Summary Report of the Fifth Edition of the Financial Afrik Awards (#5FAA)

Dedicated to "Green Finance", the fifth edition of the Financial Afrik Awards (#5FAA), held on December 8, 2022 at Hôtel 2 Février in Lomé, aimed to bring together a representative sample of the African financial ecosystem around a major theme. Green finance refers to financial operations targeting the fight against global warming (adaptation, mitigation) and the promotion of energy transition.
The Togolese Minister of Economy and Finance, Sani Yaya, from the outset, in his opening speech of the conference, reminded the 300 participants (face-to-face and remotely) of the need to innovate in order to capture "the immense potentialities green finance".

Africa, a context of high vulnerability

Togo is positioned as a leading African financial hub, attentive to financial innovations in general and green finance in particular. The current situation in Africa, responsible for about 4% of greenhouse gas emissions but suffering one of the most significant impacts in relation to climate change, is a challenge. With potential losses estimated at 15% of GDP according to the Economic Commission for Africa (ECA) and a risk of a decline of around 30% of GDP per year by 2040 according to estimates by the African

Development Bank development, there is an urgent need to formulate adequate responses.

“In recent years, the continent has paid a heavy price for natural disasters. We have all witnessed and at times been victims of major floods, large-scale droughts and major destruction of infrastructure due to water damage. Beyond the humanitarian problems caused by these disasters, these disasters affect the engine of development in Africa, namely agriculture, aggravate the risk of food insecurity caused by the multiple shocks that the world is experiencing and destroy infrastructure”. says Minister Sani Yaya.
In his speech, the Minister also mentioned the evolution of the international context with the historic agreement signed at COP 27 on the principle of financial compensation in favor of the poorest countries in the face of the damage caused by global warming. An encouraging sign even if the international community has not been able to display new ambitions for the reduction of greenhouse gases. “Aspects remain to be clarified on the aforementioned agreement and we remain attentive to its implementation”, underlines the minister, instructing the president of the African negotiators and his colleagues to carry the voice of Africa in multilateral bodies.

Note that the agreement signed on November 20, 2022 at COP 27 acknowledges the financing of damage suffered by vulnerable countries hard hit by climate disasters. However, the agreement does not mention either the reduction in the use of fossil fuels or the raising of climate ambitions. A committee is responsible for determining the outlines by COP 28, which will take place in Dubai in 2023.

Togo adopts a climate finance strategy

Togo remains sensitive to the issue of global warming and environmental protection.
“For us, it's an existential issue, I was going to say an emergency. This is why the government of the Togolese Republic, under the high guidelines of the President of the Republic, His Excellency Faure Gnassingbé, has adopted a roadmap and a climate finance strategy in 2022, confirming thus its commitment to reconcile the development challenges included in the roadmap with the climate emergency.

It is important that government initiatives in favor of greater climate resilience of our economies are supported by the financial sector. In this regard, I would like to appeal to banks and financial institutions and to the private sector to support governments through innovative initiatives and solutions allowing Africa to seize the opportunities of green finance”.

More than ever, banks and financial institutions should be the vectors and the instruments to capture all this potential and all these new possibilities at the international level. “But how do you do it if you, as banks and financial institutions, don't organize yourselves to seize all these opportunities? “
And the Minister, as a financier who has worked in major institutions, to invite banks and financial players in general to upgrade their internal systems in terms of

organization, in terms of strategies, in terms of instruments as well, but at the same time in terms of internal capacity and expertise. In this mobilization, training will occupy a central place. It takes training but also, the minister concludes, information and communication to be able to capitalize on these resources that escape Africa.

Important issues

The challenges of green finance are indeed enormous, as Seyni Nafo, expert in climate finance, former spokesperson then president of the pool of African negotiators at COP 27 and member of the board of directors of the Green Fund for Weather. “Green finance assets under management are estimated at $35 trillion. Green bonds exceeded 1000 billion dollars at the end of November 2022, of which barely 1% for Africa”. Thus, if we are not careful, the gap will be difficult to fill. Moreover, in a context of catching up on infrastructure (African needs estimated between 75 and 100 billion dollars per year by 2030) and on universal access to energy (75 billion dollars per year of here 2030).

Also, African operators have the responsibility to explore all the possibilities offered by green finance to support the development of the continent. "If its starting point is the climate imperative, it should be noted that green finance goes well beyond environmental finance, which deals with the financing of the preservation of biodiversity, the fight against desertification and the impacts of climatic changes. Faced with these new opportunities, the African ecosystem should, advises Seyni Nafo, invest in an integrated strategy that considers all sources of financing.

Understanding the supply pyramid and structuring demand

Once the stakes of green finance have been highlighted, it will be necessary to structure its demand, which goes from central government to local authorities, including the private sector and financial institutions.
Governments will now have to integrate the climate factor into development planning. The calculation of the return on investment of major infrastructures built over a lifespan of 20 to 30 years and partly financed in the form of loans must include climate risk among the other families of risks. Unlike conventional risks, climate risk is systemic with crises occurring at the same time (eg drought in northern Nigeria and floods in the south) and an increase in frequency and intensity.

Properly taken into account, the climate issue is a source of opportunities, continues Seyni Nafo, addressing the offer after having described the demand. The best-prepared countries came away from the last COP (held in November 2022 in Sharm El Sheikh, Egypt) with significant green finance commitments secured. Thus, South Africa has concluded 8 billion dollars to finance its energy transition. Egypt did the same for $10 billion and Indonesia for $20 billion. These are packages combining concessional, non-concessional and guaranteed financing with different partners.

Egypt has also signed between 83 to 85 billion dollars with about fifteen partners for the production of green hydrogen.
These examples put forward by the keynote speaker illustrate the opportunities of green finance. The countries should first adopt financing strategies integrating all the segments.

The green finance offer is structured in a pyramid with, at the base, the Green Climate Fund (GCF) based in South Korea, the Global Environment Facility (GEF) and the Climate Change Adaptation Fund (FACC).

After this first floor, come the development banks (ADB, EIB, EIB, World Bank) which have climate targets for some, energy targets and climate change adaptation funds for others.

Then, the capital markets then, one floor still above, innovative finance such as the carbon market, philanthropy... You have basically what we would call monetary creation with the most telling example of redirection from IMF SDRs to issues of sustainability and sustainable development.
“At the very top of the pyramid we have quantitative easing. The process is to generate green quantitative easing to accelerate the energy transition and accelerate the fight against climate change,” explains Seyni Nafo, inviting practitioners to look at the entire pyramid of green finance.
On the other hand, suggests the expert, it is essential to segment demand, to take a closer look at the private sector, to consider local authorities in order to arrive at a bank of attractive projects. The structuring of green projects obviously requires detailed knowledge of the financing conditions.
And in the middle, between supply and demand, you have the market and its actors, from those who do the rating, to the project developers, to the investment banks or, to use the words of Seyni Nafo, the “investment bankers” specializing in the climate. The continent should equip itself with such profiles and institutions that work daily to develop well-crafted projects based on national needs.

The global financial ecosystem is changing rapidly. An institution like the IMF has set up a Resilience and Sustainability Trust Fund (RD Trust Fund) to help vulnerable low-income and middle-income countries address longer-term structural challenges that pose macroeconomic risks , such as climate change and pandemics. The trust fund makes it possible to deal with the climate issue in a systemic way and to develop specific instruments for interest rate subsidies and guarantee instruments.

In summary, African countries must identify their needs and set targets to be achieved in terms of fundraising. Similarly, build technical teams that master the instruments and speak English well, the language of finance. At the last COP, it was the countries with well-structured teams at the expert level, at the ministerial level and at the level of heads of state, who came out on top.

Structuring green finance

In panel 1 moderated by Seynabou Dia, CEO of Global Mind, it was question with as speakers Luc Morio, Associate Director of Finactu, Didier Acouetey, president of Africsearch, Sylvestre Gossou, lawyer at the Paris bar and insurance expert and Ousmane Dieng ,
Managing Partner of Exo and, remotely, Doctor Mallet Fofana Direct, Regional Director and Head of Africa Programs at the Global Green Institute (GGGI), to define the roles and expectations of the various actors. Starting with the banks, “still poorly organized to seize the opportunities of green finance”, notes Luc Morio, himself a former bank manager. The green finance axis in commercial banking is often confined to the CSR strategy and it is only recently that the sector entered into transition to seize opportunities in terms of financing. Accreditation with institutions such as the Green Climate Fund is a necessity even if, it must be said, it is currently a costly process both in financial terms and in terms of commitment. Admittedly in the long term, these multi-year approaches are not excessive in view of the mass of costs that a bank can manage.

The question is whether the banks are prepared and whether they have the necessary human resources for such procedures”, explains Luc Morio.
A question for Didier Acouetey, president of Africsearch, who says that there is not yet a lot of training and skills recycling centers in the green, especially on the technical part of project preparation . Although our investment funds, dedicated funds and development banks largely have the capacity to mobilize funds. It is undoubtedly on the technical part that it is necessary to develop the skills to carry out the studies and structure the projects.
We see, continues Mr. Acouetey, that the renewable energy and energy transition sector attracts a lot of investment in South Africa, Morocco, Kenya and elsewhere. But as soon as we leave this niche and move towards agriculture, construction and green technologies, the availability of human resources becomes scarce. The expert lists more than 250 trades around the green and 30 to 50 million jobs to come.

There is an effort to adapt schools, universities and training centers which continue to train young people in the old economy, therefore on traditional profiles and trades.
Addressing the issue, Sylvestre Gossou, expert in compliance governance, also a specialist in the issues of regulated financial entities, insurance companies and banks in particular, believes that the regulatory framework should also be adapted to the extent of the challenges of green finance.
“We are witnessing the beginning of reflection. There are reform projects which are financed in particular by financial institutions, development banks”.
The other important aspect relates to the profitability of green finance. For Ousmane Dieng, managing partners of Exco, “green finance is profitable when it finances bankable projects”. An illustrative example is the cost of
Kilowatt hour hydrogen which is 50% less expensive than the kilowatt hour fossil fuel.
And to call on commercial banks to invest in all areas of the green economy, from energy transition to projects for the exploitation of green hydrogen, solar energy, etc.

Regarding the offer, the expert calls for fully exploiting the possibilities offered by climate funds and the principles of reparation-damage adopted during COP 27. “These are additional resources that we need”.

Include local SMEs in the process

In this momentum towards green finance, the question of access for SMEs (95% of the African economic fabric) to these new mechanisms is raised. What type of ad hoc funding and subsidies should be put in place for these small structures so that the process is not extroverted to the benefit of multinationals and large players? Should the regulations be adjusted to encourage large groups that have the capacity to absorb the costs of feasibility studies and heavy investments relating to green finance to include local SMEs in their value chains? Ousmane Dieng suggests, among other possibilities, a syndication of “Green” labeled SMEs in green finance with claims that can be securitized at the level of local financial markets.

In any case, the problem of liquidity does not arise at the level of the banking sector. The African financial sector has grown considerably over the past 20 years. Commercial banks lend for 20 years on mortgage loans which they partially refinance. Similarly, they lend for 7 years or more on consumer loans. “So, believes Luc Morio, I think that going to lend at twelve years or ten years amortizable on solar projects or even at thirteen years would not be a drama”.
There will always be the question of cost and profitability for a bank. “If a bank has 1 billion to invest. Between going to assess a carbon project and a building construction project, the choice is quickly made. There is a gap in terms of cost to catch up.
In conclusion, the participants in panel 1 believe that information and communication are important in structuring green finance. Just like the establishment of an observatory of the professions of tomorrow. Regulators and operators, especially in the financial sector, have a role to play. It will therefore be necessary, at the level of regulated financial entities, to put in place a real strategy to support the ecological transition.

Panel 2: the role of the private sector

Panel 2 moderated by Adama Wade (Financial Afrik) with speakers
Moubarak Moukaila, BOAD executive and project director of the West African Alliance for the Carbon Market and Climate Finance, Jean Eudes Djah, Associate HC Capital Properties, Géraldine Mahoro, GONAT fund manager, African Development Bank (ADB), Loïse TAMALGO, Eramet General Delegate in Africa and Cédric Montetcho, financier at BADEA, looked at the various mechanisms in the sector in connection with existing funds.

First, the carbon market, which represents 5% of the global market. To access this market, explains Mubarak Moukaila, it will not only be necessary to demonstrate that your project is low carbon but, in addition, it will also be necessary to prove that this project meets the implementation of the Sustainable Development Goals. There are five main criteria that allow you to obtain carbon credits. First, to prove the paradigm shift in the project, the change in technology, to be able to measure the reduction in greenhouse gas emissions (external auditors are called upon at this level) over a period of 5 to 7 years and to prove conditionality and availability. It will be necessary to prove that the low-carbon project is not profitable without the carbon credits.

The involvement of development banks is necessary for the development of this niche. At the level of the West African Development Bank, with the Djoliba strategic plan (2021-2025), a structure will be put in place to support project leaders.
On another niche, the issuance of green bonds by public or private placement constitutes a potential to be explored, as explained by Jean Eudes Djah, Associate HC Capital Properties. “We completed the first green bond issue in Francophone West and Central Africa with a holding company that actually owns the most visited shopping center in Côte d'Ivoire, Cosmos Yopougon.
The particularity of a green bond is that it must have a destination which is to finance a green project. Our underlying was the Cosmos Yopougon shopping center which is in fact a green building certified green building by the IFC and the World Bank, the first building in this case in French-speaking West and Central Africa.

The case of fragile countries

On another level, the particular context of so-called fragile countries is specified in the structuring of green finance. Thus, the GONAT fund, which is a segment of the AfDB's transition fund, aims to support fragile countries in the management and governance of natural resource outflows. The fund covers six countries: Chad, DRC, Central African Republic, Sierra Leone, Mozambique and Zimbabwe. “And we are focusing on two very specific aspects, explains Gerardine Mahoro, manager of GONAT. First is the illegal sale of natural resources and the monitoring of resource-indexed loans in these countries. “We are in mining but we are also interested in the displacement of populations, in deforestation, in the traceability of wood”.

Africa's expectations are enormous in terms of adaptation. According to the Nationally Determined Contributions (NDCs), by 2040 there is an investment need of 12 trillion dollars in the ECOWAS zone for the energy production, electricity transport sector. energy and energy efficiency. Mobilizing these resources necessarily involves the private sector. Risk mitigation instruments (e.g. guarantees) will be needed to increase private sector appetite for such types of projects.

Critical metals, an asset for Africa

If oil is often indexed as responsible for pollution, other resources from the ground are at the center of the energy transition, as Loïse TAMALGO, Eramet General Delegate in Africa, reminds us. The Eramet group is a metallurgical mining group based in

France and present in 20 countries with seventeen mining sites in the world and 3.5 billion euros in turnover. “The expression critical metals is used repeatedly. These rare metals, critical metals, strategic metals are needed to build batteries for green energy storage. These are lithium, nickel, cobalt, manganese, graphite and sometimes also copper.

These critical metals are characterized by the tension they generate on the supply chain, which involves national strategic issues and also geopolitical realities.

These metals are essential for the
digital transition, climate transition and energy transition. All this also equates to the transition to metals. Electric vehicles have batteries made of metals. And demand is predicted to quadruple, if not more, by 2040 for metals like lithium, nickel and cobalt.

The issue is whether critical metals will be able to keep the promise of making possible an energy transition leading to net zero carbon according to the Paris agreements and that we will not enter into a new type of dependence on metals which will be insufficient in the world. 'coming ?

This question is at the center of expectations in Europe where we are trying
to partially solve this problem by recycling batteries as an alternative allowing a kind of circular economy. As far as Africa is concerned today, the question is different with 17% of the world's population for 3.1% of the world's electricity consumption. This is estimated at nearly 26,823 terawatt hours according to BP World Energy Statistics. And each African consumes about 600 kW per year against a world average of 3200 kW and 6005 kilowatt hours at European level and 4600 kW for China.

According to the International Energy Agency (IEA), Africa's total installed capacity is about 233 gigawatts and this is about 12% of China's. The African emergency therefore remains access to energy.

In terms of metals, Africa accounts for 30% of minerals. Greenhouse gas emissions remain relatively low, which can be an advantage. In terms of contribution to reduction, Africa can contribute a lot through its forests of course, but also through its metal potential, in critical metals of which it is not the largest holder, positioning itself behind China and Australia.

And today, concludes Loïse TAMALGO, I will end by saying that we are facing a snake biting its own tail. When we talk about digital transition, we are necessarily talking about energy transition and when we talk about energy transition, we are talking about critical metals. And when we talk about critical metals, we are talking about the need, to also be able to have green energy for the products.

For sure, the financial sector is part of the equation. In this regard, Cedric Montetcho, presented the Green BADEA initiative which supports and finances agricultural banks and soil profitability with organic fertilizers. BADEA is also involved in the financing project for the construction of an electric battery factory in the DRC. Another project, the one developed in Gambia with the planting of 40,000 mangroves, an essential ecosystem in the preservation of diversity.

BADEA, which is developing a portfolio in the 44 African member countries, made a commitment at COP 27 with the Arab coordination group of which it is a member to devote 24 billion dollars to climate finance.
In conclusion, there is a need to harmonize regulations between different countries and adopt common approaches to avoid new competition and erosion of potential.
Gerardine Mahoro suggests that Africa do research and development on fossil fuels, recalling that nuclear power plants were supposed to close in the West twenty years ago. “We are being asked to move towards green energies, in technologies that we don't have, with funding that we don't have, when we have fossil fuels. Instead of going, for example, to invest in the recycling of pollution emissions in fossil fuels, we have to agree to take positions in relation to our potential in natural resources”. We must meet the Sustainable Development Goals in our own way. “We need water drainage, garbage collection, protection of employees, etc, etc”.
These are the African emergencies.

Green finance seen from an economic angle

After two rich panels, it was up to the economist Kako Nubukpo to summarize the question from an economic angle. Between the three emergencies, climatic, demographic and agricultural and the less long term, there is room for action. It is estimated that 40% of
the variation in productivity in agriculture is linked to climate change. Similarly, the loss of gross domestic product due to climate change is estimated at between 3.7 and 11.7%. And for West Africa, this variation is around 5% of GDP, estimates the economist, indicating that GDP is not the best indicator to capture the phenomena of irreversibility linked to climate change. “Economics is based on the measurement of certainty and does not yet have the tools to measure uncertainty”.

The financier manages the risk, the currency manages the uncertainty. And behind the currency, you have the State, that is to say the first sovereign. Behind global warming and massive deforestation, there are health and social impacts and the increased risk of a pandemic. The demographic emergency is also acute in a young continent which doubles in size every 25 years with all that this implies in terms of demand for energy, education, access to employment and the displacement of populations from Sahel to rainforests and mangroves, which significantly reduces biodiversity. So there is clearly the question of managing the demographic transition in relation to the imperative of preserving natural ecosystems. These emergencies require consistency in the determination of the energy mix. The question that should interest researchers is where to place the cursor between renewables and fossil fuels.

On the agricultural emergency, the figures also challenge with, for example, 40 million people in West Africa in a situation of food insecurity, which is about 10% of the population. “These are determinants that add to the crises we are experiencing: security crisis and geopolitical crisis between Ukraine and Russia”.

The security crisis has led to the displacement of populations to urban areas, which reduces agricultural production. This is what we are currently witnessing with a strong post-pandemic recovery which has led to an increase in the prices of agricultural products and inputs. A ton of potash that cost $100 on the international market a year ago is now trading at $840. The impact is real on agricultural productivity and people's access to agricultural products.

In terms of solutions, the contributions determined at the national level (CDN), the climate strategy of UEMOA and the ECOWAS Commission are essential. This is short-term work that must be extended with mechanisms such as the Fund for the resilience of populations in the face of climate change or the Farms project, around agricultural resilience with these three aspects of solidarity, trade and production. . “If we develop vegetable proteins like cowpea, acacia, groundnut, and many others, we can capture much more nitrogen and even CO2 without excessive use of chemical inputs. And so, there is also a whole research work to be done on this side, which focuses on the last point that I would like to address in the short-term solutions”.

And we should not wait in cities like Lomé, capital of Togo, which loses 10 to 20 meters of land every year due to the rise of the ocean.
We have to work on the short term and there the African negotiators have a heavy responsibility to mobilize the resources of the fund of 100 billion dollars per year that we are finding it difficult to reach both for adaptation and mitigation. Ditto for the compensation mechanism that has just been defined.
There is an injustice to be repaired for Africa, which has 17% of the world's population, and only 4% of CO2 emissions. “That is why we need to work around the issue of climate justice. We provide a major service to mining ecosystems by preserving the Congo Basin forest, one of the two lungs of the planet along with the Amazon. And this protection is not remunerated. "Not deforestation is a service we are doing to the rest of the world."

On long-term solutions, Kako Nubukpo emphasizes the preservation of our commons. "I was talking about it just now, we can't be as irresponsible as the rest of the world and so everything we have as a forest, as a lake, as a river, everything we have as land, we have to, on the base of our local governance, try to preserve them”.
The second long-term solution that I see is really ecological protectionism. “I basically think we should put environmental locks in place, so that basically there's carbon neutrality. That is to say that it should cost consumers the same between the consumption of imported products and the consumption of local local products. And so we should put in taxes that some have called carbon taxes.”
It can be more elaborate than that, so that it's neutral for the consumer to choose products made 20,000 kilometers away or to consume locally made products. “So there is this promotion of short circuits which seems fundamental to me and this requires a redefinition of our commercial policy and the question of the protection of goods”.

This is something that seems fundamental to me and this leads naturally to the third long-term solution, which is the search for coherence, public policies".
For Kako Nubukpo, the macroeconomic discourse which is neoliberal in essence with the imperative of balanced public finances, rigorous monetary policy and free trade policy, comes into contradiction with the meso-economic discourse which is the rather neo sectoral discourse mercantilist.
There is also the Asian discourse based on export protectionism and the microeconomic, UN discourse, based on the rights of populations and which is not always compatible with the discourse on emergence carried by the sectoral and the meso economic. And to recall that decent work was not the basis of the industrialization process in Europe and even in Asia.

In the end, there is a connection to be made to correct the inconsistencies of our public policies, our agricultural, environmental, commercial, budgetary and monetary policies. Pushing the reflection, the economist approaches the notion of ecological currency on the basis of the work of Alain Grandjean and Nicolas Dufrêne.
In conclusion, Kako Nubukpo believes that the main issue of green finance in Africa is first of all that of the reconquest of African sovereignty, namely food sovereignty, agricultural sovereignty, budgetary sovereignty and monetary sovereignty. And how these sovereignties can be put at the service of both the preservation of natural ecosystems but also the structural transformation of African economies and societies.
We are tending towards the very redefinition of economics as Lionel Robinson did in 1933, when he spoke of "the science which studies the optimal allocation of scarce resources for alternative purposes".
The only difference of the current context with the 18th and 19th century is that at the time nature was not considered a scarce resource and it has become so over time. "But basically it's still the same optimization program. We simply need to add to the constraints an element that has not traditionally appeared in economics.

The recommendations

In summary, African countries must identify their needs and set targets to be achieved in terms of fundraising.

-Integrate climate risk into development plans.

-Governments are invited to structure the demand at the national and regional level and to gather the expertise necessary to understand the supply of green finance.

-Governments, the private sector and the financial sector are invited to accelerate the accreditation processes with grassroots green finance institutions.

- Governments together with the private sector are invited to develop well-structured project banks to access the opportunities offered by green finance.

-Banks must equip themselves with specialized climate bankers in order to raise their level of monitoring and strategic anticipation on green finance.

Set up an African observatory for green professions, in agreement between the State, the private and financial sector and the academic world.

-Develop a green local content framework allowing local SMEs to integrate the value chain of green projects.

-African countries with critical metals have an obligation to develop a value chain development strategy at the local level.

- Redefinition of industrial and commercial policies with the promotion of short circuits

-Banks, financial institutions and the private sector are invited to support governments through initiatives and innovative solutions enabling Africa to seize the opportunities of green finance.

-Banks and financial actors are invited to upgrade their internal mechanisms in terms of organization, in terms of strategies and in terms of instruments to increase their capacity to mobilize green finance funds.

Special motion

The organizers of the fifth edition of the Financial Afrik Awards warmly thank the Togolese people and his government for the exceptional mobilization observed during the fifth edition of the Financial Afrik Awards. The organizers of the fourth edition would like to thank all the participants, partners, sponsors and Financial Afrik readers for their support in holding this event.

Highlights of the 5FFA

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