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AFRICAN DEVELOPMENT BANK GROUP  
GROUPE DE LA BANQUE AFRICAINE  
DE DÉVELOPPEMENT



# African Economic Outlook 2023

**Mobilizing Private Sector Financing  
for Climate and Green Growth in Africa**



# Presentation outline

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## CHAPTER 1

Africa's Economic  
Performance and  
Outlook

## CHAPTER 2

Private sector  
financing for climate  
and green growth  
in Africa



## CHAPTER 3

Natural Capital for  
Climate Finance and  
Green Growth in Africa

**Policy Recommendations**

**Conclusion**

# CHAPTER 1

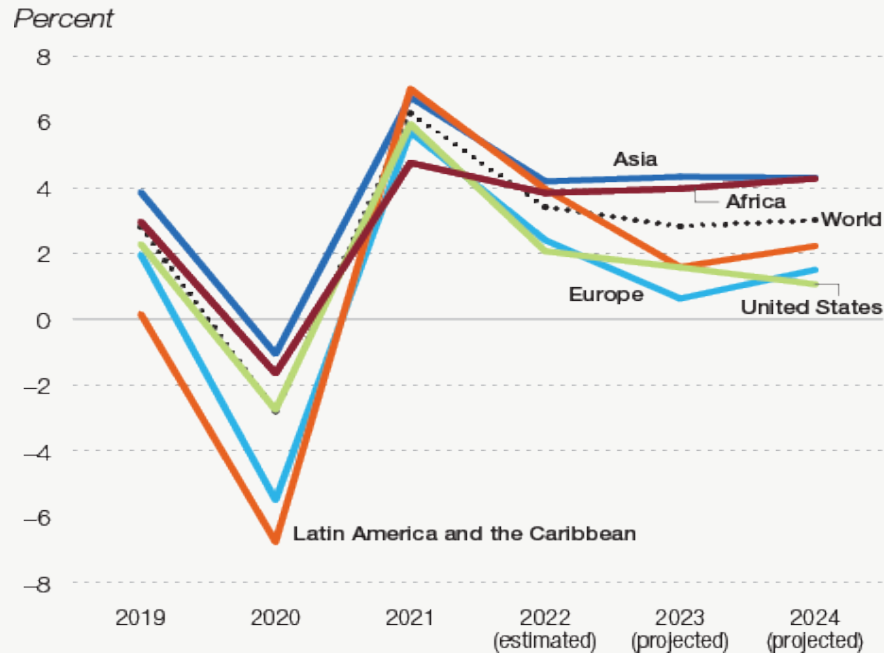
# Africa's Economic Performance and Outlook



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# Africa's Growth Performance and Outlook, 2023-2024

## Real GDP Growth (percent), 2019-2024



Source: African Development Bank statistics and World Economic Outlook April 2023

01

Remarkable Resilience

02

Average real GDP growth estimated at 3.8% in 2022, with stable outlook

03

Growth above the global average of 3.4%

04

In 2023-2024 half of the top ten fastest growing economies will be in Africa

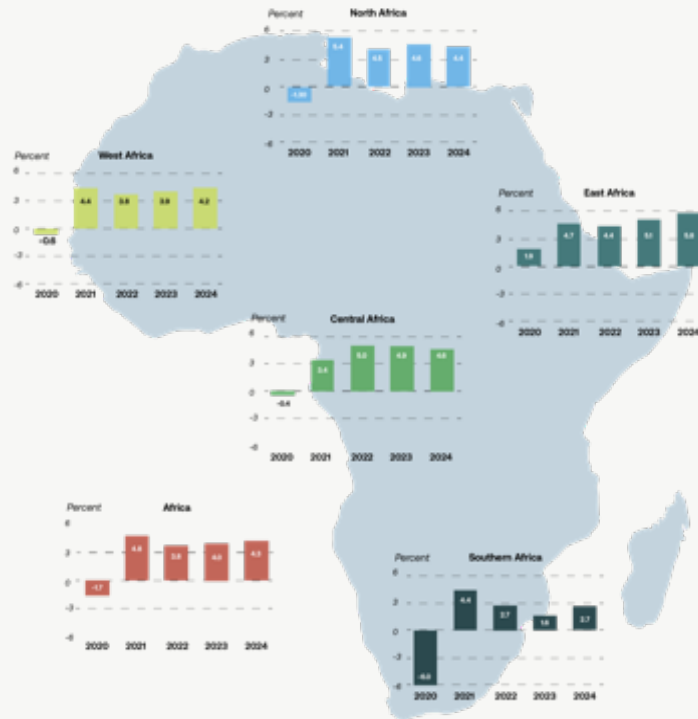
05

**Weakness:** Private consumption and investment, industrial sector growth



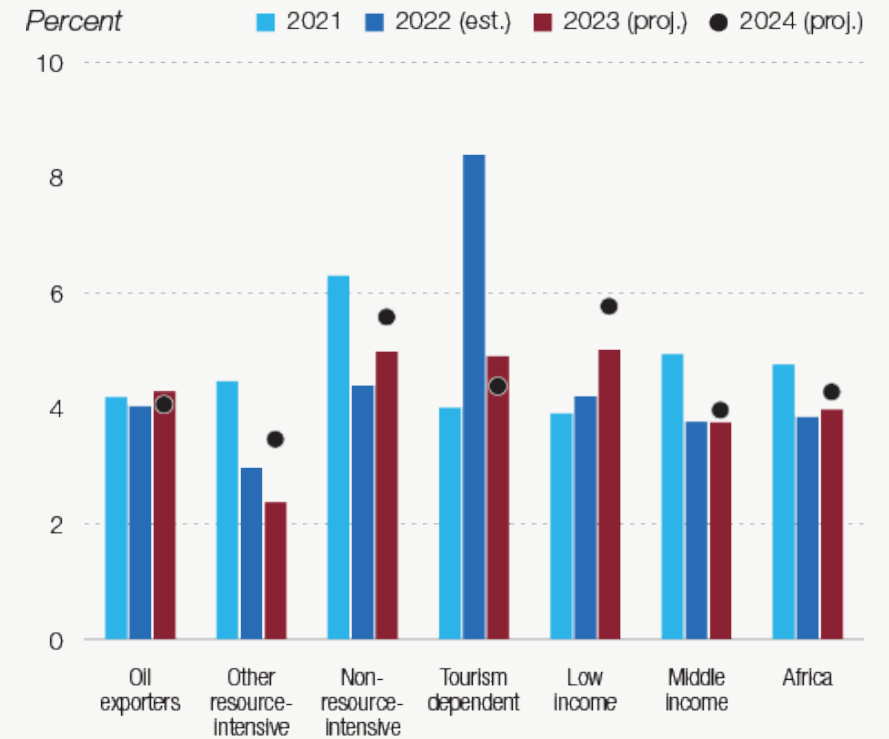
# Africa's growth performance and outlook by regions and country groupings, 2021–2024

## Real GDP growth (percent) by region



Source: African Development Bank Statistics

## Real GDP growth (percent) by country groupings

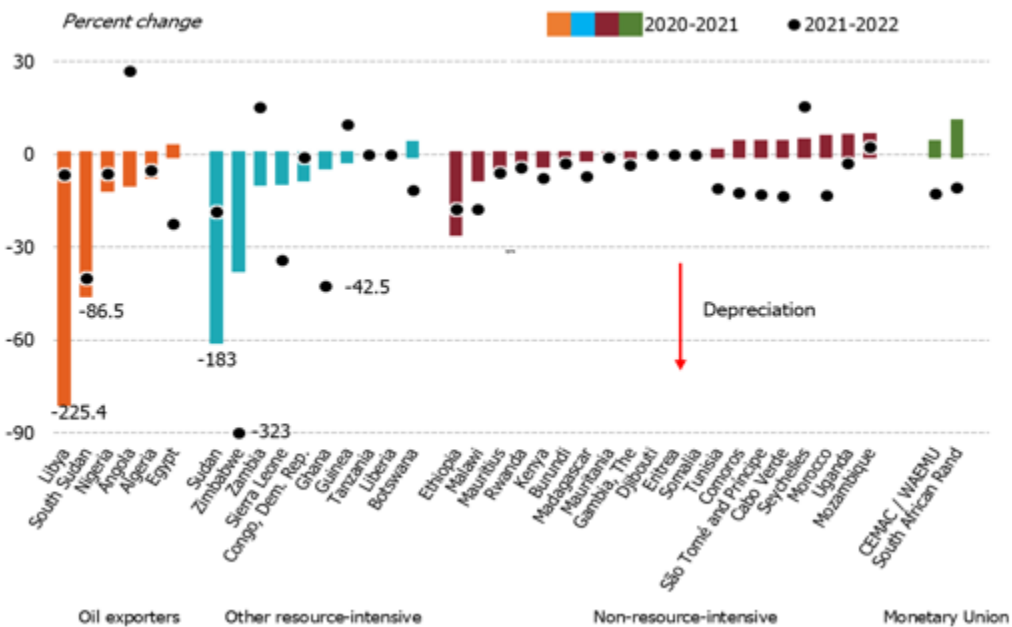


Source: African Development Bank Statistics



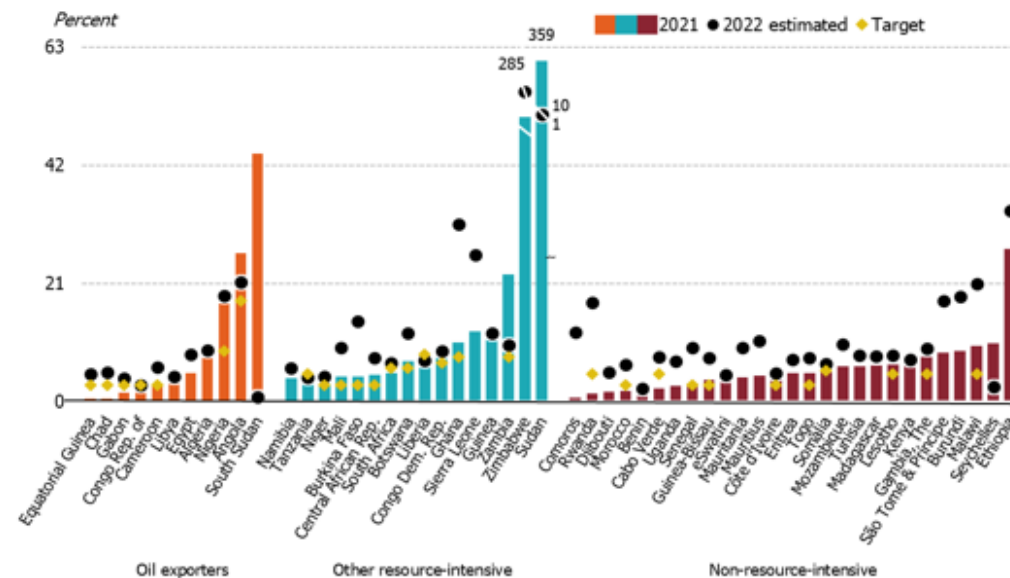
# Sustained tightening of global financial conditions has put pressure on African national currencies

## Exchange rate changes, 2020–21 and 2021–2022



Source: African Development Bank Statistics

## Consumer price inflation, 2021 and 2022

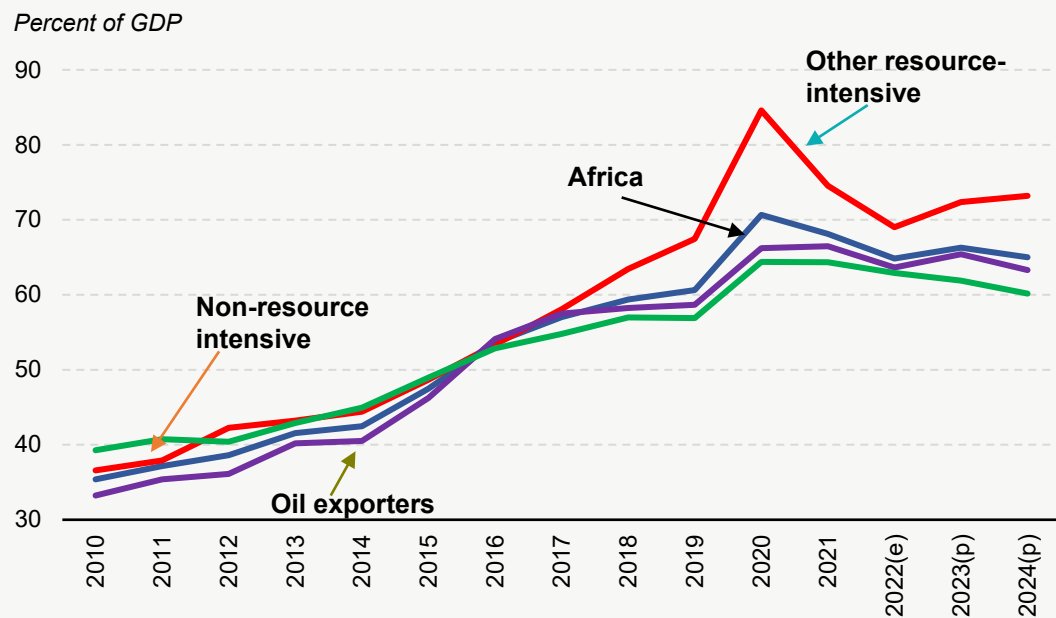


Source: African Development Bank Statistics



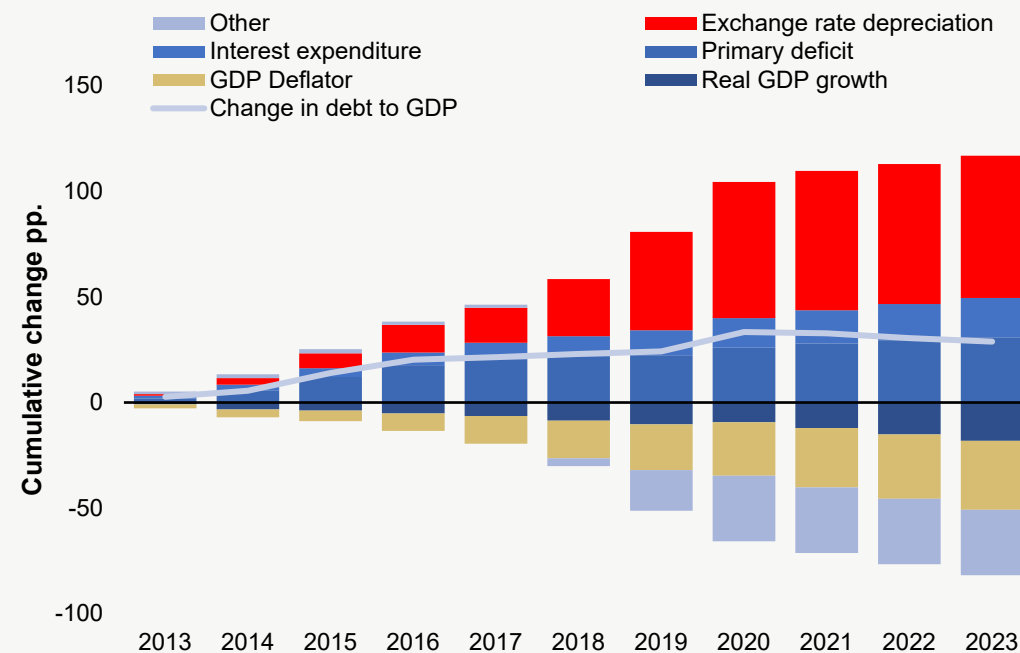
# Debt vulnerabilities worsened by rapid exchange rate depreciation and high primary deficits

## Gross government debt as a share of GDP, 2010–2024



Source: African Development Bank Statistics and World Economic Outlook database

## Drivers of public debt, 2013-23

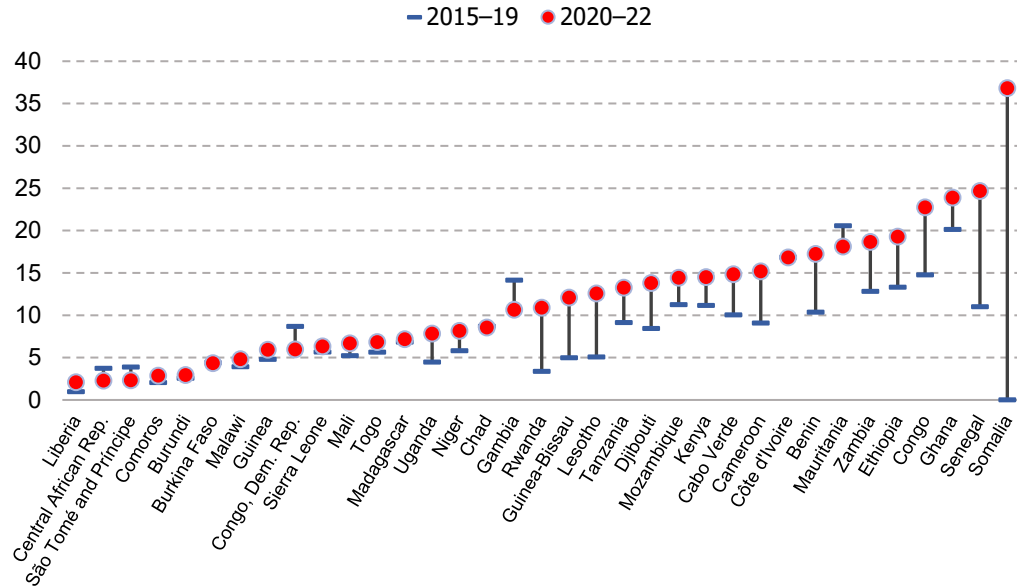


Source: African Development Bank Statistics



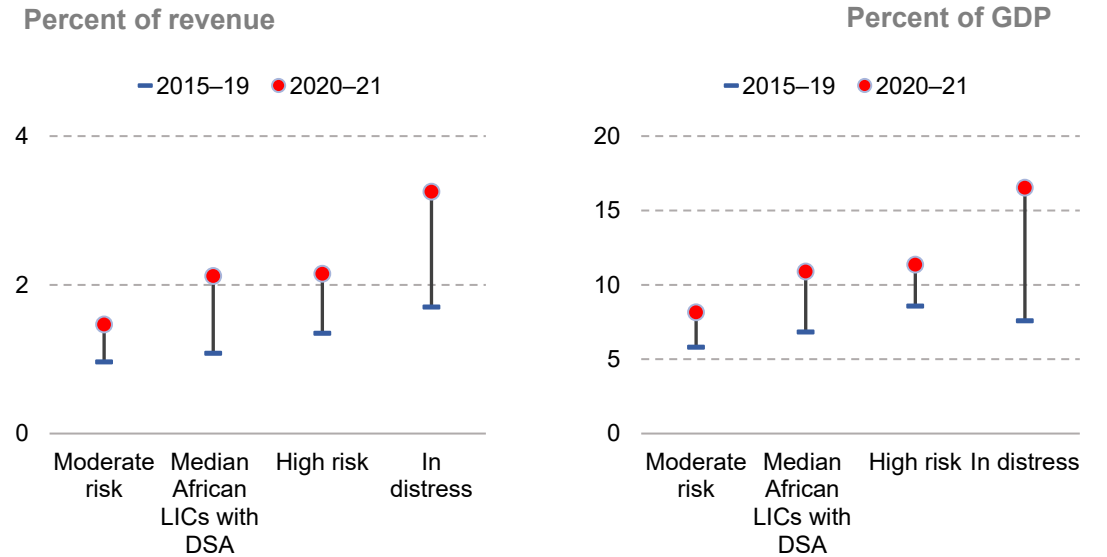
# Tighter global financial conditions increases debt service costs

Debt service on external debt, public and publicly guaranteed (PPG) as percent of revenue



Source: African Development Bank Statistics and World Economic Outlook database

Debt service on external debt, public and publicly guaranteed (PPG) by risk of debt distress

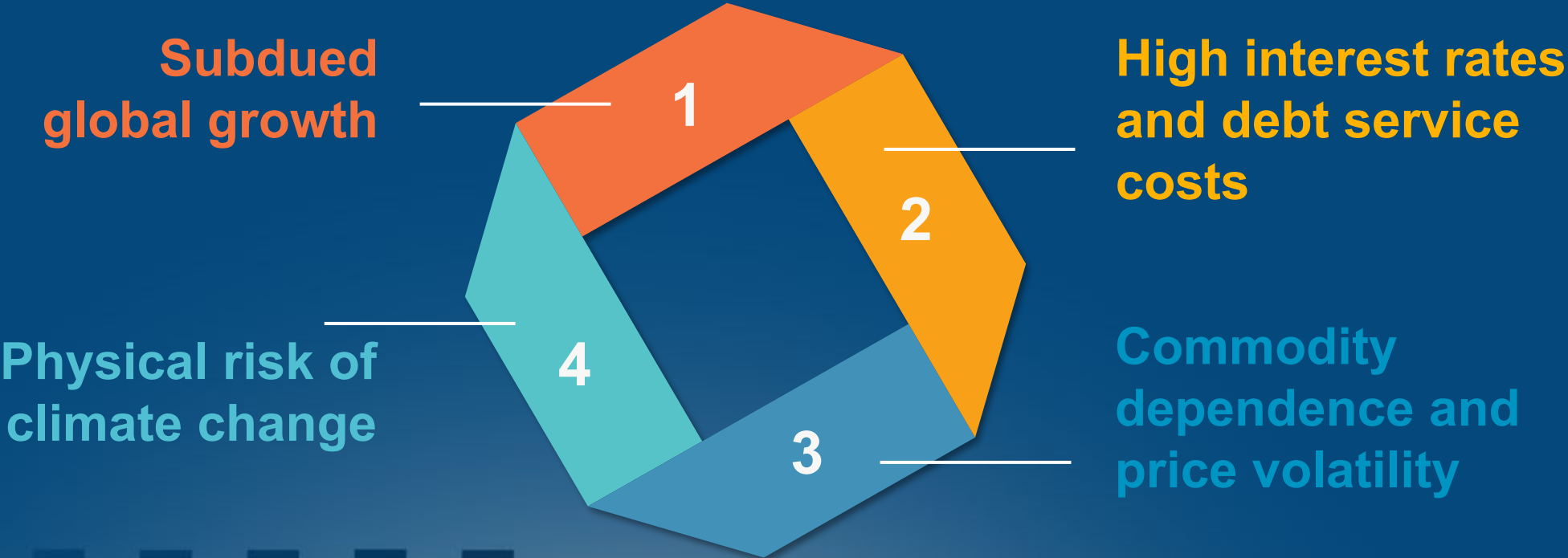


Source: African Development Bank Statistics





# Key risks to watch



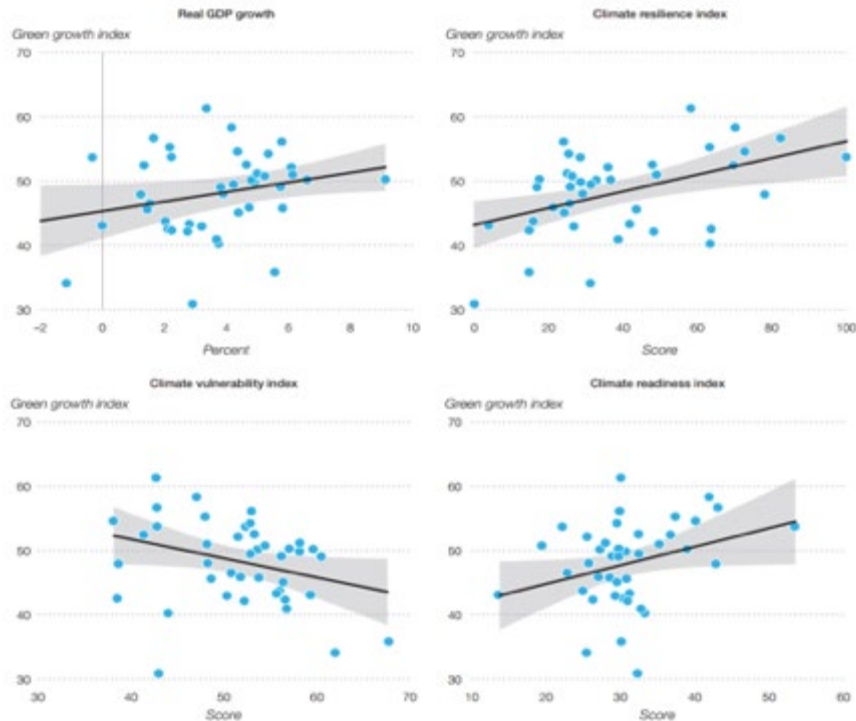
## CHAPTER 2

# Private sector financing for climate and green growth in Africa



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# Green growth imperative for poverty reduction, climate and economic resilience



**Source:** Staff calculations based on the Global Green Growth Institute database

01

Green growth positively correlated with real GDP growth, climate resilience and readiness

02

Countries with better green growth outcomes also do well on other economic and climate resilience indicators

03

Pursuing green growth objectives yields immense economic and climate benefits

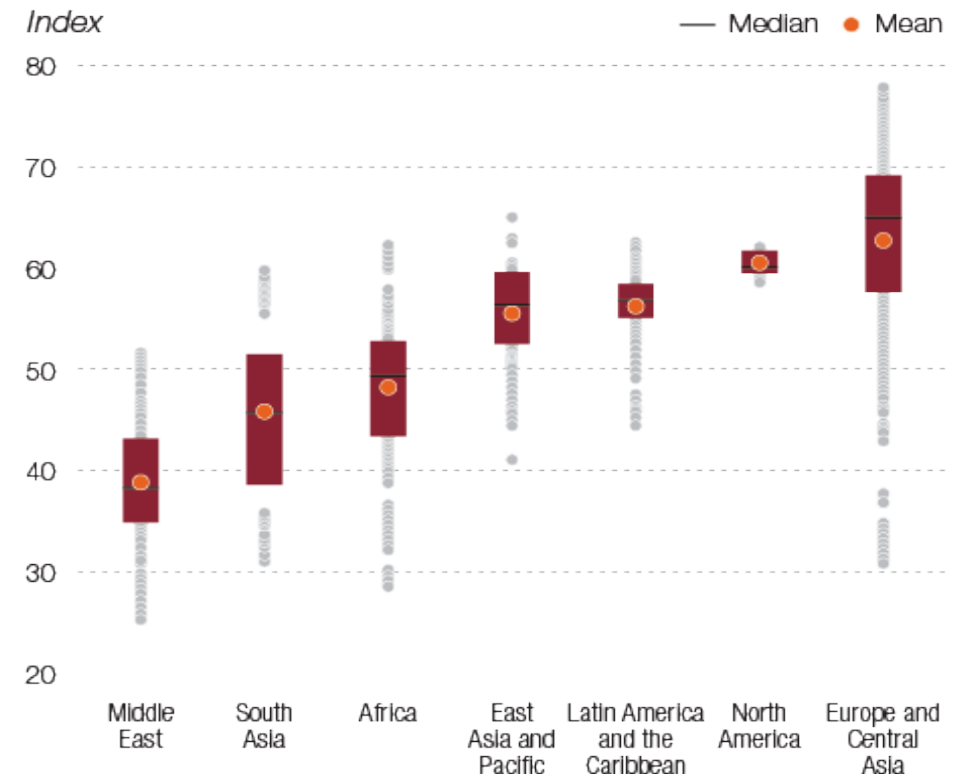


# The Green Development Paradox in Africa

## Africa is the frontier market in green growth opportunities

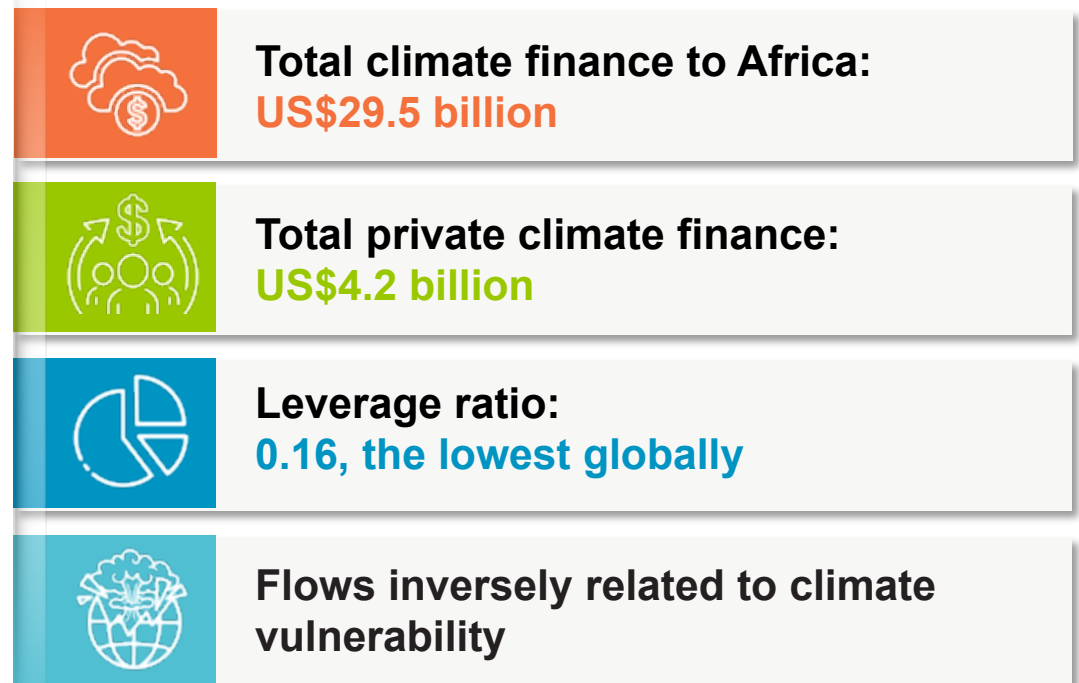
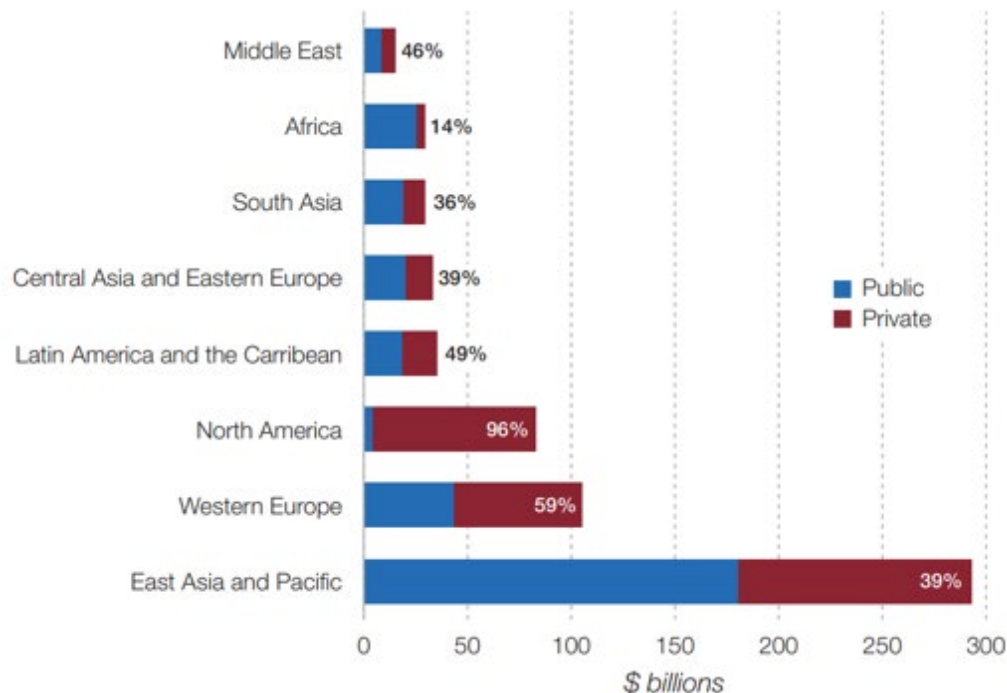
-  Market size at **\$2.97 trillion**
-  Human capital at **1.4 billion people**
-  Significant **natural resource** endowments
-  Green technology potential
-  **Low legacy high-emissions** infrastructure
-  **High and growing** political commitment

Africa's green growth performance benchmarked with other regions, 2010–21



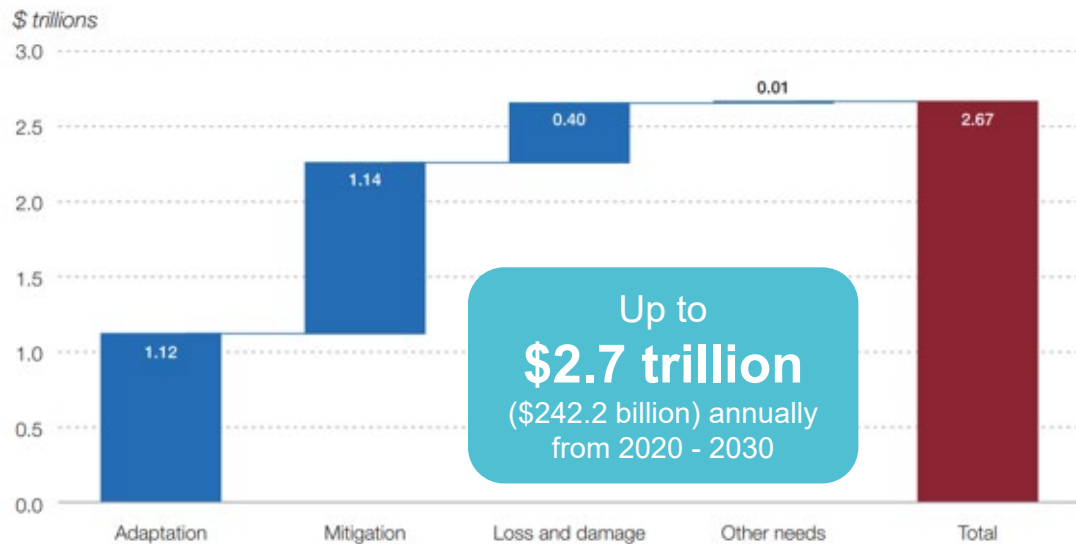
# ... private sector has shown little appetite for Africa's climate actions and green growth

Share of private and public financing in total climate finance by main regions, average 2019-2020

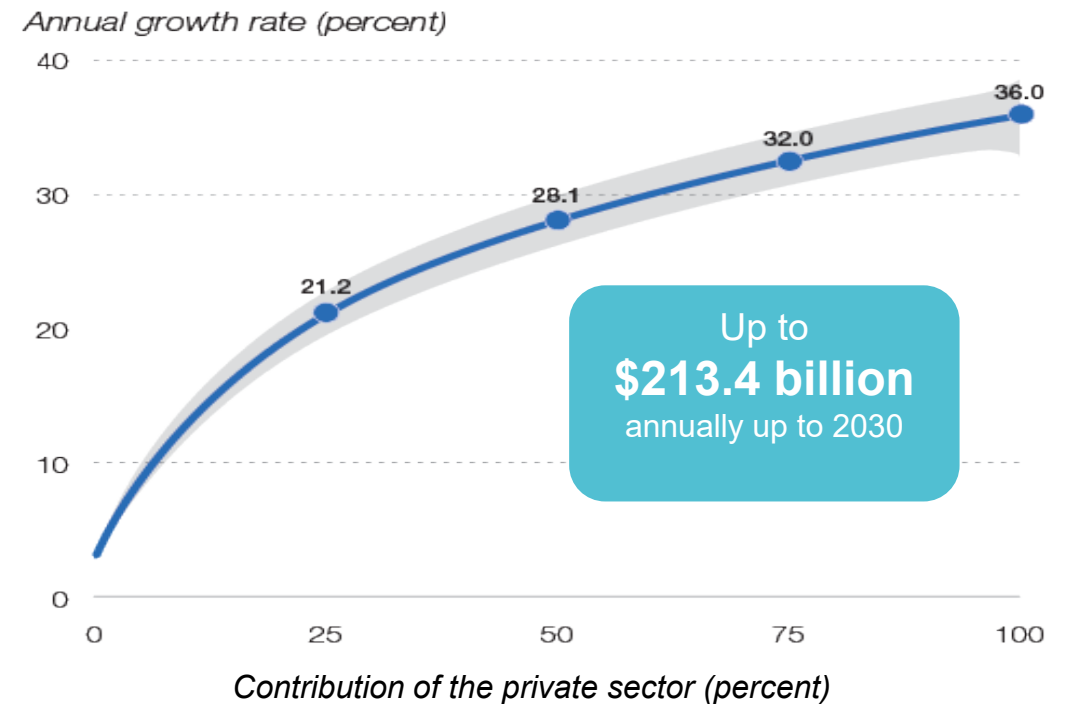


# Africa needs up to **\$2.7 trillion cumulatively** (\$242.4 billion annually), over 2020–30 to implement its updated NDCs

### Updated Africa's cumulative climate finance needs, 2020-2030



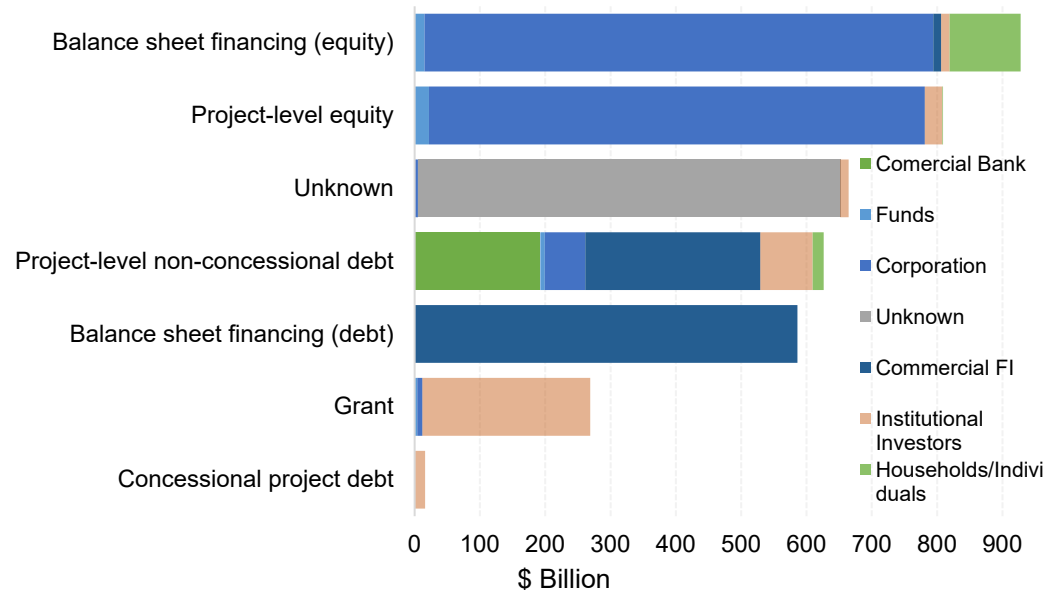
### Required annual growth rate of private climate finance to close Africa's climate finance gap by 2030



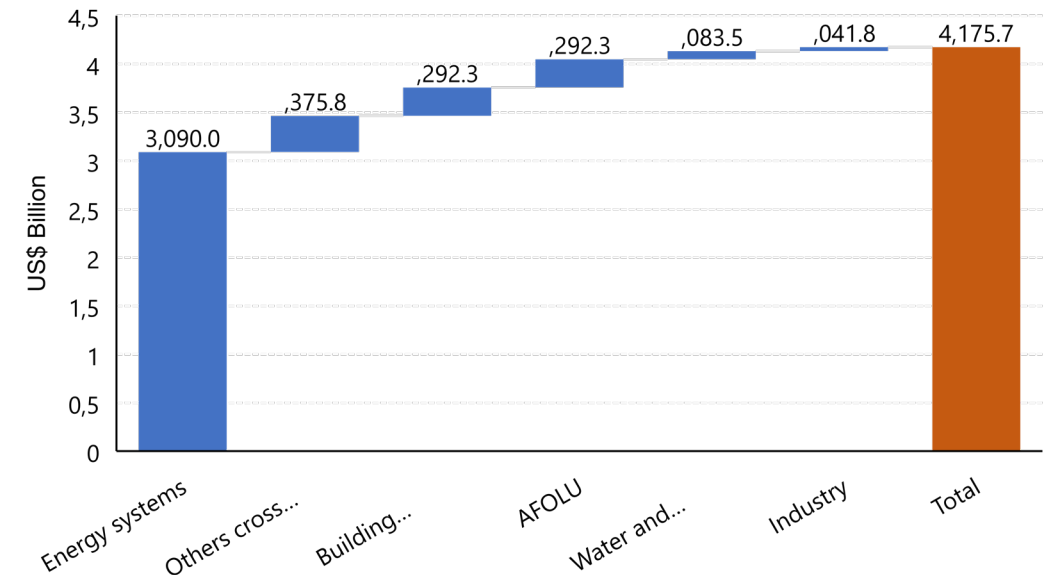
# Private finance instruments: Sources and targeted sectors, 2020

Sectoral breakdown of private climate finance across Africa, average 2019-2020

*Private financing dominated by non-concessional sources*



**Source:** Staff computations based on latest submitted Nationally Determined Contributions (NDCs), various African countries



**Source:** Staff computation using submitted NDCs and CPI's Africa landscape of climate finance data.



# Investment opportunities in green development sectors in Africa



Agriculture  
**1 trillion**

Market size projected  
at **\$1 trillion**  
in 2030



Energy  
**1.03 trillion**

**\$1.03 trillion** of  
investment  
opportunities through  
2030



ICT  
**104.2 billion**

Total ICT market  
projected at  
**\$104.2 billion**  
in 2023



Transport  
**22% growth**  
**annually**

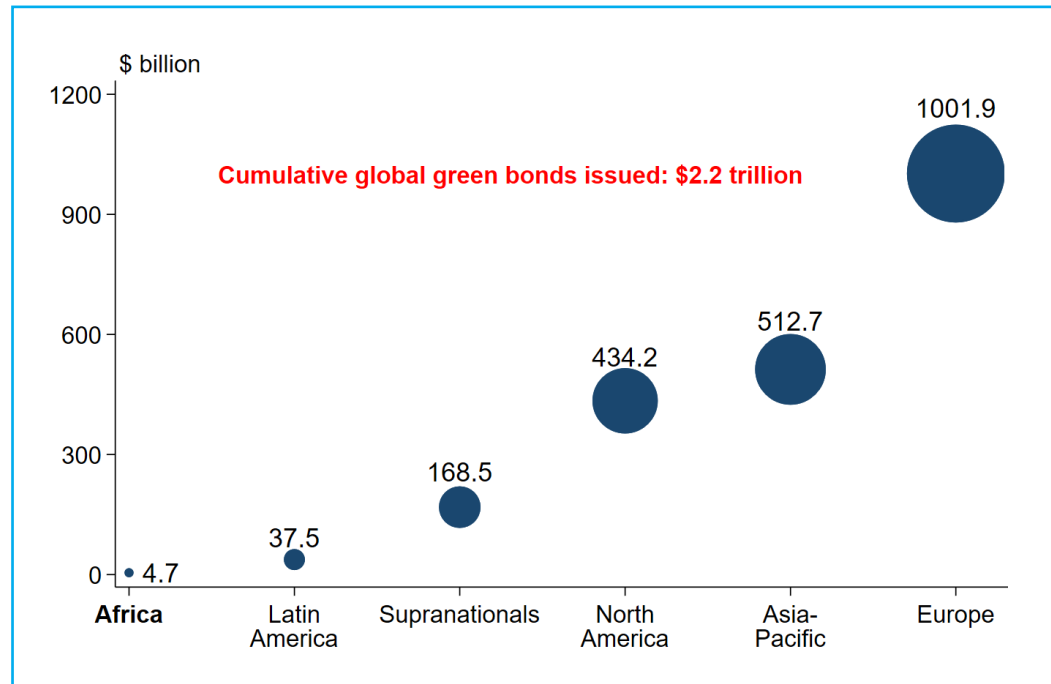
Projected demand for  
EV batteries by 2030.





# Africa not fully leveraging expansion in global landscape for private sustainable green finance

## Cumulative value of green bond issued between 2006-2022



Source: Staff computations based on Climate Bonds Initiative AEO 2023

**Cumulative green bonds** issuance estimated at \$2.2 trillion globally between 2006-2022

Africa accounted for only about **0.2%** (or **\$4.7 billion**), the lowest among world regions.

**Global Voluntary Carbon Market:** valued at **\$2 billion in 2021**. Africa's share was only **6.2%** (**\$123 million**).

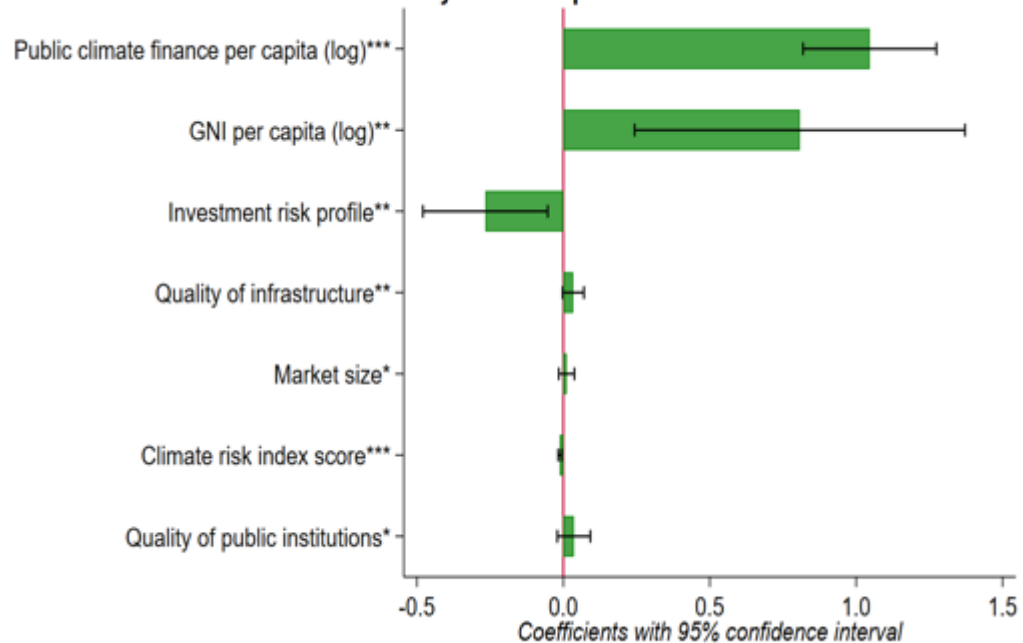
Africa accounted for **41%** of blended finance between **2019-2021**



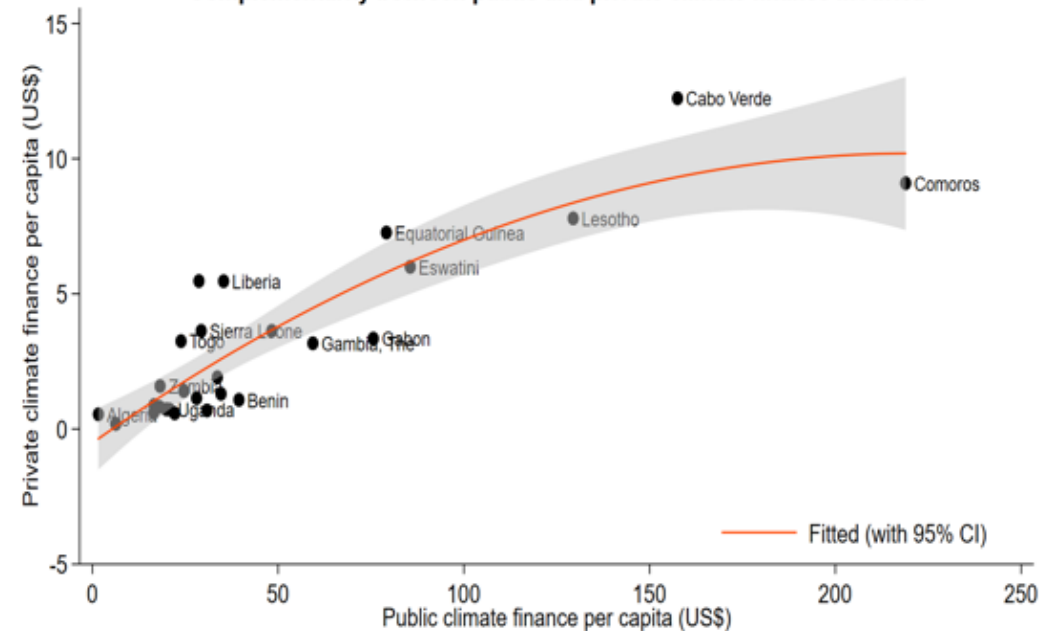
# Key enablers of private climate finance in Africa



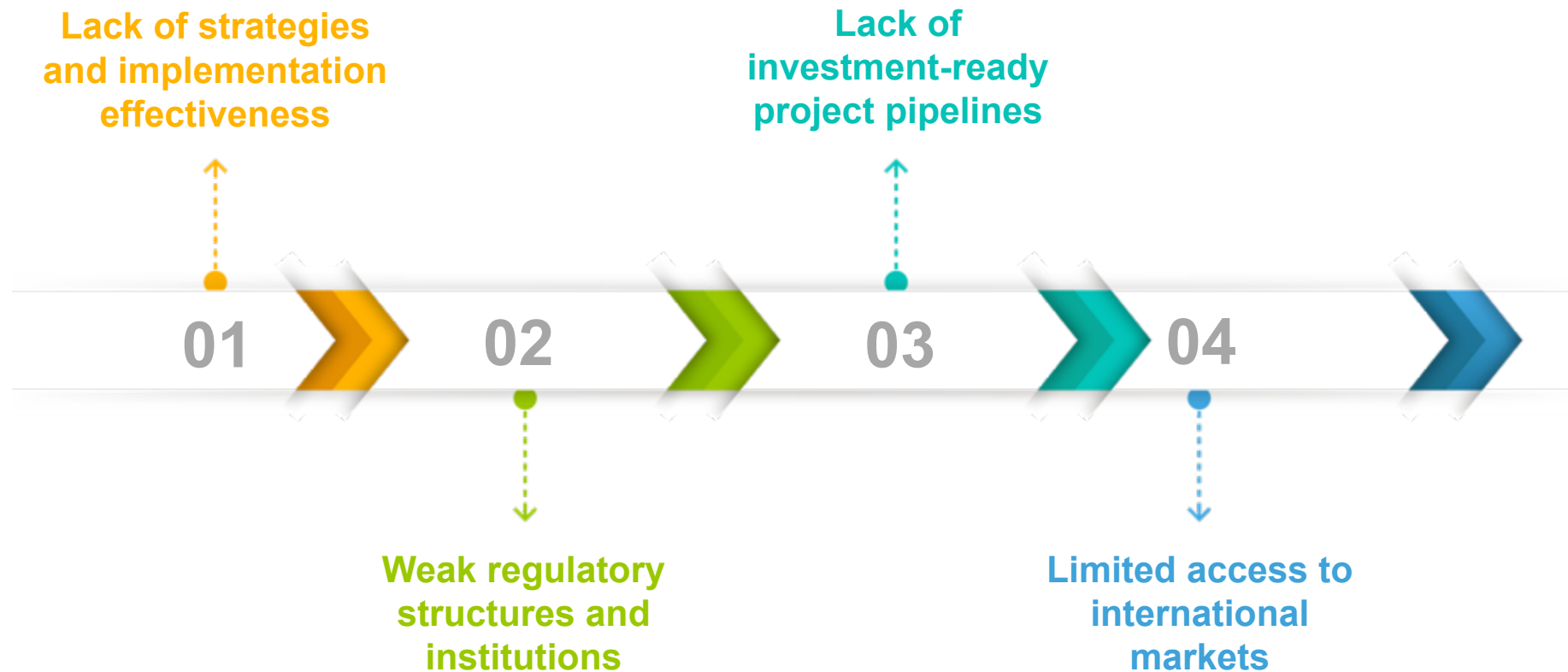
Key drivers of private climate finance inflows in Africa



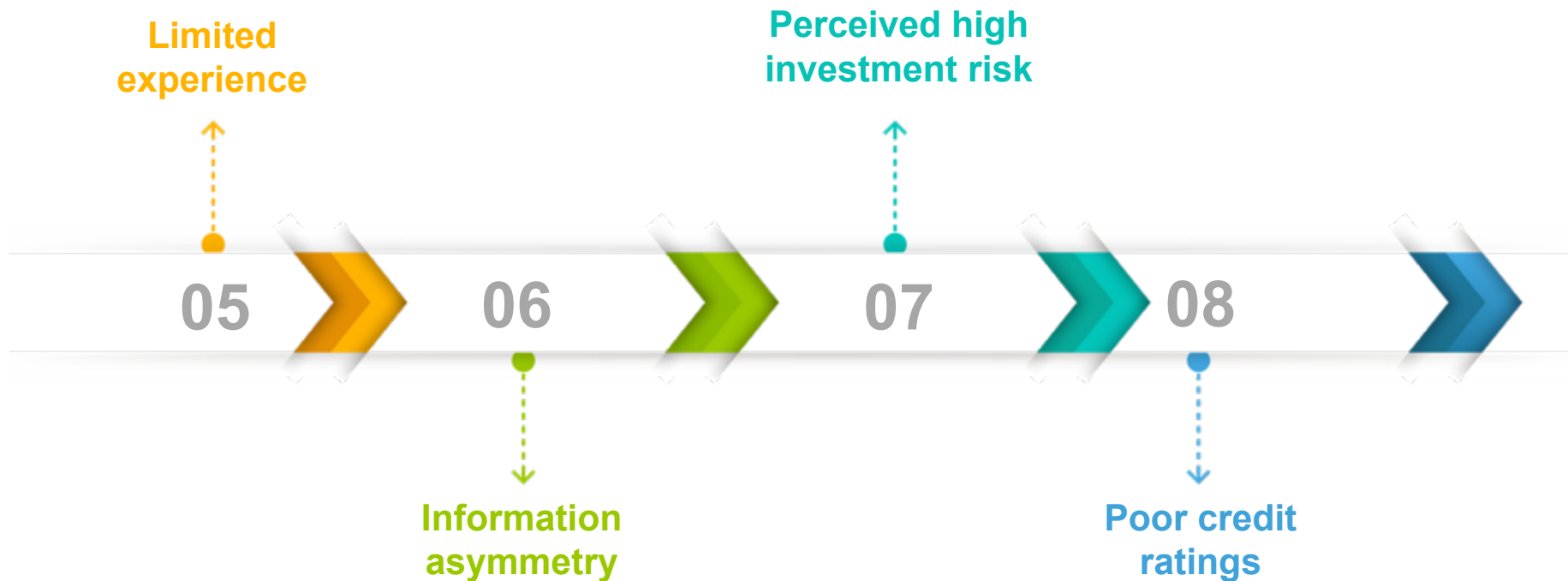
Complementarity between public and private climate finance in Africa



# Key barriers to private sector financing in Africa's green markets

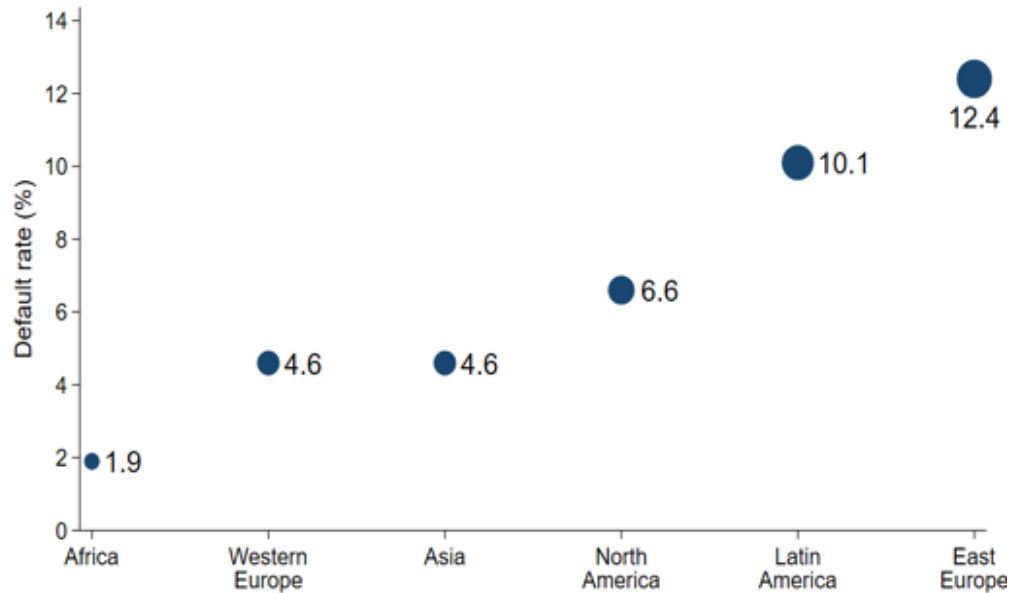


# Key barriers to private sector financing in Africa's green markets (Cont.)



# Understanding Africa's risk premium

Defaults rates on infrastructure and other projects lowest in Africa



Source: Staff computations based on Moody's Analytics, 2020

Low default rates

Poor and sometimes subjective credit ratings in international markets.

High financing costs

About **US\$74.5 billion** could be saved if ratings were fair



# CHAPTER 3

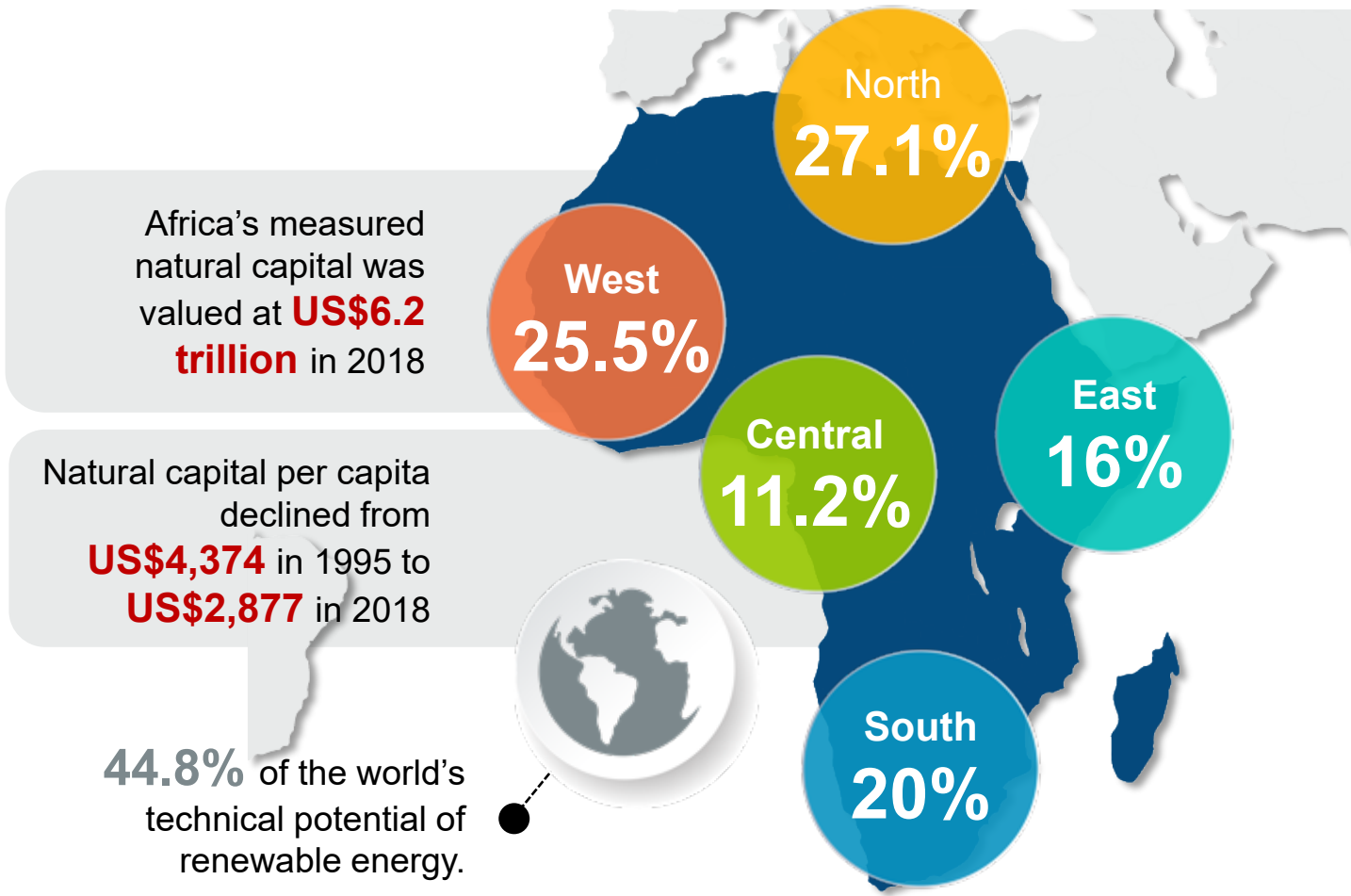
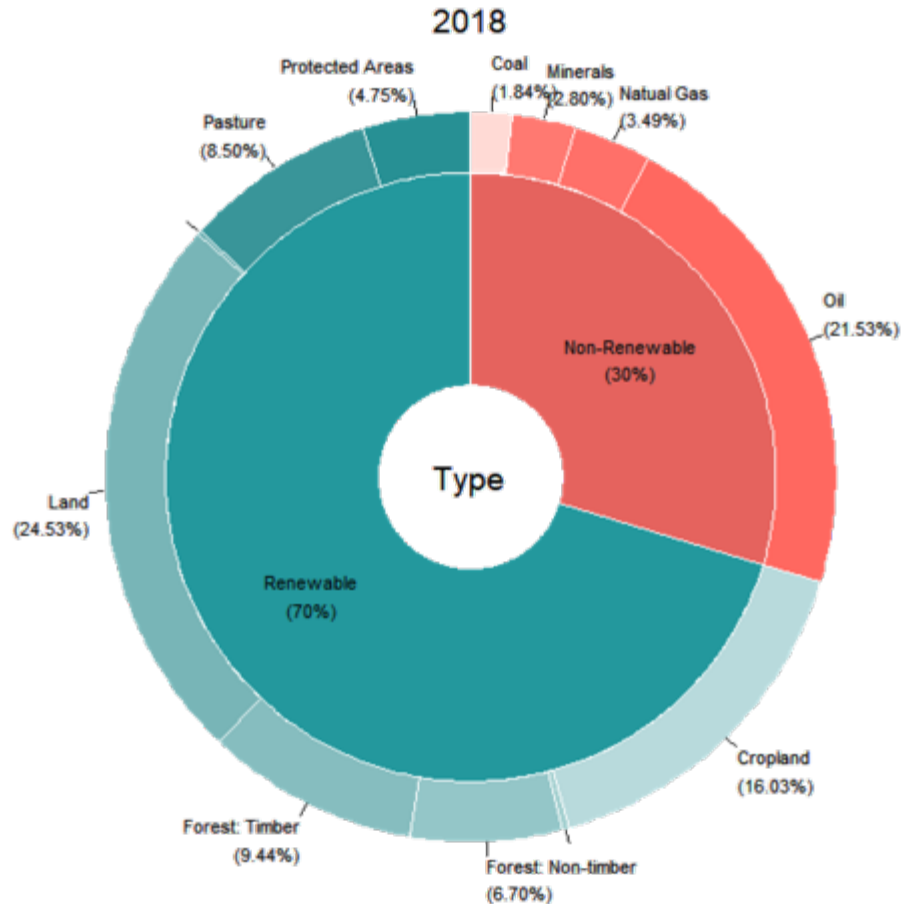
## Natural Capital for Climate Finance and Green Growth in Africa



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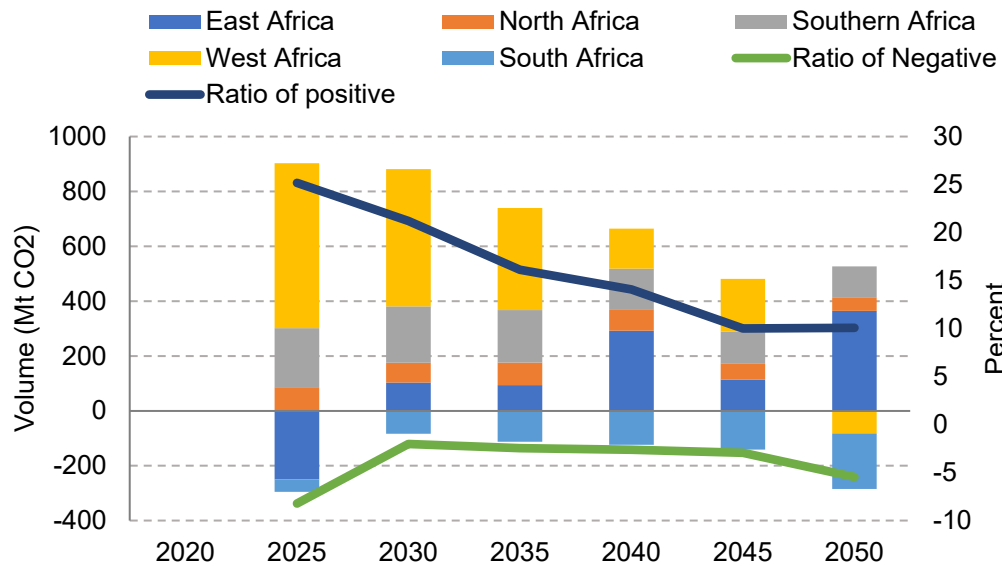
# Africa's natural resource endowment by type, 2018



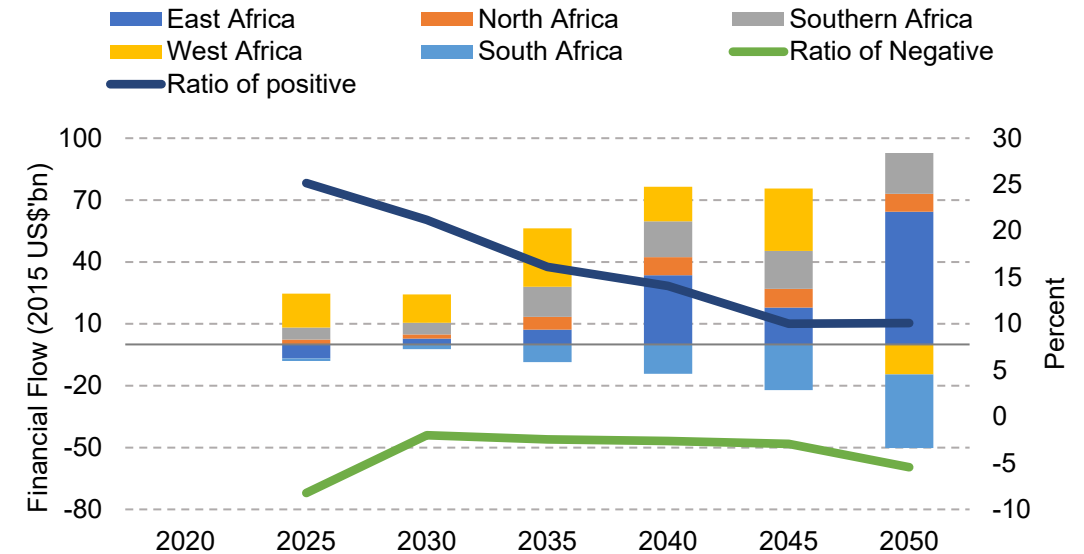
# Ample opportunities for Africa to benefit from international agreements leveraging natural resources

Potential emission and financial transfers based on the cooperative implementation of universal net-zero CO2 emission pathways

## Potential annual trade flows under the Glasgow NDC (MtCO<sub>2</sub>)



## Potential annual financial flows under the Glasgow NDC (2015 US\$ billions)



Source: Data from International Emissions Trading Association (IETA) and the University of Maryland related to IETA, 2021.





# Natural capital investment can underpin climate finance

The Great Green Wall Accelerator that has raised more than \$19 billion



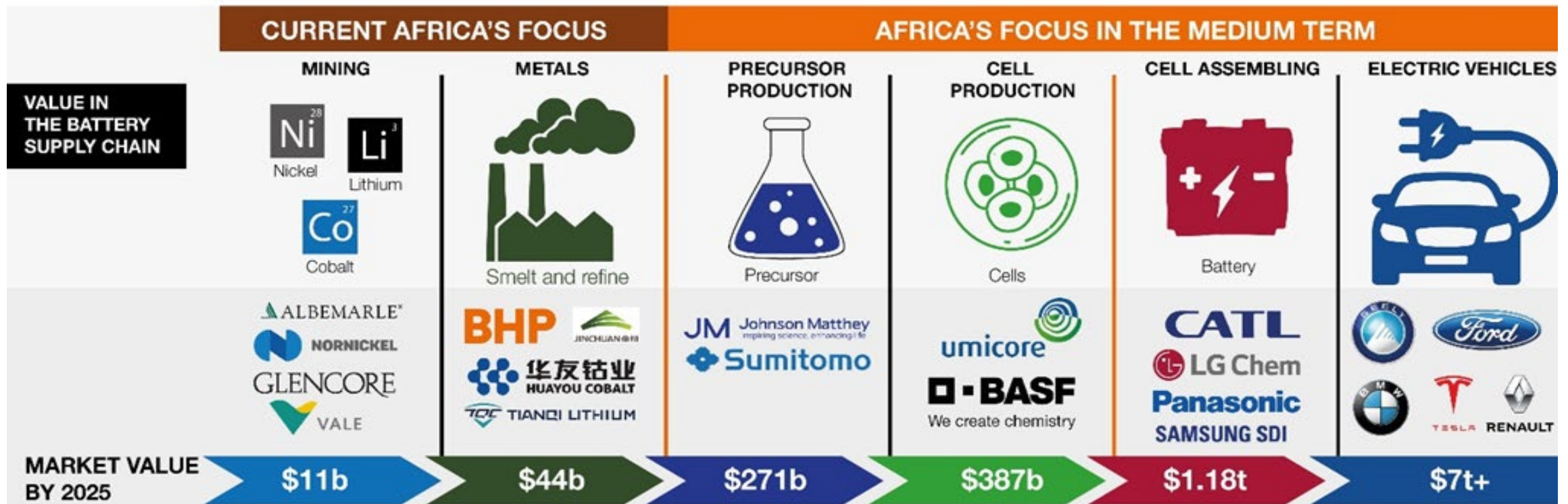
Green hydrogen represents a great opportunity



Source: Data from International Emissions Trading Association (IETA) and the University of Maryland related to IETA, 2021.



# Africa can significantly move up the battery and Electric Vehicles (EVs) value chain



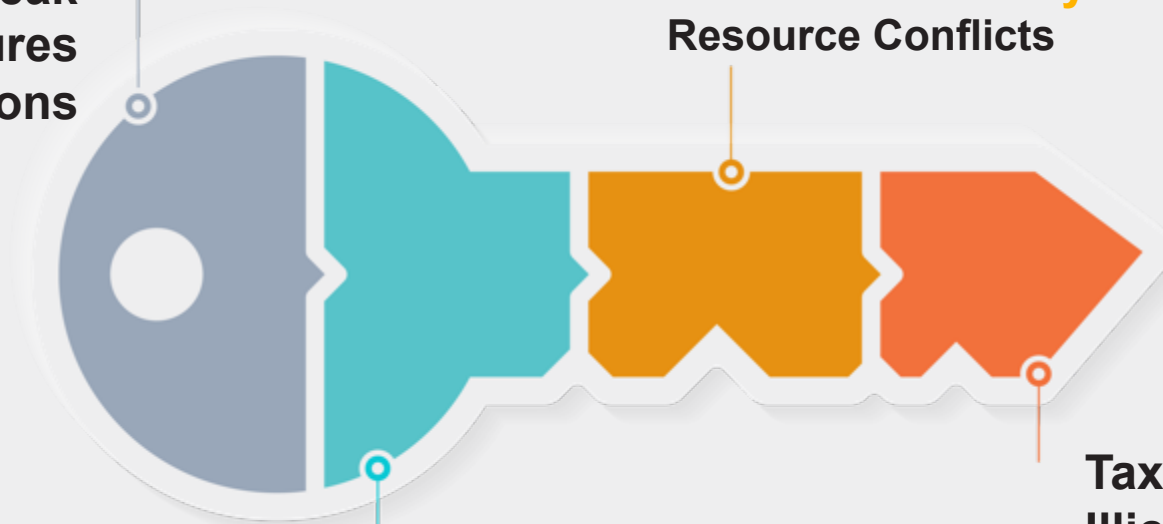
Source: BloombergNEF, Australia Government's Future Batteries Industry CRC



# Key barriers to leveraging natural capital for climate and green development in Africa

**Resource Governance  
Capacity Weak  
regulatory structures  
and institutions**

**Political Instability:  
Resource Conflicts**



**Natural Capital  
Accounting**

**Tax Avoidance and  
Illicit Financial  
Flows**

**Illicit Resource Flows:  
Organized Crimes and  
Resource Theft**

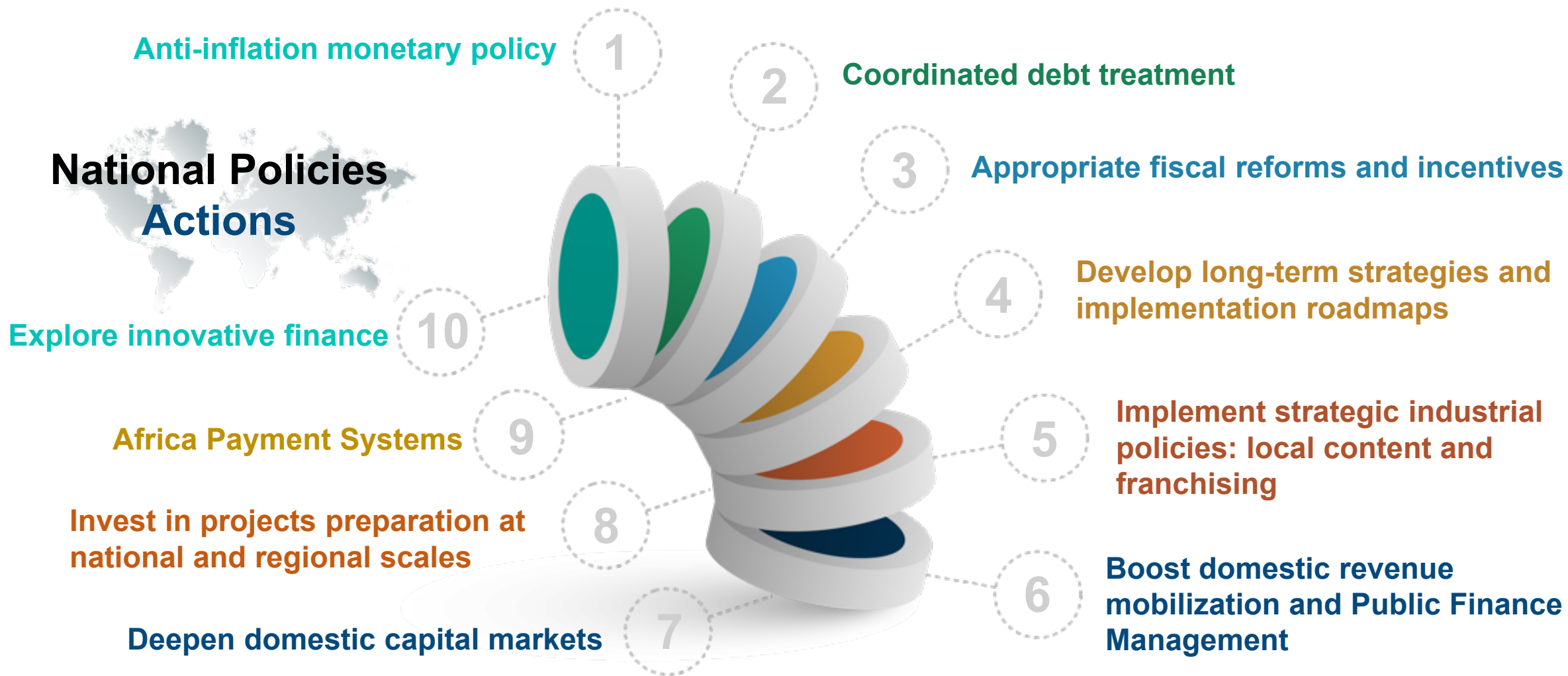


# POLICY RECOMMENDATIONS

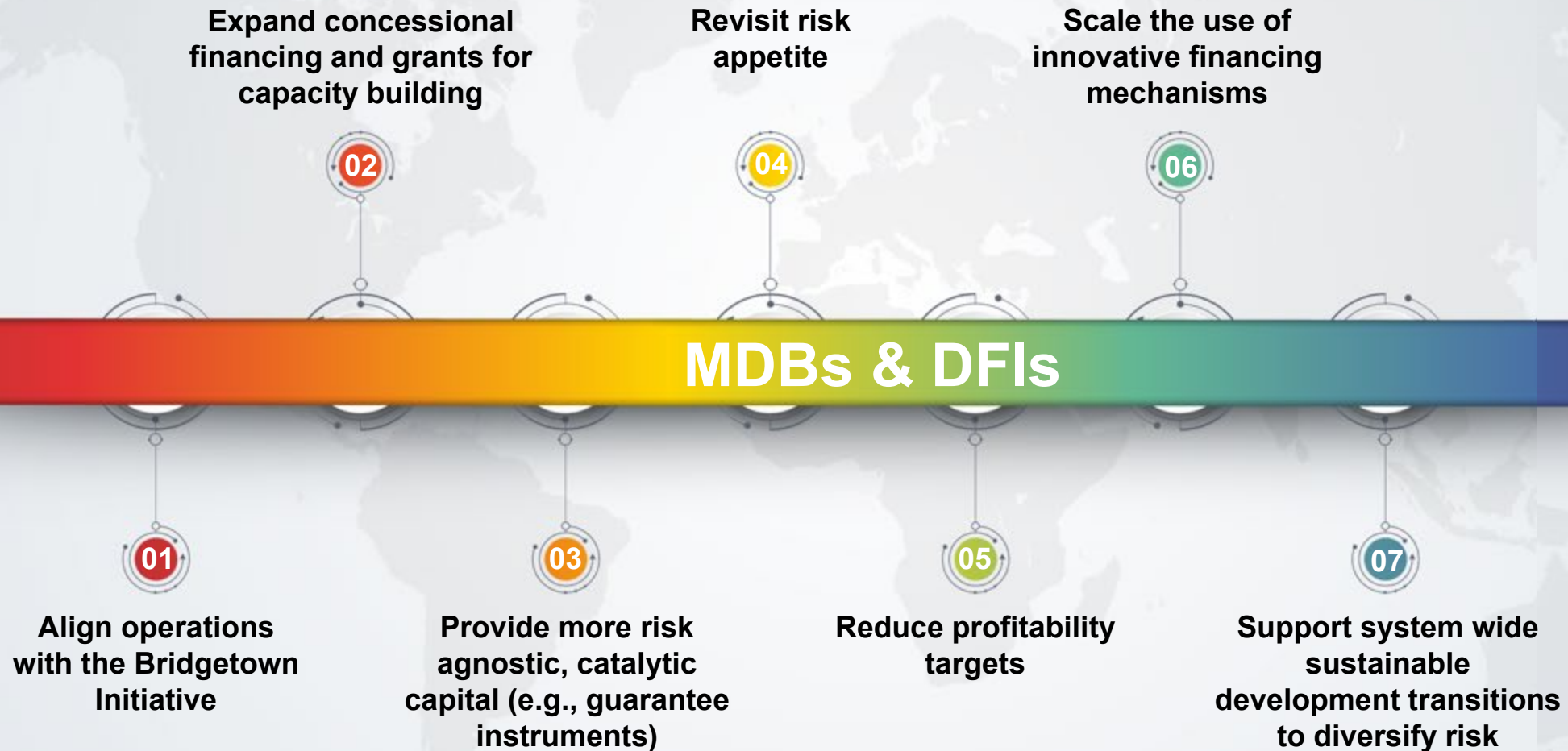


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# Policy recommendations and key actions



# Multi-lateral and development finance institutions



# Private sector, rating agencies and international community

4

**Exercise Market Leadership and Stewardship**

3

**Credit rating agencies – Review methodologies and broaden rating frameworks**

2

**Developed Countries – Honor Commitments to secure our global commons**

1

**Collectively champion and support reform of the global financing architecture**



# CONCLUSION



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01

Establish national development plans for green transition

02

Incentivize green industries to spur growth

03

Provide guarantees at scale to de-risk private sector investments

04

Develop pipelines of bankable Projects with and high-risk adjusted rates of return

05

Asset recycling

# Thank You



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