Africa Sustainable Finance Hub

UNDP Africa Investment Insights Report

2022 Edition

As the United Nations lead agency on international development, **UNDP** works across 170 countries and territories to eradicate poverty and reduce inequality. We help countries to develop policies, leadership skills, partnering abilities, institutional capabilities, and to build resilience to achieve the Sustainable Development Goals. Our work is concentrated in three focus areas; sustainable development, democratic governance and peace building, and climate and disaster resilience. Learn more at undp.org and follow us on Twitter @UNDP.

The **UNDP Sustainable Finance Hub (SFH)**, including through a dedicated **UNDP Africa Sustainable Finance Hub (ASFH),** aggregates UNDP's work and expertise on financing the Sustainable Development Goals (SDGs). It offers a comprehensive package of methods and tools in support of the organization's SDG integration offer to enable Governments, the private sector and international financial institutions to accelerate financing for the SDGs. Learn more at sdgfinance.undp.org and follow us on Twitter @UNDP_SDGFinance and LinkedIn, UNDP Sustainable Finance Hub.

Foreword

Today, the private sector's role in Africa's economies is more critical than ever. The debilitating impact of COVID-19 resulted in a growing trend of joblessness and poverty and expanded the continent's unmet financing needs by an additional US$153 billion on top of the pre-existing annual shortfall of $200 billion, according to the African Development Bank (AfDB).

To address the growing sustainable development and financing needs at the global level, the United Nations Development Programme (UNDP), through its Sustainable Finance Hub (SFH), supports investors' increasing appetite for deploying capital that achieves not only financial returns but simultaneously maximises social and environmental benefits. The UNDP Africa Investment Insights Report, produced by the Africa Sustainable Finance Hub (ASFH), provides an overview of private sector investment opportunities with the potential to deliver on SDG targets across Africa, in line with the Agenda 2063. The information is based on the SDG Investor Map, UNDP's market intelligence tool that identifies investable solutions to pressing SDG needs. Utilising the findings from 10 countries in 2022, the report offers SDG investment opportunity data and trends across the continent that can promote impactful investments.

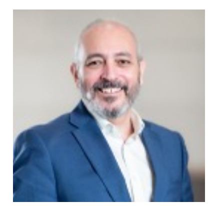
This report presents 157 SDG investment opportunities in 10 sectors across diverse economic contexts in Eastern Africa (Kenya, Mauritius, Rwanda, Tanzania and Uganda), Southern Africa (Eswatini, Namibia and South Africa) and Western Africa (Ghana and Nigeria). The most prominent target sectors, namely Food and Beverage as well as Infrastructure, offer strong multiplier effects for the achievement of the SDGs, including through regional integration and trade, while offering aggregation and diversification potential for investors. The investment opportunities' financial and impact potential is significant, with indicative returns of 15-20% and most investment opportunities generating a new positive outcome for stakeholders who would otherwise be underserved.

The report also makes the case for public-private partnerships in support of impactful investments, as it establishes that most investment opportunities require risk-sharing arrangements and public financing support to be successful, especially for last mile populations and marginalised communities. This market intelligence is our contribution to directing capital to where it is most needed. It builds the basis for working with investors and enterprises to increase their operational sustainability and contributions to the SDGs in pursuit of a net positive impact for people and the planet.

The SDG Impact Standards are used as a holistic universal framework and management approach for embedding sustainability in all decision-making across organizational purpose and strategy, internal management, disclosure, and governance practices.

The private sector is ready to step in, and evidence from the Business and Sustainable Development Commission shows that the private sector has the capacity to generate $1.1 trillion in economic value by 2030. In Africa's energy transition alone, investors could cover 70% of infrastructure financing requirements. The potential of investment for Africa's sustainable development progress cannot be overstated. Shifting just 3.7% of the $100 trillion of global assets under management by institutional investors each year would enable us to achieve the SDGs. Pension funds, as Africa's single largest institutional investor, hold $420 billion, which could be invested for productive purposes towards the wellbeing of Africa's people and the continent's environment.

We call on investors to use this UNDP Africa Investment Insights Report to identify impactful business opportunities across Africa's economies, and work with the in-depth data of the SDG Investor Map, as available on the SDG Investor Platform, UNDP's global market intelligence platform for SDG investment opportunities, to inform their private sector due diligence.



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Executive Summary

The **SDG Investor Map** is a market intelligence tool produced by the United Nations Development Programme (UNDP) in partnership with Government counterparts to help private investors identify investment opportunities and business models that have significant potential to advance the Sustainable Development Goals (SDGs). The aim of the SDG Investor Map is to provide funds, financiers and corporations with actionable data and insights to enable them to use their capital for good, while making a financial profit. Addressing evolving global concerns requires significant funding, which necessitates collaboration with the private sector.

The UNDP Africa Sustainable Finance Hub (ASFH) has completed the mapping of SDG investment opportunities in 10 countries so far. These African SDG Investor Maps usher in a shift in the traditional development financing method by providing investors with access to vibrant and innovative market intelligence as well as insights into the business models and investment prospects in Africa's emerging markets. The SDG Investor Maps provide data sets that enable investors to explore investments with the potential to generate positive impact in addition to financial gains. They help organizations in **directing their activities and capital to where it can have the most impact** on SDG-enabling outcomes in emerging markets, before working with the SDG Impact Standards[1] to **increase the likelihood that they are operating sustainably and contributing positively** to the SDGs.

The **UNDP Africa Investment Insights Report** provides economic, social and environmental insights into selected African markets drawing from SDG Investor Maps in Sub-Saharan Africa. In its second edition, after an initial high-level overview published online[2], the annual publication offers **SDG investment data and trends from 10 African countries**, and provides **financing opportunities**, making the case for **public support for impactful investments**, including through regional integration opportunities.

Highlighting that SDGs offer significant investment opportunities, the 2022 UNDP Africa Investment Insights Report offers the following key messages on SDG investments in Sub-Saharan Africa:

- 10 African SDG Investor Maps identify **157 SDG investment opportunities** with **significant financial and impact potential** in **10 sectors, 22 sub-sectors and 31 industries** across diverse income contexts in Eastern, Southern and Western Africa.

- **Food and Beverage, Infrastructure, Health Care, Education,** as well as **Renewable Resources and Alternative Energy** are the most prominent target sectors for the investment opportunities, using a tailored Sustainable Industry Classification System (SICS) sector taxonomy.

- Most investment opportunities have a **market size of below $50 million and Compound Annual Growth Rate (CAGR) ranges of 5-10%**. Western Africa has the highest market sizes of above $1 billion, primarily situated in the Renewable Resources and Alternative Energy, Technology and Communications, and Infrastructure sectors.

- The indicative return of the investment opportunities is concentrated around **Internal Rate of Returns (IRRs) and Return on Investments (ROIs) of 15-20%**. Western African investmen opportunities exhibit the highest IRR and ROI rates; those in the Financials sector anticipate the highest ROIs.

1 UNDP SDG Impact, 2023. SDG Impact Standards. https://sdgimpact.undp.org/practice-standards.html.
2 UNDP, 2021. SDG Investor Maps in Africa: Investment Opportunity Insights. https://sdginvestorplatform.undp.org/news/sdg-investor-maps-africa-investment-opportunity-insights.

- Most investment opportunities require a **5–10-year timeframe** to generate accumulated positive cash flows. Investment opportunities in the Consumer Goods, Technology and Communications, as well as Services sectors indicate the quickest profitability opportunities.

- Investment opportunities mostly require **investment amounts of $1-10 million**. The Transportation as well as Technology and Communications sectors call for the highest investment amounts of above $10 million, offering potential for large-scale infrastructure investments. Eastern Africa features mostly investment opportunities with smaller ticket sizes of below USD 500,000.

- **SDG 2 – Zero Hunger and SDG 9 – Industry, Innovation and Infrastructure** are most addressed by the investment opportunities while SDG indicator 2.1.1 Prevalence of Undernourishment is the most impacted SDG indicator by the investment opportunities.

- Utilising the ABC Impact Norms, most investment opportunities are classified as "**contribute to solutions"**, indicating that they generate a new positive outcome for a stakeholder who would otherwise be underserved. This signals a significant potential development impact of the investment opportunities.

- Most investment opportunities target **semi-urban areas**. Western Africa shows the strongest focus on investment opportunities in urban areas, and Southern Africa has the highest proportion of investment opportunities targeting rural areas.

- Most investment opportunities require **risk-sharing arrangements and public financing support** to be successful. A blended finance approach shows potential to address barriers for private sector contributions, such as addressing policy and regulatory gaps and driving otherwise successful business models to last mile populations**.**

- **Supply chain constraints** are the major market risk identified for the investment opportunities, followed by highly regulated markets and capital intensity of investment opportunities.

- In order to enhance financial and impact performances, investment opportunities can leverage **regional value chains**, **varying offers** of the respective regions, **aggregation potential** beyond national borders, and **diversification opportunities** towards regional integration on the continent.

Detailed findings of the African SDG Investor Maps are publicly accessible on the SDG Investor Platform at https://sdginvestorplatform.undp.org/market-intelligence.

It offers comprehensive data points covering business and impact considerations, and providing a tangible starting point for private sector due diligence.

SECTION 1

SDG INVESTMENT DATA AND TRENDS ACROSS AFRICA

1. Introduction

The SDG Investor Map is a market intelligence tool produced by the United Nations Development Programme (UNDP) and partners to help private investors identify investment opportunities and business models that have significant potential to advance the Sustainable Development Goals (SDGs). The SDG Investor Map, created by the UNDP Sustainable Finance Hub (SFH) SDG Impact[3] flagship initiative aims to equip funds, financiers, and corporations with actionable data and insights that would allow them to deploy their capital for good while generating a financial return. As a result, UNDP contributes to the financing of the SDGs by directing private resources to areas where it can make a difference for people and planet.

Across Sub-Saharan Africa, UNDP has so far completed SDG Investor Maps in Eswatini, Ghana, Kenya, Mauritius, Namibia, Nigeria, Rwanda, South Africa, Tanzania and Uganda, with all findings available publicly on the SDG Investor Platform[4]. In Ghana, SDG Investor Map Deep Dives into target districts and sectors are under production, which provide additional granularity on sub-national and sectoral investment opportunities. Additional SDG Investor Maps are in the finalisation stage in Gabon, Lesotho, Malawi, Seychelles and Zanzibar. Meanwhile, The Gambia, Togo, Mauritania, Republic of Congo and Sierra Leone are pursuing their SDG Investor Map development process.

This 2022 edition of the UNDP Africa Investment Insights Report provides economic, social and environmental insights into African markets drawing from the completed 10 SDG Investor Maps in Sub-Saharan Africa. They are based on 157 distilled Investment Opportunity Areas (IOAs)[5] with data-backed business models that show significant financial and impact potential in their country and sub-national contexts. The market intelligence is spread across low-income (2 countries), lower-middle-income (6 countries), upper-middle-income (1 country) and high-income (1 country) status countries, including least-developed countries (LDCs). The report includes analyses across Sub-Saharan Africa as well as regional findings from Eastern, Southern and Western Africa.

2. Target Sectors and Industries

The completed African SDG Investor Maps have a regional distribution where most IOAs are available in Eastern Africa (52%), followed by Southern Africa (30%) and Western Africa (18%). Using a tailored[6] Sustainable Industry Classification System (SICS) by the Sustainable Accounting Standards Board (SASB), the investment opportunities are distributed across 10 sectors, 22 sub-sectors and 31 industries. The most prominent sectors of the African SDG investment opportunities are:

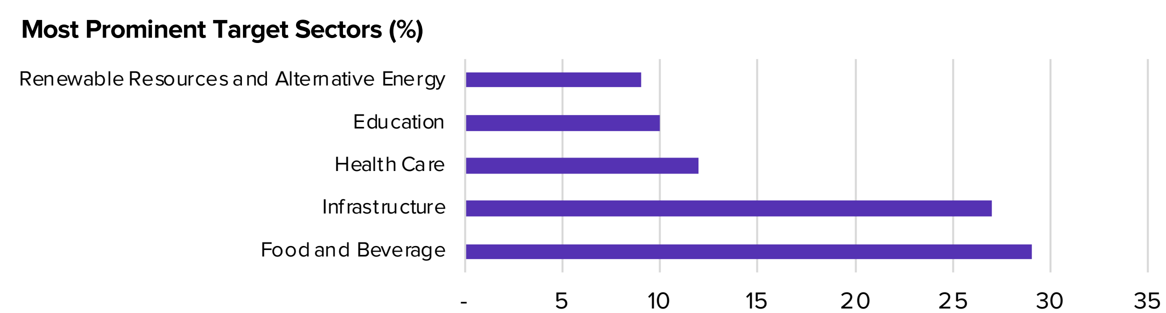

Chart 1: Most Prominent Target Sectors

3 UNDP, 2023. SDG Impact. https://sdgimpact.undp.org.
4 UNDP, 2023. SDG Investor Platform – Market Intelligence. https://sdginvestorplatform.undp.org/market-intelligence.
5 Ibid.
6 UNDP, 2023. SDG Investor Platform – Sectors. https://sdginvestorplatform.undp.org/sectors.

IOAs by Priority Sectors and Region (%)

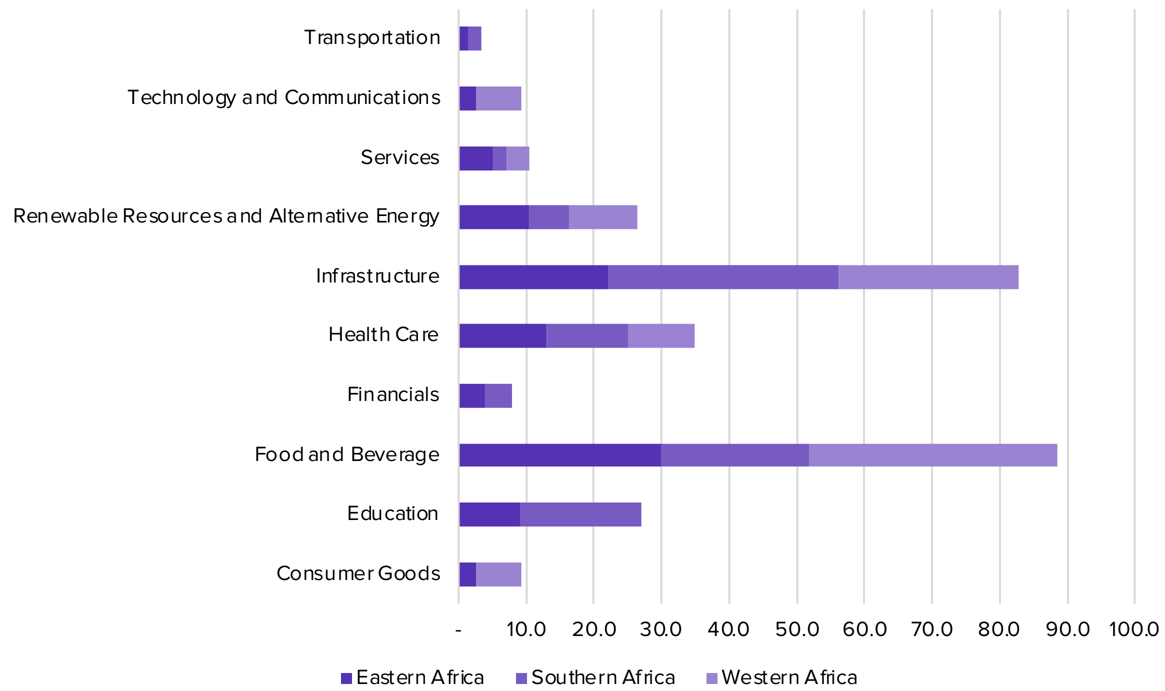

Chart 2: IOAs by Priority Sectors and Region

Eastern Africa and Western Africa follow the continental pattern with most IOAs situated in the Food and Beverage sector (30% and 38%, respectively), followed by Infrastructure (22% and 27%, respectively) and Health Care (13% and 10%, respectively). In Southern Africa, Infrastructure tops the sectors with 34%. Education (18%) also features more prominently than in other regions. Western Africa uniquely features comparably prominent investment opportunities in the Consumer Goods as well as the Technology and Communications sectors (at 7% each).

On the industry level, Agricultural Products is the most prominent target industry with 22% of the IOAs situated in this industry, followed by Waste Management (8%), Solar Technology and Project Developers (7%), Engineering and Construction Services (6%), as well as Health Care Delivery (5%). From a regional perspective, Solar Technology and Project Developers, Waste Management, as well as Agricultural Products IOAs are mainly found in Eastern Africa. Southern African IOAs have a focus on the Health Care Delivery as well as Engineering and Construction Services industries. Outside of the top industries across the regions, IOAs in the Appliance Manufacturing, Wind Technology and Project Developers, as well as Professional and Commercial Services industries feature exclusively in Western Africa.

3. Market Sizes

Across the regions, from those IOAs identifying a market size in US dollar value, most have a market value of below $50 million (34%), followed by 33% with a market size of $100 million – 1 billion. 25% of the IOAs have a market size of above $1 billion. For IOAs with a market size identification using a Compound Annual Growth Rate (CAGR)[7], most have CAGR ranges of 5-10% (29%), followed by below 5% and 10-15% (both 19%). 14% of IOAs have a CAGR of above 25%.

7 CAGR describes the historical or expected annual growth of revenues (or market sizes) during a particular period.

With 50%, IOAs within Western Africa have the highest market sizes of above $1 billion, primarily situated in the Renewable Resources and Alternative Energy, Technology and Communications, and Infrastructure sectors. On the other hand, East African IOAs have the greatest numbers of IOAs with a market size below $50 million, which may signal a dominance of Small and Medium Enterprises (SMEs) in the region. Southern African IOAs are mainly within the $100 million – 1 billion market size bracket.

In Eastern Africa, most IOAs (40%) have a CAGR of 5-10%, primarily situated in the Consumer Goods, Infrastructure as well as Food and Beverages sectors. Southern Africa has an equitable distribution (at 25% each) across CAGRs of below 5%, 15-20%, 20-25% and above 25%. In Western Africa, all IOAs exhibit CAGRs of below 5%.

4. Indicative Return Profiles

Across the regions, most IOAs expect an Internal Rate of Return (IRR)[8] range of 15-20% (27%) or a Return on Investment (ROI)[9] range of 15-20% (28%), followed by the 20-25% range (26% of IOAs for IRR and 28% of IOAs for ROI). For IOAs indicating Gross Profit Margins (GPM)[10], most IOAs expect above 25% (50%), followed by 5-10% (25%).

IRR and ROI Range Distribution (%)

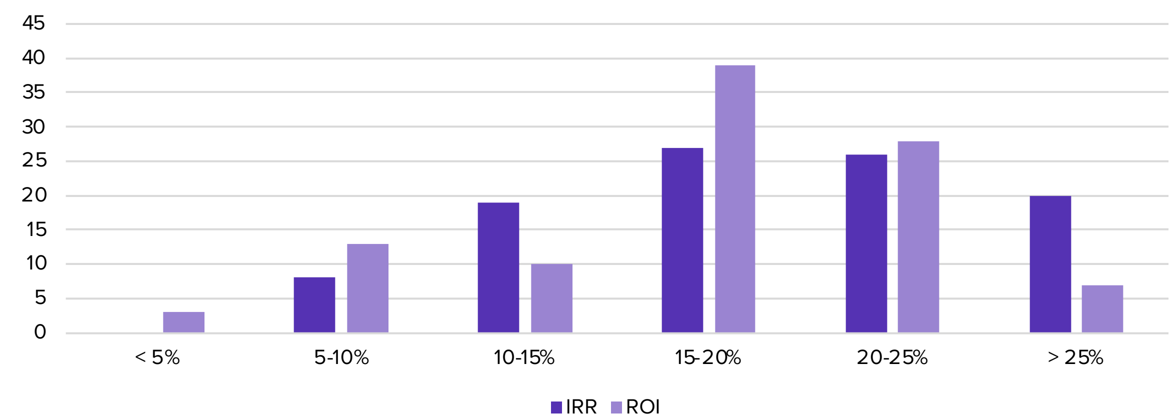

Chart 3: Indicative Return Profiles of IOAs Across Two Key Metrics and Across the Regions

Western Africa exhibits the highest IRR rates with 65% of IOAs at 20% and above. The region also has the highest ROI rates with 55% of IOAs at 20% and above. Southern Africa offers lower ROI rates with 38% of IOAs below 10%, while 63% of IOAs expect IRRs of 15-25%. IOAs in Eastern Africa feature mostly ROI and IRR rates of 15-20% (58% and 24%, respectively).

Across the regions, IOAs in the Financials sector anticipate the highest ROIs with all IOAs having an ROI above 15%. This is followed by Health Care with 90% of the IOAs indicating an ROI of above 15%, and Renewable Resources and Alternative Energy where 80% of IOAs have an ROI of above 15%.

For IOAs reporting IRRs, the Services sector accommodates the IOAs with the highest IRR, where 80% of the IOAs provide an IRR of above 15%, followed by the Infrastructure and Health Care sectors, where 69% and 67%, respectively, of the IOAs are projected to have an IRR of above 15%.

8 IRR describes the annual rate of growth an investment.
9 ROI measures the return from an investment over its lifetime.
10 GPM describes an investment's or company's net sales minus the Cost of Goods Sold (COGS).

For GPM, the highest return profiles are expected within Health Care and Renewable Resources and Alternative Energy sectors with all IOAs having a GPM of above 25%; followed by Infrastructure, with most IOAs expecting a GPM of above 20%.

Across all three metrics, the IOAs expected to generate the highest returns are concentrated in the Health Care, Infrastructure, and Financials sectors.

5. Investment Timeframe

Across the regions, nearly half of the IOAs (45%) require 5-10 years to generate accumulated positive cash flows; 33% expect a short-term investment timeframe of fewer than 5 years, with the remaining 22% of IOAs indicating a long-term timeframe of over 10 years. The same investment timeframe characteristics are observed on the regional level.

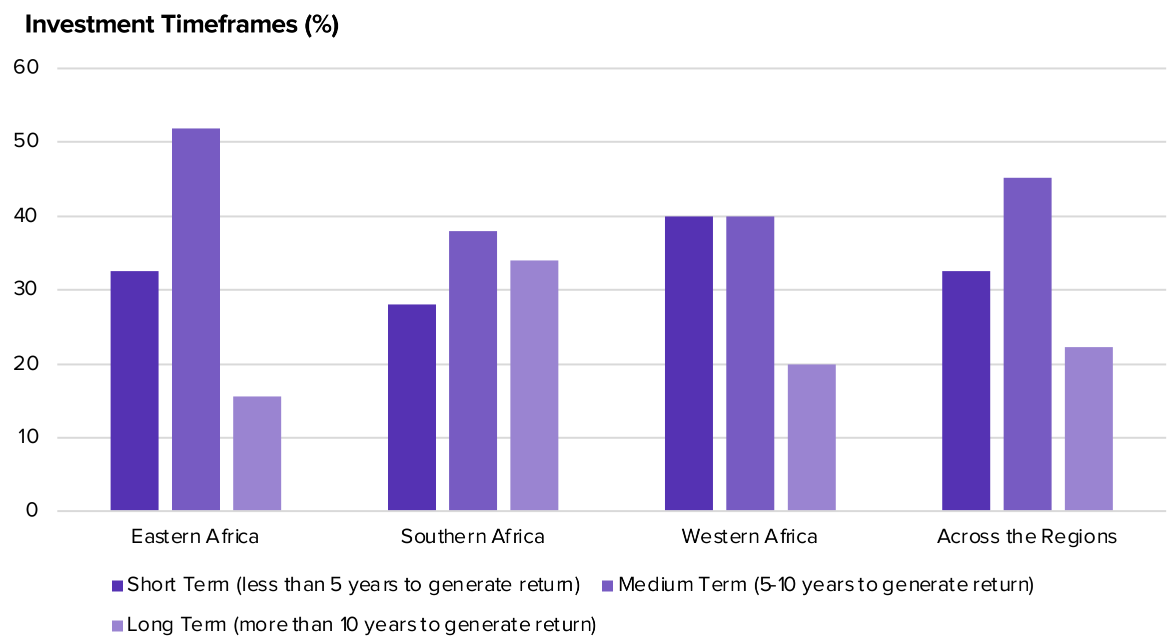

Chart 4: Investment Timeframes of IOAs by Region and Across the Regions

IOAs in the Consumer Goods, Technology and Communications, as well as Services sectors (50% each) exhibit the shortest investment timeframes, indicating quick profitability opportunities. The Transportation and Infrastructure sectors, on the other hand, feature IOAs with the longest investment timeframes (100% and 38% require long-term timeframes of more than 10 years, respectively).

6. Ticket Sizes

Across the regions, most IOAs (37%) require investment amounts to realise the business model – or ticket sizes – of $1-10 million, followed by 24% with a ticket size of below $500,000, 20% with a ticket size of above $10 million, and 19% with a ticket size of $500,000 – 1 million.

Southern Africa and Western Africa have primarily IOAs with ticket sizes of $1-10 million at 43% and 47%, respectively. Eastern Africa, however, features mostly IOAs with smaller ticket sizes of below $500,000 (32%).

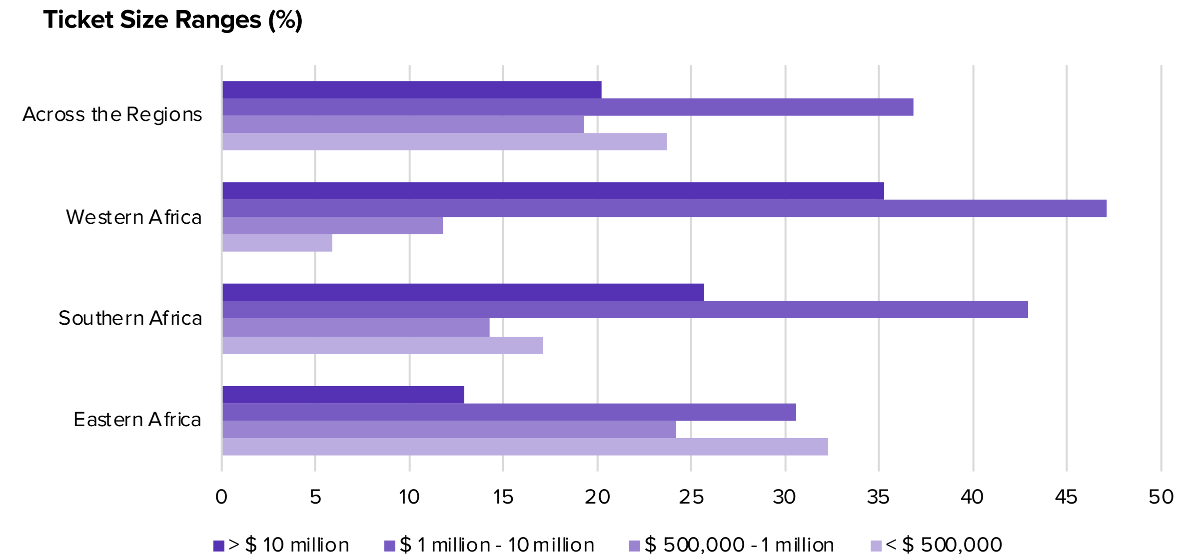

Chart 5: Ticket Size Ranges of IOAs by Region and Across the Regions

Looking at sectoral distributions across the regions, the Transportation as well as Technology and Communications sectors require the highest investment amounts with ticket sizes of above $10 million for all IOAs. Most small ticket size opportunities of below $500,000 are available in the Renewable Resources and Alternative Energy, Food and Beverage as well Infrastructure sectors at 39%, 31% and 31% of IOA distribution, respectively. Investment opportunities in the Services and Financials sectors majorly require investment amounts of $1-10 million (80% for both), and the Consumer Goods sector is dominated by opportunities with ticket sizes of $500,000 – 1 million and $1-10 million (at 50% each).

IOAs with the biggest market sizes – of above $1 billion – primarily require a long-term investment timeframe of over ten years (35% of all IOAs). To generate return within five years, the market sizes typically reduce to $100 million – 1 billion (64% of the IOAs).

Investment opportunities with higher IRRs of 20-25% require investment amounts of $1 - 10 million (18% of IOAs), indicating that investment opportunities with larger ticket sizes are more likely to generate higher returns.

7. SDGs and Impact Classification

At 12% each, SDG 2 – Zero Hunger and SDG 9 – Industry, Innovation, and Infrastructure are the SDGs most addressed by IOAs. The SDGs that are least affected by the investment opportunities are SDG 16 – Peace, Justice and Strong Institutions and SDG 14 – Life Below Water.

On the indicator level, 2.1.1 Prevalence of Undernourishment (9%), 7.1.1 Proportion of Population with Access to Electricity (7%), and 1.4.1 Proportion of Population Living in Households with Access to Basic Services (6%) are the most addressed SDG Indicators by the investment opportunities.

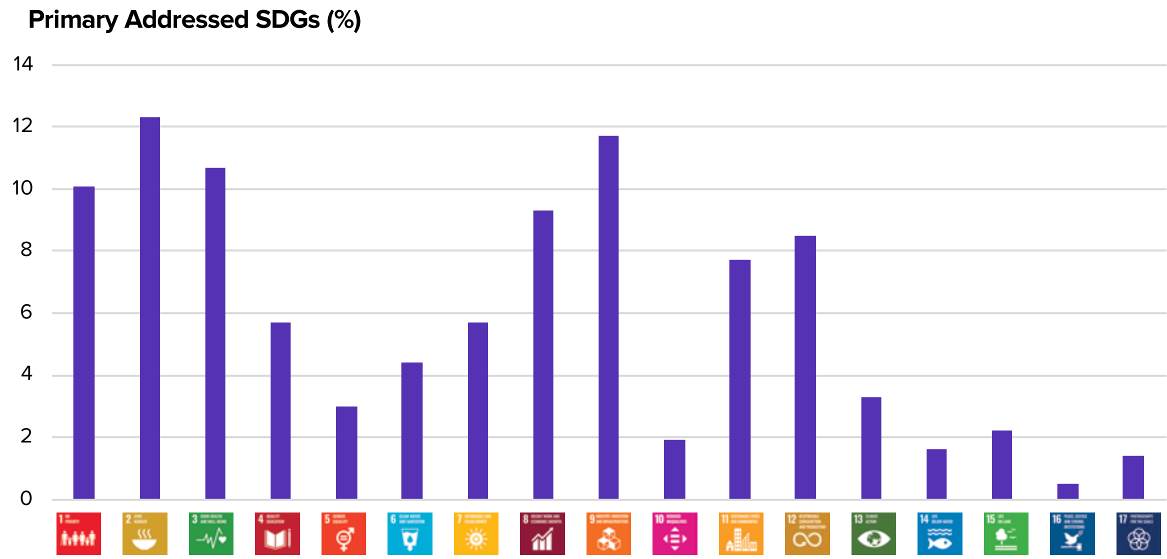

Chart 6: Primary Addressed SDGs by IOAs Across the Regions

IOAs in Eastern Africa exhibit a strong impact on SDG 14 – Life Below Water (83%), SDG 5 – Gender Equality (82%), and SDG 15 – Life on Land (75%). Southern African IOAs show a focus on SDG 4 – Quality Education (48%), SDG 10 – Reduced Inequalities (43%), and SDG 17 – Partnership for the Goals (40%). For Western Africa, within the addressed SDGs, IOAs within the region impact significantly on SDG 17 – Partnership for the Goals (40%), SDG 14 – Life Below Water (33%), and SDG 2 – Zero Hunger (27%).

Utilising the ABC Impact Norms[11], as developed by the Impact Management Project (IMP) and incorporated by the Impact Frontiers, the majority of IOAs (53%) "contribute to solutions", which means they generate a new positive outcome for a stakeholder who would otherwise be underserved. 41% of IOAs Benefit Stakeholders, and are hence maintaining or improving a positive outcome. The remaining 6% "act to avoid harm", which reduces or mitigates a negative outcome. Overall, this signals a significant potential development impact of the investment opportunities.

In Western Africa, the majority of IOAs "benefit stakeholders" (52%), while IOAs with an "act to avoid harm" classification are proportionally featured most in Western Africa (at 10% within the region).

IOAs expected to "contribute to solutions" are mainly concentrated in the Infrastructure (17%), Food and Beverage (12%), and Health Care (8%) sectors. The IOAs likely to "benefit stakeholders" are mainly found in the Food and Beverage (17%), Education (7%), and Infrastructure (7%) sectors. IOAs expected to "act to avoid harm" are concentrated in the Infrastructure (2%), Food and Beverage (1%) and Financials (1%) sectors.

11 Impact Frontiers, 2023. Norms – ABC of Enterprise Impact. https://impactfrontiers.org/norms/abc-of-enterprise-impact/.

Country	IOA	Business Model	Primary Addressed SDGs	Impacted SDG Indicators
Nigeria	Biomass Energy	Build and operate biomass plants to generate energy for sale to local utility companies or directly to end users.		7.1.1 Proportion of population with access to electricity 7.1.2 Proportion of population with primary reliance on clean fuels and technology 7.2.1 Renewable energy share in the total final energy consumption
Mauritius	Medical Devices Production	Design and manufacture medical devices such as catheters, medical balloons and stents that are utilized in various branches of medicine, including cardiology, radiology, gastroenterology and urology, which are competitive across global markets, including North America, South Eastern Asia and Western Europe.		3.4.1 Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease 3.8.2 Proportion of population with large household expenditures on health as a share of total household expenditure or income
				9.b.1 Proportion of medium and high-tech industry value added in total value added 9.2.1 Manufacturing value added as a proportion of GDP and per capita
Namibia	Green Hydrogen Infrastructure Development	Develop the required infrastructure to produce highly competitive green ammonia and green hydrogen destined for export. Key infrastructure opportunities include i) a green hydrogen and ammonia plant with wind, solar, electrolysis and desalination assets; ii) a new deepwater port in the harbour town of Luderitz; iii) a wind blade manufacturing plant; iv) and a green steel and fertilizer plant.		7.2.1 Renewable energy share in the total final energy consumption 7.a.1 International financial flows to developing countries in support of clean energy research and development and renewable energy production, including in hybrid systems 7.b.1 Installed renewable energy-generating capacity in developing countries (in watts per capita)
				9.2.1 Manufacturing value added as a proportion of GDP and per capita 9.a.1 Total official international support (official development assistance plus other official flows) to infrastructure
Tanzania	Edible Oil Production	Provide and operate machinery and technology for the commercial processing of high-value field crops, such as marula, sunflower, avocado and palm, into refined and double-refined edible oil for local consumption and export through a public-private partnership model. The public sector allocates suitable land for installation of processing facilities together with relevant infrastructure, such as roads, power and water utilities, and requisite incentive package structure to encourage local value addition.		9.2.2 Manufacturing employment as a proportion of total employment 9.2.1 Manufacturing value added as a proportion of GDP and per capita
				2.b.1 Agricultural export subsidies 2.4.1 Proportion of agricultural area under productive and sustainable agriculture 2.3.1 Volume of production per labour unit by classes of farming/pastoral/forestry enterprise size

Chart 7: Examples of IOAs and their addressed SDGs and impacted SDG indicators

8. Geographical Characteristics

Across the regions, most IOAs target semi-urban areas (39%), followed by urban (32%) and rural (30%) areas, speaking to the continent's focus on resilience and its growing urbanization.

Western Africa shows the strongest focus on investment opportunities in urban areas (43% within the region), and Southern Africa has the highest proportion of IOAs targeting rural areas (38% against 30% in Western Africa and 24% in Eastern Africa). At the country level, investment opportunities in rural areas are prevalent in Eswatini, Kenya and Namibia. IOAs in Nigeria and Tanzania target mostly urban areas, while semi-urban areas feature predominantly in Ghana, Mauritius, Rwanda, South Africa, and Uganda.

For Eastern African IOAs with semi-urban target location characteristics, Food and Beverage (57%), Health Care (60%), and Infrastructure (44%) are the top target sectors; Education (86%), Financials (67%), and Infrastructure (56%) are most prominent for IOAs in urban areas. In Western Africa, IOAs in urban areas are mainly in the Services (100%), Health Care (67%), and Infrastructure sectors (62.5%), while the target sectors for rural area IOAs are Consumer Goods (50%), Technology and Communications (50%), and Food and Beverage (45.5%). For Southern Africa, the IOAs in semi-urban areas are mainly in the Health Care (67%), Education (56%), and Financials sector (50%), while rural area IOAs are mainly in the Services (100%), Renewable Resources and Alternative Energy (100%), and Food and Beverage (64%) sectors.

Comparing geographical and impact data points, it shows that "act to avoid harm" IOAs are more likely to be realized in urban areas (44%) and semi-urban areas (33%). "Benefit stakeholders" and "contribute to solutions" investment opportunities are concentrated in semi-urban areas (38% and 41%), while "benefit stakeholders" investment opportunities target rural areas in approximately a third of IOAs (34%).

The SDG that is most prominently addressed for "act to avoid harm" and "contribute to solutions" IOAs is SDG 1 – No Poverty (44% and 21%), and SDG 4 – Quality Education for "benefit stakeholders" IOAs (20%). The SDG most likely to be impacted by IOAs in rural and semi-urban areas is SDG 2 – Zero Hunger (26% and 25%), while for IOAs in urban areas, it is SDG 1 – No Poverty (26%).

SECTION 2

FINANCING SDG INVESTMENT OPPORTUNITIES AND THE CASE FOR PUBLIC SUPPORT

1. Financing Models

Looking at predicted financing options for investment opportunities across geographies, only 37% of IOAs are appropriate for financing at ordinary market conditions through commercial instruments.

Most IOAs (42%) necessitate a blended financing model that includes risk-sharing arrangements. A further 21% of IOAs rely on a concessional financing model, such as concessional infrastructure loans, with conditions that are more generous than standard market rates. This shows that the majority of the investment opportunities with SDG potential (63%) require a financing model that necessitates public support to be successful.

Financing Models (%)

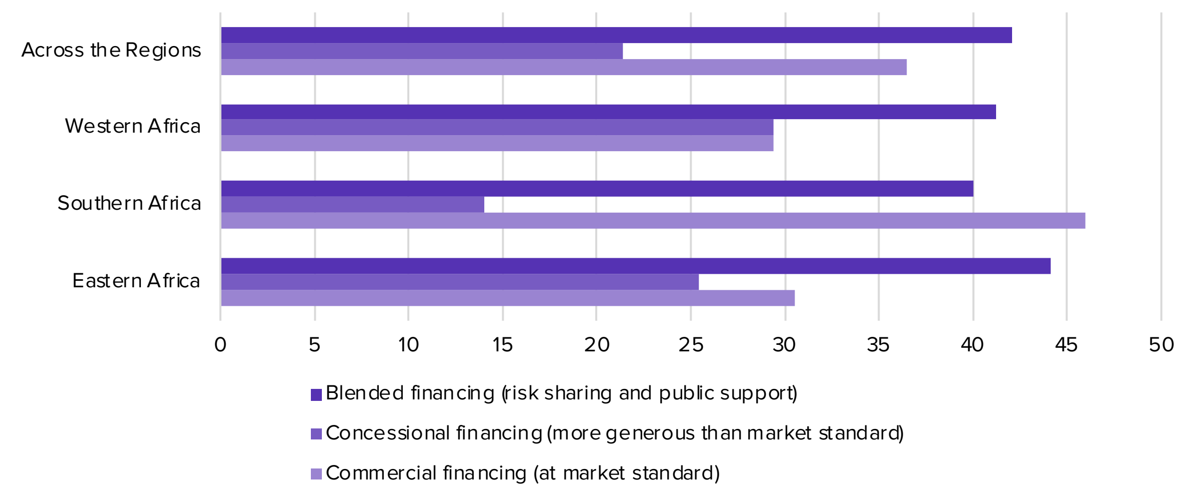

Chart 8: Financing Models for IOAs by Region and Across the Regions

With 46% of IOAs, Southern Africa has the highest proportion of investment opportunities suitable for financing at standard market conditions. In Western Africa and Eastern Africa, 29% and 31% of IOAs, respectively, can be financed through a commercial model. Both these regions feature blended financing opportunities (41% and 44%, respectively) more prominently than concessional financing opportunities (29% and 25%, respectively).

Across the regions, 44% of IOAs with investment amounts smaller than $500,000 require blended financing models, while 30% within that ticket size bracket are ready for commercial financing. IOAs with ticket sizes above $10 million also require blended financing models (56%), while the rest can be realised through commercial or concessional financing (22%). For IOAs with ticket sizes of $1-10 million, 45% require blended financing, and 29% and 21% can attract commercial and concessional financing, respectively.

Bringing in selected regional dimensions, 75% of Eastern African IOAs in the Infrastructure sector seek blended financing for ticket sizes of $500,000 – 10 million. In Southern Africa, IOAs with ticket sizes below $500,000 and $1 – 10 million are most suitable for blended financing and commercial financing, while Western African IOAs mostly target blended and concessional financing models for IOAs with investment amounts of over $10 million.

2. Blended Finance and Market Risks

The above data signals the importance of risk-sharing arrangements and public financing support to realise SDG investment opportunities with the private sector across Africa. This is in line with blended finance being one of the priority reform areas for financing strategies in the Integrated National Financing Frameworks (INFFs)[12], both globally and across Sub-Saharan Africa[13]. INFFs offer a holistic and integrated view of countries' financing landscapes, and also provide opportunities to address potential policy and regulatory barriers hindering private sector provide to sustainable development priorities.

Globally, the SDG Investor Map identifies common challenges that create entry-level barriers to private sector investments, which provide collaboration opportunities with the Government and development partners, including Development Finance Institutions (DFIs). Examples from across Africa exist where a blended finance approach has the potential to enhance private sector participation through a range of mitigation measures:

- **High Capital Expenditure**: Subsidise initial capital expenditure to lower entry barrier. For example, in Djibouti, large solar farm installations[14] that could address the country's power needs require high capital investment.
- **Lack of Skills and Capacities for Project Execution**: Implement technical and vocational education and training (TVET) programs to close skill, innovation, and capacity gaps so that businesses can capitalize on product and service opportunities. For example, in Rwanda, capacity-building activities may be necessary to unlock the full-scale potential and implement innovative technologies for water treatment plants[15].
- **Enabling Environment Gaps**: Implement incentive structures that simplify and streamline procurement processes in order to increase public-private financing partnerships. For example, in South Africa, waste recycling[16] is influenced by restrictive legislation with short procurement durations and onerous procurement processes; therefore, de-risking mechanisms and incentives are required to attract private sector capital.
- **Affordability**: Drive otherwise successful business models to the last mile populations. For example, in Rwanda, farmer insurance[17] necessitates affordable solutions to reach marginalised farmers most in need, and private insurance providers, investors and the government are exploring a blended finance scheme to provide affordable insurance to farmers.

Such mitigation measures can go hand-in-hand with other de-risking tools, such as diversifying the investor base, ensuring sound financial management, and implementing effective governance structures, which support investor confidence especially for financing beyond debt and to make equity and quasi-equity a viable option.

The above-outlined challenges are also generally reflected among the market risks identified in the IOAs of the African SDG Investor Maps. Across the regions, the investment opportunities face the following major risks:

12 INFF, 2023. https://sdgimpact.undp.org/practice-standards.html.
13 INFF, 2022. 2022 INFF Sustainable Investment Stocktake. https://inff.org/resource/2022-inff-sustainable-investment-stocktake.
14 UNDP, 2023. SDG Investor Platform: Large-Scale Solar Power Generation. https://sdginvestorplatform.undp.org/market-intelligence/large-scale-solar-power-generation.
15 UNDP, 2023. SDG Investor Platform: Sewage Treatment and Sanitary Services. https://sdginvestorplatform.undp.org/market-intelligence/sewage-treatment-and-sanitary-services.
16 UNDP, 2023. SDG Investor Platform: Waste Reuse Solutions. https://sdginvestorplatform.undp.org/market-intelligence/waste-reuse-solutions.
17 UNDP, 2023. SDG Investor Platform: Farmer Insurances. https://sdginvestorplatform.undp.org/market-intelligence/farmer-insurances.

- Supply chain constraints, which affect 28% of IOAs and signal challenges to scale;
- Highly regulated markets, relevant for 17% of IOAs, where multiple or uncertain legislations need to be overcome to operate successfully; and
- Capital intensity of investment opportunities, affecting 14% of IOAs, which require significant upfront investment to start operating and eventually generate returns.

Supply chain constraints are the major risks in both Eastern Africa and Western Africa. Southern Africa uniquely features market regulations as the primary risk, affecting a quarter of the investment opportunities (24%).

3. Economic and Impact Profiles

Across the regions, short- and medium-term investment opportunities (less than five years and five to ten years) are more likely to "contribute to solutions" in their impact classification (52% and 60% respectively).

For short-term investments (of less than five years), there is a modest bias towards semi-urban areas in the distribution of the effect (39%). The even distribution of 30% each for both rural and urban areas indicates that the IOAs are relevant to the livelihoods of communities and the planet across target areas, regardless of geography.

Semi-urban areas are the primary target locations for IOAs with medium-term investment timeframes of five to ten years (41%), followed by rural areas (31%). Long-term investment timeframes of more than ten years are more likely to offer an impact classification of "benefit stakeholders" (56%). Urban areas are the most suitable target location for IOAs with long-term investment timeframes of more than ten years (41%), followed by semi-urban areas (35%).

Investment opportunities with higher indicative return profiles are more likely to be in rural and semi-urban areas, where for example 36% and 34% of IOAs have an IRR of above 15%, respectively. The urban target location IOAs with an IRR of above 15% account for 31% of investment opportunities. High development potential is expected from both small and large scale investments, given that the majority of IOAs with ticket sizes of both above $10 million (65%) and below $500,000 (62.5%) are classified as "contribute to solutions".

The actual impact of the investments with SDG potential, once realised, can be managed across financial, social and environmental dimensions for organizations to realise their sustainability and SDG intentions and commitments in a holistic, credible, and accountable way. Businesses and investors can utilise the SDG Impact Standards[18] as voluntary management standards designed to advance on their sustainability journeys. Organised around 12 implementation actions, the SDG Impact Standards provide a holistic universal framework and management approach for embedding sustainability and the SDGs in all decision-making across organizational purpose and strategy, internal management, disclosure, and governance practices.

18 UNDP SDG Impact, 2023. SDG Impact Standards. https://sdgimpact.undp.org/practice-standards.html.

4. Accelerating Regional Integration

The established IOAs provide significant opportunities for regional integration and enhancing trade among African nations. The investment opportunities' most prominent sectors – especially Food and Beverage, Infrastructure and Health Care – offer value chains across borders. These are supported by the varying offers and focus areas of the respective regions where for example Western Africa delivers Consumer Goods investment opportunities, which are not available prominently in Eastern and Southern Africa. The African Continental Free Trade Area (AfCFTA) provides the platform to leverage these investment opportunities across countries and regions.

At the same time, regions also offer the potential to aggregate investment opportunities beyond national borders. For example, Solar Technology and Project Developers opportunities are found across Eastern Africa, including in Kenya, Rwanda, Tanzania and Uganda.

Such regional investments also allow to enhance the scale of the opportunities given that most IOAs have a market size of below $50 million and 80% of the investment opportunities require investment amounts of below $10 million. Regional opportunities further help to diversify investment portfolios as a risk mitigation action, where for example Eastern Africa offers small ticket size opportunities, Southern Africa provides mainly commercial financing IOAs, and Western African investment opportunities exhibit the highest return potential among the regions.

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