



African Natural Capital Alliance stress tests exposure to nature-related risks across Africa

Dubai – 5th December, 2023: A recent groundbreaking report "Nature Stress Testing: Exposure to Nature-Related Risks Across Africa" published by The African Natural Capital Alliance (ANCA) during their co-session with FSD Africa at COP28, reveals critical insights into the dependence of 62% of African GDP on nature services. Additionally, 70% of communities in sub-Saharan Africa rely on forests and woodlands for their livelihoods.

This timely release brings to light the challenges and opportunities faced by the continent as it grapples with the impact of nature-related risks. ANCA is a collaborative multi-stakeholder initiative whose mission is to catalyse nature-positive African economies.

Aligned with global efforts, countries such as Ghana, Rwanda, Zambia, Morocco, and Mauritius, signed the Kunming-Montreal Global Biodiversity Framework in 2022. ANCA, actively collaborating with financial institutions, demonstrates its commitment to fostering sustainable financial practices.

The African financial sector is gaining momentum, with 16 private financial institutions across seven countries currently piloting or in the process of piloting the Taskforce for Nature-related Financial Disclosures (TNFD) framework. ANCA's strategic involvement underscores the alliance's dedication to addressing nature-related risks and opportunities in the financial sector.

The report specifically assesses the exposure of the African banking sector to nature-related risks, offering consolidated findings from a nature stress testing exercise conducted in five African countries [Ghana, Mauritius, Morocco, Rwanda and Zambia]. These findings hold significant implications for financial regulators and private financial institutions across the continent, as their financial systems and portfolios are likely exposed to similar levels of risk.

The stress test explores different nature transition pathways and their potential impact on the profits of businesses across these economies. It identifies how these pathways could create knock-on risks for the financial sector, emphasizing the need for proactive measures. If current policies and business practices persist, some countries may face substantial nature-related physical risks, especially in sectors like agriculture. The World Economic Forum estimates that \$44 trillion of global economic value creation intrinsically relies upon while also degrading natural capital with \$195 billion being the estimated yearly loss of natural capital in Africa.

The COP28 event provides a platform for the release of this report, further emphasising ANCA's commitment to driving awareness and actionable insights regarding nature-related risks in Africa's financial landscape.

The panel focused on key questions, including the exposure of modern financial systems to nature risks, how financial regulators can initiate action, adapting regulatory approaches to specific countries, and how banks are responding to natural capital challenges and opportunities. The Global Biodiversity Framework and the Taskforce of Nature-related Financial Disclosures (TNFD) frameworks will also be explored.

About the African Natural Capital Alliance

ANCA is an African-led collaborative multi-stakeholder initiative, acting as the vehicle to drive coordinated advocacy and action across the continent. ANCA was established in 2022 by FSD Africa out of a need to ensure an African Voice on the global nature agenda. With growing global interest in nature, including in the development of nature-related risk frameworks and standards, there is an urgent need to ensure these emerging approaches can be applied to an African context. ANCA brings some of Africa's leading financial institutions including KCB, Access Bank, the Development Bank of



Southern Africa (DBSA), Ecobank, Equity Bank, FirstRand, Investec, Sanlam, Standard Chartered and Zanaco together with governmental organisations, intergovernmental partners, and civil society representatives to ensure an African Voice on the global nature agenda and with the ultimate aim of catalysing nature-positive African economies.