

ImpactReport

SOLAR-POWER
AGROFORESTRY
POLICYMAKERS MARKET SYSTEMS
GREEN FINANCE
CARBON MARKETS INVESTEE VENTURES
OFF-GRID ENERGY SEED FUNDING
INVESTMENTS CARBON MARKETS
CLIMATIC SHOCKS JOBS
GENDER INCLUSIVITY SUSTAINABLE DEVELOPMENT
ADDRESS SYSTEMIC CHALLENGES
ENERGY
TRANSACTIONS
NATURE / NATURAL CAPITAL
PEOPLE
CAPITAL RAISE
FINANCIAL MARKETS
PLANET
GRANTS
GREEN FINANCE
INSURTECH
STRATEGY
INNOVATION

2023

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A word from our CEO

Mark Napier, CEO, FSD Africa

2023 has been an important year on many fronts. For FSD Africa, it is the year we celebrated ten years of our existence, a milestone that our staff, our Board, and FCDO, our principal funder, are extremely proud. During this period, we evolved as an organisation to respond effectively to Africa's development financing needs, working particularly with financial intermediaries, policy makers and regulators, investors and others, to make Africa's financial markets fit-for-purpose. We ended our first decade of existence having created value for at least 12 million individuals and 3.2 million businesses.

In 2023, we also celebrated the growing maturity of FSD Africa Investments, which is marking six years since it started and has notched up some impressive, ground-breaking achievements. More on what FSD Africa Investments has delivered during this period can be found [here](#).

More worryingly, 2023 is also the year that we have all had to recognise that the global community is struggling to achieve its climate and social development goals. The latest Global Stock Take Report on progress against the 2015 Paris Climate Agreement indicates that "global emissions are not in line with modelled global mitigation pathways, and there is a rapidly narrowing window to raise ambition and implement existing commitments in order to limit warming to 1.5 °C above pre-industrial levels". On the social development side, the UN reports that all of the SDGs are seriously off track, with progress on 11 out of the 17 SDGs having stagnated. This is especially true in Sub-Saharan Africa where more than three-quarters of the countries have a score of less than 60 percent, meaning that most countries in the region have fallen behind on at least seven SDGs.

Addressing these challenges will require not just a lot more money but that money is better targeted and better structured. We support the push for a change in the global financial architecture to make it more responsive to today's development context. We also recognise that a lot of work needs to be done at the receiving end, including in Africa, to ensure that when more capital starts to flow as a result of global reforms, developing countries are able to absorb it.



An important message from the Africa Climate Summit, where the continent's role as part of the solution in the world's fight against climate change was acknowledged, was that mobilising domestic private capital must be a key focus – putting Africa's capital to work in its own backyard by building the instruments and infrastructure to allow that capital to flow towards climate action and other projects. [The African Leaders Nairobi Declaration on Climate Change and Call to Action](#) provides a blueprint for future action on renewable energy, green industrialisation and other issues, all of which will require more innovation all the way up and down the financing value chain.

Africa's climate ambition, as stated in its Nationally Determined Contributions, the Nairobi Declaration and other documents, is by and large already set. The financing needed to achieve it will not be delivered at scale using the same approaches that have been used to date. That is why FSD Africa, with its focus on innovative financing and financing innovators, will be investing more resources to support financial intermediaries and to bring new financing instruments and mechanisms to the market. We are also excited by the potential for carbon markets to spur innovation in financing marginalised communities.

And we are already actively exploring structures that will get more finance flowing into nature and biodiversity: we have been encouraged by our work to date on the Taskforce on Nature Based Financial Disclosures and by the commitments by the financial institutions who are members of the African Natural Capital Alliance.

This year's impact report highlights the emerging outcomes of our work on innovative climate finance, growing Africa's carbon markets, and financing for nature and biodiversity. These three areas will remain a key focus for us for the foreseeable future. We welcome your thoughts on how to enhance the impact of our work in these areas - to make finance work for Africa's future.

Introduction

FSD Africa is a specialist development agency committed to making finance work for Africa’s future. Set up in 2012, our mission is to address systemic challenges in Africa’s financial markets in order to spark large-scale and long-term change for Africa’s people and for the planet.

We improve policymakers’ and regulators’ institutional capacity and support the development of guidelines, regulations, and frameworks to promote financial sector innovation. FSD Africa also supports early-stage transactions through the deployment of catalytic capital alongside other tools¹. The development of appropriate financial products and market infrastructure, based on data and insights gleaned from research and our interactions with various market participants, is central to our work. We believe this mix of instruments has the power to de-risk investments and create new investment vehicles, to allow capital to flow to under-invested parts of the economy.

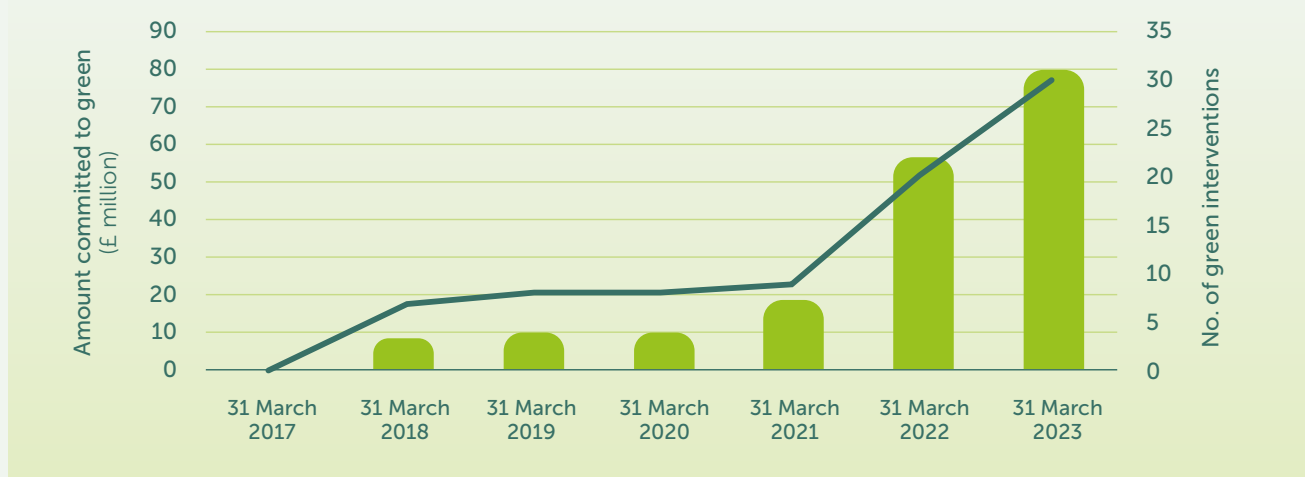
In March 2023, we celebrated a decade of working to make financial markets in Africa stronger and greener. Our April 2021 to March 2026 strategy (‘Finance for a Sustainable Future’) has been evolving to make sure we address Africa’s expanding financial sector needs. We are now placing a greater emphasis on new ways of mobilising resources for sustainable economic development – through innovative climate finance solutions, leveraging Africa’s natural capital and developing carbon markets.



Since 2017, our investments in green initiatives have grown considerably: as of March 2023, we had invested approximately \$90.9 million (£76.3 million). We intend to double this figure by 2025, making green, sustainable initiatives 70% of our total portfolio (up from the 60% that it is today).

FSD Africa has supported 12 transactions between April 2021 and March 2023, 58% of which were financed in local currency. During the same period our interventions mobilised and catalysed² \$1billion (£820million) to advance Africa’s green growth and social development agenda.

FSD Africa’s progress in driving sustainable finance



¹ <https://fsdafrika.org/our-work/fsdai/tools/>

² Capital mobilisation-refers to the leveraging of (public) and private sector investment through direct investment, syndicated loans, guarantees, lines of credit and investment in a fund. Preference is to crowd in more private capital. Capital catalysation-is used for a more systemic set of activities that enable or encourage private sector investment through activities such as support for policy reform, capacity-building and other activities that trigger a response from private investors or open up new opportunities for private investment.

Headline Impact Numbers

Our Theory of Change outlines our goals for the African continent: reducing or avoiding greenhouse gas emissions; improving access to jobs and income for African people, including women and young people; and reducing vulnerability to economic and climatic shocks.

This part of the report highlights how far we've come and what we've accomplished since April 2021, when we started implementing the sustainable finance strategy. During the two year's we have also learnt lessons on what delivering ambitious green targets entails. We reflect of these lessons later in the report.

[CLICK HERE TO VIEW OUR THEORY OF CHANGE](#)

Results against our five-year strategy



Targets (April 21 – March 2026)
 Results achieved (as of June 2022)
 Results achieved (as of March 2023)

○ % achieved (as of March 2023)

Our Impact

Theme 1: Promoting innovative climate finance



A worker at Darway Coast, a beneficiary of FSD Africa and InfraCredit's Green Financing Facility.



Africa will need **\$2.8 trillion (£2.3 trillion)** between 2020 and 2030 to reach its net zero goals, as defined in the Nationally Determined Contribution (NDC) plans under the Paris Agreement.

That's an average of **\$277 billion (£227 billion)** a year.³

Current climate finance flows are falling far short of this – only \$30 billion (£25 billion) is available annually from domestic and international sources, representing only 12% of what is needed. The private sector's⁴ contribution of \$4 billion (£3.3 billion) per year makes up only 14% of current annual flows.

There is growing recognition too that the existing global architecture has been unable to support the mobilisation of stable and long-term financing to combat the climate crisis.⁵ Without fixing these intractable issues, mobilising the required finance for climate and development priorities will remain challenging for Africa.

The climate financing gap exists because of a variety of factors. These include:

-  The high cost of capital
-  Poor quality information
-  Capacity gaps
-  Negative perceptions of 'Africa risk'
-  Weak (or absent) policies and regulations
-  Lack of bankable projects
-  Limited investment instruments

Since 2017, FSD Africa has helped to mobilise green finance by supporting the first green bond issuances in Kenya and Nigeria. We have since used this experience to build a diversified portfolio of other projects in innovative climate finance. Through this support, we've played a crucial role in 12 local currency green bond issuances in Kenya, Nigeria, Rwanda and Morocco, which together have catalysed around \$347 million (£272 million) for green projects – of which 30% was crowded in during the period covered by this report (April 2022 to March 2023).

On the following pages we describe in more detail some of the interventions FSD Africa has invested in to promote innovative climate finance.

³ Climate Policy Initiative, Landscape of Climate Finance in Africa
⁴ Largely corporates and commercial financial institutions.
⁵ UN, Reforms to the International Financial Architecture.

Supporting venture building with Persistent Energy

FSD Africa Investments (FSDAi) has invested in Persistent Energy to help establish a funding vehicle of over \$100 million (£82 million). Operating as a venture builder, Persistent directs human and financial resources into pioneering early-stage enterprises that drive climate change mitigation and adaptation.

To support Persistent's mission, FSDAi provided equity capital, fostering a catalytic partnership.

While most investors avoid early-stage ventures, Persistent defies the norm by championing risk-taking and democratising capital access for green ventures. It identifies founders of small companies with promising ideas who lack financial backing.



"At least 40% of start-ups fail, while a significant number of the rest struggle to survive. Access to financing is a key challenge in the early stages of a business's growth."

Toukam Ngoufanké,
Principal & Venture Builder at
Persistent Energy



By granting start-ups access to amounts of capital as low as \$50,000 (£41,000), coupled with technological and strategic guidance, Persistent nurtures the growth of small companies and facilitates subsequent funding rounds. The company's investment strategy has grown from focusing solely on renewable energy to covering a wider range of climate solutions to drive carbon-neutral economic development in underserved markets. FSDAi's investment has allowed Persistent to invest in e-mobility, off-grid solar, climate technology and energy efficiency. This has contributed to the creation of over 7,000 full time jobs,⁶ while helping avoid emissions of 1.7 million tCO₂e from the atmosphere.

Our investment in Persistent has yielded significant benefits for the company's investee ventures. For instance, Persistent's investment in SolarTaxi, an innovative and fast-growing electric vehicle assembling business in Ghana, is helping to scale their solutions and revolutionise the transportation sector in the country. SolarTaxi's products are assembled by local engineers using a combination of imported and locally sourced materials, meaning their costs are around 40% cheaper than those of firms importing already assembled electric vehicles.



The company has also generated over 100 full time jobs and is helping to promote social justice and gender equality: 90% of its engineers are women.



⁶ Based on FSD Africa's jobs measurement framework.

Scaling up off-grid energy financing with Nithio FI

To help scale up off-grid energy financing in Kenya, Nigeria and Uganda, FSDAi has invested in Nithio FI, a business that helps unlock capital to build climate resilience and energy access across Africa.

Nithio's unique selling point is its AI and data-driven capabilities. These enable it to standardise credit risk assessments to inform lending and create a more sustainable way to drive capital towards climate financing. This includes lending to off-grid solar companies. Nithio currently provides financing to pay-as-you-go solar home system companies, productive use appliance companies and microfinance institutions. This helps those companies provide renewable energy solutions for households and small businesses.

FSDAi's investment helped Nithio raise \$23 million (£19 million) from other private investors and development finance institutions in its first capital raise. This has enabled the company to lower the cost of capital to its clients. As of June 2023, Nithio's loan commitments stood at \$19.8 million (£16.2 million) on ten investments, with total committed capital at \$26.5 million (£21.7 million).

Since FSDAi's investment, Nithio has scaled up its operations to reach nearly 19,000 people with

improved access to clean energy. It now supports over 700 full time equivalent green jobs, and has avoided emissions of 70,500 tCO₂e. To scale up its activities, in addition to providing finance to bigger well-established companies, Nithio has to focus on the opportunity to finance smaller companies to help them grow, hence driving wider access to affordable clean energy.

"Nithio recognizes the outsized impact energy access can have on women and seeks to scale access equitably," says Benita Murray Bruce - Nithio's Senior Legal Counsel.



FSDAi is a well-known player in innovative early-stage vehicles, they were one of the earliest investors into our open-ended vehicle, and they continue to inspire confidence in other investors. That's helped us build a reliable track record.

Grace Fenton,
Nithio's Chief of Staff



In a male-dominated industry, Nithio is also working hard to enable gender inclusivity. Three of its four founders are women, and women make up 40% of management.

The company continues to seek investment opportunities with women-led companies, and its impact metrics have integrated a gender lens too.



"A value of our data-driven platform is the ability to see gender-disaggregated impacts. That has been helpful," explains Grace Fenton. Nithio recognises that its impact can benefit women through increased financial inclusion, improved quality of life, and better access to services and information.

Catalysing climate resilience with BFA Global

To crowd in capital from other investors and build a stronger innovation ecosystem for climate resilience in Africa, FSD Africa is implementing an ambitious Catalysing Climate Resilience (CCR) programme with BFA Global.

The programme is focused on seeding and accelerating climate resilience solutions, and nurturing the growth of an emerging and important sector in Africa.

The Catalysing Climate Resilience (CCR) programme has three components:



TECA (Triggering Exponential Climate Action)

A new venture launcher, seeding and incubating climate resilience solutions by working with pre-selected entrepreneurs to develop ideas into viable businesses.



Catalyst Fund

An investment fund accelerating the growth of climate resilience solutions through its \$30 million (£25 million) Africa Fund.



Ecosystem support

This contributes to the growth of the climate resilience sector through stakeholder convening, knowledge-building activities and the leveraging of learnings and investment opportunities from TECA and Catalyst Fund.

Through our support, the CCR programme has made significant progress. A total of \$1.4 million (£1.1 million) has been mobilised to support climate resilience business models.

Through its involvement in the CCR programme, Sand to Green received financial management, technological development and marketing support. This resulted in optimised operations, access to a network of investors in Africa, initial ideas for monetising its website, an improved design for its agroforestry software, and a clearer understanding of how to engage with its upstream and downstream customers.

With this capital, more than 50 entrepreneurs (32% being female) have received support and follow-on investments.



Sand to Green is one of the Africa-based start-ups that the CCR's Catalyst Fund has invested in. The company's goal is to reverse the effects of desertification. It promotes sustainable food production through agroforestry, solar-powered desalination of brackish water, and other climate-smart farming practices.



Thanks to this support, Sand to Green has raised over **\$1 million (£819,000)** in seed funding, and the company has acknowledged the role the CCR programme has played.



We would have taken much longer to make the strides we've made if the support was not customised to our vision. We would have postponed certain things perhaps. The knowledge and experience of the consultants was just right for us, and we appreciate that we can still access their advice.

Gautier de Carcouet,
co-founder of Sand to Green.



Improving institutional capacity through Climate Finance Training

To create a regional centre of excellence for climate finance, bridge the gap in capacity, and improve the quality of information on climate finance, FSD Africa has partnered with the Cambridge Institute for Sustainability Leadership (CISL), the International Institute for Environment and Development (IIED) and the Eastern and Southern African Management Institute (ESAMI) to develop the Climate Finance Training programme.

The programme aims to accelerate access to climate finance in sub-Saharan Africa (SSA) by developing the in-country capacity of policymakers, regulators, academic institutions and financial market participants.

To do this, it provides the necessary information and expertise to access funds like the Green Climate Fund (GCF) and other climate-related funds. It also focuses on accrediting direct access entities (DAEs), training government officials and supporting non-state actors in project preparation.

The training empowers participants to create new climate finance networks and strengthen existing ones. It also inspires investor confidence in climate-smart projects by ensuring the availability of locally trained professionals to champion the delivery of climate finance products.

Through the training, policymakers, regulators and financial sector professionals have been given a greater voice with which to raise awareness of climate financing.

In Ethiopia, for instance, the training targeted several key technical staff in the government, from the Ministry of Finance, the National Bank of Ethiopia (NBE) and the Ethiopia Roads Authority. Those who took part have highlighted how crucial the programme was in improving their capacity to promote sustainable development. It has exposed them to innovative financing instruments, like green bonds and carbon markets, and technologies that drive sustainable growth.



As a ministry we are now equipped with the right information about climate impact, the responsibilities of public sectors like ministries and other stakeholders, and what they have to do to minimise or mitigate climate problems and sustain economic growth. We are now more aware of responsibilities and duties with regards to policies and incentives for mobilising green finance in Ethiopia, and Africa at large.

Samuel Wolde, a Senior Data Analyst at Ethiopia's Ministry of Finance



To date, the training has benefited over **70 officials** in **13 institutions** from **11 countries** in SSA



Theme 2: Developing carbon markets in Africa



A lady operating a mobile in Limuru tea farms.

Carbon markets offer African nations a unique opportunity to access diverse capital. This mobilised capital could drive climate projects, foster sustainable development and expedite the transition to a low-carbon, climate-resilient future. By participating in carbon markets, African nations can align with global efforts to mitigate climate change and fulfil their Nationally Determined Contributions (NDCs) under the Paris Agreement. However, there are several challenges to overcome.

Insufficient awareness and knowledge of carbon markets deters their development in Africa. Many African countries lack the policies, regulatory structures and emission reduction targets necessary for effective carbon trading

systems. The absence of clear guidelines and monitoring mechanisms further complicates their implementation. Furthermore, establishing and operationalising carbon markets requires expertise in emissions accounting, market design, verification and compliance, which is lacking in many African countries.

But these are challenges we believe we can overcome. FSD Africa is working to develop carbon markets in Africa, focusing on innovation, scaling up use cases and establishing market infrastructure. We believe that carbon markets have the potential to yield substantial benefits for Africa's climate resilience efforts, as highlighted by the two programmes below.

Investing in a digital carbon marketplace with 4R Digital

FSD Africa is supporting 4R Digital in developing Cavex, a digital platform that enables smaller-scale projects and low-income households to participate in carbon markets.

We've provided assistance in the concept development process, a crucial step towards the platform's full commercial operation, which is expected to attract additional investors. The project is now at minimum viable product stage, with active use cases tested on the platform. The next stage of commercialisation will be supported by an advanced subscription round, led by E3 Capital and FSD Africa Investments.

The Cavex platform holds potential for scalability across geographies, participants and carbon savings schemes. This innovative technology, which leverages the widespread accessibility of smartphones coupled with satellite data and cutting-edge field technologies, opens the door for low-income households to take part in carbon credit markets. The platform is aiming to eventually host over 2.1 million small-scale users, with the potential to sequester over 27 million tCO₂e.



Linking smallholder farmers to global carbon markets

In collaboration with Rabo Foundation,⁷ FSD Africa has provided financial support to small-scale farmers in Kenya, Nigeria and Zambia, aiding their transition to sustainable agroforestry practices through the Acorn project.

Acorn, which stands for 'Agroforestry Carbon Removal Units for the Organic Restoration of Nature', is a Rabobank initiative designed to open up global carbon markets to smallholder farmers in developing nations. The project aims to facilitate large-scale adoption of agroforestry among farmers and enable them to monetise the carbon stored in the trees they plant. This is achieved through Acorn's technologically advanced and transparent global marketplace.

Local implementation partners have helped to gather data from farmers and facilitate their onboarding onto the Acorn platform. This onboarding empowers farmers to sell carbon removal units (CRUs) to corporate buyers. The introduction of supplementary income through carbon credits will enhance the financial viability of the transition to agroforestry for these farmers.



With 182,000 farmers already onboarded, Acorn provides FSD Africa with a chance to assume a pivotal role in guiding smallholder farmers across Africa towards sustainable agricultural practices.



A tea farmer in Limuru, Kenya tea farms.

⁷ Rabobank Foundation is a public benefit organisation and the cooperative foundation of the Rabobank Group.

Theme 3: Harnessing Africa's natural capital for sustainable development



Africa possesses abundant natural resources and is renowned for its diverse ecosystems, which provide a home for around a quarter of global biodiversity. The natural capital found in Africa plays a pivotal role in the economic prosperity of its people too: 23% of the continent's GDP relies on natural capital.⁸ The future of Africa therefore hinges upon the responsible management of these natural resources, which face unprecedented threats from expanding populations, over-exploitation, and habitat destruction.

Africa has faced a range of challenges that have led to nature being undervalued or ignored. This has led to a lack of action from many stakeholders when it comes to protecting nature and supporting nature-positive projects.

One challenge is the lack of awareness and data. Many people and organisations do not fully understand the extent and urgency of the nature loss crisis, or the potential risks and benefits of nature-positive initiatives. Another challenge is the focus on short-term profits, especially in the private sector and financial markets, which often prioritise quick financial gains over long-term sustainability.

There is also a lack of financial incentive to support nature-positive projects. The prevailing financial systems and regulatory frameworks often fail to consider the true value of natural resources and ecosystem services, which makes it difficult to attract capital.

FSD Africa believes that the financial sector should play a key role in mobilising capital to protect and restore nature. That's why we've invested in projects like those detailed below.

Amplifying Africa's voice in the global discourse on natural capital

FSD Africa is implementing a project to promote an African voice for the Taskforce on Nature Related Disclosures (TNFD) and nature-related financial risk management. We're doing this in partnership with Vivid Economics, McKinsey & Company, Oliver Wyman, TNFD and the United Nations Economic Commission for Africa (UNECA). Through this project, we'll build institutional capacity for nature-related financial risk management in Africa. During the previous reporting period, we focused on convening stakeholders and raising awareness of nature-related issues.

In June 2022, we launched the initial academic justification⁹ for the TNFD, collaborating with a team of economists and consultants to quantify the impact of nature on an underlying loan book value. We've tested these results with industry partners, piloting the model across asset classes, sectors and geographies. By providing consistent and comparable data on nature-related risks and opportunities, we're enhancing transparency and enabling better-informed investment decisions that support biodiversity conservation and sustainable practices. This is leading to a deeper understanding of how different physical and transition risks may impact aggregate profits.

One of the greatest successes of this project has been the launch of the [African Natural Capital Alliance \(ANCA\)](#), a forum for mobilising the financial community's response to nature loss. The aim of this initiative is to ensure that nature-related strategy, governance and risk capabilities

are integrated into the operations and business activities of financial institutions across the continent.

Through our advocacy campaigns and media roadshows, FSD Africa has encouraged leading African financial players to sign up to ANCA's objectives. The alliance currently has over 30 signatories with combined assets under management of more than \$390 billion (£321 billion).¹⁰ We hope to eventually grow membership to 95 signatories.

ANCA is also helping to establish coordination among financial institutions to obtain accurate data that will unlock investment opportunities and make sure Africa's voice on the global nature agenda is heard. This is a prerequisite for the establishment of national nature strategies – a step which has been encouraged by the Global Biodiversity Framework, adopted by more than 180 countries at the Biodiversity COP15.



⁸ World Economic Forum, *New Nature Economy Report 2020*.

⁹ Vivid Economics and FSD Africa, *Nature and financial institutions in Africa: A first assessment of opportunities and risks, 2022*.

¹⁰ This is a conservative figure, which excludes one large financial institution that does not disclose its Africa figures separately.

4: Integrating gender in our work



FSD Africa's work in financial markets continues to emphasise the need to be gender intentional when addressing the climate challenge on the continent.

We are particularly keen on giving women agency in climate action, and ensuring they are not left behind by the positive benefits that accrue from such action. In 2023, we've focused on advancing women's leadership in the financial sector, channelling capital to women-run

businesses, supporting businesses that serve women in innovative ways, learning about the impact of gender bond demonstration transactions, and researching gender and climate financing policies.

Women as leaders

To strengthen the position of women as leaders and decision makers in green finance, we've leveraged our gender-lens investing framework and best practices, such as the 2X Challenge Collaborative, to influence more gender-diverse boards and management teams in our investee companies.

FSDAi has highlighted women in leadership positions in companies such as Nyala Facility, Catalyst Fund, Blue Orchard, Persistent, Nithio FI and Transform Health.

"By implementing the Nyala Facility backing women executives at the core of key decision-making processes, FSD Africa Investments intentionally responds to the necessity of empowering women as capital allocators. This initiative makes an important contribution to the multi-billion-dollar funding gap faced by women owned SGBs in Sub-Saharan Africa. CFF delivers much needed capacity strengthening to the emerging markets and amplifies the innovations happening within this asset class."

Zee de Gersigny, Director, Collaborative for Frontier Finance (CFF)

Women in business

FSD Africa has invested in innovative financing products designed with a gender lens to drive more capital to women-owned businesses and support women entrepreneurs. In our TECA programme, women entrepreneurs represent 50% of all entrepreneurs

supported.¹¹ The programme is also working to be more gender intentional by commissioning a gender-focused study on 'Nurturing Women's Success in the Tech Startup Ecosystem' to inform investment decisions and programme activities in subsequent cohorts.

Box: Nurturing Women's Success in the Tech Ecosystem

This study aimed at understanding the challenges women entrepreneurs face, how to maintain gender balance, and how TECA can support women in their programs to achieve sustained success. The findings underpin the importance of gender intentional outreach strategies, the need for empowering connections, and the social norms and barriers facing women-entrepreneurs.






"Our networks are weak, and info is not flowing from women to women or anyone to women." Catalyst Fund Female Founder, 5-year-old startup

The study also expounds on the issue of insufficient funding flows to women-led ventures, citing reasons such as investor trends, difference in networks for women and men, insufficient program support, and the biases women face.

"I am starting to see that investors nitpick more with women rather than men. They think male founders [unlike female founders] can figure it out even if they do not have all the

boxes ticked. They find reasons to disqualify women and not [fund them]. I have seen the power imbalance more when I am pitching alone rather than when my cofounder who is a male co-founder [is pitching]." Catalyst Fund, Female Founder, 4-year-old startup

The research concludes with TECA's commitment to:

-  Expand recruitment networks and remove application friction;
-  Strengthen fellows' skills to navigate male-dominated sectors;
-  Increase access to technical expertise;
-  Connect fellows to networks and mentors;
-  Play a part in changing the ecosystem.

[CLICK HERE TO READ THE FULL REPORT](#)

¹¹ Cohort running from July to September 2022.

FSD Africa has also supported NMB Bank in Tanzania with the public listing of a gender bond, Jasiri bond, in 2022. 97% of the number of loans disbursed out of the fund proceeds and 23% of the value of loans disbursed as a percentage of the bond proceeds were allocated to women owned SMEs whereas the rest went to other gender inclusion categories in the bond framework.¹²

⁵The bond has served as an example to inform similar transactions in other markets and has generated valuable lessons on reallocation and additionality of benefits for women targeted by such instruments. These lessons will be reflected in our Gender Bonds Toolkit (to be published by mid-2024). The toolkit is designed to be a practical guide for prospective gender bond investors or issuers.

Women as beneficiaries

Through the BimaLab Nigeria Insurtech Accelerator, FSD Africa has supported interventions that deliver strong gendered downstream impacts for women. In 2022, BimaLab Nigeria supported Soso Care, a low-cost health insurance provider that accepts recyclable waste as payment for insurance cover. Soso Care employs an

agency model, in which women represent at least 70% of the agents serving over 7,000 women. This intervention has led to improvements in access to basic services such as health care, while increasing women's financial resilience and delivering environmental benefits.

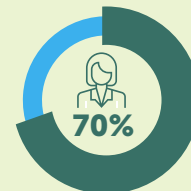
Box: Soso Care - advancing the role of women in Nigeria's economy

Insurance penetration in Africa is historically low. This is due to the high cost of premiums, low levels of awareness among customers, and a lack of innovation from insurers. But innovation within the sector is gaining traction, and FSD Africa is playing a role.

We partnered with Swiss Re Foundation and Nigeria's National Insurance Commission (NAICOM) to create BimaLab, an insurtech accelerator that provides start-ups and innovators in Nigeria with venture-building support, training, mentorship and coaching.

One of the success stories to emerge from BimaLab is Soso Care, a leading health micro-insurance start-up operating in four Nigerian cities. Soso Care offers health micro-insurance, as well as payment in cash, in exchange for recyclable waste. This allows low-income earners who previously could not afford insurance to access cover.

Over 70% Soso Care's 600 agents are women, and the business serves over 7,000 women.



The agency model enables women to become active participants in the distribution of insurance within their communities. This not only creates job opportunities but also new or additional income streams for women. Insurtechs such as Soso Care demonstrate the potential of insurance innovation to advance women's economic participation and financial resilience.

Gender policies and research

We have been investigating opportunities for green growth that can deliver economic, social and environmental benefits for women. As part of this, we carried out a study on gender inclusion in African Nationally Determined Contributions (NDCs). This assessment investigated the extent to which NDCs consider gender in financial planning for climate action at national level. Our aim is that the insights we gain from this research will influence the mobilisation and allocation of climate financing to gender-responsive programmes.

[CLICK HERE TO READ THE FINAL PAPER](#)



¹² NMB Jasiri Gender Bond Impact Report https://fsdafrica.org/wp-content/uploads/2023/07/NMB_Jasiri_Gender_Bond_Impact_Report_1688831547.pdf

5: Advocacy and stakeholder engagement



Advocacy and stakeholder engagement play an important role in our work. By advocating for positive changes and building collaboration among stakeholders this year, we've continued to address the challenges that hinder financial sector growth in Africa.

Our advocacy work has also helped shape favourable conditions that have attracted investments, encouraged responsible financial practices, and facilitated the provision of financial services to underserved populations. Below we outline two projects in more detail: the Nairobi Declaration on Sustainable Insurance and the CPI report on the Landscape of Climate Finance in Africa.

By engaging with policymakers, regulators and government agencies, we are influencing the design and implementation of policies, regulations, guidelines and frameworks to promote the mobilisation of green finance and nature-positive activities, amongst other market development outcomes.



POLICYMAKERS



REGULATORS



GOVERNMENT AGENCIES

Nairobi Declaration on Sustainable Insurance (NDSI)

The NDSI is an African industry-wide Principles for Sustainable Insurance (PSI) initiative. Its goal is to harness the collective financial strength of the African insurance sector and direct it towards building a sustainable future. It is a declaration of commitment by African insurance industry leaders to contribute to the realisation of the United Nations Sustainable Development Goals (SDGs).



THE NAIROBI
DECLARATION ON
SUSTAINABLE
INSURANCE

Since the NDSI's launch in 2021, FSD Africa has taken a lead role in supporting it, through events and thought leadership engagements. These events have brought together industry leaders¹³ to accelerate solutions to sustainability challenges in a post-Covid world, ranging from climate change and ecosystem degradation to poverty and social inequality.

One such event was a session hosted by FSD Africa and our partners¹⁴ at the Marrakesh Partner Action Hub, as part of COP27. The session highlighted the role of the African insurance industry in responding to climate change and discussed the NDSI and the actions being taken by signatories.

Thanks to campaigns and engagements like these, over 100 insurers, reinsurers and brokers across Africa have signed up to the declaration. This has resulted in significant milestones, including the establishment of the Africa Climate Risk Facility (ACRF).



The ACRF is a first-of-its-kind financial commitment by the African insurance industry to underwrite

\$14 billion

(£11.5 billion)

of cover for climate risks by 2030.

The aim is to protect over

**1.4
BILLION
PEOPLE**

against floods, droughts and tropical cyclones.

Our goal is to build upon the platform created by the NDSI to bring together different projects¹⁵ and create a well-organised and effective programme. The aim is to drive systemic market change by embedding ESG principles into African insurance strategy and decision making.



¹³ CEOs and senior executives from insurers, reinsurers, brokers, insurance associations, regulators and policymakers, as well as academia and civil society organisations.

¹⁴ UN Climate Change High-Level Champions, African Risk Capacity, ICEA LION Group, Namib Re and UNEP PSI.

¹⁵ These include the Africa Climate Risk Facility, Geothermal Risk Transfer Energy Exploration, and Flood Resilience Finance in Lagos State, among others.

CPI report: the Landscape of Climate Finance in Africa

Landscape of Climate Finance in Africa is a pioneering research report to map climate finance flows across the continent. It was produced through a partnership between FSD Africa, the *Climate Policy Initiative (CPI)* and the *Children's Investment Fund Foundation (CIFF)*. The study provides a comprehensive analysis of the state of climate finance by region, sector and source.

The report highlights the funding gap that exists - trillions of dollars are needed to fund mitigation and adaptation measures. Our work provides suggestions on how sources of private finance could be mobilised to fill this gap.

This research has been utilised and disseminated at over fifteen events with key stakeholders. The dissemination events included a presentation to: the UK House of Commons; Egypt International Cooperation Forum & African Ministers meeting and to Ethiopia country stakeholders from Ministry of Finance and National Bank of Ethiopia. The report findings were mentioned in over 100 top tier media including the New York times, Reuters, Financial times, the Guardian, and the Economist.

Moreso, this report helped inform the negotiations at several forums, including COP27 and continues to be a reference document for climate champions at CoP28, by providing credible, independent data that all parties could focus on. It also feeds into efforts to measure global climate progress by creating a reliable baseline against which increases in climate finance in Africa can be measured. For instance, the *Global Centre on Adaptation (GCA)* has leveraged the data for their flagship reports¹⁵ and the United Nations Framework Convention on Climate Change (UNFCCC) cited the report for their Biennial Assessment of Climate Finance flows 2022.¹⁶

As an advocacy and influencing tool, the report will continue to leverage African leaders' voices to mobilise greater international support for increased climate finance flows to the continent. It has also crystallised the importance of private capital and financing in unlocking Africa's potential for climate-smart, low-carbon growth and development.

¹⁵ Global Centre on Adaptation. Flagship reports <https://gca.org/report-category/flagship-reports/>

¹⁶ UNFCC (2022). Fifth Biennial Assessment and Overview of Climate Finance Flows Technical Report.

6: Learning and adapting



Textile factory workers in Ethiopia

Learning and adapting

To deliver impactful and sustainable programmes, it is vital that we learn from our interventions. To do this, we make use of monitoring data and secondary sources, and also commission studies to answer learning questions. Our findings help us improve our work.

These are the main lessons we have documented this year:



Sustainable development requires patient capital complemented by non-financial tools

Mobilising climate finance requires a long-term vision, innovation and the combination of multiple tools. In the last couple of years, we've observed that to bring ideas to scale, it's necessary to provide technical assistance and institutional capacity building alongside capital.

The combination of FSD Africa's knowledge of African capital markets, risk, digital innovation, and green finance with FSDAI's expertise on investment has been powerful. Catalyst Fund, for example, received grant funding from FSD Africa to support the incubation of climate tech start-ups before moving into FSDAI's portfolio. And the **African Natural Capital Alliance**, which FSD Africa has helped to establish, creates a platform for FSDAI to discuss, with financial institutions, what investments that support natural capital might look like.



Climate finance training empowers policymakers and regulators

Training has helped policymakers and regulators to address climate challenges effectively, integrate climate considerations into financial decision making, and drive the transition to a sustainable and resilient economy. But capacity gaps still exist within most national environmental entities in Africa, so there's an urgent need to build institutional capacity and get these bodies accredited for easy access to climate funds.

This requires the climate change agenda to be mainstreamed, to influence policy and change attitudes toward mitigation, adoption and resilience building.



Individual interventions can lead to market development, not transformation

Evidence from our interventions shows that it's not always possible to change the market with a single transaction. This is because replication by other players is influenced by many factors, and some are beyond the mandate of one intervention. Changing a market requires a combination of interventions and is sometimes influenced by external factors beyond our control.

Knowing this, we have introduced an ex-ante assessment that helps to judge the current and potential future state of the market, to determine the changes that could be expected as a result of an intervention.



Advocacy and stakeholder engagement are key to market development

Transforming Africa's financial systems requires the collaboration of multiple stakeholders, from the public and private sector. We have seen value from engaging stakeholders through country round table discussions, road shows and participation in strategic events to drive the green agenda.

As such, we're increasing our advocacy, communication and stakeholder engagement efforts, targeting private sector players to increase investments in sustainable finance solutions.

7: The year(s) ahead...

Our programming experiences in 2023, and indeed this report, are not just a reflection on the past year, but a useful guide for our future.

We believe Africa is part of the solution to climate change, not just a victim. *The African Leaders Nairobi Declaration on Climate Change and Call to Action* cements the commitments of governments to a green growth pathway and will be a blueprint for FSD Africa's work. We shall leverage opportunities that contribute to achieving the Nairobi Declaration's ambitions and the Sustainable Development Goals (SDGs), for which most African countries are under-performing.

We are mindful of the time it takes to transform financial markets and achieve impact. Putting together the right building blocks is crucial to the success of our strategy. Hence the reason for our continued focus on supporting regulatory changes, investing in building the capacity of financial market actors, and advocating for Africa to adopt sustainable finance practices.



Our target is to contribute to continent-wide growth in private sector flows to climate finance to at least \$100 billion (£81 billion) by 2030

FSD Africa will continue using a mix of financial and non-financial tools to innovate climate solutions, leverage Africa's enormous natural capital and develop capital markets.

Some specific intervention areas will include: accelerating climate resilience solutions and nurturing the growth of Africa's climate resilience ecosystem, enhancing the potential of green bonds to mobilise capital for infrastructure deals, and providing local currency solutions for Multilateral Development Banks (MDB) portfolio risk transfer.

Our interventions will be made with a vision of scaling up Africa's response to climate change, nature and bio-diversity loss, doing so in an inclusive way, and delivering value to Africa's people.

Ambitious aspirations underpin our journey, FSD Africa will leverage its decade worth of experience to ensure the financial sector is at the forefront of mobilising private climate finance.

A word from our Board Chair

Dr. Frannie Leautier, Chair FSD Africa



As Board Chair, I am delighted to support the publication of FSD Africa's 2023 Development Impact Report.

The circumstances in which we live and work in Africa remain complex and challenging for those involved in financial markets, whether policymakers, regulators or those in the private sector. High levels of public debt continue to limit decision-makers' room for manoeuvre while steep falls in the value of many African currencies make it extremely hard for international investors to engage with the investment opportunities that undoubtedly exist.

All the more reason therefore that we re-double our efforts to support financial market innovation to demonstrate that it is possible to transact, and all the more reason that we focus on mobilising domestic private capital, so that the estimated \$1.4 trillion of institutional capital under management in Africa starts to play a more meaningful role in financing Africa's development - creating economic opportunities, reducing vulnerability and delivering environmental benefits.

An important message from the Africa Climate Summit, one of the brighter moments in 2023, was that Africa's reliance on international capital creates a dependency that the continent doesn't want and perhaps doesn't even need. I am proud that FSD Africa played such a comprehensive role in making the Summit the great success that it was, helping focus international attention on the value of investing to build the continent's economic resilience, a key objective of FSD Africa's work for over a decade.

FSD Africa's corporate values emphasise its role as a change agent, its dissatisfaction with the status quo in African financial markets and its willingness to challenge conventional ways of doing things so that financial markets do a better job for all users. I am constantly impressed by the way FSD Africa and its investment arm, FSD Africa Investments, think deeply about how to solve for some of the more intractable issues that hold us back, such as the high cost of capital, and succeed in making transactions happen despite the challenges. The team is ambitious and determined - they get things done.

FSD Africa continues to enjoy robust support from the UK government, and we were delighted to see that the topic of private capital mobilisation has emerged as a priority in a new White Paper on development, recently launched by Development Minister Andrew Mitchell. We think it is reasonable to assume that our achievements, many of which are highlighted in this Impact Report, will have played a part in encouraging FCDO to put further backing behind this important agenda. We can be proud of that.

In the future, given the scale of the opportunity we see for the work we do, especially in climate finance, we would be excited to work with other funders alongside the UK, for whose sustained partnership we are nevertheless immensely grateful.

FSD Africa is in a strong position to continue delivering impact and putting more of the building blocks in place for a fit-for-purpose financing ecosystem that serves Africa's interests well.

A word from our Principal Funder

Phil Stevens, Director of International Finance, FCDO



It is estimated that the African Continent needs about \$194 billion of additional finance annually to achieve the Sustainable Development Goals by 2030 (OECD 2023). Public and international finance alone cannot bridge this gap. Private capital, including institutional assets - estimated at \$1.4 trillion in Africa alone - must also play their part.

The recently published International Development White Paper sets out the UK Government's plans to mobilise more private capital for low- and middle-income countries to help deliver the SDGs. FSD Africa is one of our leading partners in this area. Since 2012, they have mobilised and catalysed over £2.7bn of capital to date, improving access to basic services for close to 5 million people – including in health, housing, and energy.

FSD Africa is leading the way in supporting the development of innovative solutions. For example, at the inaugural Africa Climate Summit held in Kenya in September 2023, FSD Africa investments (FSDAi) announced three investments to the tune of \$ 19.5 million to support climate adaptation and climate-aligned infrastructure projects in Africa and to promote the continent's resilience to climate change. These investments in Acre Export Finance, Catalyst Fund and Spark Energy demonstrated FSDAi's commitment to partnering with local asset managers and venture builders to support climate-smart projects that would otherwise struggle to access the finance they need.

With its local footprint, networks, and credibility, FSD Africa is also uniquely positioned to amplify Africa's voice in global forums, including through its involvement on the Taskforce on Nature-related Financial Disclosures (TNFD), ensuring that African countries are well represented in discussions on reforms that will affect them.

The Foreign Commonwealth and Development Office (FCDO) is immensely proud of its partnership with FSD Africa. We are its largest funder and will continue supporting its efforts to make finance work better for Africa's future. The needs are significant, but there is growing consensus that financing the transition to greener and more inclusive economies represents a significant opportunity for Africa. This is why we have continued to back FSD Africa's sustainable finance strategy - born from a vision that finance can be more effectively mobilised and allocated for people and planet. We encourage others to join this pioneering endeavour.

As you delve into FSD Africa's 2023 Annual Impact Report, I encourage you to reflect on the inspiring stories of innovators – supported by FSD Africa - who are making the African continent a cleaner, healthier, and more prosperous resilient place.

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