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Written By:

Mercy Tedeku
Research Associate
E: mercyt@africachinacentre.org

In recent years, the narrative around China's global engagements has begun to shift from infrastructure expansion to sustainability and green development. Nowhere is this evolution more significant than in Africa, a continent where the promise of industrial growth meets the urgent need for environmental protection.

As Africa accelerates its green transition, China's pioneering green finance standards are beginning to shape the contours of financial cooperation between the two regions. This article forms part of a knowledge series produced under the Sino-African Green Finance Alliance (SAGFA), a strategic initiative led by the Africa-China Centre for Policy and Advisory (ACCPA) with support from the African Climate Foundation.

The Rise of China's Green Finance Standards

China has emerged as a global leader in green finance, establishing one of the largest green bond markets in the world. According to Statista in 2023, China issued $80 billion worth of green bonds, more than any other country including Germany ($68 billion) and the United States ($60 billion). China's green bond issuance has steadily increased since 2014, with a slowdown only in 2020. That same year, China announced its ambitious climate goals, to reach carbon peaking by 2030 and achieve carbon neutrality by 2060. These targets catalyzed a series of strategic policy reforms to steer the economy toward sustainability, with green finance positioned as one of the key instruments to achieve this transition.

A key moment was in August 2016 when with the approval of the State Council, seven ministries and commissions, including the People's Bank of China and the Ministry of Finance, jointly released the Guidelines for Establishing the Green Financial System. This made China the first major economy to set an official national standard for green investments. The guideline is set to channel more capital into environmentally friendly sectors while limiting funding for polluting sectors. This framework introduces a range of policy incentives, including re-lending initiatives by the People's Bank of China, dedicated green guarantee schemes, interest subsidies for projects backed by green loans, and the creation of a national-level Green Development Fund.

China updated its Green Bond Endorsed Projects Catalogue in 2021, officially excluding coal-related projects, a significant step toward aligning with the Paris Agreement. It also introduced the Green Development Guidelines for overseas projects, encouraging Chinese companies to comply with both host country environmental regulations and international sustainability standards in their global investments.

Africa's Green Finance Aspirations

Africa has made notable strides in green finance as part of its broader sustainable development goals. Countries like Nigeria, South Africa, and Egypt have issued sovereign green bonds and attracted climate finance to support renewable energy, clean transport, and reforestation initiatives. Nigeria's 2017 green bond, the first in Africa, raised funds for solar and afforestation projects, while South Africa's Just Energy Transition Plan has secured over $8.5 billion in pledges from international partners. Regional actors like the African Development Bank have also increased climate finance allocations in recent years.

Despite notable progress in improving the green finance landscape, several barriers continue to hinder access to sustainable financing across Africa. These include fragmented investment opportunities and the predominance of small-scale projects, which are common on the continent and often considered unattractive to large investors. Additionally, limited availability of reliable data, high actual and perceived financial risks, and significant knowledge and capacity gaps among key stakeholders further constrain financing flows. Challenges are also compounded by disjointed supply chains, underdeveloped export markets, and a lack of policy coordination, all of which weaken the overall enabling environment for green investment.

The African Development Bank estimates that the continent needs $277 billion annually to meet its climate goals, yet current climate finance flows only $30 billion per year leaving a huge financing gap. To realize its green finance potential, Africa must strengthen domestic policy environments, improve project preparation capacity, and advocate for fairer global financing mechanisms.

China’s Growing Green Footprint in Africa

For Africa, China’s green finance model presents an opportunity. The continent’s renewable energy sector is underfunded, with ambitious goals such as the African Union’s target to bring 300 GW of renewable energy by 2030. Beijing’s willingness to share its green bond expertise with Africa could bridge this funding gap.

China's green finance landscape in Africa has undergone a significant transformation, evolving from a focus on large-scale projects to a diversified portfolio emphasizing renewable energy, climate resilience, and sustainable development.

Historically, Chinese policy banks such as the Export-Import Bank of China (EXIM) and the China Development Bank (CDB) were major financiers of fossil fuel infrastructure across Africa. Between 2000 and 2023, these institutions issued about $182 billion in loans, with 15% allocated to fossil fuels and 12% to hydropower projects. In contrast, less than 1% of these loans supported solar, wind, or geothermal initiatives.

In recent years, however, China's approach has shifted. In 2021, President Xi Jinping announced that China would cease funding new coal power projects abroad, signaling a commitment to "small and beautiful" renewable energy projects that prioritize social benefits and environmental sustainability.

This policy change has led to a shift in Chinese financing for renewable energy in Africa. In 2023, EXIM and CDB committed $502 million to renewable energy projects in three African countries thus Madagascar, Burkina Faso and Uganda. All three projects involved non-fossil fuel energy, including two hydropower-related projects (one power plant and one transmission project) and a solar power plant.

With last year's FOCAC, "green development" featured heavily in official communications and President Xi Jinping in his keynote speech stated that China will help develop 30 clean energy projects in Africa which reflects a concrete commitment to expanding the use of green energy in Africa.

China's commitment to green finance in Africa is further exemplified by the Africa Solar Belt program a large-scale solar energy program aimed at accelerating green and low-carbon development across the continent. This initiative aims to provide CNY 100 million (approximately $14 million) between 2024 and 2027 to supply 50,000 African households with solar home systems, emphasizing decentralized energy solutions that directly benefit local communities. With over 1.5 GW of photovoltaic power capacity already installed, China is playing a significant role in Africa's transition to renewable energy.

China's green finance initiatives in Africa are not limited to energy projects. The China-Africa Development Fund (CAD Fund) has invested in various sectors, including agriculture, manufacturing, and infrastructure, with a focus on projects that promote sustainable development and economic diversification.

Overall, China's evolving green finance landscape in Africa reflects a strategic pivot towards supporting the continent's sustainable development goals through targeted investments in renewable energy, climate resilience, and environmentally friendly infrastructure.

How Africa Can Adapt and Benefit

Leveraging partnerships with China remains essential for Africa's energy transition and African countries should position themselves as prime destinations for renewable energy investments.

To fully leverage China's green finance ecosystem, African countries can take proactive steps to align and adapt:

Build Capacity in Green Financial Regulation

Through partnerships with Chinese institutions and multilateral banks, African financial regulators can enhance their capacity to oversee and certify green projects. Training programs on green bonds, ESG (Environmental, Social, and Governance) reporting, and green credit evaluation can help local banks and agencies confidently interact with green finance standards. To deepen this engagement, strategic collaborations with Chinese development finance institutions, philanthropic agencies, and research bodies can offer technical assistance and knowledge transfer. By aligning regulatory frameworks and building institutional competence, African governments can attract more green investments while reducing investor risk and uncertainty.

Leverage Regional Platforms for Alignment

Institutions like the African Development Bank and the Africa Green Finance Coalition can serve as platforms for aligning Africa's green finance frameworks with China's evolving standards. Regular policy dialogues and joint research initiatives between African and Chinese stakeholders can foster mutual understanding and policy convergence. Incorporating diverse voices including civil society organizations, think tanks, and development partners into these dialogues ensures that green finance policies are inclusive, locally informed, and regionally coordinated. This approach will facilitate the adoption of distributed renewable energy systems and ensure that African priorities are integrated into the global green finance conversation.

Promote Joint Ventures in Green Sectors

Beyond traditional debt financing, African businesses can partner with Chinese firms in joint ventures targeting renewable energy, electric mobility, and sustainable agriculture. These partnerships can accelerate technology transfer, enhance local value chains, and drive green industrialization. Chinese stakeholders, including policymakers, academic institutions, and renewable energy manufacturers can play a pivotal role by developing training curricula, certifying local workforce skills, and identifying policy and infrastructure gaps that hinder technology diffusion. By fostering these joint ventures, Africa can build resilient green sectors that are both locally driven and globally competitive.

Issue Green Bonds on Chinese Exchanges

African governments and corporations can tap into China's deep green capital markets by issuing green bonds in China. This cross-listing would help mobilize funds and also encourage the standardization of green finance practices between Africa and China.

Develop and Harmonize Green Taxonomies

African nations can create or refine their own green finance taxonomies. Classification systems that define eligible green activities and align them with standards, ensuring that projects financed by green capital meet both local and international definitions of "green."

Toward a Green Partnership

As both regions deepen their partnership, aligning green finance standards will attract billions in sustainable investments and also create a shared architecture for climate-resilient growth. China's evolving green finance system offers African nations a pathway to access green capital while building their own sustainable finance ecosystems tailored to their development needs.

With proactive adaptation, Africa stands poised to turn green finance alignment into a catalyst for economic transformation, one where environmental sustainability and prosperity go hand in hand.

CONTACT

PLOT No. 49, Haatso RD, North Legon
Accra, Ghana
+233 303 965259

info@africachinacentre.org

www.africachinacentre.org