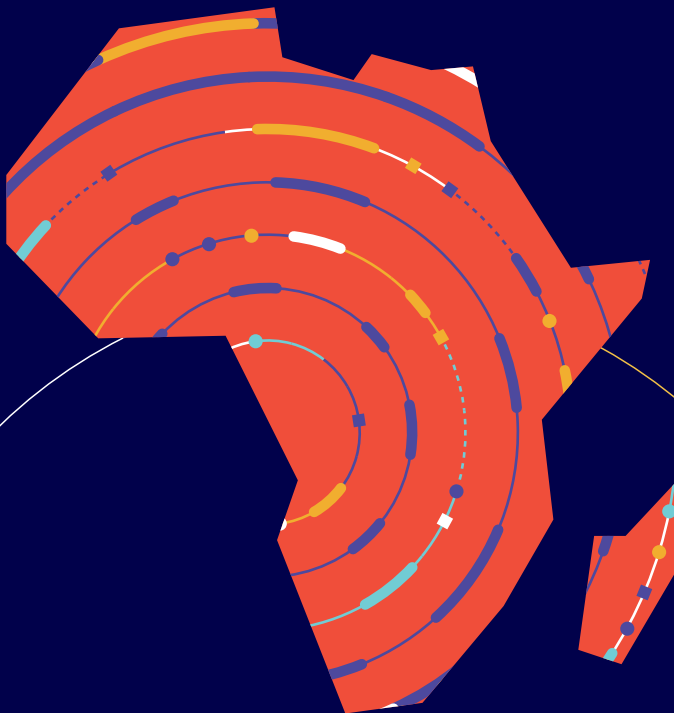


**LMA** | Loan  
Market  
Association



 **ICMA**  
International  
Capital  
Market  
Association

# LMA & ICMA ANNUAL AFRICA SUMMIT

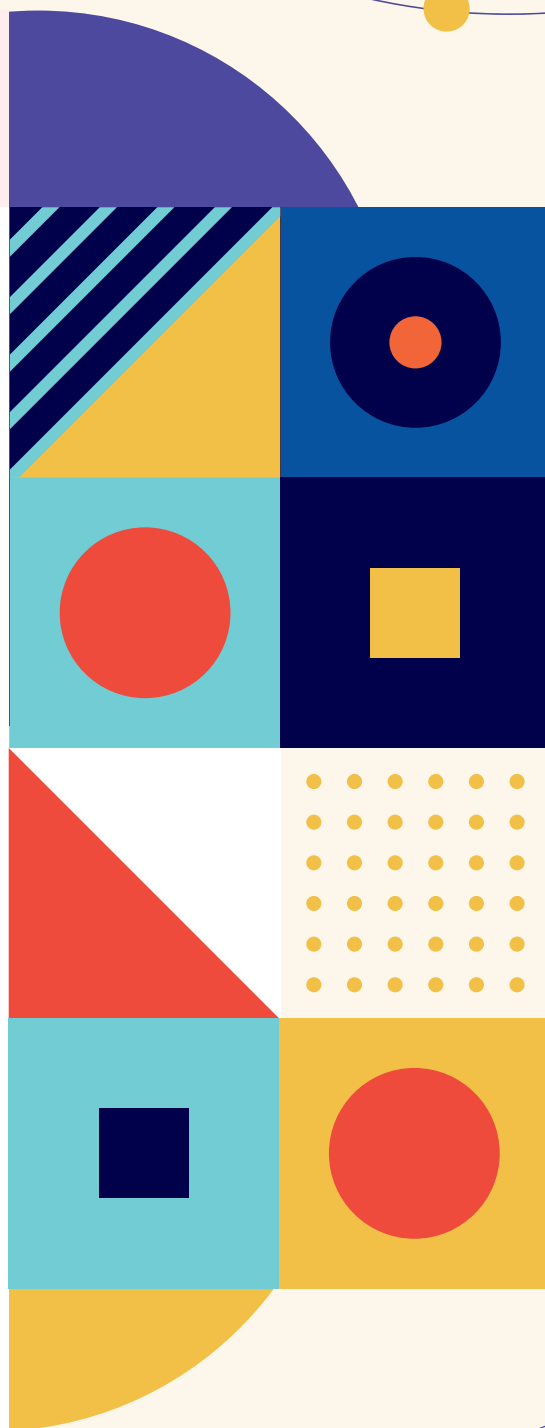


**REPORT**

APRIL 2026

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# Executive summary



**THE DISCUSSIONS ALSO HIGHLIGHTED THE GROWING IMPORTANCE OF FINANCIAL INNOVATION AND INSTITUTIONAL COLLABORATION.**

Africa's economic trajectory is increasingly defined by the depth, sophistication, and resilience of its capital markets. In 2026, the continent stands at a crossroads: while it benefits from abundant natural resources, a growing population, and expanding digital connectivity, fragmented markets, inconsistent regulations, and complex financial infrastructure continue to restrict its potential. The 2026 ICMA-LMA Annual Africa Summit examined how financial systems across the continent can evolve to mobilise long-term capital, strengthen resilience and support structural transformation.

Infrastructure financing needs alone are estimated to reach hundreds of billions of dollars annually, while many economies continue to rely heavily on external borrowing and short-term capital flows. At the same time, global capital is abundant. Institutional investors manage assets exceeding \$400 trillion<sup>1</sup>, much of which seeks long-duration investment opportunities with stable returns. Redirecting even a small share of these assets towards African markets could have a transformative impact. Achieving this will require stronger domestic financial systems, deeper local currency markets, credible policy frameworks and greater transparency around risk and investment opportunities.

A recurring theme throughout the Summit was the importance of

strengthening domestic financial ecosystems. Expanding pension and insurance sectors can help mobilise long-term savings, while deeper local currency bond markets can reduce reliance on foreign currency borrowing and enhance financial stability. Similarly, improving data quality, policy predictability and regulatory transparency will be critical in addressing the persistent perception of elevated risk associated with African markets.

The discussions also highlighted the growing importance of financial innovation and institutional collaboration. Blended finance structures, securitisation platforms and risk-sharing mechanisms supported by development finance institutions can help crowd in private investment and expand the range of available financing instruments. Advances in digital infrastructure and financial technology are also reducing transaction costs and expanding financial inclusion.

Looking ahead, the future of African capital markets will depend on coordinated reform and regional integration. Strengthening regulatory frameworks, harmonising standards and building cross-border market infrastructure can help shift the continent from fragmented transactions toward scalable financial systems capable of supporting sustained economic development.

<sup>1</sup> FINANCIAL INSTITUTIONS GLOBAL ASSET MANAGEMENT REPORT 2025 23RD EDITION, *From Recovery to Reinvention*

# Mobilising global capital for Africa's sustainable growth: From fragmentation to scale



**TO UNLOCK AFRICA'S ECONOMIC POTENTIAL, CAPITAL MARKETS MUST BE POSITIONED NOT MERELY AS CONDUITS FOR FINANCE BUT AS ENGINES OF LONG-TERM TRANSFORMATION.**

**Africa stands at a pivotal moment in its economic trajectory. The continent possesses abundant resources, a growing population, and accelerating technological adoption, yet its capital markets remain underdeveloped and fragmented. To unlock Africa's economic potential, capital markets must be positioned not merely as conduits for finance but as engines of long-term transformation. Mobilising global and domestic capital effectively requires establishing conditions where investment flows predictably, is allocated efficiently, and generates measurable social, economic, and environmental impact.**

Despite its potential, Africa continues to face a perception of elevated investment risk among global investors. While these

perceptions often exaggerate underlying market realities, they reflect genuine structural gaps, including limited liquidity, inconsistent regulation, weak reporting standards, and fragmented legal frameworks. At the same time, global institutional capital is abundant. Even modest allocations from international investors could materially accelerate Africa's development, if channelled into well-structured, bankable projects.

**Building local market infrastructure** is central to mobilising capital sustainably. Over the past two decades, Africa has raised more than \$33 billion in local currency financing across over 70 currencies, demonstrating that strengthening domestic capital markets is both viable and transformative. Local currency financing reduces exposure to exchange rate volatility, encourages retention of

capital within the continent, and enables long-term investment in critical sectors such as infrastructure, energy, and housing. Expanding domestic savings through pension funds, insurance balance sheets, and long-term investment vehicles provides a foundation for scaling capital markets while promoting financial inclusion. Retail participation ensures ordinary citizens are both contributors to and beneficiaries of economic growth.

Technology further complements these efforts. Digital identification, mobile payments, biometric verification, and AI-driven credit assessments lower transaction costs, expand access to finance, and improve operational efficiency. These tools are particularly impactful in underserved regions, enabling broader participation, reducing administrative friction, and supporting regional capital mobility. Digital platforms

also facilitate the creation of standardised issuance, trading, and settlement mechanisms across multiple jurisdictions, transforming fragmented national markets into an integrated continental financial ecosystem.

**Blended finance and structured instruments** play a decisive role in mobilising capital at scale. By combining concessional or public funding with private investment, blended finance mechanisms can mitigate risk while directing capital toward projects with high developmental impact. Guarantees, insurance products, and subordinated tranches provide investors with confidence that their capital is protected, while credible governance and robust project pipelines ensure investments generate measurable outcomes. These approaches are particularly relevant for climate-aligned projects, renewable energy, and critical infrastructure, where initial risk perception can otherwise deter long-term investment.

Africa's capital markets must also navigate a complex global environment characterised by geopolitical uncertainty, commodity price volatility, and fluctuating access to dollar liquidity. Sovereigns, corporates, and financial institutions are all exposed to these external shocks, particularly in countries with significant foreign-denominated debt. Managing the so-called "Africa risk premium" requires credible fiscal frameworks, transparent debt management, and independent credit assessment systems tailored to local markets. Strengthening policy predictability and market transparency can reduce perceived risk, encourage investor participation, and improve pricing accuracy for both sovereign and corporate debt.

**Structural reform and economic diversification** are essential for resilience. Countries that proactively enhance institutional capacity, streamline regulations, and implement transparent

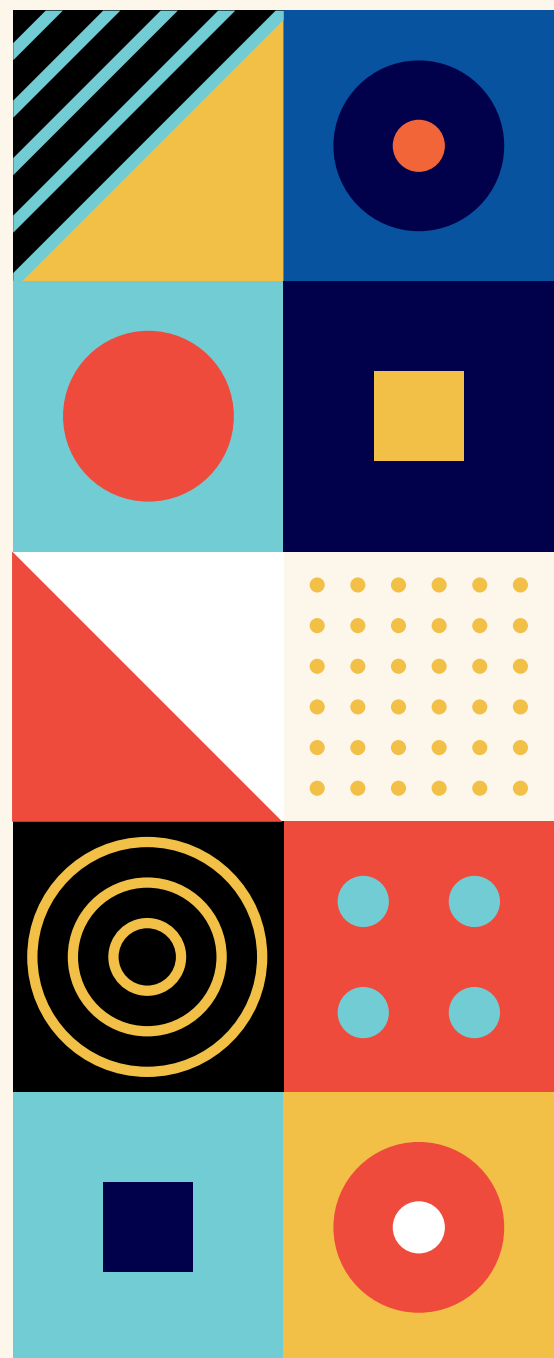
fiscal strategies are better positioned to absorb shocks and attract sustainable investment. Africa's strategic role in global supply chains particularly for critical minerals, energy resources, and agribusiness, offers opportunities to negotiate favourable financing conditions and leverage value addition. Investments in infrastructure, logistics, and policy coordination amplify these advantages, improving the continent's attractiveness to long-term investors.

### **Regional integration enhances efficiency and market depth.**

Harmonised regulations, cross-border settlement systems, and standardised documentation facilitate the free flow of capital across jurisdictions. Rather than consolidating into a single pan-African exchange, collaborative approaches enable diversity, innovation, and risk sharing, leveraging comparative advantages across markets. Integrated regional systems reduce friction, increase liquidity, and strengthen investor confidence, creating a more cohesive financial landscape capable of supporting large-scale investment.



**MANAGING THE SO-CALLED "AFRICA RISK PREMIUM" REQUIRES CREDIBLE FISCAL FRAMEWORKS, TRANSPARENT DEBT MANAGEMENT, AND INDEPENDENT CREDIT ASSESSMENT SYSTEMS TAILORED TO LOCAL MARKETS.**



Developing a **continental balance sheet** is critical to translating Africa's underlying assets into productive investment. Natural resources, human capital, and infrastructure can be leveraged to create long-term, investable opportunities if paired with domestic savings mobilisation, deep local currency markets, and harmonised regulatory standards. Establishing credible yield curves, robust secondary markets, and primary dealer systems enhances market depth and mitigates exchange

rate exposure. Predictable fiscal and monetary policy further underpins confidence, ensuring capital remains in the continent to finance domestic priorities.

**Policy certainty and investment readiness** are essential enablers. Ambiguous regulatory frameworks, prolonged approvals, and foreign exchange constraints often deter investors or prompt capital flight. Clearly defined project pipelines, robust risk management, and predictable legal frameworks allow investors to commit capital with confidence. By pairing these measures with blended finance structures, Africa can unlock institutional capital at scale while simultaneously addressing developmental and climate objectives.

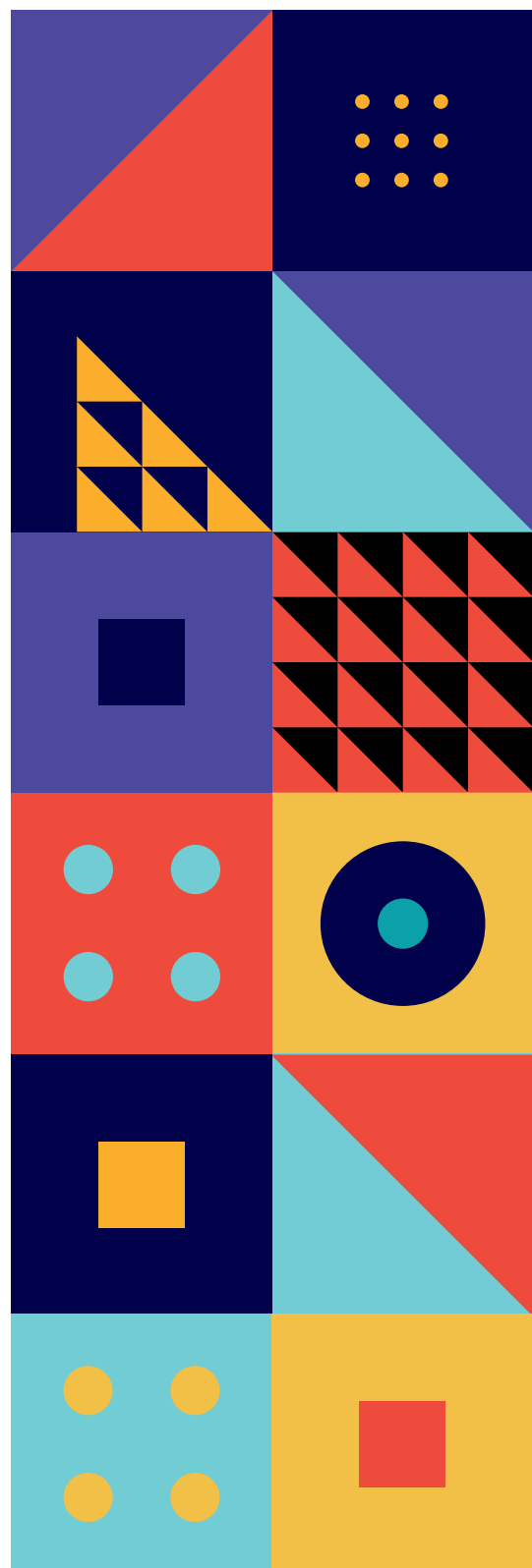
In practice, **mobilising capital for sustainable growth** requires a convergence of multiple strategies. Transparent governance and robust financial infrastructure underpin market confidence. Blended and structured finance instruments de-risk investment while enabling high developmental impact. Technological adoption expands access and reduces transaction costs. Regional integration and harmonisation improve efficiency, market depth, and cross-border capital mobility. Combined, these elements convert Africa's abundant resources into investable opportunities, transforming the continent from a fragmented financial landscape into a cohesive, resilient, and inclusive capital market ecosystem.

**In conclusion, Africa's capital markets can be the backbone of long-term economic transformation if structural gaps are addressed**

**strategically.** Mobilising global and domestic capital demands regulatory clarity, market integration, and investment-ready project pipelines. It requires technology, transparency, and credible governance to reduce perceived risk and foster investor confidence. By aligning capital deployment with climate and development priorities, Africa can deliver measurable impact, retain domestic savings, and attract long-term international investment. The continent's abundant economic potential—spanning infrastructure, agriculture, digital technology, and energy can be converted into tangible outcomes if capital markets are modernised, integrated, and leveraged strategically. With these reforms, Africa can establish a financial ecosystem that is investable, scalable, and capable of sustaining inclusive growth over the next decade.



**PREDICTABLE FISCAL AND MONETARY POLICY FURTHER UNDERPINS CONFIDENCE, ENSURING CAPITAL REMAINS IN THE CONTINENT TO FINANCE DOMESTIC PRIORITIES.**



# Africa's loan and bond market agenda: Unlocking capital and driving development

Africa's debt markets encompassing loan and bond financing, are central to bridging the continent's persistent infrastructure and development financing gaps. Current estimates suggest that Africa faces a **\$130-\$170 billion annual infrastructure financing shortfall** (World Bank / African Development Bank estimates), spanning transport, energy, telecoms, water, and climate adaptation projects. Yet even with growth in deal activity, structural constraints continue to limit the ability of capital to fund long term, high impact initiatives at scale. Loan markets and bond markets each have distinct strengths and challenges, and ensuring they are mutually reinforcing will be essential to mobilise capital efficiently and equitably across the continent.

## Loan markets: capacity, sophistication, and transition

Africa's loan markets remain the most direct source of institutional financing for large projects, given banks' ability to structure tailored, relationship based credit. Deal volumes have expanded in recent years, supported by syndicated financings across mining, oil and gas, transport infrastructure and sovereign backed facilities. Domestic banks have increasingly assumed leadership roles, reflecting deeper local liquidity and rising financial sophistication. Banks from the Middle East and Asia are also

more active, complementing traditional European and North American lenders.

Yet several structural constraints limit long-term impact. Many African loan portfolios remain concentrated in short tenors, often three to five years, which mismatches with the financing horizon of infrastructure and industrial projects that often require 10–20 year funding. Regulatory capital requirements, balance sheet constraints, and risk aversion have historically restricted banks' ability to extend longer tenors. Moreover, concentrated lending in a few sectors creates vulnerability to commodity price swings and cyclical downturns.

Risk management and credit enhancement mechanisms are pivotal to addressing these constraints. Guarantees from export credit agencies, multilaterals and development finance institutions (DFIs) help extend maturities, improve risk adjusted pricing, and crowd in private capital. Political risk insurance, partial credit guarantees and first loss instruments can reduce perceived exposure for private lenders. When combined with regulatory reform such as risk weighted asset adjustments for development finance these tools enable more sustainable lending structures that balance prudential standards with development objectives.

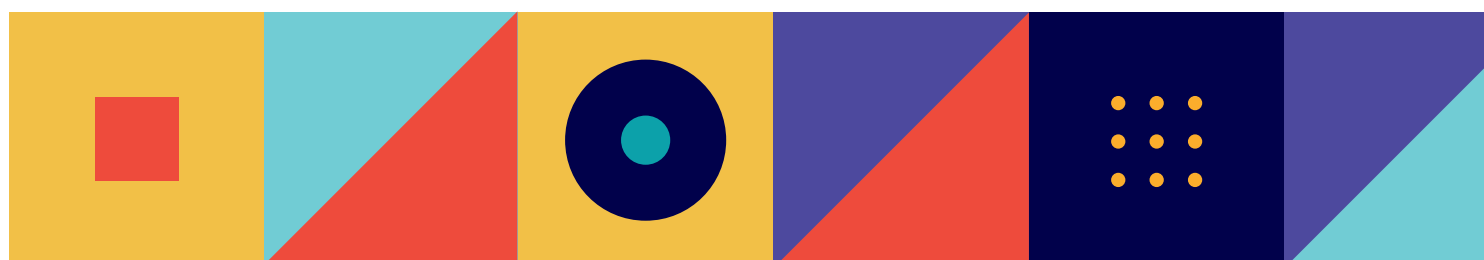
Importantly, this evolution in lending practices is not simply transactional. African banks are increasingly becoming

arrangers and anchors in syndications, mobilising both domestic and regional liquidity rather than relying solely on international funding. Strengthening domestic banking capacity and broadening the investor base to include pension funds, insurers and asset managers can further deepen loan markets, reduce reliance on foreign capital, and promote financial resilience.

## Bond markets: depth, credibility and long term savings

While loan markets unlock near term financing, bond markets are critical for sourcing long term capital and reducing dependence on bank lending. Bond markets, particularly local currency sovereign and corporate markets, provide instruments that match the duration profile of infrastructure and social development needs. They also mobilise long term domestic savings especially from pension funds and insurance companies which collectively manage hundreds of billions of dollars across Africa.

Local currency bond markets are especially important for mitigating exchange rate risk. When governments and corporates borrow in foreign currency, they expose themselves to currency volatility and balance sheet stress when global rates tighten or local currencies depreciate. Expanded issuance in local currency can anchor



domestic investment and channel savings toward productive uses within the continent. Recent efforts in countries such as Kenya, Nigeria, and South Africa demonstrate how credible domestic frameworks can catalyse local currency market depth and improve institutional participation.

Robust domestic market frameworks underpin bond market credibility. Transparent debt management strategies, rationalised fiscal policies, and predictable monetary policies build investor confidence. Clear yield curves and active primary dealers facilitate price discovery and liquidity, enabling efficient pricing and repeat issuance. Predictability in policy and consistent macroeconomic management are especially influential in encouraging pension and insurance funds to increase allocations to domestic bonds.

However, market infrastructure improvements are essential to broaden participation and deepen liquidity. Standardised documentation, reliable settlement systems, central counterparties, and accessible electronic trading platforms reduce transaction costs, improve operational efficiency, and attract new investors. DFIs and multilaterals can support first time issuers through risk sharing instruments, partial credit guarantees, or benchmark setting issuances that enhance pricing transparency for future market participants.

Institutional investors typically require deep and liquid markets to support large allocations. Pension funds and insurers, for example, often seek long dated, stable assets that match their long term liabilities. Enabling these investors to allocate more capital domestically requires both product innovation (e.g., inflation linked bonds, green and sustainable bonds) and enhanced regulatory frameworks that encourage domestic holdings.



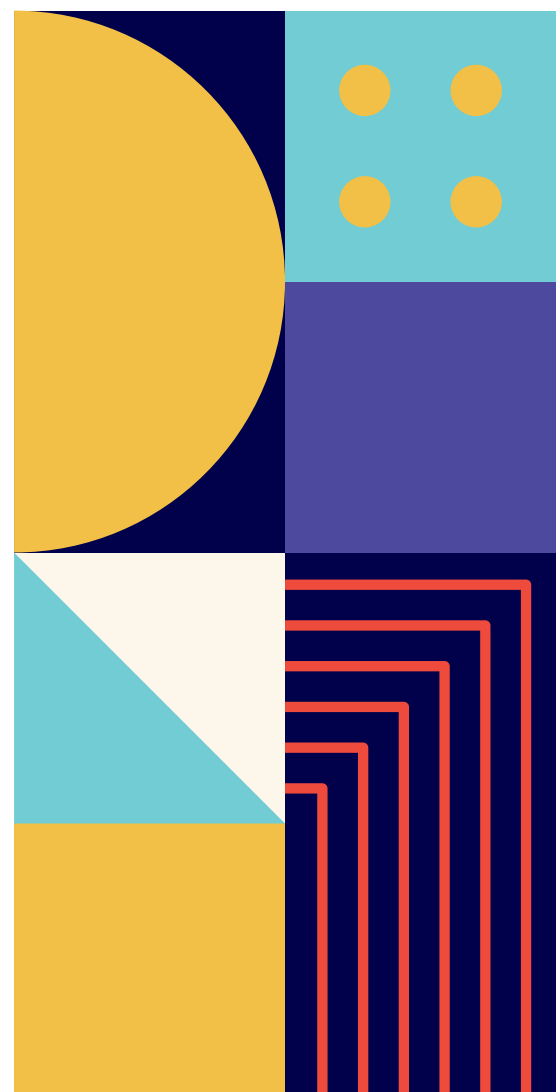
**RECENT EFFORTS IN COUNTRIES SUCH AS KENYA, NIGERIA, AND SOUTH AFRICA DEMONSTRATE HOW CREDIBLE DOMESTIC FRAMEWORKS CAN CATALYSE LOCAL CURRENCY MARKET DEPTH AND IMPROVE INSTITUTIONAL PARTICIPATION.**

#### **Integrating loan and bond markets for resilience**

The evolution of Africa's debt markets is most impactful when loan and bond markets develop in tandem. Loans can act as catalytic financing, particularly in early project stages, while bonds provide refinancing and long term capital markets solutions that spread risk and expand investor participation. In many advanced economies, bank financing and bond markets coexist symbiotically, with banks originating and structuring credit before securitisation or bond issuance helps recycle capital back into the system.

For African debt markets, increasing coordination between banking regulators, securities exchanges, pension regulators, and fiscal authorities can create a more seamless capital pipeline. Consistent data standards and robust legal environments support both lending and bond issuance. Robust benchmark rates and transparent yield curves further enhance both markets, improving price discovery and enabling more efficient capital allocation.

In conclusion, Africa's loan and bond markets are at the threshold of significant transformation. While structural limitations have constrained scale and tenor, evolving local banking leadership, risk sharing instruments, and deeper domestic savings pools provide a foundation for more resilient, development oriented debt markets. Achieving this will require coordinated policy frameworks that prioritise transparency, predictability, and investor confidence; infrastructural enhancements that reduce transaction costs and improve liquidity; and innovation that aligns risk with impact. When loan markets and bond markets evolve together, Africa can unlock critical financing for infrastructure, enterprise development, and sustainable growth, ensuring that capital markets serve as engines of long term prosperity.



# Blended finance: Mobilising institutional capital at scale in Africa



**STANDARDISED TRANSACTION FRAMEWORKS AND REPEATABLE FINANCIAL STRUCTURES ARE CRUCIAL FOR MOVING BEYOND PILOT INITIATIVES TOWARD SCALABLE INVESTMENT PLATFORMS.**

Africa's development objectives require financing at a scale that exceeds traditional capital flows. While institutional investors manage trillions globally, the challenge lies in translating African opportunities into investable assets that meet stringent risk, return, and governance expectations. Blended finance combining concessional capital, guarantees, and risk-sharing mechanisms provides a pathway to unlock these resources and scale investment in infrastructure, renewable energy, and social development projects.

Credible investment structures are essential. Projects must have clearly allocated risk, predictable returns, and strong governance frameworks. Collaborative structures that align public, private, and multilateral capital help reduce uncertainty and ensure that development objectives are achieved while delivering acceptable returns to investors. Standardised transaction frameworks and repeatable financial structures are crucial for moving beyond pilot initiatives toward scalable investment platforms.

Risk management tools play a central role. Credit enhancements, insurance, and guarantees transform project risks into forms acceptable for institutional mandates. By de-risking investments without distorting returns, these mechanisms facilitate longer tenors, larger ticket sizes, and participation from investors who would otherwise avoid emerging markets. Successful blended finance initiatives demonstrate that risk mitigation, transparency, and structural clarity attract sustainable private sector engagement.

In conclusion, blended finance has emerged as a critical set of instruments for mobilising institutional capital at scale in Africa. The next phase involves replicating successful structures, improving regulatory environments, and expanding risk-sharing mechanisms. By doing so, Africa can transform development-stage projects into investable, bankable assets, unlocking capital for infrastructure, enterprise growth, and climate resilience across the continent.

# Benchmark reform: a structural shift toward transparency and integration

Benchmark interest rates are central to the functioning of financial markets. They influence the pricing of loans, bonds, derivatives, and a wide range of structured products. Historically, many African markets have relied on legacy interbank offered rates (IBORs), which are increasingly seen as inadequate due to low transaction volumes, governance limitations, and vulnerabilities exposed by global reforms following the 2008 financial crisis. Transitioning to **risk free reference rates (RFRs)** such as those cultivated in advanced markets represents a structural shift that enhances transparency, improves pricing accuracy, and strengthens both local currency bond and loan markets.

This shift has implications well beyond technical rate setting. Transparent and credible reference rates enable more accurate risk assessment, support liquidity formation, and enhance pricing across financial instruments, including long term project financing. Crucially, aligning benchmarks with policy rates strengthens monetary policy transmission. When central bank policy adjustments translate predictably into market interest rates, financial institutions can price loans and bonds with greater confidence, reducing uncertainty for borrowers and investors alike.

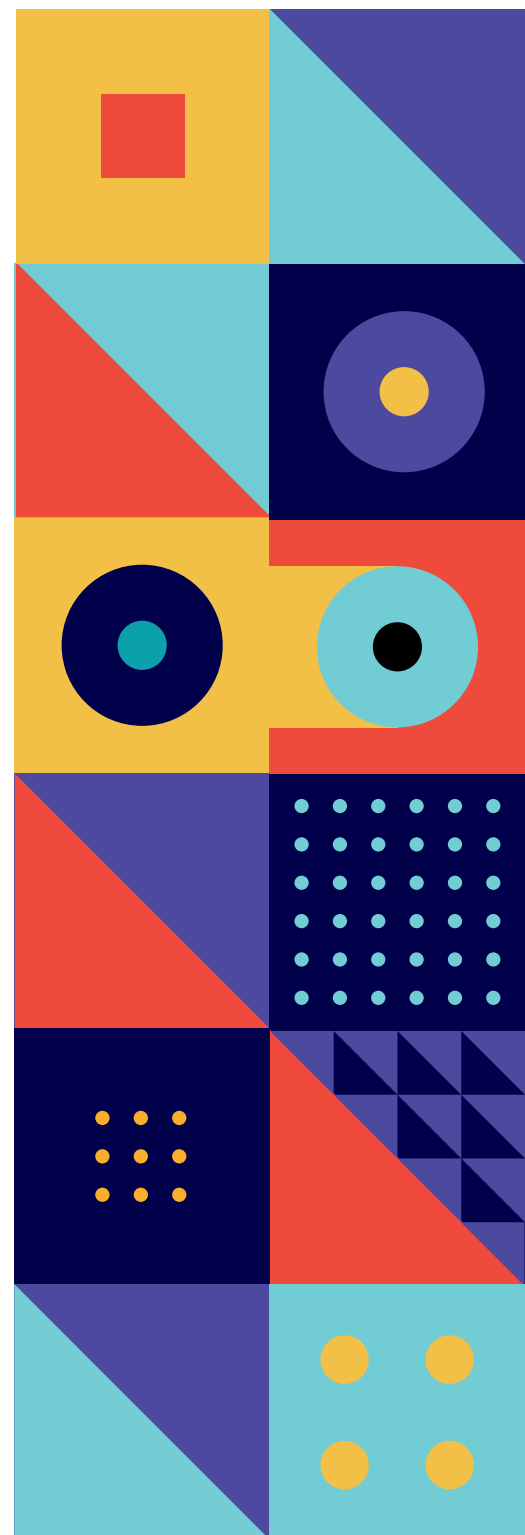
Benchmark reform fosters market integration. As African markets adopt internationally recognised RFRs, aligned with frameworks such as those promoted by the **Loan Market Association (LMA), International Swaps and Derivatives Association (ISDA) and the International Capital Market**

**Association (ICMA)**, cross border capital flows become more seamless. Investors accustomed to globally accepted benchmarks can analyse African issuers without the friction of idiosyncratic rate regimes, enhancing compatibility with global portfolio allocation frameworks.

However, implementation is complex and requires deep coordination among regulators, central banks, market bodies, and financial institutions. Jurisdictions vary in terms of data availability, market depth, and institutional capacity. Harmonised methodologies including clear fallback provisions, robust governance frameworks, and consistent data sources, are critical to ensuring that transitions occur smoothly and that markets gain depth, predictability, and resilience. Where successful, benchmark reform lays the foundation for credible pricing, risk management, and long term capital deployment.



**JURISDICTIONS VARY IN TERMS OF DATA AVAILABILITY, MARKET DEPTH, AND INSTITUTIONAL CAPACITY.**



# Building a connected African financial system: the broader architecture

Benchmark reform, while critical, is only one pillar of a broader transformation agenda. A **connected African financial** system requires integrating technology, regulatory coherence, and investor engagement in ways that reduce market friction and enable competitive capital allocation across the continent.



## Technology as an enabler

Technological innovation is reshaping how financial services are accessed, priced, and delivered. Mobile finance platforms, digital identity systems, biometric verification, and AI powered credit scoring are lowering transaction costs and expanding access to capital for previously underserved populations. For example, mobile money platforms in Kenya have enabled millions of users to transact and save electronically, while digital ID systems in countries such as Ghana and Nigeria have facilitated formal financial inclusion for users previously excluded from traditional banking channels.

Beyond inclusion, these technologies create reusable financial infrastructure that supports regional market integration. Digital identity frameworks can standardise Know Your Customer (KYC) processes across borders, reducing onboarding friction for cross border investment. AI driven credit scoring models, leveraging alternative data sources, enable lenders to extend long term financing to segments that were previously considered high risk. These innovations strengthen domestic capital mobilisation while paving the way for scalable, interoperable financial products.



## Regulatory clarity and harmonisation

Clear and predictable regulatory frameworks are essential to building confidence among both domestic and international investors. Regulatory uncertainty increases perceived risk and elevates the “Africa risk premium,” discouraging long term capital allocation. Harmonising regulations across jurisdictions especially for digital finance, data protection, antimoney laundering (AML), and cross border settlement reduces operational fragmentation and supports investor trust.

Technology neutral policies that recognise digital finance innovations without imposing undue restrictions help ensure that regulatory frameworks keep pace with market evolution. Strengthened institutional capacity through improved market supervision, investor education, and operational readiness, further ensures that financial markets are resilient, efficient, and transparent. Examples from South Africa, Nigeria, and Morocco illustrate that coordinated regulatory frameworks can significantly increase market depth, attract foreign capital, and create conditions conducive to long term financing instruments, including bonds, securitisation, and blended finance structures.



## Investor engagement and market intelligence

A connected financial system rests on robust investor engagement. Bridging the gap between global capital and local opportunities requires transparent reporting, clear risk return



**CLEAR AND PREDICTABLE REGULATORY FRAMEWORKS ARE ESSENTIAL TO BUILDING CONFIDENCE AMONG BOTH DOMESTIC AND INTERNATIONAL INVESTORS.**

communication, and reliable market intelligence. Weak data infrastructure and inconsistent disclosures have historically impeded investor participation in African markets. The continent can address this through initiatives such as regional credit bureaus, centralised transaction registries, and interoperable payment systems that make performance data and risk indicators readily accessible.

Transparent documentation, standardised transaction practices, and clear pricing benchmarks reduce transaction costs and make markets more navigable for institutional investors. These improvements help mitigate the perception of elevated risk and encourage both domestic savings (from pension funds, insurers, and sovereign wealth funds) and foreign investment to flow into productive sectors such as infrastructure, energy, SME financing, and digital transformation.

# Transforming risk into opportunity: Building Africa's securitisation markets



**THE FUNDAMENTAL APPEAL OF SECURITISATION LIES IN ITS ABILITY TO TRANSFORM RISK INTO AN ASSET CLASS THAT INSTITUTIONAL CAPITAL CAN PRICE, MANAGE, AND HOLD.**

Securitisation stands at the intersection of financial innovation and long term capital mobilisation. At its core, securitisation converts future cash flows such as loan repayments, receivables, leases, or project revenues into tradable financial instruments that can access a broader investor base. For Africa, where traditional capital markets remain relatively shallow and bank lending capacity is often constrained, securitisation has the potential to unlock liquidity, enhance capital efficiency, and deepen institutional investor participation in funding priority sectors.

The fundamental appeal of securitisation lies in its ability to transform risk into an asset class that institutional capital can price, manage, and hold. When structured appropriately, securitised instruments enable originators to remove assets from their balance sheet, freeing up capital to support additional lending or investment, while investors gain access to diversified cash flows with clearly defined risk return profiles. According to the International Finance Corporation,<sup>2</sup> global securitisation markets exceed \$12 trillion in outstanding issuance, yet Africa's share remains modest, reflecting gaps in legal frameworks, market infrastructure, and investor familiarity. Addressing these gaps represents a material opportunity to expand long term financing across the continent.

## **Market architecture and legal foundations are critical.**

Effective securitisation demands robust legal frameworks that ensure the legitimacy of asset transfers, enforce rights in bankruptcy, and establish tax neutrality so that securitised vehicles

do not incur punitive treatment relative to traditional financing. True sale or bankruptcy remote structures help protect investors by ensuring that underlying assets remain insulated from originator insolvency. In jurisdictions with unclear or inconsistent legal treatment of securitisation, investor confidence suffers, limiting demand and increasing pricing spreads. Harmonised legal standards across African jurisdictions would reduce complexity and transaction costs, enabling securitisation to scale beyond a few pioneering transactions.

## **Transparency and data quality underpin investor trust.**

Investors require detailed loan level information, performance histories, and consistent reporting to assess credit risk accurately. In many African markets, data infrastructure remains underdeveloped, and disclosure standards vary widely. Establishing standardised reporting frameworks, supported by independent servicers and trustees, enhances predictability and comparability, attracting both domestic institutional investors and international players seeking exposure to real economy assets. Synthetic risk transfer structures, such as credit derivatives or guarantees, offer alternative avenues to allocate risk, but they demand even higher standards of data quality and supervisory confidence.

Securitisation also aligns with broader development priorities. The instrument can finance housing markets, where mortgage securitisation can expand access to affordable homes; SME financing, where pooling receivables or leases can create investable securities; renewable energy projects, which

<sup>2</sup>International Finance Corporation (IFC)

often generate predictable cash flows; and infrastructure, where user fees or contractual revenues can underpin asset backed securities. Early transactions that demonstrate performance and honour payment obligations over time help build investor familiarity and a track record, reducing perceived risk and encouraging deeper market participation.

**Integration of sustainability features further broadens appeal.**

Sustainability linked securitisation or green securitisation structures where assets meet specific environmental or social criteria are gaining traction globally. In Africa, these structures can attract ESG focused capital by tying performance to measurable sustainability outcomes, such as reduced carbon intensity, expanded access to clean energy, or support for underserved communities. These features not only diversify investor demand but also align financial markets with broader development goals.

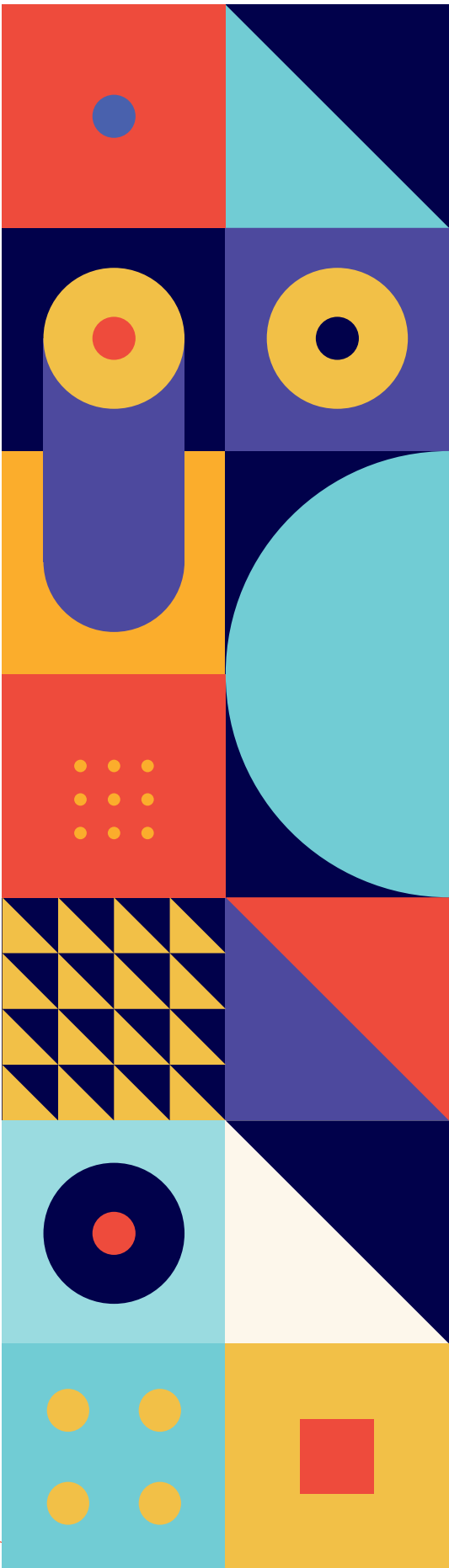
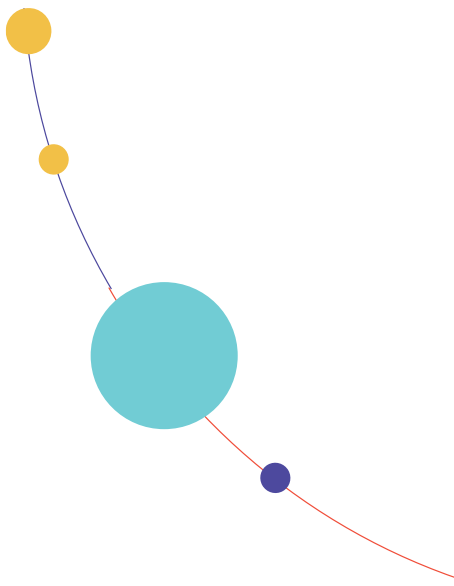


**SUSTAINABILITY LINKED SECURITISATION OR GREEN SECURITISATION STRUCTURES WHERE ASSETS MEET SPECIFIC ENVIRONMENTAL OR SOCIAL CRITERIA ARE GAINING TRACTION GLOBALLY.**

**Looking ahead**

securitisation can play a transformative role in Africa’s financial ecosystem. By converting predictable cash flows into investable securities, the instrument expands access to long term capital and redistributes risk in ways that enhance financial resilience. Achieving this transformation will require coordinated effort from policymakers, regulators, and market participants to establish clear legal frameworks, build data and reporting infrastructure, standardise documentation, and educate investors on risk return characteristics.

In conclusion, securitisation offers a pathway to deepen African capital markets, enabling long term financing for sustainable growth, enterprise expansion, and critical infrastructure development. Legal certainty, transparency, replicable structures, and integration with sustainability objectives are essential to develop deep, liquid markets capable of absorbing institutional capital at scale. With these foundations in place, securitisation can convert perceived risk into genuine opportunity and help finance the continent’s long term development agenda.



# Aligning capital with climate and development goals: Africa's sustainable finance path from opportunity to execution

Africa is at the centre of two defining global priorities: the need to accelerate climate action and the imperative to support long term economic development. Across the continent, demand for investment in infrastructure, energy, resilience and inclusive growth continues to rise. At the same time, global capital is increasingly being directed towards assets and strategies that can demonstrate environmental and social value. The strategic opportunity is clear. The more difficult question is how to convert that alignment of interest into financing that can be deployed at scale.

A recent discussion at the Africa Summit explored this challenge in depth, examining how African markets can move from climate ambition and sustainable finance commitments towards practical execution. The central conclusion was that the continent is not

short of opportunity, and nor is global capital absent. Rather, the gap lies in the systems, structures and market conditions needed to connect that capital to investable opportunities with sufficient clarity, consistency and confidence

Despite the rapid expansion of sustainable finance globally, only a modest share of this capital currently reaches African sovereigns, corporates and projects. Investors increasingly recognise the continent's long term growth potential and the importance of financing climate resilience, but many transactions still struggle to meet expectations around standardisation, transparency, risk clarity and investment readiness. As a result, capital that is theoretically available does not always flow where it is most needed.

What emerged from the discussion was a picture of a market that is no longer debating whether sustainable finance matters, but how it can be scaled more effectively. The conversation has shifted from aspiration to execution. The focus now is on building the frameworks, technical capacity and repeatable market practices that can turn sustainable finance from a promising concept into a durable engine of African growth and resilience.

## Building the foundations for investable markets

One of the clearest themes to emerge was the need to strengthen the underlying conditions that make markets investable. Participants noted that sustainable finance cannot scale

through instruments alone. It depends on credible national sustainability strategies, identifiable project pipelines, transparent reporting and stronger coordination across public institutions. Sovereigns and issuers that can articulate a clear strategy, supported by robust disclosure and practical project identification, are better placed to build investor confidence and return to market successfully over time.

Technical capacity was also identified as critical. Many public sector issuers continue to face practical challenges in identifying eligible projects, coordinating across ministries, establishing reporting frameworks and navigating issuance processes. The discussion underlined the importance of advisory support in helping issuers participate more effectively in labelled debt markets and in building the confidence needed for repeat issuance. Experience from other emerging regions suggests that markets deepen when issuers come back more than once, creating greater familiarity, comparability and trust among investors.



**ACROSS THE CONTINENT, DEMAND FOR INVESTMENT IN INFRASTRUCTURE, ENERGY, RESILIENCE AND INCLUSIVE GROWTH CONTINUES TO RISE.**





## Private capital, commercial discipline and market confidence

Private capital is moving into the space, but selectively. Investor appetite exists, particularly where structures can address long tenor financing needs and where risks are clearly understood and appropriately allocated. Yet many international investors still view African markets primarily through a volatility lens. This makes investor education and exposure especially important. Once investors become familiar with operating assets and repeatable structures, confidence can increase materially and allocation decisions can shift. The challenge is not simply to attract interest, but to create the consistency that encourages long term participation.

A notable shift in the discussion was the increasingly commercial framing of sustainable finance. Across banking and financing markets, sustainability is being linked more directly to asset performance, resilience, energy security and long term borrower stability. Renewable energy, green real estate and sustainability linked instruments are gaining traction not only because they support environmental outcomes, but because they can strengthen financing quality and support more resilient economic activity. In this sense, sustainability is moving closer to the core of credit and capital allocation rather than remaining a peripheral or compliance driven exercise.

## Closing the structural gaps

The discussion also highlighted a number of structural constraints that still need to be addressed. Trade finance remains a vital but often overlooked component of sustainable growth, particularly for exporters and SMEs facing foreign currency and working capital pressures.

Long tenor financing also remains difficult where funding sources are short term or foreign currency denominated. At the same time, an expectation gap persists between issuers and investors on pricing, with sustainable labels alone not necessarily translating into lower financing costs unless they are linked to clearer evidence of improved risk or performance.

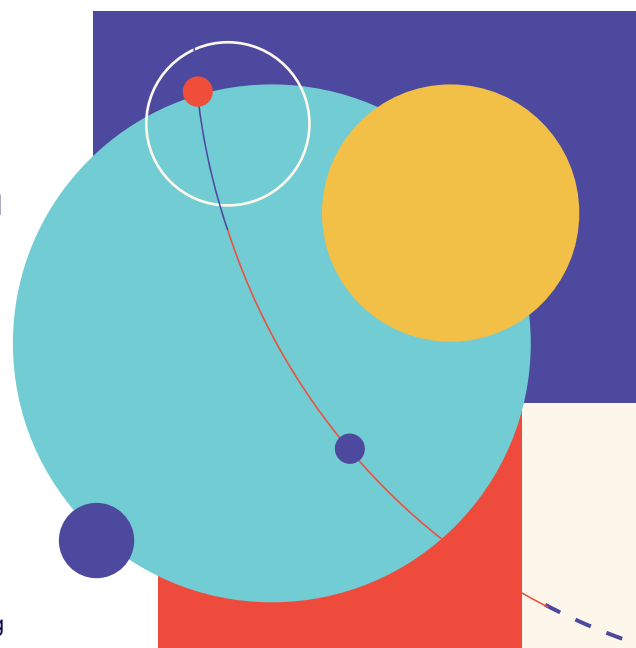
Adaptation finance was identified as another area requiring greater attention. While mitigation finance has advanced more visibly, adaptation remains underdeveloped despite its importance to African markets. Participants pointed to the need for stronger documentation, clearer revenue models and more scalable financing structures if adaptation focused investment is to attract broader institutional support. The broader message was clear: the next stage of market development will depend on reducing friction, improving comparability and making successful structures easier to replicate.

## Looking forward

Africa's sustainable finance market has already moved beyond proof of concept. The next phase is about replication. The priority now is to make successful approaches more predictable, more comparable and easier to repeat across markets and sectors. That means stronger sovereign coordination, continued technical assistance, deeper integration of sustainability into credit frameworks, more innovation in trade and adaptation finance, and financing structures that can mobilise international capital without undermining local stability

Africa has a significant opportunity to shape the next chapter of sustainable finance in a way that reflects the realities

of emerging markets while supporting both climate resilience and economic growth. If public and private stakeholders can convert strong ideas and isolated successes into systems that scale, the continent will not simply absorb more sustainable capital. It will help define how sustainable finance can work more effectively in practice



**WHILE MITIGATION FINANCE HAS ADVANCED MORE VISIBLY, ADAPTATION REMAINS UNDERDEVELOPED DESPITE ITS IMPORTANCE TO AFRICAN MARKETS.**

# The Africa capital markets roadmap

Africa's capital markets have immense latent potential to transform economic growth pathways but realising that potential requires a strategic and sequenced roadmap that tackles both structural gaps and investor perceptions. Today, Africa's capital markets remain modest in scale relative to the continent's economic size. African equity markets account for only around 1 per cent of global equity capital raised since 2000, while debt and bond markets—though expanded—represent a similarly small share of global activity. Market depth and liquidity also lag; combined equity and debt markets in many African countries fall well below 240 per cent of GDP, a common benchmark for developed markets.

## **Bridging perception and reality**

is critical. Many African markets are perceived as riskier than historical performance suggests, largely due to weaknesses in underlying data, inconsistent reporting standards, and gaps in macroeconomic visibility. According to recent OECD<sup>3</sup> analysis, more than 80 per cent of rated African sovereigns were classified as high risk or below in 2024, the highest share across regions, with only a handful achieving investment grade status. These risk perceptions contribute to higher financing costs, with foreign currency sovereign bonds issued by Angola, Cameroon, Kenya and Nigeria yielding above 10 per cent in 2024, significantly higher than comparable Emerging Markets and Developing Economies.

Improving **governance, transparency and regulatory frameworks** is foundational to market credibility. Clear, risk based supervision, improved fiscal reporting, and consistent macroeconomic communication help



**CLEAR, RISK BASED SUPERVISION, IMPROVED FISCAL REPORTING, AND CONSISTENT MACROECONOMIC COMMUNICATION HELP REDUCE UNCERTAINTY AND BUILD INVESTOR TRUST OVER TIME.**

reduce uncertainty and build investor trust over time. Capital markets can only thrive when investors—both domestic and foreign—have confidence in legal protections, enforceable contracts, and transparent pricing mechanisms. Strengthened frameworks accompanying credible fiscal, debt and monetary policy reduce volatility and reinforce market integrity.

## **Local currency market**

**development** is another cornerstone of the roadmap. Substantially expanding local currency bond markets mitigates exchange-rate risk and deepens investor participation. OECD estimates show that local currency bonds now represent around 60 per cent of Africa's marketable sovereign debt, but this share is concentrated in a few large issuers and remains low relative to other emerging markets. Deeper local currency markets expand the investor base, reduce reliance

on foreign capital, and build fiscal resilience, especially in the face of global monetary tightening or abrupt capital flow reversals.

Cross border **regulatory harmonisation and integration** are essential to overcome fragmentation. Initiatives such as regional digital payments systems demonstrate how local currency settlement can cut transaction costs and enhance intra-African trade, easing reliance on dollars for intraregional transactions. Harmonised clearing and settlement environments would significantly improve liquidity and facilitate cross border investment, supporting the emergence of a more integrated pan-African capital market.

The roadmap must also emphasise **institutional investor mobilisation**. Pension funds, insurance companies and sovereign wealth vehicles hold significant long term savings that remain under allocated to domestic capital markets. Creating liquid, long dated instruments that align with these investors' liabilities—such as inflation linked bonds, corporates with robust fundamentals, and securitised products—can channel domestic savings into productive investment. Complementary digital finance solutions, such as retail bond platforms and mobile distribution channels, have the potential to enhance participation across demographic segments, expanding the investor base.

**Strategic partnerships with multilateral institutions** and DFIs are also part of the roadmap. These entities can provide guarantees, technical assistance, and co-investment vehicles that reduce entry barriers for private capital. For example, programmes that anchor local currency issuance or support credit enhancement can

<sup>3</sup>Adult skills in literacy and numeracy declining or stagnating in most OECD countries | OECD

catalyse new market segments, lowering perceived risk premiums and improving pricing for all issuers.

Climate and development finance must be integrated into capital markets planning. Sustainable bonds, loans and climate aligned instruments are projected to grow rapidly and can play a significant role in financing Africa's energy transition while attracting a new class of ESG focused investors. Projections suggest that, under supportive policy scenarios, sustainable finance activity could account for a growing share of total market issuance by 2050, particularly in North and Sub-Saharan Africa.

In conclusion, the Africa capital markets roadmap is not a single initiative but a coordinated suite of reform, infrastructure and market development pillars. Strengthening regulatory and governance frameworks, improving transparency, deepening local currency markets, harmonising cross border infrastructure, mobilising institutional capital, and integrating sustainable finance are all critical steps. When combined, these measures can shift Africa from fragmented national markets toward integrated, resilient, and investable capital systems capable of supporting long term economic transformation.

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