF Green Bond, in an effort to develop Morocco's green finance market and provide the necessary capital for clean mobility solutions.

THIS INITIATIVE HAS RESULTED IN A:

↓ **12%** **reduction in greenhouse gas emissions since 2023**

Equivalent to avoiding 121,000 tonnes of CO2 annually or planting 4 million trees. This has underscored the significance of clean energy-powered trains in reducing the Morocco's carbon footprint.

The high-speed rail project is a key element of ONCF's master plan to connect Tangier (north-western Morocco) to Marrakech (western Morocco) by 2030, enhancing intercity travel for passengers while cutting CO2 emissions and freeing up rail lines for freight. Travel time between Tangier and Kenitra has been reduced from two hours and 25 minutes to just 50 minutes, with an estimated reduction of over 2.5 million tonnes of CO2 equivalent emissions over 30 years. The project also created 5,000 jobs, of which 1,500 were direct jobs with contractors.

ONCF also took considerable steps in greening its railway operations and positioning green electricity at the centre of its energy mix. Wind energy is currently powering 100% of ONCF high-speed trains and 90% of its electric trains.

Morocco's energy transition efforts and ONCF's green bond issuance exemplify strategic initiatives driving sustainable development and resilience to climate change. These endeavours bolster Morocco's position as a leader in renewable energy adoption and sustainable infrastructure development and pave the way for future collaborations and investments in green finance across Africa.

22 Shell foundation, *Financing the transition, to electric vehicles in sub-Saharan Africa*, 2022
23 Ibid.

TO DATE, WE'VE INVESTED:

~$34.1 million

(£27 MILLION)

in early-stage business support programmes through investment instruments, grants and technical assistance.

2.4 Building the resilience of early-stage businesses

In line with our mission to make finance work for Africa's future, FSD Africa provides early-stage financing and non-financial support to small and growing businesses.

Early-stage businesses are highly important to Africa, providing livelihoods and jobs to the majority of the continent's population, particularly young people and women. They also are important change agents, with start-ups helping to disrupt existing sectors as well as define new ones through the application of new technologies or business models.

Several growth challenges affect early-stage businesses. They're often perceived as high-risk by investors, making it difficult to secure funding. Their return profiles are often untested, complicating profitability assessments. Unclear value propositions, unclear business ideas and challenges in marketing can also deter investors. FSD Africa has deployed capital to venture building and ecosystem building for early-stage businesses, as critical inputs that help them address these growth issues.

THE BIMALAB PROGRAMME HAS LED TO THE DEVELOPMENT OF:

+60
INNOVATIVE INSURANCE PRODUCTS

aimed at Africa's low-income population, reaching:

4.4.million
PEOPLE

Through BimaLab, FSD Africa has facilitated business growth and supported:

1,500
JOBS IN THE INSURANCE SECTOR

Given the low penetration of insurance products in Africa, the growth of this sector is a significant step towards enhancing the resilience of the African population.

CASE STUDY

Accelerating access to health insurance in rural Ethiopia through BimaLab

FSD Africa's BimaLab programme offers hands-on venture-building support to high-impact start-ups that improve the resilience of underserved and climate-vulnerable communities. To date, BimaLab has supported 45 insurtechs in Kenya, Ghana and Nigeria, while the recently concluded 2023 BimaLab Africa cohort brought together participants from 10 African countries as well as more insurtechs.

In Ethiopia, BimaLab supported Saglan Wajee Hospital in upgrading Efoy Health Insurance, an insurance product it launched two years ago, enhancing its coverage, accessibility and affordability. BimaLab has a regulators module that engages regulators in the participating countries. Saglan Wajee, participating in the programme with the National Bank of Ethiopia, was able to access an operating licence which the regulator had withheld for over a decade due to failed launches in the past.

Cafe owner Nurae Gutu Chala and her family were among the first to buy the new version of the insurance. They paid ETB 400 ($7 / £5.50) per child per annum, and double that amount per adult. *"I'm glad that my family can afford the health insurance,"* she states.

The number of insurance-seeking clients has grown after the upgrade. *"We have reached around 900 more patients after the upgrade to Efoy 2.0. The sales volumes are growing faster, we're nearly accomplishing last year's total numbers in just one quarter,"* says Teklu Belay, the hospital's marketing director. Looking ahead, the Saglan Wajee Hospital plans to launch a new branch in Addis Ababa and to integrate 130 health facilities into its insurance network. It is also working on implementing its insurance company, Family Medical Network, leveraging partnerships and financial support to build a sustainable and impactful healthcare system in Ethiopia.

2.5 Strengthening climate adaptation and resilience

Only 5%

OF GLOBAL GREENHOUSE GAS EMISSIONS COME FROM AFRICA

Despite this, the region is the most vulnerable to the impacts of climate change, with 7 of the world's 10 most vulnerable countries situated in Africa.[24]

The continent's vulnerability is due to its population's high level of exposure to climate risks and disasters, and a lack of resources and services to manage these impacts. African economies must support and scale new and innovative financing instruments to support climate resilience and adaptation.

FSD AFRICA HAS INVESTED:

£3.6 MILLION

($4.5 MILLION)

in Catalyst Fund, which invests in and offers venture building support to high-impact start-ups that improve the resilience of underserved and climate-vulnerable communities.

CATALYST FUND HAS A GOAL TO SUPPORT:

40

pre-seed impact ventures in Africa.

WE'RE ALSO SPURRING INNOVATION

in the green and blue economy sectors through a:

£2.6 MILLION

($3.3 MILLION)

investment in the Triggering Exponential Climate Action (TECA) programme in partnership with BFA Global.

TECA supports pioneering entrepreneurs from idea stage to launch, expanding the pipeline of investable opportunities in the climate resilience fintech space.

Impact case studies from TECA and Catalyst Fund are discussed below.

MORE RECENTLY, IN OCTOBER 2024:

FSD Africa backed *Holocene Venture Fund (HVF)* with a:

$150,000

(£118,774)

investment. HVF will provide innovative pre-seed financing, combining both cash and venture-building services, to climate tech start-ups, recognising the need for diverse financial solutions to scale climate businesses.

24 O. Somorin et al, *Financing Adaptation in Africa: The Key to Sustainable Development?* South African Institute of International Affairs, 2021.

"The TECA experience was very helpful, not only the monetary support but also the hand holding and other opportunities that have opened doors for us."

Mathew Egessa,
Co-founder, VUA Solutions

Founders have also benefited from connections to other TECA founders with whom they continue to share experiences and explore potential partnerships.

FSD Africa continues to support initiatives such as TECA to incubate and accelerate climate-resilient solutions that will reduce vulnerabilities against climate change.

CASE STUDY

Improving climate solutions through Triggering Exponential Climate Action (TECA)

TECA, A VENTURE LAUNCHER, PROVIDES:

a platform that allows high-potential founders to develop and test ideas and conduct market research.

TECA HAS SUPPORTED:

17 start-ups

OF WHICH:

7

has received investment capital in the form of returnable grants.

VUA SOLUTIONS

One example is VUA Solutions, a company that enables fishermen in Kiwayu Island, Kenya to:

Save for medical emergencies and household expenses, especially during the low season. During the high season, fishermen save a portion of their income through the Vua platform and later receive this money as a stipend during the low season, making them more resilient when faced with emergencies.

This has enabled one fisherman was able to pay for his sick child's medical expenses during the low season after saving money through Vua's solution.

Although Vua has not fully initiated a loan product for the fishermen, the company issued a loan to one fisherman to purchase two sustainable fishing reels, which he otherwise would not be able to afford due to the high cost of purchase. Additionally, they train fishermen in good hygiene standards to ensure that their fish is safe to eat.

Vua Solutions received a $55,000 (£43,550) investment which included both venture-building support and seed capital from TECA as part of its inaugural cohort, the Diani Blue Wave. The venture-building support helped Vua accelerate the refinement and implementation of its business idea. Facilitated by the seed capital, the company conducted a successful pilot project in Kiwayu Island, through which they onboarded 38 fishermen to their platform.

As a result of being part of the TECA programme, Vua has been able to raise an additional $16,000 ($12,670) from other funders. It has also established a partnership with the Climate Collective and received further funding, which the company is using to develop an AI model that can help fishermen get answers to financial literacy questions.

Catalyst Fund's investment ($200,000 / £158,370) in Farm to Feed contributed to de-risking the investment to additional funders, who invested $600,000 (£475,100) in Farm to Feed after the Catalyst Fund investment.

FARM TO FEED HAS ONBOARDED:

600,000

FARMERS, OF WHICH:

~ 65%

ARE WOMEN AGED BETWEEN 26 AND 35

"Before the Catalyst Fund, we did not have funds, we were basically paralysed in terms of what we wanted to do. Through Catalyst Fund, we were able to hire talent to optimise operations. We have grown so much since then; it has been very catalytic."

Claire van Enk
Founder, Farm to Feed

CASE STUDY

Improving business resilience through the Catalyst Fund

The Catalyst Fund is a pre-seed high-impact fund supporting tech start-ups that seeks to improve the resilience of underserved and vulnerable communities in Africa, with a focus on fintech and climate adaptation solutions.

THE FUND PROVIDES BUSINESSES:

$200,000
(£158,370)
OF INVESTMENT

SPLIT INTO:

$100,000 in investment capital

$100,000 in venture-building support

IT HAS SUPPORTED:

22 start-ups

10 of which have received seed capital, and has gone on to mobilise $18.56 million (£14.7 million) of additional capital.

The venture-building support received by the start-ups has helped them raise further capital to expand their operations. One example is Farm to Feed, which works to address the challenge of food loss and wastage in Kenya by purchasing excess produce from farmers and selling it to B2B customers. FSD Africa, through its investment into Catalyst Fund, extended support to Farm to Feed by providing investment capital and venture-building in fundraising, branding and marketing, data analysis, climate expertise and product support.

Through our support, the company has built a digital platform enabling it to streamline its operations. As a result, the company has onboarded more farmers, leading to increased food collection. Upon completion of the venture-building support, Farm to Feed had onboarded 60,000 farmers, up from 600 before joining the Catalyst Fund programme. Farm to Feed has also been able to refine its USP and improve its branding, attracting more B2B customers.

↑ 41%

of farmers have experienced increased incomes thanks to Farm to Feed's solution, which collects and pays for all produce instantly, eliminating the long wait they once faced.

AS A RESULT FARMERS CAN BETTER AFFORD:

- Medical expenses
- Household expenses
- School expenses

Farm to Feed has also improved access to affordable local produce for consumers.

3. Learning and adapting

Learning and adapting

This section highlights lessons we are learning from programme implementation, development impact management and our Strategic Research Programme.

These lessons are central to how we improve our programming to ensure interventions result in impactful outcomes. They also contribute to our advocacy efforts to drive change within Africa's financial ecosystem.

3.1 Strategic Research Programme

The Strategic Research Programme conducts rigorous, operationally relevant research seeking to influence stakeholders and help deliver on FSD Africa's theory of change. The programme has prioritised generating evidence on whether a green growth trajectory in Africa delivers better and more inclusive development outcomes when compared to business-as-usual. Through these research initiatives, we identify opportunities that would result in more impactful outcomes for the planet and people. Examples from some of the studies carried out are discussed below:

Impact of regulatory work

In August 2023, FSD Africa commissioned a review of its regulatory programmes to examine the delivery of impact, to find out what has worked well and what hasn't, and to provide valuable lessons to improve future regulatory interventions especially those on green growth. The exercise involved an end evaluation of the *Africa Regulatory Support Programme (ARSP)*[25] in sub-Saharan Africa and an early evaluation of Tax Advisory Support on Capital Market Products (TASCMP)[26] in Ethiopia. The interventions scored highly against the three OECD-DAC criteria: relevance, coherence and sustainability. However, some crucial lessons were learnt on how to enhance the outcomes of these and other regulatory support programmes:

- **Ensuring early government involvement and buy-in in interventions, along with lobbying efforts**, can speed up formal ratification and improve efficiency.
- **Regulatory interventions should leverage the input of experienced external consultants** to align capital markets policies with international best practices. This should be tailored to the domestic context, using input from local stakeholders.
- **Understanding the pre-existing state of play in the markets** is critical for intervention success. It is possible to intervene effectively despite challenges, but also important to understand when to walk away.
- **The local context in different countries is a key factor in motivating impact and avoiding potential pitfalls.** It's critical to assess the scope of regulatory interventions that we support within specific country contexts, including their value for money and the probability of achieving real impact within the intervention's timeframe.

More information on the impact of regulatory work can be found in our *Deep Dive Study on the Impact of Regulatory Interventions.*

25 The ARSP was designed to help capital market regulators in sub-Saharan Africa promote better regulations, and facilitate regulatory harmonisation and benchmarking against international standards.

26 Through the TASCMP, FSD Africa has supported the operationalisation of capital markets in Ethiopia by establishing the Ethiopia Stock Exchange and building the capacity of stakeholders.

The majority of early-stage business owners are young entrepreneurs who don't have connections and access to investors and strategic partners. However, being a part of the early-stage programmes has facilitated such connections.

For instance, some BimaLab alumni were able to make contact with large insurance companies and have gone on to establish partnerships.

Supporting early-stage businesses

In February 2024, FSD Africa commissioned an assessment of our early-stage business portfolio to enhance programme design and explore cross-pillar collaborations.

THE ASSESSMENT REVEALED SEVERAL USEFUL INSIGHTS:

FSD Africa's early-stage programmes have enabled businesses to become investor-ready because such exposure builds their credibility, making them more attractive to investors and partners.

Through interaction with individuals from diverse backgrounds, the businesses noted that these programmes allow them to network effectively, learn from one another, and continue sharing opportunities beyond the programme timeframe while exploring partnership opportunities.

The assessment cited that funding remains crucial for businesses to test ideas and scale. Even those who received capital as part of our programme expressed the need for additional funds to pilot projects and cover operational expenses. This calls for increased allocation of funds to support early-stage businesses in Africa, due to their critical role in the continent's development.

Programmes supporting early-stage businesses may not always meet the specific needs of the participants, especially in the event that the business idea is unique or is targeting a niche market. The design of similar programmes needs to be revised to improve support for such businesses to ensure that their ideas are given the appropriate tools to grow.

The review focused on three programmes: *BimaLab, Triggering Exponential Climate Action (TECA)* and Catalyst Fund.

3.2 Forecasting green jobs in Africa

FSD AFRICA AND *SHORTLIST* COMMISSIONED A STUDY[27] TO FORECAST THE JOB CREATION POTENTIAL OF AFRICA'S GREEN TRANSITION.

By 2030:

3.3 M

new direct green jobs are predicted to be created across the continent

Up to:

2 M

of these jobs will be in the renewable energy sector,

57% of the new jobs will be in the solar energy sector.

THESE JOBS COVER A DIVERSE RANGE OF SECTORS:

RENEWABLE ENERGY

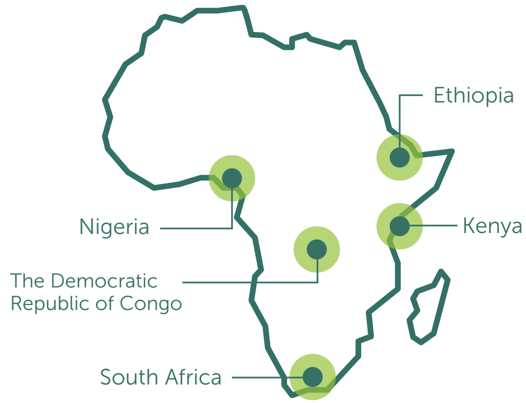
E-MOBILITY

CONSTRUCTION

AGRICULTURE

MANUFACTURING

MORE THAN **22% OF THE 3.3 MILLION PREDICTED NEW GREEN JOBS** WILL BE CREATED IN THESE FIVE COUNTRIES:



Up to 40% of the green jobs created will be specialised or advanced jobs, which will require focused skilling efforts to ensure an ample talent pipeline. A further 40% of jobs will be unskilled roles.

Given this report's findings and Africa's green growth agenda, stakeholders must enhance formal education programmes, vocational training curricula and on-the-job skills development to ensure the workforce meets demand. In addition, targeted investments in high-potential sectors and value chains will be paramount to Africa's job creation agenda.

3.3 Impact stress-testing using ex-ante screening

We have adopted a more structured approach to assessing and managing the development impact and impact risks of our projects and investments. This framework aligns with the *Impact Management Project* and the *Operating Principles for Impact Management*. Our experience shows that relying solely on ex-post evaluations makes it difficult to capture the complexity of impact pathways.

To address this, we've integrated development impact screening early in our intervention cycle. This approach has helped us better understand impact pathways and the supporting evidence, along with potential impact risks, right from the start. It functions like an 'impact stress test', allowing more intentional impact management and tighter alignment with our mandate, ensuring that each intervention contributes meaningfully to our overall theory of change.

[27] FSD Africa, *Forecasting Green Jobs in Africa*, 2024.

4. Looking ahead

Looking ahead

FSD Africa is entering a new phase in its programming.

Our ambition for the next five years (2025-2030) is to further deepen financial markets in Africa, enhancing their role in solving the intractable challenges affecting the continent's economic growth today – debt sustainability, energy poverty, increasing costs of adapting to climate change, and unemployment. Each of these have distinct financing challenges, underscoring the need for innovative and scalable financing instruments and structures.

We are doubling down on our domestic capital mobilisation agenda and will increasingly use our resources to design investment incentives that appeal to local institutional investors – pension funds, insurance firms, etc, and enhance their appetite for investments that deliver a triple bottom-line. Greening Africa's financial system by working closely with sector regulators, policymakers and other stakeholders will remain a key focus. Our work on driving nature-positive finance and strengthening carbon markets will also remain a key focus as we explore other scalable financing solutions that leverage the continent's natural assets. We will also continue our work with others on the MDB reforms agenda, building on the work that our Capital Markets team is doing to drive MDB balance sheet optimisation.

While remaining true to our mandate, we will, working closely with others, seek to scale Africa's human capacity, enabling the continent's youthful population to take up jobs needed for the green transition in Africa. We are particularly keen on equitable access to quality jobs by young women.

Investing in strategic research, analysis and intelligence-gathering initiatives will remain core to our mandate to support evidence-based decisions within the financial ecosystem. As part of the Strategic Research Programme, we have commissioned two studies:

1. the inclusive impact of carbon markets and nature-based investments in Africa and
2. the impact of green bonds in Africa.

We shall investigate additional research questions that align to our new strategy direction and the nexus of gender & climate change among other priorities.

Partnerships are key to FSD Africa's strategy. We shall continue to leverage and expand on the great relationship that we have with FCDO, while at the same time exploring opportunities to co-create and implement impactful interventions with other partners.

fsdafrica

UK International Development
Partnership | Progress | Prosperity

FSD Africa, Nairobi, Kenya
info@fsdafrica.org
www.fsdafrica.org

Foreign, Commonwealth
& Development Office, London, UK
www.gov.uk