

Financing Sustainable Trade in Africa: From Ambition to Action

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1. Introduction

“Financing Africa’s green transition” was among the core topics of the Nairobi workshop on the Remaking Trade Project, themed “Greening Africa’s Future: Sustainable Trade and Green Industrialisation.” . With some of the fastest-growing economies, immense natural resources, and vast renewable energy potential, Africa could anchor the next phase of global decarbonisation. But to seize that role, it must close a staggering finance gap. In 2021-2022, Africa received approximately 43.7 billion USD in climate finance, roughly 23% of the total 250 billion USD required annually, implying a cumulative shortfall of around 2.5 trillion USD that is required between 2020 and 2030.¹

Closing this gap requires the alignment of trade and sustainability. Three instruments hold particular promise for financing sustainable trade in Africa: the carbon markets, green bonds, and development finance institutions. Anchoring these within the AfCFTA framework can unlock far greater potential, as the agreement provides a platform and framework for diverse stakeholders, from the AU and AfDB to the UN, to coordinate efforts. AfCFTA implementation is therefore a timely opportunity to embed sustainable trade principles directly into national and regional policies.

Yet beyond capital markets and climate-specific instruments, sustainable trade in Africa will also depend on reforming the everyday financial mechanisms that enable cross-border commerce. Trade finance such as letters of credit, guarantees, and supply chain finance remains the primary way African firms move goods across borders. Gradually embedding sustainability criteria into these instruments through preferential terms for low-carbon goods, green eligibility standards in export credit, and sustainability-linked trade finance frameworks would allow the AfCFTA Secretariat to green existing trade flows rather than relying only on new sources of climate finance. This would bring environmental objectives directly into the financial backbone of African trade. However, such reforms must be carefully sequenced to avoid turning sustainability criteria into additional compliance burdens for SMEs and low-volume exporters, particularly in countries where certification systems, data infrastructure, and affordable finance remain underdeveloped.

¹ Climate Policy Initiative, *Landscape of Climate Finance in Africa 2024* (October 2024) , Page 3, 65
<https://www.climatepolicyinitiative.org/wp-content/uploads/2024/10/Landscape-of-Climate-Finance-in-Africa-2024.pdf> accessed 4 October 2025

2. Africa's place in the Carbon Markets

Africa's carbon markets are expanding quickly, helped by the Africa Carbon Markets Initiative. The continent's share of voluntary market issuances has risen materially since 2021. By 2024, African projects accounted for a significant share of new listings, even as volumes and prices remain volatile and local communities often see little of the benefits.²

Too often, the continent is treated as a supplier of cheap offsets. That must change. African governments should not just participate in global markets; they should help to shape them. By establishing crediting rules that align with the Integrity Council for the Voluntary Carbon Market's (ICVCM) core principles (Governance-Emission Impact-Sustainable Development) and clear and transparent authorisations for export credits in line with Article 6 of the Paris Agreement, African countries can shift from 'price takers' to 'price setters' in carbon markets.

These reforms also align with Africa's collective negotiating priorities under Article 6 of the Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC) process. The African Group of Negotiators has consistently emphasised environmental integrity, fair benefit sharing, and safeguards against extractive offset models that leave host countries with limited developmental gains. By strengthening domestic governance and authorisation frameworks, African states would not only improve market credibility but also reinforce their broader diplomatic position that carbon markets must support sustainable development, not replicate unequal resource extraction under a green label.

As ICVCM standards tighten across major programmes, higher-quality African projects will be better positioned to secure durable demand and stronger prices. Without reforms, Africa risks continuing with extractive dynamics under the banner of sustainability. The task ahead is implementation, as the ICVCM already provides an assessment framework. The AfDB's forthcoming Carbon Markets Support Facility is a step in this direction. In their soon-to-be-launched carbon markets support facility, the first component will be helping governments to develop policies and regulations governing carbon trading.³ There will also need to be close collaboration with the AfCFTA to ensure harmony and recognition of credits authorised within the member states.

² Fiona Harvey, "“We don't know where the money is going”: the “carbon cowboys” making millions from credit schemes" *The Guardian* (9 February 2023) <https://www.theguardian.com/environment/2023/feb/09/we-dont-know-where-the-money-is-going-the-carbon-cowboys-making-millions-from-credit-schemes> accessed 17 September 2025.

³ [African Development Bank to launch carbon credits support facility | Reuters](#)

3. Green Bonds and how to tap into Private Capital

Green bonds are emerging as yet another key tool to finance sustainable trade. Green bonds dedicate proceeds exclusively to projects with environmental benefits, such as renewable energy, clean transport, or biodiversity conservation.⁴

For Africa, this instrument offers two advantages: i) access to a diversified investor base and ii) enhanced credibility. Recent issuances in Nigeria, Egypt, and Kenya signal momentum, but the scale remains modest. A challenge is that Africa's average climate project size is under USD 2 million,⁵ far smaller than the typical ticket size sought by institutional investors.

Once again, engagement in the coordination activities of various stakeholders presents an opportunity that should be capitalized upon. The standards and issuer already exist. The AfDB has been issuing green bonds since 2013.⁶ However, what is now needed is scale. The AfCFTA Secretariat, working with the AU and the AfDB, should help create an intra-African market architecture. This would entail mutual recognition of green bond frameworks, interoperable registries, and pooled or divisible issuance vehicles that aggregate small projects into investible bonds. The AfCFTA's Protocol on Investment already provides a framework that recognizes sustainable development, in particular, low-carbon investments.⁷ This, coupled with AfDB anchor investments, guarantees, and technical assistance, can ensure a coordinated approach that reduces transaction costs, raises credibility, and meaningfully attracts private capital into sustainable trade across the continent.

⁴ International Capital Market Association (ICMA), *ICMA Guidance Handbook* (November 2023) 9.

⁵ Climate Policy Initiative (n 1) 35.

⁶ [Sustainable Bond Program](#)

⁷ See Article 8 and Part IV of the AfCFTA Protocol on Investments.

4. DFIs as Catalysts and Not Crutches

Beyond the AfDB as the primary financial institution in the region, DFIs should also be included in the conversation. The concessional loans and grants from DFIs have been vital, especially for least-developed countries. But DFIs must do more than fill gaps, they must catalyse private finance. So far, private mobilisation remains weak, even as Africa holds USD 2.4 trillion in domestic pension, banking, and insurance assets.⁸

National DFIs should be empowered to develop climate strategies, aggregate small-scale projects, and de-risk investments for local institutional investors. The objective should be targeted at primarily doing two things: i) de-risking through public finance and ii) scaling through private capital. The AfCFTA Protocol on Investment, by mandating policy sharing and greater regulatory cooperation, provides the legal and institutional space to regionalise these approaches.⁹ The AfDB should lead finance and technical design, while national and multilateral DFIs operationalise collection and investor mobilisation on the ground.

5. Conclusion

Carbon markets, green bonds, and DFIs are not theoretical tools. They are practical instruments that can transform Africa's role in sustainable trade. But the window is closing. By 2030, the cost of inaction could reach 20% of GDP.¹⁰ Financing sustainable trade is Africa's best opportunity to turn vulnerability into strength. That is where the AfCFTA must stop being a backdrop and become the delivery vehicle. The AfCFTA Secretariat, together with the AU and AfDB, should create the continental market architecture needed to do this at scale, provide harmonised recognition of green and carbon standards, interoperable registries, cross-border legal templates for pooled issuances, and rules that ensure benefits flow to communities. Paired with AfDB anchor investments, DFI-led de-risking facilities, and national DFIs packaging pipelines for local pensions and insurers, an AfCFTA-enabled market can shift capital from sidelined, small-scale projects into institutional-grade investments that drive sustainable trade. The question now is whether policymakers, financiers, and businesses will capitalise on this in time.

⁸ Climate Policy Initiative (n 1) 31.

⁹ See Article 9 of the AfCFTA Protocol on Investment.

¹⁰ Climate Policy Initiative (n 1)