Conference Report

South African Loan Markets Conference and Sustainable Finance Seminar

July 2025

LMA Loan Market Association

Summary

The Loan Market Association (LMA) successfully hosted its 12th annual South African Loan Markets Conference and Sustainable Finance Seminar in Johannesburg on 23 and 24 July 2025. Over the course of the two-day event, we were pleased to welcome more than 250 senior industry leaders, experts, and stakeholders to discuss the evolving African loan markets and the sustainable finance landscape.

This report aims to summarise the key themes and discussion points arising from the conference.

South African Loan Markets Conference

The SA Conference 2025 convened key market participants to explore the latest trends, challenges, and opportunities shaping the region's lending environment. The agenda featured keynote addresses, expert panel discussions, and interactive workshops, covering a broad range of topics—from technological innovation and regulatory reform to market developments and investment flows.
A number of themes emerged throughout the discussions, including the critical role of innovation, the importance of cross-sector collaboration, and the need to embed sustainability as a core principle to support long-term growth. Attendees also benefited from valuable networking opportunities, fostering meaningful connections and partnerships across the African loan ecosystem. The event was widely regarded as a resounding success, offering actionable insights and strategic direction for the future of the market.

Sustainable Finance Seminar

The Sustainable Finance Seminar offered a focused lens on South Africa's unique sustainability journey, shaped by both environmental imperatives and the pursuit of social equity. While market volumes may still be developing, the level of innovation was evident—spanning initiatives in renewable energy, affordable housing, and climate-smart agriculture.

The seminar underscored the need for scalable, contextually relevant solutions to bridge the sustainability financing gap, and the role financial institutions can play in driving inclusive and resilient economic development.

South African Loan Markets: Key Trends and Outlook

When it comes to African credit, it's all about the blend

A degree of quiet optimism kicked off the **12th annual South African Loan Market Conference** in Johannesburg, as over two-thirds of delegates predicted an increase in loan volumes for Africa during the remainder of 2025, going into 2026. A similar percentage, meanwhile, believed the credit environment/sentiment for Africa was improving. This complemented the view of the "Credit Where Credit's Due" panel who all confirmed a large pipeline of deals, a market quick to rebound from global volatility and an anticipated busy end to the year.

As is always the case when it comes to analysing loan volumes on the continent, official figures do not reveal the complete picture. Whilst reported loan market volumes hover at $18.8bn for 2025 year-to-date (YTD) (as against 2024 and 2023 totals of $51bn and $49.59bn respectively) panellists reiterated the message that a large proportion of the market, notably concessional and blended finance solutions, are largely unreported, even though such transactions are often sizable.

M&A activity remains muted, unsurprising since corporates require a period of stability before they are willing to put cash to work. That said, there is evidence of South African companies looking outside their domestic markets for investment opportunities – the acquisition by Gold Fields of the Australian company Gold Road Resources for $3.7bn in May 2025 being one such example.

From an economic perspective, the "*Navigating Country Risk in African Debt Markets*" session highlighted that SSA is the second highest growing region, after Asia, with forecasted GDP growth of 4.1% in 2025 and 4.9% in 2026. From a regional perspective, East Africa is the golden child (notwithstanding ongoing political conflicts in DRC, Ethiopia and Sudan).

West Africa, meanwhile, presents a more mixed picture. There are positive growth expectations in countries such as Guinea and Senegal (despite debt vulnerability due to financial misreporting by the previous administration in the latter) whilst Ghana is navigating a complex restructuring process, illustrating the difficulties of a diverse creditor landscape. Finally, Southern Africa remains muted from a growth perspective (with specific concerns relating to Angola).

Looking to the global geopolitical environment, focus is on the outcome of Trump's extensive trade tariffs, although this might potentially be balanced to some extent by trade shifts, notably towards the Middle East.

Points to note for South Africa include:

1. A diversified economy, with a deep local currency market, making pricing for high quality corporates very competitive. This was a view reiterated during the “Corporate Perspective” interview, particularly the pricing differential for SA-based corporates looking to tap both local and international markets.

2. International investment is looking to the SA market, but there is a high bar to entry: corporates are focused on maintaining existing relationships and prefer to retain their lender group, especially in refinancing situations, which are the current mainstay of this market.

3. There continues to be an active domestic bond market totalling 1.5tn rand. Whilst this is not yet back at pre-Covid numbers, there is evidence of some borrowers switching from loans to bonds because of attractive pricing.

4. Corporate refinancings remains the driving force, as well as a focus on energy and infrastructure transactions. Due to a lack of acquisition activity, there are no bridge to bonds.

5. South Africa has a much more established private credit market, with private creditor investors willing to compete with banks and offer much larger ticket sizes than you would see in the rest of SSA.

By contrast, key observations for SSA (excluding South Africa) include:

1 A large proportion of sovereign, financial institution (FI) and development finance institution (DFI) transactions, as well as oil & gas.

2 A healthy bond market with 25 issuances YTD compared to 26 for the full year in 2024, with volumes on a par with 2024, albeit only being half-way through the year. Notable examples are the recent bond issuances by Cote d'Ivoire in USD, CFA franc and Japanese yen.

3 Sovereign borrowers are becoming more sophisticated as they look to diversify funding sources and find new means of accessing capital. This includes looking for ways to ringfence and secure revenue streams and a focus on local currency borrowing. Sustainability features are also being incorporated as a means of accessing new pools of capital.

4 The *"Future for Liquidity is Now"* session emphasised that there remains a very significant infrastructure gap. This is in part due to the negative perception that the world has about Africa, although institutions such as the AIF, established in 2018 to showcase new projects, are helping to unlock liquidity in these harder to reach sectors.

5 In terms of other challenges, FX remains an issue, with convertibility a constraint seen time and time again. Transactions often stall due to FX and hedging challenges as a result of which DFIs such as DBSA and Afrexim are providing innovative solutions in this space whether from a transaction structuring (e.g. dual currency tranches) or systemic (e.g. payment platform) perspective.

6 Whilst international investors looking to Africa remain cautious, provided a loan can be risk mitigated by some kind of credit/guarantee wrap, interest is growing, particularly in the Middle East. Structured products are also on the rise to incentivise the institutional investor market. The traditional lender mindset needs to evolve however from an originate to hold, to an originate to distribute model if a deeper secondary market is to be established.

Sustainable Finance Seminar: South Africa at a Crossroad

Sustainable finance in South Africa is at a pivotal juncture, marked by complexity, innovation, and the need for decisive action. As climate concerns deepen and international interest in sustainability investments cools in certain jurisdictions, South Africa stands out as both particularly vulnerable and uniquely positioned. The country faces heightened climate and environmental risks, yet its policy leadership, regional influence, and innovative financial market are carving out meaningful opportunities.

Though the pace of growth in sustainable finance has slowed somewhat due to global economic headwinds, the reality on the ground is more nuanced. The G20 presidency has sharpened policy focus, positioning South Africa as a leader in the global sustainable finance conversation. Despite this, the perception persists that the market is slowing. This perception stems in part from the fact that many sustainability-labelled instruments have not yet reached maturity and thus have not needed refinancing. Additionally, some borrowers are shifting away from embedding sustainability metrics in financing deals, opting instead to adopt more flexible framework-level approaches, perhaps due to geopolitical uncertainty and the risk of greenwashing scrutiny.

Nonetheless, innovation remains strong. The local market is seeing advancements in renewable energy finance, climate-smart agriculture, affordable housing, and digital infrastructure. Regional expansion is gathering pace, with new entrants such as a hospitality sector Sustainability-Linked Loan (SLL) in Senegal highlighting the continent-wide momentum. Although volume may not suggest explosive growth, the underlying innovation and impact are undeniable.

The concept of a “just transition” is increasingly central to this work. There is a growing emphasis on ensuring that environmental transformation also addresses deep-rooted social issues like inequality and poverty. In this regard, South Africa’s sustainability agenda incorporates both environmental and social imperatives, an approach reflective of its broader economic history and the recognition that any decarbonisation pathway must include the people most vulnerable to its effects.

Regulation, while necessary, is a double-edged sword. It can either empower or inhibit progress, and South African stakeholders are grappling with how best to strike the right balance. The country’s green finance taxonomy is currently encouraged rather than mandated, allowing room for dialogue and adaptation. Many lenders are cautious about making it compulsory, fearing it may limit the flexibility needed to keep capital flowing. As a result, the taxonomy is being used in conjunction with international frameworks like the UN Sustainable Development Goals and IFC guidelines to ensure credibility and integrity while retaining market adaptability.

Transition finance is gaining significant traction as a critical and evolving subset of sustainable finance

It acknowledges a key reality: decarbonisation is not an instantaneous transformation, but a journey, especially for carbon-intensive sectors that are currently misaligned with net-zero objectives.

Rather than excluding these industries from climate finance, transition finance aims to support them with the capital, tools, and frameworks needed to transition responsibly over time. Unlike green finance, which targets assets already aligned with low-carbon outcomes, transition finance broadens the scope by enabling high-emission sectors to move from point A to point B as technologies and business models evolve. While a globally consistent definition is still emerging, a number of core components are increasingly recognised, including alignment with the Paris Agreement (i.e. keeping global warming below 2°C and pursuing 1.5°C), transparent reporting, ensuring that transition activities do not obstruct progress in other green technologies, and embedding principles of a just transition that account for social impacts and country-specific contexts.

The current work of the Loan Market Association seeks to underscore the importance of having a transition strategy, rather than a rigid plan, allowing organisations to build on existing efforts and demonstrate progress credibly. Transparency, data, and appropriate disclosure are essential to making this work. While progress has been made, particularly through regulatory pressure or lender requirements, data gaps persist, especially as financial institutions often face stricter reporting obligations than corporates. This mismatch creates inconsistencies and hinders comparability across sectors and regions. To address this, the market must shift towards working collaboratively with corporates to identify what data they already collect, refine it, and turn it into decision-useful KPIs. Labelled finance alone is insufficient, what’s needed is a robust, measurable, and credible strategy that guides real-world decarbonisation.

Yet, several challenges remain

1

The perception that transition-related transactions carry higher financial risk, prompting increased caution among lenders.

2

Renewable technologies are now well understood and politically supported, making them easier to finance; by contrast, technologies for industrial decarbonisation or sectoral transition are still emerging and seen as riskier.

3

Regulatory inconsistencies across regions present further obstacles:

- Many African countries have underdeveloped regulatory policies or focus narrowly on green finance (as seen Rwanda), lacking tailored guidance for transition activities.
- Emerging taxonomies, such as the Singapore–Asia Taxonomy for Sustainable Finance, introduce a “traffic light” system, that categorises transition assets in an “amber” zone with specific conditions and timelines for compliance.
- Africa could benefit from similar clarity, supported by greater cross-border policy alignment, akin to the EU’s approach to integration.

Regulation should serve as a catalyst for capital mobilisation, not a constraint. This requires proactive government leadership rather than reliance on financial institutions to bridge policy gaps.

4

Corporate engagement is evolving. Businesses are advancing in their transition strategies, beginning with carbon footprint quantification, and expanding to reporting, assurance, mitigation, and target-setting. The credibility of these strategies depends on comparability either with industry peers or scientific benchmarks and on their broader societal impact. Scaling transition finance beyond large projects will require better use of existing data, more consistent reporting standards across institutions and corporates, and tailored approaches for micro, small, and medium-sized enterprises (MSMEs).

A major differentiator in South Africa's approach is the emphasis on social equity and inclusion.

Despite having one of the continent's most sophisticated financial sectors, the country still struggles with deep financial exclusion. While around 70% of South Africans hold a bank account, only 30% of those accounts are actively used. Barriers such as lack of identification, informal employment, and residency documentation continue to leave millions unbanked.

In response, informal savings models like stokvels, community-based saving and lending groups, play a vital role. With approximately 12 million members and an annual value of R50 billion, stokvels represent a parallel economy that is both robust and historically embedded in South African society. These groups fund everything from groceries and education to small businesses, yet they remain largely excluded from the formal credit system due to regulatory and perception gaps. This is a missed opportunity. Stokvels are often well-regulated internally, with strong governance structures, and are increasingly moving into the digital space.

To close this gap, formal and informal sectors must be better integrated. This means recognising stokvels and similar groups as legitimate players in the financial system and leveraging their potential to support micro and small enterprises.

Blended finance, combining grant or concessional funding with commercial finance, offers another lever to support SMEs and address social priorities. DFIs play a key role here, enabling reduced loan pricing and expanding SME access.

SMEs have become a core focus for commercial banks, not a peripheral concern. New approaches include alternative credit assessments using transactional behaviour, simplified application processes, and non-financial support such as business training and financial literacy. Innovative models, such as rent-to-own solar energy services, are also proving effective. These approaches, which prioritise data and cash flow understanding over traditional collateral, are helping to unlock new financing for underserved sectors.

In the broader regional context, South Africa is eager to partner with its continental neighbours to drive sustainable development. However, it is also aware of the importance of defining national priorities and frameworks before engaging in cross-border alignment, particularly in relation to taxonomy development. Consistency, clarity, and local relevance must come first.

Ultimately, the South African sustainable finance market reflects a dynamic tension: between regulation and flexibility, global trends and local needs, innovation and caution. While there are significant challenges, particularly around data, consistency, and inclusion, the desire to act is strong. South Africa's approach is grounded in a belief that social and environmental priorities are not mutually exclusive. Rather, they must be pursued together to achieve a just and sustainable transition, one that is deeply rooted in the realities of its people and capable of mobilising capital at the scale required to drive change.

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