

Building bankability: Strengthening project preparation to lower the cost of climate capital in Africa

DATE:
Day 3

CONTACT PERSON
Cecilia Murai
Cecilia@fsdafrica.org

PARTNER(S):
FSD Ethiopia and others under discussion: S&P Global, Moody's, Lion's Head Global Partners, Africa50, AfDB, Gridworks, EBRD

OVERVIEW:

Africa faces the highest cost of capital globally, a reality that severely constrains the continent's ability to finance climate-aligned projects. Projects in renewable energy, water and sustainable transport face systemic financing hurdles rooted in perceived high risk, limited early-stage capital, and underdeveloped local capital markets.

This session will directly support the ACS strategic pillar of "Unlocking Scalable Climate Finance" by unpacking the structural and perception-driven barriers inflating Africa's risk premium. It will unpack the limits of concessional finance and guarantees and propose concrete measures to rebalance risk, accelerate deal timelines and scale up investable climate assets. Bringing together DFIs, rating agencies, African policymakers and private sector actors, the session aims to drive forward coordinated solutions that make Africa's green transition bankable.

OBJECTIVE

To identify actionable levers to reduce the cost of capital for African climate projects by unlocking early-stage risk-tolerant capital, addressing risk perception and information gaps, and accelerating the pipeline of investable climate-aligned projects.

EVENT DESCRIPTION

This session will address the persistent issue of prohibitively high financing costs for climate-aligned projects in Africa. It will examine the drivers of this challenge, including sovereign credit risk, currency mismatches, policy uncertainty, and limited project preparation capacity. It will also consider how declining concessional aid threatens the availability of viability gap financing.

Drawing on insights from institutions deploying capital across the risk-return spectrum, the discussion will showcase African solutions and lessons from recent innovations, such as improved risk rating methodologies, enhanced climate data standardisation, pooled investment vehicles, and blended finance structures designed to mobilise commercial capital more predictably.

In support of ACS2's call for finance reform, the session will highlight how African governments, DFIs, and private investors can co-create investment-grade enabling environments. Special attention will be paid to how guarantees, project prep facilities, and local capital mobilisation strategies can be better targeted to reduce financing barriers and de-risk earlier stages of project development.

Ultimately, the event will provide a platform to chart a pathway toward more predictable, affordable, and scalable climate finance across the continent.

EXPECTED OUTCOMES

- An event summary report identifying high impact priority reforms to accelerate project development lead times and practical recommendations on reducing the cost of capital for climate projects in Africa.
- Foundational framing for a potential African-led coalition on investment-grade climate finance ecosystems
- Mapping of champions for sustaining viability gap financing amidst shifting donor priorities
- Inputs to inform ACS2 Flagship report and follow-up dialogues towards G20 and COP30.