

African Sustainable Finance Taxonomy and the ESG landscape

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July 2025



African Sustainable Finance Taxonomy

Sustainability objectives

	Climate change adaptation		Climate change mitigation
<p>Improving the resilience of economic activities and assets, people and nature to the adverse impacts of climate change</p>		<p>Fostering low-carbon development rather than merely decreasing existing emissions, considering that Africa has a low historical contribution to GHG emissions and aims to develop</p>	
	Incomes, jobs and decent work		Modern and liveable habitat & basic quality services
<p>In line with Agenda 2063, supporting creation and access to decent jobs opportunities that improve livelihoods and empower African people while contributing to Africa's sustainable development.</p>		<p>In line with Agenda 2063, living up to the challenges of urban expansion and promoting access to liveable habitat, both in terms of housing conditions and in terms of critical infrastructure (e.g., water, electricity, transport, communications).</p>	

Sectors	Rationale for the selection
Agriculture	Agriculture is the main income generator for the continent. It also contributes significantly to emissions, especially in countries like Rwanda and Tanzania. This sector has a high potential for transitioning to low emissions and adapting to climate change. Additionally, agriculture is one of the most job-intensive sectors across African countries.
Construction and building	Urbanization in Africa has often led to the rise of slums, increasing poverty, and inequality. Many African countries have a large percentage of their urban population living in slums, such as Nigeria with 48.5% in 2022 and Tanzania with 70.1%.
Energy	Energy is the most emissive sector across the continent, so there is significant room for improvement. There are also substantial opportunities in this sector, as Africa holds 44.8% of the total global technical potential for renewable energy.
Manufacturing	Industrialization is a key driver of economic growth. It creates jobs, stimulates innovation, and enhances productivity. The sector has significant potential to develop in a low-carbon way by adopting energy-efficient technologies and sustainable practices.
Transport	Transport is one of the highest emitting sectors in Africa, with emissions on the rise. Additionally, public transport is a crucial part of basic quality services, improving living conditions and providing access to jobs.

Users of Taxonomies



Financial regulators

Facilitate climate- or sustainability-related reporting and disclosure

Measure financial flows toward sustainable assets

Identify sustainable funding gap

Support regulatory interventions



Banks and Financial Institutions

Originate and structure green banking products

Boost efficiency of green lending

Lower transaction costs in identification and verification of eligible assets

Reduce uncertainty and reputational risk



Investors

Disclose exposure to sustainable investments

Understand the exposure of portfolios to green investments and design investment policies

Support engagement with investees



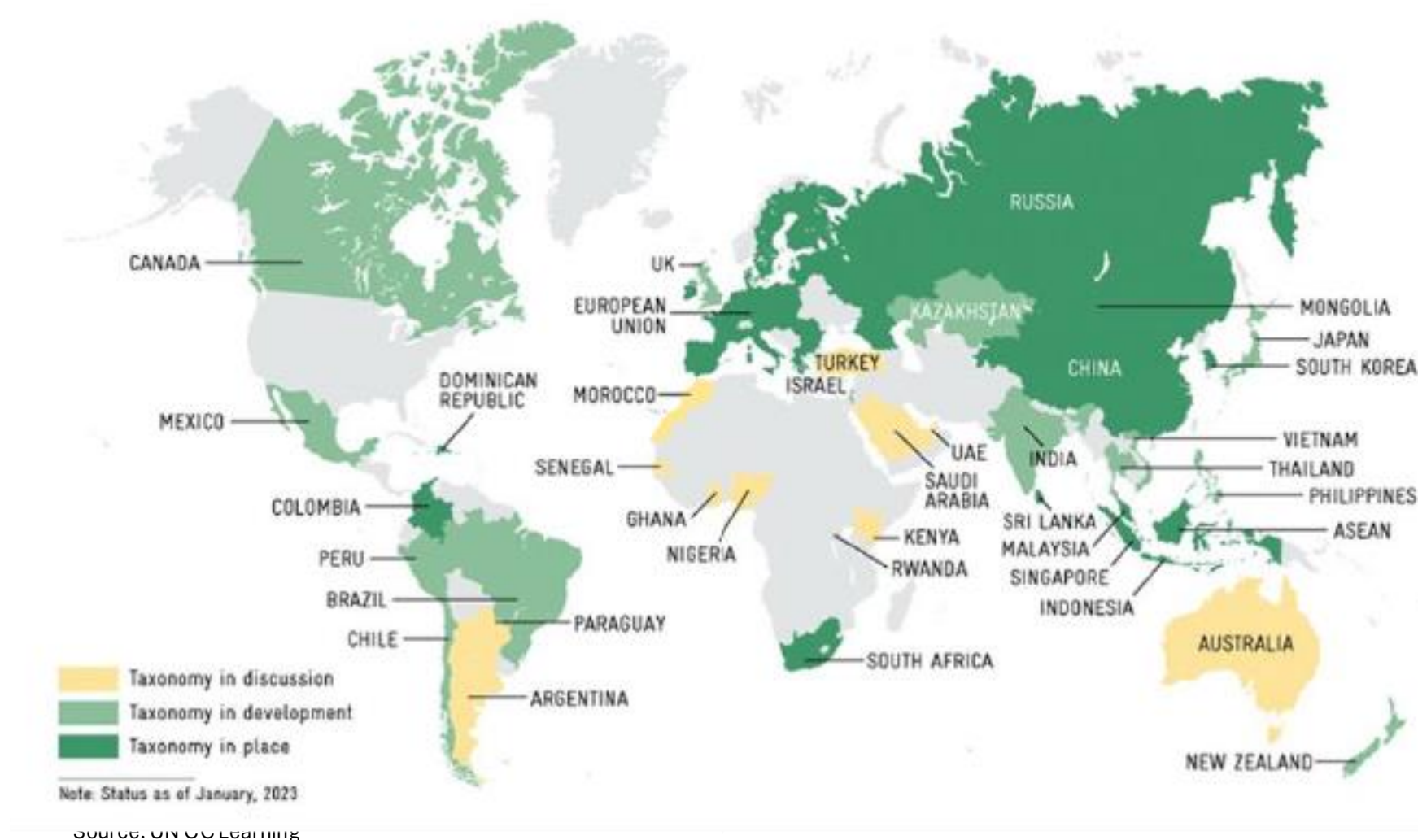
Green Bond Issuers/ Lenders

Identify eligible activities and reporting indicators

Reduce reputational risk and greenwashing

Facilitate market access through committed investors

Global status of Taxonomy development



Taxonomy Scope - Sector/Subsector and Activities in consideration



Finance & Insurance:

Climate risk assessments, climate-resilient investments, new insurance products.



Infrastructure:

Climate-resilient building codes, elevated structures, improved drainage, user tariffs, dedicated taxes.



Agriculture:

Drought-resistant crops, sustainable farming, efficient irrigation, integrated pest management, financing instruments with adjusted return profiles



Water Resources:

Bulk water supply investments, flood defenses, rainwater harvesting, sustainable groundwater extraction, cost-reflective tariffs, non-revenue water programs.



Energy:

Diversification of energy sources, efficiency improvements, reduction of systemic losses, utility reform, resilient grid infrastructure, cost recovery via user tariffs.



Urban Areas:

Green roofs, stormwater management, climate-resilient urban planning, green spaces, funded through general obligation financial instruments.



Coastal Zones:

Sea walls, levees, managed retreats, mangrove/wetland restoration, funded through budget contingencies, reserve funds, contingency loans, protection gap investments.



Forestry:

Conservation efforts, wildfire prevention, funded via park charges or dedicated taxes.



Biodiversity & Ecosystems:

Habitat protection, ecosystem conservation, funded through tourism levies, catastrophe insurance, budget contingencies.



Transportation:

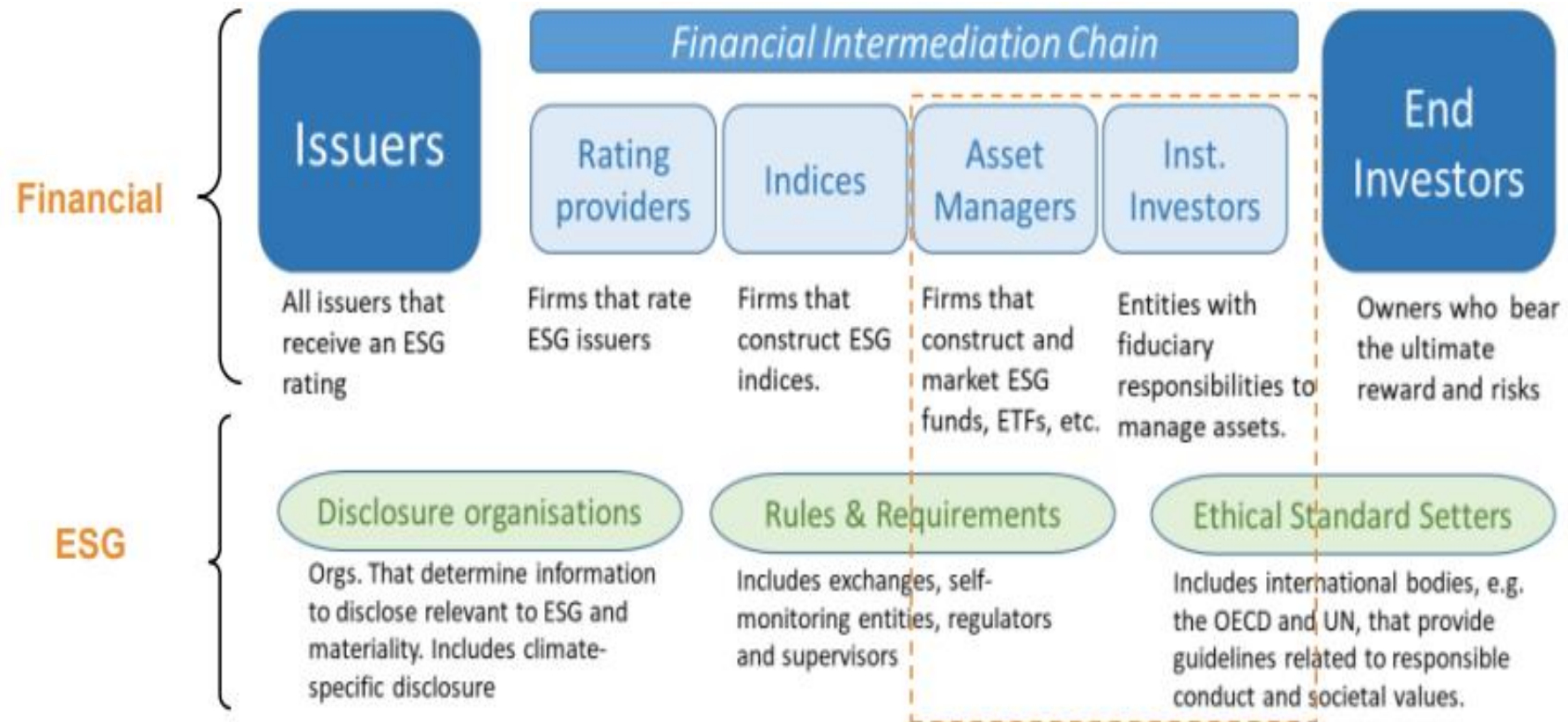
Climate-resilient infrastructure, adaptive management, improved public transport, funded via tolling and fuel levies.



Tourism:

Diversification, sustainable practices, resilient infrastructure, securitized park fees, viability gap financing.

The ESG universe



Source: Adapted from Boffo & Patalano (2020).