



SMEs Green Finance Ecosystem  
Analysis in Benin

Final Report

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## Acronyms

ADSC	Agence de Développement Sèmè City
AECF	Africa Enterprise Challenge Fund
AEPC	Autorité d'Enregistrement des Projets Carbone
AFD	Agence Française de Développement
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGF	African Guarantee Fund
BC-WAMU	Banking Commission of the West African Monetary Union
BCEAO	Central Bank of the West African States
BDF	Business Development Fund
BNI	Banque Nationale d'Investissement   National Investment Bank
CDC	Caisse de dépôt et de consignation
CFU	Climate Finance Unit
CIF	Climate Investment Funds
CTF	Carbon Transaction Facility
CwA	Compact with Africa Green Business Fund
DBSA	Development Bank of Southern Africa
EIB	European Investment Bank
ESG	Environmental, social, and governance
EU	European Union
FAEN	Fonds d'Appui à l'Entrepreneuriat Numérique
FIGPME	Fonds d'Investissement et de Garantie des Petites et Moyennes Entreprises   SME Investment and Guarantee Fund
FNEC	National Fund for Environment and Climate
FNPEEJ	National Fund for the Promotion of Enterprise and Youth Employment
FONERWA	Rwanda Green Fund
GCA	Global Center for Adaptation
GCF	Green Climate Fund
GEF	Global Environment Facility
GEFF	Green Economy Financing Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit   German development cooperation

GGGI	Global Green Growth Institute
GHG	Greenhouse Gas
ICMA	International Capital Market Association
IDA	International Development Association
IFC	International Financial Corporation
IKI	Germany's International Climate Initiative
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
KCB	Kenya Commercial Bank
KfW	Kreditanstalt für Wiederaufbau
LIC	Low-Income Countries
LMIC	Lower-Middle-Income Countries
MCVT	Ministère du Cadre de Vie et des Transports en charge du Développement Durable
MSMEs	Micro, Small and Medium-sized Enterprises
MorSEFF	Morocco Sustainable Energy Financing Facility
NAP	National Adaptation Plan
NFV	National Financing Vehicles
NDC	Nationally Determined Contribution
PAG	Programme d'Actions du Gouvernement   Government Action Program
PAEB	Projet d'Appui à l'Entrepreneuriat au Bénin
PND	Plan National de Développement
PNFD	Politique Nationale de Financement du Développement
RGE3	Recensement Général des Entreprises 3   Third General Business Census
RGIF	Rwanda Green Investment Facility
RSF	Resilience and Sustainability Facility
SDGs	Sustainable Development Goals
SIF	Sustainable Insurance Facility
SMEs	Small and Medium-sized Enterprises
SUNREF	Sustainable Use of Natural Resources and Energy Finance
SREP	Renewable Energy Program
SSA	Sub-Saharan Africa
UEMOA	Union Économique et Monétaire Ouest-Africaine
UNDP	United Nations Development Program

UNFCCC	United Nations Framework Convention on Climate Change
VSE	Very Small Enterprise
V20	Vulnerable Twenty Group
WADB	West African Development Bank
WBG	World Bank Group

# Executive Summary

This study presents the landscape of the ecosystem of small and medium-sized enterprises (SMEs) in Benin and their access and utilisation of green finance. It examines innovative mechanisms for green financing in low-income countries (LICs) and lower-middle-income countries (LMICs) and suggests a multi-stakeholder financing mechanism for scaling up green financing in Benin.

## *Country profile*

**Benin has experienced steady economic growth in recent years, achieving lower middle-income status in 2020.<sup>1</sup> Still, it is considered a vulnerable economy due to its limited size, low level of economic diversification, heavy reliance on raw material exports and transit trade with Nigeria.** Despite progress in poverty alleviation, Benin continues to face significant socio-economic challenges. With a youthful population, the country has immense potential for a demographic dividend. However, unemployment and underemployment remain critical challenges. Despite contributing less than 0.1% to global greenhouse gas (GHG) emissions, Benin bears a disproportionate burden of climate-related impacts. The adverse effects of climate change are a tangible reality impacting Benin's economic and social dynamic and strengthening resilience to the effects of climate change is a priority for Benin.

## *Policy framework*

**The assessment of the green finance framework evidences the country's progress in establishing a policy and regulatory framework for green finance. Benin has positioned itself as a regional leader in climate policy and finance, aiming to enhance resilience to climate change while pursuing low-carbon development.** This leadership is reflected in its Nationally Determined Contribution (NDC), National Adaptation Plan (NAP), and engagement with the International Monetary Fund (IMF) Resilience and Sustainability Facility (RSF). To mobilise resources, Benin leverages mechanisms such as the SDGs Bond Framework, the Green Climate Fund (GCF), and the National Fund for Environment and Climate (FNEC).

**Efforts to encourage climate finance flows into the country are clear.** In April 2025, Benin signed a landmark Climate Finance Framework Memorandum with the World Bank Group, AfDB, AIIB, and the OPEC Fund – the first such coordinated agreement in West Africa. This aims to mobilize significant climate finance and integrate climate action into Benin's macroeconomic planning to support its NDCs and SDGs. Building on IMF reforms from December 2023 and Benin's climate finance strategy unveiled in July 2024 and elaborated at COP29, the memorandum emphasizes innovative financing like carbon markets and green bonds, alongside governance reforms and budgetary support principles, highlighting Benin's commitment to sustainable development and climate leadership.

**However, integrating climate considerations into national development policies still remains a challenge.** Additional challenges in this area relate to operational processes and instruments necessary for certain mechanisms to effectively function. This is evidenced in the carbon markets framework and the UEMOA taxonomy, both introduced below. There are also missing examples of private sector entities making use of the SDGs bonds framework as a source of financing

## *Current green finance initiatives*

**Benin has room to grow in mobilizing financial flows for climate action and green growth, with the public sector currently playing a key role.** Between 2019 and 2020, public financing allocated to climate-related activities in Benin amounted to USD\$420 million, of which 85% originated from international sources and 15% from domestic public funding. Most of these funds were provided by international actors in the form of grants and concessional loans.

**In total, USD\$431.6 million of public and private capital was invested in climate-related activities during the same period, representing only 41% of the annual financing required to meet the targets outlined in Benin's NDC.** Private sector financial flows remain particularly limited, with private investment amounting to just \$11.5 million in 2020—only 2.7% of total climate financing. The majority of climate finance in Benin—68%—has been directed toward adaptation measures in sectors such as agriculture, infrastructure, energy, water, and sanitation.

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<sup>1</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

**Benin has demonstrated a strong commitment to climate action through substantial engagement in concessional and blended financing.** Between 2009 and 2020, the country received approximately USD 1.9 billion in climate finance, primarily in concessional loans. Despite becoming a “gap country” in 2020, which reduced its access to grants, Benin continues to pursue concessional and semi-concessional funding sources.

**Benin has proactively utilized innovative financial instruments to fund its development agenda.** Since 2019, the country has issued multiple Eurobonds, including a record 31-year maturity Eurobond, the longest ever for a WAEMU country, and Africa’s first SDG Eurobond in 2021, valued at EUR 500 million.

### *SMEs landscape*

**SMEs dominate the economic landscape in Benin, making up about 90% of all businesses. They contribute greatly to job creation and provide livelihoods for a large portion of the population.**<sup>2</sup> Benin is home to approximately 1.2 million micro, small, and medium enterprises (MSMEs), spanning both agricultural and non-agricultural sectors. The sector is characterized by widespread informality, with 85.5% of businesses operating outside formal structures and the informal sector contributing nearly 65% of the country’s GDP.

**Benin is highly exposed to climate-related risks, which directly affect the sustainability of SMEs.** The types of risks vary by sector and enterprises are investing to adapt to climate change. Agriculture faces temperature increases, water scarcity, and floods, while manufacturing is concerned with input scarcity and quality, and services focus on flooding. Despite these concerns, the low adoption of adaptation measures highlights the urgent need for increased private-sector involvement in building climate resilience.

**Green SMEs, which constitute the addressable market for this report, can be defined as businesses centered on climate mitigation and adaptation.** They operate in the green sector or implement sustainability-aligned projects, reducing environmental impact through core operations or specific initiatives, making them eligible for green finance.

### *SMEs green finance ecosystem*

**The stakeholder consultation process concludes that the SME green finance ecosystem in Benin is in a nascent phase, with potential for growth and development.** There are opportunities to establish dedicated institutions, create suitable financial instruments, and implement best practices that could support green finance initiatives for SMEs. As this ecosystem evolves, the range of green financing options for SMEs could be significantly expanded.

**Current actors in the field include** policymakers and regulators (government agencies, international and national regulators, standard-setting bodies), green finance providers (public and private banks, microfinance institutions, venture capital and private equity funds, development finance institutions, insurance companies), and market facilitators (incubators, accelerators, audit firms). Some key players are still missing, such as ESG ratings agencies and index providers, which are essential for effectively channeling green finance to SMEs.

**Driven by stakeholder pressure, banks are increasingly integrating ESG and exploring green finance, though dedicated green products are still lacking.** Microfinance Institutions (MFIs) remain key providers of debt financing for SMEs in Benin and are increasingly important drivers of green and sustainable finance in this sector. Venture Capital (VC) and Private Equity (PE) play a significant role in fostering green innovation with SMEs in Benin. VC firms often serve as an instrumental resource, supplying seed funding and mentorship to budding eco-entrepreneurs. Simultaneously, PE firms contribute to the expansion of maturing green businesses and infuse them with their expertise. Insurance companies, too, are integral to the sustainable finance ecosystem for SMEs by alleviating risks tied to green investments, although they are subject to certain constraints.

**Development banks are actively funding and supporting the government of Benin initiatives, including those aimed at SME development.** Development partners such as the Belgian Development Agency (Enabel), AFD, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and LuxDev provide essential

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<sup>2</sup> International Trade Center (ITC), Promoting SME Competitiveness in Benin COVID-19: An Inclusive Path Towards Resilience, 2020. Accessible [here](#)

technical and financial support to Benin's green finance ecosystem. National universities and academic institutions play a vital role in human capital development.

**However, the presence of support organizations within Benin's SME green ecosystem remains limited, posing a significant challenge to SME growth.** This scarcity restricts access to essential expertise in eco-friendly technologies and sustainable finance, ultimately constraining the adoption and expansion of environmentally sound solutions.

**Primary research indicates that most green SMEs in Benin focus on mitigation activities, as these are perceived as more attractive to investors.** Interviews revealed a funding gap between climate mitigation and adaptation, particularly for SMEs, reflecting some biases in green finance.

#### *SMEs access to green finance*

**SMEs (including green SMEs) have limited access to finance due to various barriers, which can be grouped into supply side barriers and demand side barriers.** Barriers can be sub-categorized into policy and regulatory impediments, technical and operational deficiencies, and financial limitations, as presented below. However, these barriers are deeply interconnected and must be understood and apprehended holistically.

#### **Supply side**

##### *Policy and Regulatory Barriers*

1. Lack of a common green taxonomy
2. Absence of a national green economy strategy
3. Regulatory constraints (Basel I & II, UEMOA interest rate caps)
4. Limited incentives for banks

##### *Technical and Operational Barriers*

5. Limited financial sector expertise and risk perception
6. Information asymmetry and data Gaps
7. Lack of SME advisory support

##### *Financial Barriers*

8. Risk aversion and high transaction costs
9. Lack of green finance incentives
10. Low profitability and high non-performing loans (NPLs)
11. Preference for government securities over msme lending

#### **Demand side**

##### *Policy and Regulatory Barriers*

1. Uncertainty and lack of green taxonomy
2. Lack of coordination in green SME support
3. Limited data and market intelligence

##### *Technical and operational barriers*

4. Collateral constraints and high credit requirements
5. Lack of bankable green projects
6. Limited financial and business management skills
7. Lack of tools, knowledge, and expertise to measure and track their environmental impact
8. Gaps in SME support services

#### *Benchmarking*

**The benchmarking exercise outlined several key regional trends in green financing for SMEs.** The countries selected for this exercise—Côte d'Ivoire, Togo, Kenya, Morocco, Rwanda, Mauritius and South Africa—were chosen based on criteria including geographic location and income level. They exhibit regional diversity and encompass a range of income levels comparable to Benin's, all within the geography of interest. This approach ensures a comprehensive comparative framework, focusing on economies with similar developmental trajectories and financing challenges.

**Opportunities for green finance in Africa have grown significantly as development financiers shift their portfolios toward climate-related objectives.** Between 2015 and 2020, regional green finance flows targeting

MSMEs increased from USD 4.2 billion to USD 14.5 billion annually. Institutions such as the World Bank Group (WBG), Green Climate Fund (GCF), European Bank for Reconstruction and Development (EBRD), International Fund for Agricultural Development, African Development Bank (AfDB), and Global Environment Facility (GEF) are driving this growth.

**Globally, private finance for green instruments also presents opportunities, with the green bond market growing from USD 26 billion in 2015 to over USD 508 billion in 2021.** However, Africa's share remains less than 1% due to governance challenges, high transaction costs, and the large ticket sizes required for such instruments.

**FSPs offer a range of products, including loans, grants, equity, guarantees, and asset financing. However, green finance offerings vary significantly across income levels.** The outcome of the rapid benchmarking exercise evidenced that lower-income countries, such as Togo and Rwanda, emphasize grants, guarantees, and technical assistance to improve SME affordability and access to finance. In contrast, upper-middle-income countries like Morocco and Mauritius offer more investment incentives, concessional loans, and targeted subsidies focused on renewable energy and energy efficiency.

**Green finance eligibility criteria also reflect income levels.** The benchmarking exercise also shows that lower-income countries, such as Togo and Rwanda, prioritize broad accessibility, targeting agriculture, women- and youth-led enterprises, and climate-vulnerable SMEs. Upper-middle-income countries, such as Morocco and South Africa, apply more stringent criteria, focusing on scalability, alignment with national climate goals, and technical benchmarks.

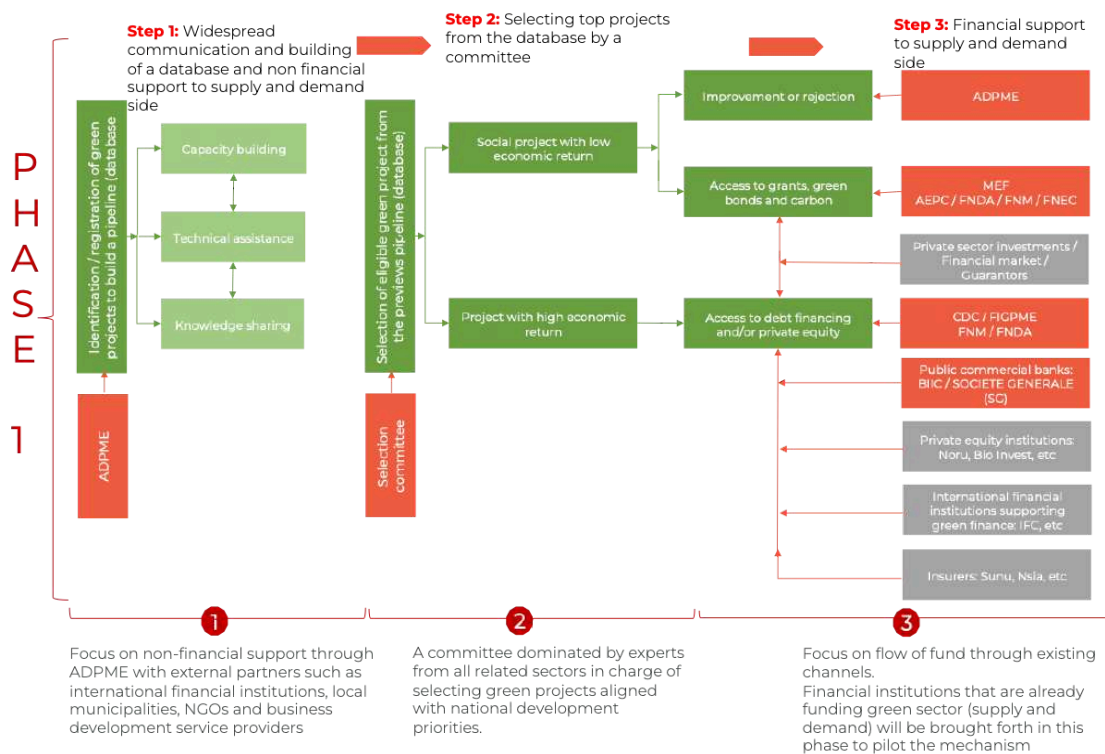
#### *Optimal mechanism for SMEs access to green financing*

**A two-phased mechanism (phase 1 and phase 2) was developed for facilitating access to green finance for SMEs in Benin.** It involves a multi-stakeholder approach that leverages the capacity and expertise of various institutions intervening in the green sector. The mechanism stands as a green window where one hand SMEs obtain information on the sector as well as access to funding opportunities; on the other hand, all types of funders leverage the mechanism for calls for proposals or to directly fund green SMEs. The process can be visualized in the figure below.

#### *Optimal mechanism for SMEs access to green financing in Benin*

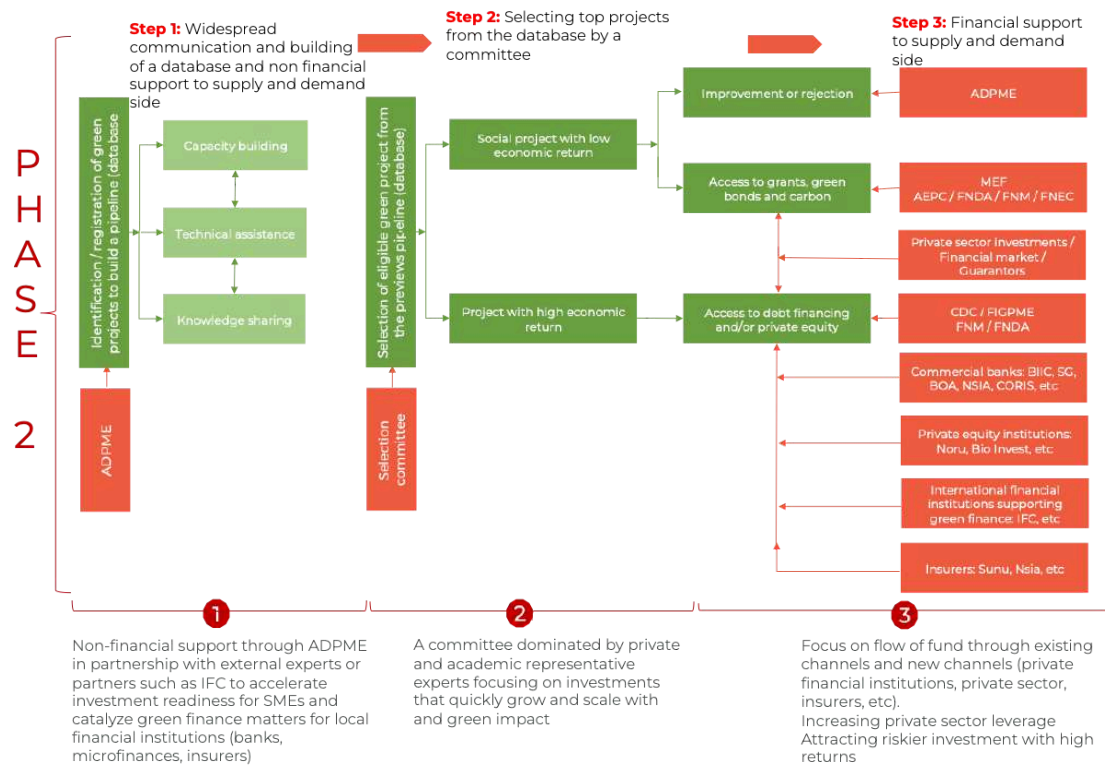
##### **Phase 1 (2025 - 2027) - Maturing process of the mechanism**

**Phase 1** constitutes the process of setting up the mechanism, onboarding the relevant institutions, establishing the selection committee and widely communicating on it to raise awareness and to make it a window for all opportunities in the green sector. While the main emphasis is helping green SMEs grow and be ready for investors through technical assistance and grants, this phase will include to a lesser extent assistance to the bankable green projects for debt and equity financing. This type of financing from the private sector will be piloted and evolve in the second phase with more adapted instruments.



## Phase 2 (2028 onwards) - Scaling the mechanism into more innovative and riskier investments

**Phase 2** has the same configuration as Phase 1 except that it puts greater emphasis on private funding through a wide array of financial instruments. It scales the initial financial instruments that were piloted for bankable green projects in the previous phase and introduces new instruments to enhance the sector.



# 1 | Introduction

## 1.1 Project context and objectives

**The purpose of this study is to provide recommendations on the access to and utilisation of green finance by small and medium-sized enterprises (SMEs) in Benin.**

**Benin demonstrates strong regional leadership in climate policy and leverages mechanisms** like the Green Climate Fund (GCF) through initiatives such as the SDG Bond and National Fund for Environment and Climate (FNEC). Given Benin's economic dependency on agriculture and its initiatives to overcome energy challenges, climate action centers on renewable energy, energy efficiency, sustainable agriculture, and low-carbon initiatives.

**SMEs face significant challenges and struggle with adaptation to climate change.** Notably, access to green finance is limited due to lack of collateral, high interest rates, and inadequate financial literacy. Women-owned SMEs and digital sector enterprises face additional barriers such as lack of tangible assets and high perceived credit risk. Insufficient documentation and creditworthiness further restrict access to credit, hindering sustainable practices and green economic contributions.

**To address these challenges, SMEs' access to and utilisation of green financing should be enhanced.** Moreover, additional factors such as financial literacy and understanding of different financing tools are important enablers for utilisation.

**The report focuses on the SME green finance ecosystem in Benin, including recommendations for scaling up green financing.** It provides detailed information on:

- The current state of green finance frameworks, practices and structures in Benin
- The challenges and opportunities faced by SMEs in accessing green financing in Benin
- A comparative analysis of best practices in green financing from other countries
- Potential solutions and recommendations for scaling up green financing in Benin

**Ultimately, this study will inform the development of effective strategies, policies, and innovative funding mechanisms to enhance green finance for SMEs in Benin.** Besides, the findings could serve as a foundation for the government to design concrete actions towards green financing towards the private sector.

The report builds on primary and secondary research, including:

- A **comprehensive desk review** was conducted to contextualise the findings, supplemented by a benchmark analysis that examined innovative mechanisms for green financing in low-income countries (LICs) and lower-middle-income countries (LMICs), with particular attention to SMEs.
- In parallel, **in-depth interviews** were conducted with 23 key stakeholders, including SMEs, financial institution representatives, policymakers, regulators, as well as industry experts and academics (the full list is Accessible in Annex III).
- Finally, a **consultative workshop** was held on the 2nd of April with key stakeholders in Cotonou to discuss the optimal structures for SME access to green financing proposed in this report. Their views and recommendations have been incorporated into this report and have been reported in a separate document.

### Conceptual differentiations<sup>3</sup>

**In this study, climate finance refers to funding specifically directed toward addressing climate change through mitigation and adaptation, particularly in vulnerable regions, and is considered a subset of green finance.** Green finance has a broader scope, encompassing not only climate-focused initiatives but also projects aimed at other environmental objectives, such as biodiversity conservation, pollution control, and sustainable resource management. Beyond this, sustainable finance integrates both climate and green finance but extends further to include environmental, social, and governance (ESG) factors, addressing issues such as social inequality and corporate accountability.

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<sup>3</sup> ISO, Green and sustainable finance, 2022. Accessible [here](#).

**This study focuses on green financing.** However, climate and sustainability-related financing initiatives often share similar objectives and areas of focus with green financing, as introduced above. As a result, many of the resources referenced in this study also address these overlapping themes.

## 1.2 Country profile

Benin has experienced steady economic growth in recent years, achieving lower middle-income status in 2020.<sup>4</sup> The country's GDP growth averaged 5-6% annually over the last decade,<sup>5</sup> reflecting macroeconomic stability and successful structural reforms. Economic growth is driven primarily by agriculture, trade, and services. Agriculture remains the backbone of the economy, contributing approximately 25% to GDP<sup>6</sup> and represents about 40% of jobs.<sup>7</sup>

**Still, it is considered a vulnerable economy due to its limited size, low level of economic diversification, heavy reliance on raw material exports and transit trade with Nigeria.** The economy is largely agrarian, with agriculture representing a quarter of GDP and employing most of the population, particularly in the production of cotton, the country's leading export. The services sector, accounting for 50% of GDP, is fueled by trade, transport, and telecommunications. Benin's port in Cotonou serves as a regional trade hub, providing critical access to landlocked countries such as Niger, Burkina Faso, and Mali. Industry remains underdeveloped, contributing about 17% of GDP, with manufacturing concentrated in agro-processing and cement production.<sup>8</sup>

**Despite progress in poverty alleviation, Benin continues to face significant socio-economic challenges. Benin's per capita GDP remains below the Sub-Saharan Africa (SSA) average at USD 1,394.**<sup>9</sup> Poverty rates have declined but remain important, with the national poverty rate dropping from 40.1% in 2015 to 36.2% in 2021-22.<sup>10</sup> Regional disparities remain stark. Rural areas, where 87.5% of the population lacked access to electricity in 2021, face higher levels of poverty and limited access to essential services such as healthcare and education.<sup>11</sup>

**The population is estimated at approximately 14 million people,<sup>12</sup> with a high proportion of youth.** About 79% of the population is under the age of 34, and 34% fall within the 15-34 age bracket,<sup>13</sup> representing a large workforce entering the labor market. Urbanization is steadily increasing, with a significant portion of the population residing in urban centers.<sup>14</sup>

**With a youthful population, Benin has immense potential for a demographic dividend. However, unemployment and underemployment remain critical challenges.** Many young people, especially in rural areas, are engaged in subsistence agriculture or informal sector activities with low productivity and earnings. The lack of technical skills, access to finance, and opportunities for decent jobs hampers the economic integration of the youth. The visible underemployment rate was estimated at 35.9% nationwide, with a predominance of 96.2% informal employment in non-agricultural sectors in 2019.<sup>15</sup>

**The government has implemented significant reforms to improve its business climate and governance.** These include digitizing public administration, enhancing transparency in customs procedures, and simplifying business registration. The government's strategic focus includes diversifying the economy, strengthening public infrastructure, and boosting agricultural productivity. Key initiatives such as the

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<sup>4</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>5</sup> World Bank Group (WBG) Database 2023. Accessible [here](#)

<sup>6</sup> World Bank Group (WBG) Database 2023. Accessible [here](#)

<sup>7</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>8</sup> World Bank Group (WBG) Database 2023. Accessible [here](#)

<sup>9</sup> World Bank Group (WBG) Database 2023. Accessible [here](#)

<sup>10</sup> World Bank Group (WBG), Bénin - Perspectives Économiques : S'Adapter au Changement Climatique pour une Croissance Économique Durable et Résiliente, 2024. Accessible [here](#)

<sup>11</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#)

<sup>12</sup> World Bank Group (WBG) Database 2023. Accessible [here](#)

<sup>13</sup> African Development Bank, Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

<sup>14</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#)

<sup>15</sup> African Development Bank (AfDB), Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

Government Action Plan (PAG) and the Sustainable Development Goals (SDGs) roadmap are aimed at fostering inclusive and sustainable growth.

**Despite contributing less than 0.1% to global greenhouse gas (GHG) emissions,<sup>16</sup> Benin bears a disproportionate burden of climate-related impacts.** Benin's per capita emissions are among the lowest in the world but the country is highly vulnerable to climate change, ranking as the 16th most climate-vulnerable country out of 182 globally in the ND-GAIN Index 2020.<sup>17</sup> Under a global warming scenario of 2.7°C (based on current policies), Benin is projected to experience one of the highest exposures to extreme temperatures by 2070, with 98% of its land area anticipated to be affected.<sup>18</sup> As a coastal nation, Benin experiences recurrent floods, droughts, and coastal erosion, which threaten livelihoods and critical infrastructure. Agriculture, which is highly rain-dependent, faces severe risks from unpredictable weather patterns. The country also faces urban flooding, water scarcity, and extreme heat.<sup>19</sup>

**The adverse effects of climate change are a tangible reality impacting Benin's economic and social dynamic.** According to a 2023 World Bank model, without additional adaptation efforts, average annual GDP losses are projected to rise over time, potentially reaching 19% of GDP by 2050,<sup>20</sup> due to the impacts of rising average temperatures on the workforce, including heat stress, human health issues, and reduced access to water supply, sanitation and resources. Losses and damages in the agricultural sector accounted for 1.6% of GDP in 2022-2023. Major investment projects, which significantly contributed to the increase in public debt since 2016 to address infrastructure deficits, have been impacted by climate shocks that could jeopardize the expected productivity gains. Cumulative losses in 2022-2023 amount to 3.4% of GDP, including 1.5% in the infrastructure sector and 0.2% due to the destruction of human development-related infrastructure. In 2023, 85% of the population reported that climate change was worsening living conditions in Benin, leading to discomfort and displacements that risk increasing poverty levels.<sup>21</sup>

**Strengthening resilience to the effects of climate change is a priority for Benin.** This could entail developing agriculture based on water management systems and deploying climate-smart agricultural technologies. Urbanization, resilient infrastructure, sustainable coastal management and renewable energy are also key areas to enhance the country's overall resilience, support structural transformation, and create significantly more productive green job opportunities.

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<sup>16</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>17</sup> The ND-GAIN Index (Notre Dame Global Adaptation Initiative Index) is a global measure that assesses a country's vulnerability to climate change and its readiness to improve resilience.

<sup>18</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>19</sup> World Bank Group (WBG), Bénin - Perspectives Économiques : S'Adapter au Changement Climatique pour une Croissance Économique Durable et Résiliente, 2024. Accessible [here](#)

<sup>20</sup> African Development Bank (AfDB), Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

<sup>21</sup> World Bank Group (WBG), Bénin - Perspectives Économiques : S'Adapter au Changement Climatique pour une Croissance Économique Durable et Résiliente, 2024. Accessible [here](#)

## 2 | Green Financing in Benin

### 2.1 Policies, strategies and regulations

**This section presents the main climate and sustainability-related plans, policies, strategies, and regulations currently in place in Benin.** This landscape allows us to identify target areas, needs, and potential areas of intervention that could enhance Benin's green finance market. It also enables us to assess where finance is needed to support the implementation of these policies and strategies, particularly in sectors that may require significant capital investments. Furthermore, it provides an opportunity to determine if the current policy and regulatory framework is conducive or fit for attracting green investments, which are crucial for driving long-term environmental and economic sustainability in the country while enabling local companies to tap into international green finance. The study covered the below list of key SMEs, climate and sustainability-related plans, policies, strategies, and regulations.

Updated Nationally Determined Contributions (NDCs) (2020)
Plan national d'adaptation aux changements climatiques du Bénin (2022)
Stratégie de développement à faible intensité de carbone et résilient aux changements climatiques (2016 - 2025)
Plan National de Développement (2018-2025)
Politique Nationale de Financement du Développement (PNFD) (2024-2033)
Loi N° 2018 - 18 du 06 Août 2018 sur les changements climatiques en République du Bénin
Programme d'Actions du Gouvernement (PAG 2021 – 2026)
Décret N° 2022 – 699 du 7 Décembre 2022 portant création, attributions, organisation et fonctionnement de l'Autorité d'Enregistrement des Projets Carbone au Bénin (AEPC)
Décret N° 2022 – 698 du 7 Décembre 2022 fixant les modalités d'enregistrement des projets carbone en République du Bénin
Benin SDG Bond Framework (2021)
Taxonomie des projets verts, sociaux et durables au sein de l'UEMOA (2024)
Loi Cadre des PME (2020)
Loi des Finances (2025)
Directive portant harmonisation de la fiscalité applicable aux entreprises d'investissement à capital fixe au sein de l'UEMOA (2011)

#### Green finance framework assessment

**To effectively assess Benin's policy and regulatory framework for green finance, a simple diagnostic questionnaire has been developed as a structured tool (Table 1).** It evaluates the country's readiness and capacity to support green finance initiatives. The framework focuses on two critical dimensions: the regulatory environment for green finance and the availability of financial instruments. By systematically addressing key questions related to international commitments, environmental, social, and governance (ESG) reporting standards, and existing frameworks for green financial products, the diagnostic provides a comprehensive overview of the current state of Benin's green finance landscape.

This approach is valuable for understanding the country's strengths, gaps, and opportunities in advancing a green transition, enabling us to identify areas where Benin is already aligned with global best practices and where additional interventions could be useful.

Table 1: Green finance framework assessment

Diagnostic Questions	
<i>Assess the current state of Green Finance regulations</i>	
Does the country have an updated NDC?	<a href="#">Yes</a>
Latest submission date	1-Oct-2021
UNEP FO V20 Member?	<a href="#">Yes</a>
Member of the Network for Greening the Financial System?	<a href="#">Yes</a>
Does the country have written guidance on ESG reporting?	No
Does the country require ESG reporting as a listing rule?	<a href="#">No</a>
Member of the Sustainable Stock Exchanges Initiative?	<a href="#">Yes</a>
Does the country have a regulatory framework for investors in green finance, including carbon markets?	<a href="#">Yes</a>
Financial Instruments <sup>22</sup>	
<i>Assess the current capacity of green financial instruments</i>	
Thematic Bonds: Blue, Green, Social, Sustainable, and Sustainability-Linked	Present
Green loans	Present
Green microfinance products	Not present
Climate-related insurance products	Not present
Sale of Carbon Credits	Not present
Climate Fund or National Financing Vehicles (NFVs)	Present
Green Investment and Mutual Funds	Present
Results-based Financing/Blended Finance	Present

**The assessment evidences the country's progress in establishing a policy and regulatory framework for green finance.** Benin has positioned itself as a regional leader in climate policy and finance, aiming to enhance resilience to climate change while pursuing low-carbon development. This leadership is reflected in its Nationally Determined Contribution (NDC), National Adaptation Plan (NAP), and engagement with the International Monetary Fund (IMF) Resilience and Sustainability Facility (RSF). To mobilise resources, Benin leverages mechanisms such as the SDGs Bond Framework, the Green Climate Fund (GCF), and the National Fund for Environment and Climate (FNEC).

**Efforts to encourage climate finance flows into the country are clear.** At COP29 in Baku on 15 November 2024, Benin, alongside international financial institutions and development partners, launched a country climate finance platform.<sup>23</sup> This initiative includes a carbon monetisation mechanism, enhanced credit instruments, a common policy matrix, and innovative financing tools. It seeks to mobilise public and private resources to advance climate adaptation and mitigation priorities while aligning with Benin's sustainable development goals (SDGs) and NDC objectives. To scale up climate financing, a coalition of partners, including

<sup>22</sup> Refer to section 2.2 for evidence of the instruments listed below.

<sup>23</sup> International Monetary Fund (IMF), Benin: International Financial Institutions and Development Partners Support the Republic of Benin to Establish a Country Climate Finance Platform, 2024. Accessible [here](#).

the World Bank Group, African Development Bank (AfDB), AIIB, and OPEC Fund, has developed a three-year framework for enhanced budget support. This framework, coordinated through a common policy matrix, aims to sequence reforms, ensure predictable financial flows, and avoid duplication among development partners. This approach aligns climate financing with Benin’s macroeconomic policies, ensuring debt sustainability while accelerating the implementation of climate priorities.

**However, integrating climate considerations into national development policies remains a challenge.**<sup>24</sup>

The Government Action Program (PAG II) 2021–26 serves as the overarching framework for socioeconomic development, building on the progress of PAG 2016–21. It focuses on three strategic pillars: reinforcing governance, driving economic transformation, and improving social well-being. While Axis 7 of PAG II addresses environmental conservation and resilience, climate change is not a cross-cutting priority within the programme. Sectoral policies incorporate climate goals to some extent, but implementation is hindered by inadequate budgets, limited monitoring frameworks, and insufficient technical capacities. Strengthening institutional capabilities at national, regional, and local levels is crucial to improving policy integration and climate data management.

**Additional challenges in this area relate to operational processes and instruments necessary for certain mechanisms to effectively function.** This is evidenced in the carbon markets framework and the UEMOA taxonomy, both introduced below. There are also missing examples of private sector entities making use of the SDGs bonds framework as a source of financing.

**Annex I** provides an analysis of key policies, strategies and plans in detail, starting from the highest-level national development policies to the lowest level regulatory guidelines, to understand what are the focus areas and priorities for climate action, where finance should be directed to and to identify the blockages for implementation.

## 2.2 Existing green financing initiatives in Benin<sup>25</sup>

**Benin has room to grow in mobilizing financial flows for climate action and green growth, with the public sector currently playing a key role.** Between 2019 and 2020, public financing allocated to climate-related activities in Benin amounted to USD\$420 million, of which 85% originated from international sources and 15% from domestic public funding. Most of these funds were provided by international actors in the form of grants and concessional loans.

**In total, USD\$431.6 million of public and private capital was invested in climate-related activities during the same period, representing only 41% of the annual financing required to meet the targets outlined in Benin’s NDC.** Private sector financial flows remain particularly limited, with private investment amounting to just \$11.5 million in 2020—only 2.7% of total climate financing. Contributions were predominantly from international private sources, while domestic private investments remain negligible, partly due to insufficient data to quantify the participation of local businesses and households in green financing efforts.

**The majority of climate finance in Benin—68%—has been directed toward adaptation measures** in sectors such as agriculture, infrastructure, energy, water, and sanitation. Mitigation efforts accounted for 23% of the total financing, while only 9% was allocated to other critical sectors for green growth, including health, education, and risk management. These figures, captured by Table 2 below, evidence the need to diversify sources of green finance and increase private sector engagement to better support Benin’s green growth and climate action priorities.

Table 2: Overview of climate finance flows in Benin (2019–2020)<sup>26</sup>

Category	Percentage of total	Key insights
Public financing	97.3%	Predominantly international (85%) through grants or concessional loans, with domestic sources contributing 15%.

<sup>24</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>25</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#)

<sup>26</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#)

Private financing	2.7%	Primarily from international private investors; domestic private contributions remain minimal.
Adaptation financing	68%	Focused on agriculture, infrastructure, energy, water, and sanitation.
Mitigation financing	23%	Targeted efforts to reduce emissions, e.g., renewable energy and energy efficiency projects.
Other sectors	9%	Includes health, education, and risk management, which are critical but receive limited funding.

## Use of innovative financing instruments<sup>2728</sup>

**Benin has demonstrated a strong commitment to climate action through substantial engagement in concessional and blended financing.** Between 2009 and 2020, the country received approximately USD 1.9 billion in climate finance, primarily in concessional loans. Despite becoming a “gap country” in 2020, which reduced its access to grants, Benin continues to pursue concessional and semi-concessional funding sources. Key contributions include USD 1.4 billion from the World Bank Group’s International Development Association (IDA) and USD 200 million from the IMF’s Resilience and Sustainability Facility (RSF), supplemented by a EUR 195 million partial credit guarantee from the AfDB that supported the country in mobilizing a loan for expenditures aligned with the Sustainable Development Goals (SDGs).

**Benin has proactively utilized innovative financial instruments to fund its development agenda.** Since 2019, the country has issued multiple Eurobonds, including a record 31-year maturity Eurobond, the longest ever for a WAEMU country, and Africa’s first SDG Eurobond in 2021, valued at EUR 500 million. These issuances adhere to international standards such as the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Principles, as confirmed by a Second Party Opinion from Vigeo Eiris, which awarded the initiative the highest sustainability rating of “advanced”.<sup>29</sup> Benin’s access to international capital markets has historically been limited, driving the country’s engagement in developing innovative green finance instruments. Furthermore, Benin’s Eurobonds have been lauded for aligning with market best practices.

**Benin’s proactive debt management strategy has earned it a top ranking among sub-Saharan African countries on the World Bank Group’s Country Policy and Institutional Arrangement (CPIA) index.** In 2022, the country secured a partial credit guarantee from the AfDB to bolster its ability to attract international investments for SDG-related initiatives. This guarantee facilitates the mobilization of funds for critical sectors, including agriculture, water and sanitation, renewable energy, and education.

### 2.2.1 Overview of public, private and development partners green financing

The subsection below introduces green financing initiatives with a special focus on SMEs led by public, private and development partners in Benin. Table 3 below provides a summary overview of the subsections content and Annex II analyses the relevant initiatives in detail.

Table 3: Key green financing sources summary<sup>30</sup>

Source	Origin of funds	Projects/actions/mechanisms	Funds mobilised (in USD)	Green focus
<a href="#">Link</a>	Public, World Bank	Rise initiative (under Sèmè City)- provides financial and technical	N/A	Funded and assisted <a href="#">86 SMEs</a> contributing to the Sustainable Development Goals (SDGs)

<sup>27</sup> World Bank Group (WBG), Bénin - Perspectives Économiques : S'Adapter au Changement Climatique pour une Croissance Économique Durable et Résiliente, 2024. Accessible [here](#)

<sup>28</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>29</sup> Ministère des Finances du Bénin, Benin SDG Bond Details – July 2021. Accessible [here](#).

<sup>30</sup> Exchange rate used: USD 1 = XOF 629,782 , USD 1 = 0,9601

Source	Origin of funds	Projects/actions/mechanisms	Funds mobilised (in USD)	Green focus
	Group, Team Europe	support to accelerate the growth of high-potential SMEs and innovative startups		
<a href="#">Link</a>	Public	<b>Fonds National pour l'Environnement et le Climat (FNEC)</b> - Public mechanism for mobilizing green financing.	Approx. 1.6 million <sup>31</sup> (cumulative as at 2021)	Finance programmes and projects that protect and manage the environment, mitigate the adverse effects of climate change, and promote sustainable development in the country
<a href="#">Link 1</a> , <a href="#">Link 2</a>	Public, AfDB, CIF	<b>Caisse des Dépôts et Consignations du Bénin (CDCB)</b> - aims to reduce term deposit costs by pooling funds from legal and judicial operations.	N/A	CDCB was selected as one of the first public institutions in Africa to benefit from the green financing facilities of the African Green Bank, an initiative of the African Development Bank aimed at supporting clean energy projects, resilient infrastructure, and climate-smart agriculture.
<a href="#">Link</a>	Global Affairs Canada	<b>AECF's IFEV-Benin &amp; Burkina-Faso</b> project aims to significantly improve the economic well-being of thousands.	Approx. 4,5 million	AECF's six-year IFEV-B&BF program, empowers women entrepreneurs in Benin and Burkina Faso's green economy by increasing access to finance, improving business skills with climate-smart methods, and addressing social barriers.
<a href="#">Link 1</a> , <a href="#">Link 2</a>	IMF	<b>Resilience and Sustainability Facility (RSF)</b> - lending mechanism focused on climate.	200 million	Support countries to integrate climate risks into national policies, address balance-of-payment challenges, and attract additional climate finance.
<a href="#">Link</a>	World Bank Group	<b>Development Financing Package</b> to support the Government's efforts to strengthen private sector-led growth, domestic revenue collection, and social and climate resilience. It includes the implementation of a PPP framework to enhance SME financing through loan guarantees, capitalization, and advisory support.	661.9 million	The financing supports Benin's green, resilient, and inclusive development agenda by enhancing climate adaptation, disaster preparedness, and risk management.
<a href="#">Link 1</a> , <a href="#">Link 2</a>	World Bank Group, IFC, GGGI, West African Development Bank	<b>One-stop climate finance window</b> - streamline intermediated lending to local banks and microfinance institutions to support SME financing	N/A	Enable long-term investments by SMEs, empowering local business growth and advancing green investment objectives
<a href="#">Link 1</a> , <a href="#">Link 2</a>	GCF, CIF, GEF	<b>International climate funds</b> : Green Climate Fund (GCF), Climate Investment Funds (CIF), Global Environment Facility (GEF) - attract private investment and enable national and multilateral development	N/A	Provide funds and technical assistance to develop green financing instruments.

<sup>31</sup> Source: FNEC, Rapport d'activités 2021. Accessible [here](#). Calculations by authors.

Source	Origin of funds	Projects/actions/mechanisms	Funds mobilised (in USD)	Green focus
		banks to develop risk-sharing instruments and technical capacities		
<a href="#">Link</a>	UNEP	<b>V20 Sustainable Insurance Facility (SIF)</b> - enhancing access to insurance solutions for MSMEs	N/A	Provides climate-smart insurance in climate-vulnerable nations.
<a href="#">Link 1</a> , <a href="#">Link 2</a> , <a href="#">Link 3</a>	Govt. of Denmark (DANIDA), Govt. of Spain (AECID), AfDB	<b>African Guarantee Fund (AGF)</b> - facilitates portfolio guarantees that target SME growth, women's entrepreneurship, and green financing.	N/A	AGF partnered with Banque Internationale pour l'Industrie et le Commerce to offer a Green Guarantee Facility
<a href="#">Link</a>	AfDB	<b>African Development Bank's Transaction Guarantee Fund</b> - transaction guarantee to Bank of Africa Benin to support the importation of supplies, machinery, and telecommunications equipment	15.6 million committed	The facility will support women-led businesses, focusing on projects with minimal exposure to climate risks
<a href="#">Link</a>	Agence Française de Développement (AFD)	<b>Projet d'Appui à l'Entrepreneuriat au Bénin (PAEB)</b> - support entrepreneurship in Benin by enhancing policy coordination and strengthening both financial and non-financial services for businesses.	33.6 million <sup>32</sup>	The programme includes training on climate issues. It aims to strengthen climate, E&S and gender integration through enterprise training and public agency capacity building.
<a href="#">Link</a>	Germany's International Climate Initiative (IKI)	<b>Compact with Africa Green Business Fund (CwA)</b> - Aims to facilitate policy dialogue between governments, the private sector, and the global community to address climate change; enhance the skills and knowledge of stakeholders; close the climate finance gap.	24 million initial commitment	Provide capacity building to green SMEs and design blended finance instruments

<sup>32</sup> 1 EUR = 1,04335 USD

## 3 | SMEs Sector Overview

**This section explores the SMEs landscape in Benin to offer an overview of the market.** It examines the size, composition, and sectoral distribution of SMEs while providing insights into the availability and use of green financing. It also identifies key challenges and opportunities related to SMEs' access to sustainable financial solutions.

### 3.1. SME Landscape of Benin

**The SME sector in Benin dominates the economic landscape, making up about 90% of all businesses.** They contribute greatly to job creation and provide livelihoods for a large portion of the population.<sup>33</sup> Despite their importance, the sector faces several challenges that hinder its full potential, including inadequate infrastructure, low levels of formalization, and a lack of technical and managerial capacity, which further limits their access to finance and growth opportunities.

**A series of consultations was conducted with key stakeholders to deepen the desk review analysis.** A total of 23 stakeholders were interviewed,<sup>34</sup> including SMEs, financial institution staff, policy makers and regulators, experts and academics (the full list is in Annex III). The findings from these engagements introduced in the subsections below shed light on the concerns, needs, and barriers faced by these SMEs, providing a clearer picture of the market potential for green financing in the country.

#### SME definition

The definition of enterprises in Benin is outlined in the *Law for the Promotion and Development of Micro, Small, and Medium Enterprises (2020)*.<sup>35</sup> This classification is based on two key criteria: employee count and turnover (excluding taxes). Under these parameters, enterprises are categorised as follows:

Table 4: Classification of MSMEs

	Micro Enterprises	Small Enterprise	Medium-size Enterprise
<b>Annual turnover Local currency</b>	< 30 million	30 million < 150 million	150 million < 2 billion
<b>USD</b>	< 54,800	54,800 < 27,400	27,400 < 3 million
<b>Number of employees</b>	≤ 10	11 ≤ 50	51 ≤ 200

#### Overview of the SME market

**Benin's General Business Census<sup>36</sup> and National Agricultural Census<sup>37</sup> have identified 1.2 million micro, small, and medium enterprises (MSMEs) operating in Benin.** This figure encompasses both formal and informal businesses, spanning agricultural and non-agricultural sectors. However, the widespread informality in Benin's economy makes it difficult to accurately determine the total number of enterprises. The informal sector is estimated to account for nearly 65% of Benin's national GDP,<sup>38</sup> and approximately 85.5% of businesses in the country are informal, with the majority being very small enterprises.<sup>39</sup>

<sup>33</sup> International Trade Center (ITC), Promoting SME Competitiveness in Benin COVID-19: An Inclusive Path Towards Resilience, 2020. Accessible [here](#)

<sup>34</sup> Interviews were conducted in Benin between the 12th of January to the 29th of January 2025.

<sup>35</sup> République du Bénin, Accessible [here](#)

<sup>36</sup> Institut National de la Statistique et de la Démographie (INStAD), 3e Recensement général des entreprises au Bénin - Rapport préliminaire, 2024. Accessible [here](#)

<sup>37</sup> Institut National de la Statistique et de la Démographie (INStAD), Recensement national de l'agriculture, 2021. Accessible [here](#)

<sup>38</sup> African Development Bank (AfDB), Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

<sup>39</sup> African Development Bank (AfDB), Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

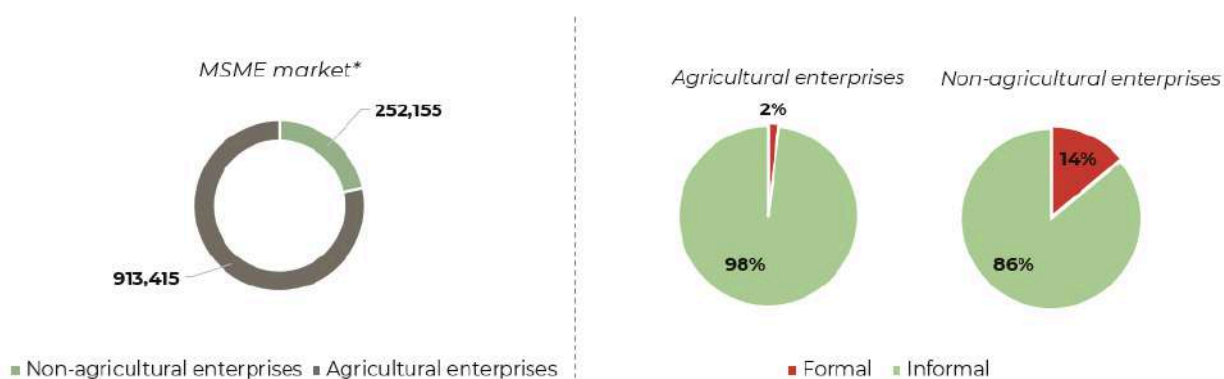
**The level of formalization within the non-agricultural sector is low.** The third General Business Census (RGE3), conducted in 2023, identified a total of 252,155 non-agricultural economic units in Benin, of which 215,755 were further surveyed. Among these, only 14.1% (approximately 30,422) were classified as formal, possessing a tax identification number (IFU), while just 11.7% were registered in the trade register.<sup>40</sup> This census only includes establishments operating in fixed premises, leaving out itinerant traders and self-employed workers, units set up along roadsides without fixed premises, taxis and motorcycle taxis, pushcart operators, masons, painters, and laborers working on construction sites, etc.<sup>41</sup> This is a key observation given the high level of informality and prevalence of businesses operating without fixed premises in the Beninese SME sector. Labor in Benin is transitioning from agriculture to low-productivity informal service jobs like personal security, cleaning services, retail, catering, and urban transport (motorcycle taxis),<sup>42</sup> which suggests that most new entrepreneurs operate informally.

**Looking at the agricultural sector in Benin, it is predominantly made up of small, low-productivity farms and remains largely informal.** The National Agricultural Census (RNA) conducted in 2021 counted 913,415 farms engaged in agricultural activities and agro-related activity.<sup>43,44</sup> Over 90% of farms operate outside formal structures, and only 2% maintain financial records,<sup>45</sup> reflecting the significant challenges of formalization and efficiency within the sector.

**This brings the total number of enterprises listed by the General Business Census and the National Agricultural Census to 1,165,570.**

**The formal SME market is skewed towards smaller enterprises with fewer than 100 employees, which account for approximately 79% of all businesses.** In contrast, large enterprises with more than 100 employees make up only 21% of the market.<sup>46</sup>

Figure 1: Number of agricultural and non-agricultural MSMEs, disaggregated by formality



\*As per the General Business Census and the National Agricultural Census data

**Most non-agricultural businesses are concentrated in urban areas, accounting for 75.1% of the total, with a significant concentration in the southern regions of the country.** The Littoral department leads with 24.6% of these businesses, followed by the Atlantique department at 18.6%, and the Ouémé department at

<sup>40</sup> Institut National de la Statistique et de la Démographie (INStAD), 3e Recensement général des entreprises au Bénin - Rapport préliminaire, 2024. Accessible [here](#)

<sup>41</sup> Institut National de la Statistique et de la Démographie (INStAD), 3e Recensement général des entreprises au Bénin - Rapport préliminaire, 2024. Accessible [here](#)

<sup>42</sup> African Development Bank (AfDB), Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

<sup>43</sup> Institut National de la Statistique et de la Démographie (INStAD), Recensement national de l'agriculture, 2021. Accessible [here](#)

<sup>44</sup> Agricultural activities refer to all activities covering agriculture, livestock farming, fishing, aquaculture, forestry and beekeeping. Para-agricultural activities refer to activities covering marketing and processing of agricultural products.

<sup>45</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>46</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

13.6%.<sup>47</sup> On the other hand, households engaged in agricultural businesses are naturally concentrated in rural areas.

**Non-agricultural businesses in Benin are especially active in key sectors such as trade, services, and agriculture, which employs a large portion of the population.** According to the RGE3, the majority of surveyed businesses (78.5%) are concentrated in the tertiary sector, with trade and handicrafts being the primary drivers of this activity.<sup>48</sup>

## SMEs' exposure to climate risks and readiness

**Benin faces significant exposure to the effects of climate change, deforestation, and soil degradation. These issues directly impact the sustainability of SMEs,** particularly those operating in agriculture and related sectors.

**According to the SME Competitiveness Survey (2019), nearly three out of four businesses in Benin are concerned about climate-related risks.**<sup>49</sup> The survey highlights eight specific risks, including rising sea levels, water scarcity, floods, and declining input quality. Among the respondents, 73% of all businesses and 64% of SMEs reported feeling significantly exposed to at least one of these risks, underscoring the widespread vulnerability of the sector to climate change impacts.

**Agricultural businesses in Benin are particularly vulnerable to environmental risks, with changing temperatures and water scarcity being their primary concerns.** The same survey reveals that 97% of agricultural firms reported exposure to at least one climate-related risk, a significantly higher proportion compared to 75% of manufacturing firms and 62% of service firms. This highlights the disproportionate impact of climate change on the agricultural sector, which is more directly dependent on environmental conditions.

**The nature of perceived risks differs across sectors.** Agricultural firms are most worried about changing climatic conditions, with temperature increases (53%), water scarcity (43%), and floods (43%) being their top concerns. In the manufacturing sector, the primary risks are input scarcity (55%), declining input quality (36%), and water scarcity (36%), reflecting the sector's dependency on stable supply chains. For the services sector, flooding (40%) is identified as the key environmental risk. These variations highlight the sector-specific vulnerabilities to climate change impacts.

**Despite rising concerns, only half of Beninese firms have invested in climate adaptation measures.** Among firms that have taken action, the most common investments are in temperature controls (30%), soil management practices (23%), and resilient transportation systems (23%). Notably, medium-sized firms lag behind both micro and large firms in climate adaptation efforts, focusing mainly on temperature controls and soil management practices. Agricultural firms lead the way, with 78% reporting investments in adaptation, nearly double the share of service-sector firms. This disparity highlights the varying levels of climate action across sectors and the need to encourage broader participation in resilience-building measures.

**Low adoption of adaptation measures evidence the urgent need for greater private-sector involvement in building climate resilience.** These investments address the country's climate challenges and include solutions such as irrigation systems, flood prevention infrastructure, and temperature controls. Approximately 50% of surveyed firms reported adopting at least one adaptation measure.

**Firms' investments in mitigation measures are less common than adaptation efforts and primarily target waste and chemical reduction.** Around 40% of firms report investing in at least one mitigation measure, with the top actions being waste management systems (36%), reduced chemical use (34%), and sustainable/recycled packaging (26%). Large firms focus more on energy, while both large and micro-firms show the highest overall investment levels.<sup>50</sup>

<sup>47</sup> Institut National de la Statistique et de la Démographie (INStaD), 3e Recensement général des entreprises au Bénin - Rapport préliminaire, 2024. Accessible [here](#)

<sup>48</sup> Institut National de la Statistique et de la Démographie (INStaD), 3e Recensement général des entreprises au Bénin - Rapport préliminaire, 2024. Accessible [here](#)

<sup>49</sup> International Trade Centre (ITC), Promoting SME Competitiveness in Benin, 2020. Accessible [here](#)

<sup>50</sup> World Bank Group (WBG), Benin Country Climate and Development Report, 2023. Accessible [here](#)

## 3.2. Access to finance among SMEs

### Access and usage of financial services

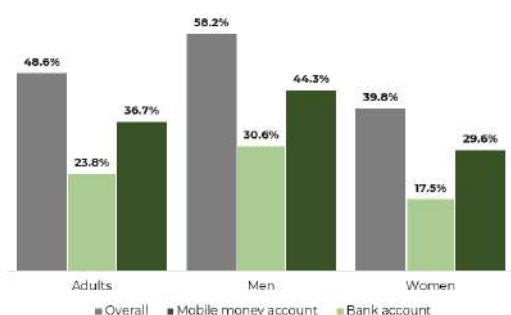
**In 2021, almost half of the adult population (48.6%) in Benin was financially included.**<sup>51</sup> Whilst the level of financial inclusion is somewhat lower when compared to the SSA average of 55.1%, it has increased significantly from 16.6% in 2014 and 38.5% in 2017. Financial inclusion in Benin is driven by mobile money with 36.7% of the adult population owning a mobile money account and 23.8% owning an account at a financial institution.<sup>52</sup>

**Women have generally less access to bank and mobile money accounts than men in Benin.** In 2017, only 28.6% of women had an account, compared to 48.6% of men. This differential remained in 2021; while women's account ownership increased to 39.8%, it remained below the overall average of 48.6%, and that of men at 58.2%.<sup>53</sup>

**Female-led businesses also face disparities in access to financial services and credit compared to their male counterparts.** 75% of female-led businesses have a checking or savings account, compared to 98.6% of male-led businesses.<sup>54</sup>

**SMEs seem to have a higher rate of financial inclusion compared to the general population.** The World Bank Enterprise Survey reports that 93% hold a checking or savings account, a level that is consistent across both male- and women-led enterprises.<sup>55</sup>

Figure 2: Level of account ownership by population and type of account



**Business owners are more likely to save up money than to borrow for their business.** While 23.3% of the adult population saved money to start, operate or expand their business, only 11.6% borrowed money to do so.<sup>56</sup> People who borrow primarily resort to informal sources. Only 9.8% of adults borrowed from financial institutions, while 41.1% borrowed from family or friends and 10.5% from savings clubs.<sup>57,58</sup>

The qualitative survey revealed the following funding sources, ranked in order of importance: grants, bootstrapping, reinvested profits, equity financing, and debt financing.

**Consultations underscored the variety of financing approaches** adopted by green SMEs and the ongoing struggle to secure adequate funding, highlighting the need for continued support. One relatively large SME interviewed remains heavily dependent on grants due to the prohibitively high cost of local financing. Its need for substantial pre-financing further complicates efforts to secure funding. Another SME reported relying on grants despite having some access to bank financing, suggesting that traditional loans, while accessible, may

<sup>51</sup> Financial inclusion is defined as an individual having an account registered in their name with a bank and / or a mobile money service provider.

<sup>52</sup> World Bank Group (WBG) Databank, Global Financial Inclusion, 2023. Accessible [here](#)

<sup>53</sup> World Bank Group (WBG) Databank, Global Financial Inclusion, 2023. Accessible [here](#)

<sup>54</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>55</sup> World Bank Group (WBG), Enterprise Surveys, Benin, 2024. Accessible [here](#)

<sup>56</sup> World Bank Group (WBG) Databank, Global Financial Inclusion, 2017. Accessible [here](#)

<sup>57</sup> World Bank Group (WBG) Databank, Global Financial Inclusion, 2023. Accessible [here](#)

<sup>58</sup> A savings club is a group of individuals who pool their money regularly to save collectively, often for a specific purpose or to provide financial support to members. These clubs operate on trust and mutual benefit, often informally, with members contributing and accessing funds on a rotating or need-based basis.

not be sufficient to fully meet the funding needs of green SMEs. A third SME indicated its reliance on personal funds and service revenue, underscoring the early-stage financing challenges many SMEs face.

## Private credit supply

**In Benin, as in the broader region, banks primarily focus on serving larger organizations but do provide a range of financial services tailored to specific categories of SMEs.** These services typically include working capital financing, such as seasonal loans, commercial credit, cash advances, invoice discounting, and overdrafts. Investment financing options, including medium- and long-term loans, market financing, and guarantees such as sureties, financial attestations, and letters of guarantee, are also Accessible. Additionally, banks offer advisory support for investments, digital payment and transfer services, as well as foreign exchange operations, aiming to address the diverse financial needs of SMEs.<sup>59</sup>

**The top banks supporting SMEs financing in Benin include** Bank Of Africa (BOA), NSIA Bank, Coris Bank, United Bank for Africa (UBA), Banque Sahélo-saharienne pour l'Investissement et le Commerce (BSIC), Orabank, Ecobank, and Banque Internationale pour l'Industrie et le Commerce (BIIC). They offer flexible financing with interest rates of 9–13% and loan maturities up to 84 months. Actively involved in an ongoing agricultural financing, these banks partner with the FNDA to provide loans of up to 500 million FCFA at reduced interest rates (as low as 2% with subsidies), a maximum term of five years, and a 50% FNDA-backed guarantee.<sup>60</sup>

**The formal MSME financing gap is estimated at USD 689 million, or 3.5% of GDP (2023) in Benin.** Private sector credit has increased to 18.6% of GDP in 2023, following a drop to 15.5% during the COVID-19 pandemic. Further, there are significant gaps in access to finance in Benin based on business size, location, and the owner's gender, revealing deeper economic inequalities. Larger, formal businesses dominate borrowing, receiving 60% of Accessible funding, while microenterprises, often informal, face major challenges in accessing finance.<sup>61</sup>

**The World Bank Enterprise Survey highlights a persistent financing gap among SMEs, despite high levels of financial inclusion.** While the vast majority of SMEs hold a financial account, access to credit remains a significant constraint: 60.3% of small businesses and 55.8% of medium-sized enterprises identify access to finance as a major or very severe obstacle. Overall, about 65% of SMEs report being partially credit constrained.<sup>62</sup>

**Approximately 41% of SMEs report having a loan with a bank, yet this drops to just 28% among small enterprises, pointing to a disparity by firm size.** Moreover, credit is rarely used to fund long-term investments: only 22% of small firms and 30.5% of medium firms rely on bank financing for investment purposes. Instead, a substantial majority (81.5% of small businesses and 69.7% of medium ones) rely on internal funds. A similar pattern emerges for working capital financing. While 39.8% of SMEs report using bank credit for working capital, only 12% of their working capital needs are actually financed through banks. This gap between usage rates and funding volumes suggests that, although banks have achieved reasonable outreach, SMEs only borrow modest amounts relative to their total working-capital requirements.<sup>63</sup>

**Agricultural businesses remain particularly underfunded, accounting for only 4.2% of total credit in 2020,** despite contributing around 27% to GDP. The National Agricultural Census further indicates that only 6.9% of farms have access to credit.<sup>64</sup> Banks are often hesitant to lend to farmers, who face persistent challenges in accessing the inputs and equipment necessary to enhance their agricultural productivity. This is a critical barrier to unlocking the sector's full potential and improving its resilience.<sup>65</sup>

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<sup>59</sup> Technoserve, Cartographie de l'Ecosysteme des Structures D'appui à l'Entrepreneuriat au Bénin, 2023. Accessible [here](#)

<sup>60</sup> Technoserve, Cartographie de l'Ecosysteme des Structures D'appui à l'Entrepreneuriat au Bénin, 2023. Accessible [here](#)

<sup>61</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>62</sup> World Bank Group (WBG), Enterprise Surveys, Benin, 2024. Accessible [here](#)

<sup>63</sup> World Bank Group (WBG), Enterprise Surveys, Benin, 2024. Accessible [here](#)

<sup>64</sup> Institut National de la Statistique et de la Démographie (INStAD), Recensement national de l'agriculture, 2021. Accessible [here](#)

<sup>65</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

### 3.3. SMEs green finance ecosystem in Benin

This subsection elaborates on the supply, demand, enablers, barriers and opportunities for SMEs to access green finance based on the stakeholder consultations (the full list of interviewees is in Annex III). Where the source of information is not based on consultations, the appropriate reference is provided.

The stakeholder consultation process concludes that the SME green finance ecosystem in Benin is in a nascent phase, with potential for growth and development. There are opportunities to establish dedicated institutions, create suitable financial instruments, and implement best practices that could support green finance initiatives for SMEs. As this ecosystem evolves, the range of green financing options for SMEs could be significantly expanded.

#### Actors

Current actors in the field include policymakers and regulators (government agencies, international and national regulators, standard-setting bodies), green finance providers (public and private banks, microfinance institutions, venture capital and private equity funds, development finance institutions, insurance companies), and market facilitators (incubators, accelerators, audit firms).

Some key players are still missing, such as ESG ratings agencies and index providers, which are essential for effectively channeling green finance to SMEs. While these entities are currently underrepresented, their role is expected to become more significant as the integration of ESG principles continues to gain momentum in Benin's financial sector.

Figure 3: Green SME ecosystem



#### Supply

Driven by stakeholder pressure, banks are increasingly integrating ESG and exploring green finance, though dedicated green products are still lacking. Some banks, in partnership with government agencies and development partners, like Banque Internationale pour l'Industrie et le Commerce (BIIC), are planning to develop green finance instruments and ESG strategies to scale sustainable lending to SMEs. However, their shorter-term lending focus and susceptibility to regulatory pressures and economic shocks, in contrast with the long-term nature of green projects, limit their capacity to fully meet SME green financing needs.

Microfinance Institutions (MFIs) remain key providers of debt financing for SMEs in Benin and are increasingly important drivers of green and sustainable finance in this sector. Several MFIs are actively partnering with development organisations and government agencies to become significant providers of green financing, particularly for investments in agriculture and renewable energy. Among others, Fececam,

PeBCo, Renaca and SianSon are expanding SME access to sustainable finance. They typically lend at higher interest rates compared to commercial or foreign-owned banks, but MFIs' leverage greater local presence and focus on SME lending.

**Venture Capital (VC) and Private Equity (PE) play a significant role in fostering green innovation with SMEs in Benin. VC firms often serve as an instrumental resource, supplying seed funding and mentorship to budding eco-entrepreneurs.** Simultaneously, PE firms contribute to the expansion of maturing green businesses and infuse them with their expertise. This type of investment is crucial for scaling green solutions and accelerating the low-carbon transition. In Benin, several VC and PE funds support green SME finance, including public entities like the FIGPME and the Green Facilities of CDC, and private firms like Kampani<sup>66</sup> (Global ticket: Euros 500 millions) and BIO Invest<sup>67</sup> (Global ticket: Euros 1,5 billion). However, this financing option remains underdeveloped in the country.<sup>68</sup>

**Insurance companies are also key to driving sustainable SME finance by mitigating risks associated with green investments, but face limitations.** Insurance companies provide various coverage options, including automobile insurance, health insurance (hospitalisation), and personal accident insurance. The FNDA will support an agricultural insurance program for farmers, with the government initially subsidizing 80% of the annual insurance premium through grants and gradually phasing out the support over time. However, sector-specific challenges, like potentially high claim volumes, can hinder effective de-risking. This impacts green SMEs, often seen as high-risk. To address this, insurers are exploring collaborative strategies and risk transfer mechanisms. Following a failed AMAB<sup>69</sup>-backed mechanism,<sup>70</sup> the government launched a new insurance project led by FNDA,<sup>71</sup> partnering with SUNU and NSIA, to help SMEs access equity and lower-cost debt through insurance coverage.

## Market enablers

**Development banks are actively funding and supporting the government of Benin initiatives, including those aimed at SME development.** At the macroeconomic level, they play a key role in de-risking green investments, encouraging private sector participation, and strengthening the green finance ecosystem. Notably, with support from the AfDB, Benin is exploring innovative financing instruments, such as green bonds and dedicated green funds, to further empower SMEs at the forefront of the green economy.

**Development partners such as the Belgian Development Agency (Enabel), AFD, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and LuxDev provide essential technical and financial support to Benin's green finance ecosystem.** They empower local actors on both the supply and demand sides through capacity building, facilitate the implementation of green projects, and enhance the enabling environment for sustainable investments.

**National universities and academic institutions play a vital role in human capital development** by offering training and education programs that equip individuals with the skills needed to drive sustainable and green economic growth

**However, the presence of support organizations within Benin's SME green ecosystem remains limited, posing a significant challenge to SME growth.** This scarcity restricts access to essential expertise in eco-friendly technologies and sustainable finance, ultimately constraining the adoption and expansion of environmentally sound solutions.

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<sup>66</sup> Kampani website (accessed in January 2025). Accessible [here](#)

<sup>67</sup> Bio Invest website (accessed in January 2025). Accessible [here](#)

<sup>68</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#).

<sup>69</sup> Assurance Mutuelle Agricole du Bénin | Mutual Agricultural Insurance of Benin

<sup>70</sup> German cooperation (GIZ), Rapport appui à l'élaboration de modules de formation d'éducation en assurance agricole, 2020. Accessible [here](#)

<sup>71</sup> General Secretariat of the Government, Compte-rendu du Conseil des Ministres du 23 Oct. 2024, Accessible [here](#)

Table 5: Some market enablers active in Benin

Focus	Market enablers
Financial support	<ul style="list-style-type: none"> <li>● Africa Enterprise Challenge Fund (AECF)</li> <li>● <a href="#">LuxDev</a> (BEN04 and BEN05)</li> <li>● IFC</li> <li>● <a href="#">AFD</a></li> <li>● <a href="#">Tony Elumelu Foundation with BeGreen Africa</a></li> <li>● United States African Development Foundation (USADF)</li> <li>● Kreditanstalt für Wiederaufbau (KfW)</li> <li>● European Investment Bank (EIB)</li> <li>● AfDB (ex: <a href="#">PAGE - DSP</a>)</li> </ul>
Non financial support	<ul style="list-style-type: none"> <li>● <a href="#">EtriLabs</a> (Mastercard Foundation Challenge)</li> <li>● Impact Hub and Toogueda (<a href="#">Climathon</a> / <a href="#">Catalyst</a>)</li> <li>● Enabel (<a href="#">Programme d'appui à une Agriculture Résiliente et aux Systèmes Alimentaires Durables (PARSAD)</a>) and <a href="#">Delta Mono</a> project)</li> <li>● GIZ (<a href="#">ProFinA</a>, <a href="#">ProPME</a>, <a href="#">Energising Development (ENDEV)</a>)</li> </ul>

### The role of policymakers and regulators

- **Policies:** The Presidency sets the overall policy direction, while key ministries in charge of economics, environment, agriculture, SMEs, and education contribute to sector-specific frameworks and strategies.
- **Finance:** Institutions such as SEME-CITY, CDC, BIIC, FNEC, and FNDA provide funding through grants, loans, guarantees, and venture capital. These financial mechanisms are often deployed in partnership with development banks and international partners
- **Support and market access:** Organizations such as AEPC, APIEX, and ADPME play a crucial role in enhancing market access, providing capacity-building initiatives, and offering regulatory support. AEPC, in particular, aims to guide SMEs in accessing carbon markets and green bond opportunities. However, it currently lacks the necessary capacity to fully implement this support.

**The Agence de Développement des Petites et Moyennes Entreprises (ADPME)** is a public institution under the supervision of the Ministry of Small and Medium Enterprises and Employment Promotion. It is a one-stop-shop with a mandate to coordinate and harmonize public interventions in favor of MSMEs in Benin, by offering a range of support services, guidance, and financing. Within the green SME financing ecosystem, ADPME plays a key role by facilitating entrepreneurs' access to funding, support services, innovative financing, as well as training and networking opportunities. These initiatives aim to strengthen the entrepreneurial ecosystem in Benin, by supporting businesses engaged in sustainable and environmentally friendly practices.

Table 6: Actors' role in the policy and regulation SMEs ecosystem

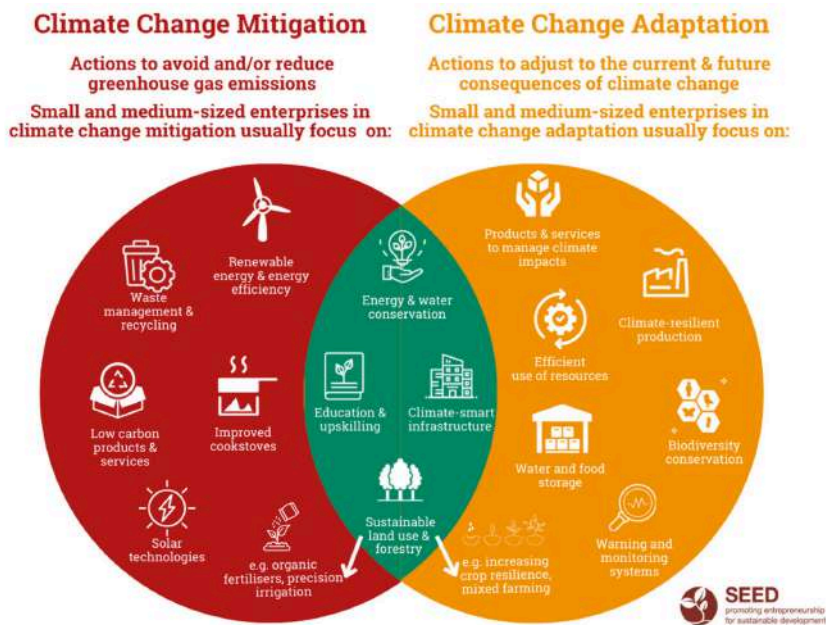
	Presidency	Ministry of Economy and Finance	Ministry of Living Environment and Transport (in charge of sustainable development)	Ministry of Agriculture, Livestock, and Fisheries	Ministry of Secondary, Technical and Vocational Education	Ministry of SMEs and Employment Promotion	Ministry of Commerce and Industry	Ministry of Social Affairs and Microfinance
<b>Policy</b>	<ul style="list-style-type: none"> <li>Support mechanism for the financing of SMEs/SMLs in the WAEMU of 29 September 2015</li> <li>Law no. 2006-15 of 5 september 2006 on the promotion of investment companies with fixed capital and wishing to benefit from incentives, particularly of a tax nature</li> </ul>							
<b>Finance</b>	SEME-CITY: Grants via development partners (RISE with IFC / WB)	CDC: Green Facility, Venture Capital BIIC: Loan (renewable energy with line of credit from BOAD and guarantees from AfDB / AGF)	FNEC: Grants for NGOs and local communities via Global	FNDA: Grants, loans via MFIs and banks, guarantees supported by KFW, GIZ, ENABEL, LUXDEV		ADPME: Grants via development partners (PAEB / AFD) and Venture Capital via Fonds d'Investissement et de Garantie des PME (FIGPME)		FNM: Loans via MFIs supported by development partners (LuxDev)
<b>Support</b>		AEPC: SMEs carbon market projects support and enforcement of regulations with GGGI	AEPC: SMEs carbon market projects and enforcement of regulations			ADPME: Labelisation of Startups including those in green sectors		
<b>Market</b>	APIEX: Promote investment and exportations	AEPC: Access to carbon market and green bonds		FNDA: Access to market and certification		ADPME: Capacity building and entrepreneurial skills		
<b>Human Capital</b>	SEME-CITY: Capacity building and entrepreneurial skills (Ex: FP2E with IFC / WB)				National universities: Academics and professional educations		CCIB: Capacity building and entrepreneurial skills (Ex: ProPME, ProFina with GIZ)	

## Demand

**The addressable market in this report is defined as (green) SMEs seeking green finance.** These are SMEs with business models centered on climate change mitigation and adaptation, sustainable resource use, circular economy transitions, pollution control, and biodiversity restoration. They are either operating within the "green sector" or implementing green projects that align with sustainability objectives. They typically demonstrate a commitment to reducing their environmental impact, either through their core operations or through specific green projects, making them eligible for green finance opportunities designed to support sustainable growth.

Existing SMEs have economic incentives to adopt sustainable practices, such as implementing clean technologies like off-grid solar solutions. Green SMEs are also expected to generate significant demand.<sup>72</sup>

Figure 4: Climate change mitigation and adaptation - Examples from SME models



Source: SEED, *Closing the Climate Financing Gap for SMEs*<sup>73</sup>

**Primary research indicates that most green SMEs in Benin focus on mitigation activities, as these are perceived as more attractive to investors.** Interviews revealed a funding gap between climate mitigation and adaptation, particularly for SMEs, reflecting some biases in green finance. Compared to adaptation activities, mitigation projects are generally more attractive to investors because they offer quantifiable returns, rely on established technologies, and present lower risks, making them easier to scale. In contrast, adaptation initiatives tend to have less tangible benefits, require context-specific solutions, and are perceived as riskier. Additionally, many SMEs lack the capacity to design and implement robust adaptation projects. Regardless, both types of SMEs require tailored financing to adapt, innovate, and scale their operations at every stage of their development.

**The primary research identified SMEs engaged in both climate change mitigation and adaptation in Benin and generated the following insights:**

- **Mitigation-focused SMEs** — such as Kalao, Qotto, Natura and VSA/Recyclers — are developing and implementing solutions related to renewable energy technologies, energy efficiency improvements, sustainable agriculture practices, and green products/services. However, they face challenges such as technical constraints and limited market access.

<sup>72</sup> United Nations Environment Programme (UNEP), *Assessment of Green Financing Mechanisms for MSMEs in Africa*, 2022. Accessible [here](#)

<sup>73</sup> SEED, *Closing the Climate Financing Gap for SMEs*, 2024. Accessible [here](#)

- **Adaptation-focused SMEs** — such as Agrosfer, Africa Green Corporation and Tic Agribusiness — are increasingly investing in climate-resilient infrastructure, income diversification, early warning systems, and sustainable resource management. However, they struggle with limited access to reliable climate information and gaps in capacity to understand and implement adaptation strategies.

**Table 7 below outlines the different types of financing required by green SMEs at each stage of their development.** From the early stages and business model testing to scaling up and commercialisation, each phase presents unique financial needs. This breakdown helps to understand the funding sources and mechanisms that can support green SMEs as well as the financial instruments and supply-side actors required at each stage.

Table 7: SMEs funding steps and associated supply side actors in Benin<sup>74</sup>

	Early-stage Development	Testing business model	Scaling up	Commercialisation
Description	<ul style="list-style-type: none"> <li>• Developing and refining production</li> </ul>	<ul style="list-style-type: none"> <li>• Initial roll out of a new product (or into a new market)</li> </ul>	<ul style="list-style-type: none"> <li>• Replication of sale at large scale</li> </ul>	<ul style="list-style-type: none"> <li>• Improving cost and revenue structures to become fully sustainable</li> </ul>
Financing need	<ul style="list-style-type: none"> <li>• R&amp;D investment and product testing</li> <li>• Working capital</li> </ul>	<ul style="list-style-type: none"> <li>• Capital investment</li> <li>• Working capital</li> </ul>	<ul style="list-style-type: none"> <li>• Capital investment</li> <li>• Working capital</li> </ul>	<ul style="list-style-type: none"> <li>• Capital investment</li> <li>• Working capital</li> </ul>
Instruments required	<ul style="list-style-type: none"> <li>• Grant</li> <li>• Seed Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Grants</li> <li>• Seed capital</li> <li>• Early - stage venture capital</li> </ul>	<ul style="list-style-type: none"> <li>• Project finance</li> <li>• Venture capital</li> <li>• Equity investments</li> </ul>	<ul style="list-style-type: none"> <li>• Debt financing</li> <li>• Equity financing</li> </ul>
Actors	<ul style="list-style-type: none"> <li>• EtriLabs</li> <li>• Noru Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Kampani</li> <li>• MFIs partners of FNDA*</li> <li>• Banks* partners of FNDA including BIIC</li> </ul>	<ul style="list-style-type: none"> <li>• Kampani</li> <li>• Banks* partners of FNDA including BIIC</li> </ul>	<ul style="list-style-type: none"> <li>• CDC Bénin</li> <li>• Bio Invest</li> </ul>

## Barriers for SMEs green financing

**Reforms to support private sector development have made significant progress. However, challenges remain for entrepreneurship.** (Green) SMEs in Benin have limited access to finance due to various barriers, which can be grouped into supply side barriers and demand side barriers.

Supply side and demand side barriers can be broadly categorized into policy and regulatory impediments, technical and operational deficiencies, and financial limitations, as presented below. However, these barriers are deeply interconnected and must be understood and apprehended holistically.

### Supply side barriers

#### Policy and regulations:

1. **The absence of a common national framework—such as a widespread green taxonomy which could provide clear definitions for green projects and business models—creates uncertainty and hinders lending.** Without a standardized classification of what qualifies as a "green" project, banks struggle to assess which SMEs qualify for green finance. This lack of clarity can lead to risk aversion, where financial institutions hesitate to lend due to concerns about regulatory compliance or greenwashing risks.

<sup>74</sup> Authors based on "Increasing MSME access to climate finance" report (Dalberg, 2015, accessible [here](#)) and consultations

2. **The absence of a clear and ambitious national green economy strategy and action plan tailored to green SMEs creates uncertainty for investors and financial institutions.** Without a well-defined policy framework that is tailored to SMEs, it becomes challenging to assess investment opportunities, design effective financial products, and develop targeted support programs. This lack of strategic direction limits investor confidence, slows the mobilization of capital, and hampers the growth of green enterprises.
3. **Regulatory constraints**, such as Basel I and II requirements and interest rate regulations in UEMOA, significantly discourage investment in green projects in Benin, limiting the growth of green SMEs and sustainable initiatives.
  - The **Basel Accords** set capital adequacy requirements can negatively impact green financing as green projects, especially those led by SMEs, are perceived as high-risk due to their innovative or unproven business models. Basel II's risk-weighted capital framework requires banks to hold more capital against riskier loans, making green SMEs less attractive compared to traditional and larger businesses. Basel regulations favor tangible assets (such as land or buildings) as collateral, which green startups and SMEs often lack. They also encourage short-term, low-risk lending, while green projects typically require longer-term financing to achieve viability.
  - The UEMOA region operates under strict interest rate caps set by the **Central Bank of West African States (BCEAO)**. These prevent banks from applying risk-adjusted interest rates on green projects, which often require more patient capital. Since green initiatives might have longer payback periods, capped interest rates discourage banks from offering financing. At the banking sector level, the recent tightening of international financial conditions has led to an increase in the BCEAO's key interest rates, which in turn has impacted the interest rates applied by commercial banks. Banks' rates have risen in line with the BCEAO's key rates, which climbed from 2% in July 2020 to 3.5% as of December 2023. This upward trend has been expected to slow private sector investment,<sup>75</sup> as the average interest rate loan applied by banks in 2023 reached 8.6%.<sup>76</sup>
4. **Financial institutions have limited incentives and resources to develop tailored financing solutions for green SMEs and other investment needs.** Without clear policy support—such as tax breaks, green finance quotas, or interest rate subsidies—banks may lack the motivation to prioritize green financing, and are likely to favor traditional business lending over green SME financing.

#### Technical and operational barriers:

5. **Most green MSMEs are adopting new, untested business models based on innovative technologies, which are often unfamiliar to financial service providers.** Additionally, many operate in sectors historically viewed as high-risk for lending, such as agriculture and waste management. These factors contribute to the perception that these businesses are riskier or less profitable for financiers, leading banks to either withhold loans or impose higher interest rates to mitigate perceived risks.

**Financial institutions lack knowledge or expertise regarding sectors, practices, or projects related to the green economy.** This includes gaps in identifying sustainable investment opportunities, assessing risks specific to environmental activities, or understanding the long-term benefits of transitioning to environmentally friendly practices.<sup>77</sup>

**This goes in pairs with limited environmental and social risk assessment skills.** Assessing the environmental and social risks associated with green projects requires specialized skills and

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<sup>75</sup> African Development Bank (AfDB), Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale, 2024. Accessible [here](#)

<sup>76</sup> Central Bank of West African States (BCEAO), Conditions débitrices appliquées par les établissements de crédit de l'UEMOA au titre du deuxième semestre 2023, 2023. Accessible [here](#)

<sup>77</sup> United Nations Environment Programme (UNEP), Assessment of Green Financing Mechanisms for MSMEs in Africa, 2022. Accessible [here](#)

methodologies. Many financial institutions lack in-house expertise, hindering their ability to properly evaluate the potential negative or positive impacts of financed activities.

Combined, these limitations constrain financial institutions' capacity to develop and offer green finance products, which require in-depth knowledge of green finance principles and market demands.

6. **Information asymmetry and data gaps are significant challenges when it comes to assessing the creditworthiness of SMEs, particularly in the context of green projects.** As of 2019, the credit bureau in Benin covered only 1.9% of the adult population.<sup>78</sup> Despite government reforms to improve credit access, including new regulations for credit bureaus in WAEMU and the launch of a new bureau, the number of individuals and firms listed remains very low. As a result, financial institutions lack sufficient credit data to accurately assess loan applicants, making it difficult to evaluate project risks. This is even more true for green projects, given the barriers cited above.
7. **Financial institutions in Benin often lack the resources and specialized expertise to offer advisory support or capacity-building services to SMEs (including green SMEs).** This gap deprives SMEs of critical support, as many lack financial literacy and the necessary skills to structure and present bankable green projects. It also limits their access to tailored financial products and the guidance needed to navigate complex regulatory and sustainability requirements, ultimately hindering their access to green finance.

#### Financial barriers:

8. **Financial institutions, especially banks, are naturally risk-averse and tend to avoid projects with uncertain returns, such as green projects.** For the reasons cited above, there is higher uncertainty and longer-term returns associated with green investments, which make financial institutions hesitant to invest in early-stage climate SMEs. Moreover, banks face high transaction costs for the assessment and due diligence of smaller enterprises, making it less profitable for them to provide financing to SMEs.
9. **There are little resources and financial incentives directed to banks to encourage green lending.** Without incentives and access to resources such as climate funds, development finance, or donor-backed de-risking mechanisms and technical assistance, banks are unlikely to develop green loan products that match the unique financial profiles of green businesses. Overall, designing financial products for green SMEs requires investment in research, training, and risk assessment models. In the absence of external funding or incentives, financial institutions will likely prioritize more traditional investments
10. **The ability of Beninese banks to finance SMEs (including green SMEs) has been constrained by weak profitability, driven by low returns on assets and equity, high non-performing loan (NPL) ratios, and significant operational inefficiencies.** Profitability in the sector remains low, with Beninese banks recording an after-tax return on average assets of just 0.5% in 2019.<sup>79</sup> Low returns and high loan defaults reduce banks' risk appetite, especially for SME lending, which is typically perceived as riskier and costlier to serve. Moreover, high operating costs and large provisioning requirements tend to adopt more conservative lending strategies, prioritizing lower-risk or larger clients over SMEs. Finally, higher costs of funding tied to SME financing (which often require more effort per dollar lent) narrow interest margins, making SME loans less attractive from a profitability standpoint. However, the recent decline in NPLs and signs of improving profitability suggest that banks may be in a better position to expand lending, including to SMEs.<sup>80</sup>
11. **Banks often prioritize investing in government securities,** which are perceived as safer and more stable than lending to MSMEs. This preference further reduces the availability of credit for small businesses, reinforcing financing gaps in the private sector.<sup>81</sup>

<sup>78</sup> World Bank Group (WBG) Database, 2019. Accessible [here](#)

<sup>79</sup> International Finance Corporation (IFC), *Créer des marchés au Bénin*, 2023. Accessible [here](#)

<sup>80</sup> Central Bank of West African States (BCEAO), *Rapport Annuel de la Commission Bancaire*, 2023. Accessible [here](#)

<sup>81</sup> International Finance Corporation (IFC), *Créer des marchés au Bénin*, 2023. Accessible [here](#)

## Demand side barriers

### Policy and regulatory barriers

12. **Green SMEs face high market and regulatory uncertainty.** Unpredictable market conditions—such as shifting demand, competition, and evolving technology—combined with unclear or changing regulations make it difficult for businesses to plan, invest, and secure financing. This is especially challenging for green projects, where future demand and environmental policies remain uncertain. Moreover, without a widespread green taxonomy, it can be difficult to structure their projects in a way that meets lender requirements, leading to delays in approval processes or outright rejection of funding applications. Even in the case of public financing such as grants or guarantee programs, SMEs may struggle to demonstrate their eligibility, leading to underutilization of Accessible financing options.
13. **The need of a “Green SME Compact”,** referring to a structured collaborative framework between the government, private sector, financial institutions, and SME associations outlining shared commitments and responsibilities creates a gap in coordinated efforts to unlock green financing for SME. This could explore practical solutions to overcome barriers and promote access to green finance for SMEs. Without such organisation, stakeholders struggle to align and drive sustainable investment, innovation, and expansion in the green economy.
14. **Benin lacks a dedicated green SME observatory to systematically monitor progress,** track key performance indicators, and generate real-time, data-driven insights. Without such a mechanism, policymakers, investors, and financial institutions struggle to assess the sector's growth, identify challenges, and make informed adjustments.

### Technical and operational barriers

15. **In a context of limited credit information, collateral becomes a key requirement for banks, which SMEs often lack (including green SMEs).** Financial institutions struggle to gather sufficient credit data to accurately assess loan applicants, making it difficult to evaluate the risks and increasing their reliance on collateral as a guarantee. This situation is exacerbated by banks' risk-averse nature, which often leads to higher collateral demands.<sup>82</sup> Indeed, SMEs are required to provide significantly higher collateral—209% of the loan amount for medium-sized businesses compared to 127.4% for large businesses. These SMEs often lack the tangible assets, such as land or property, that financial institutions typically accept as collateral. Even for businesses with assets, issues such as unclear property titles or difficulties in valuing equipment further limit their ability to meet collateral requirements. The Enterprise Survey shows that 96.5% of loans contracted by surveyed SMEs required collateral,<sup>83</sup> and 60% of businesses surveyed in Benin's June 2021 Business Pulse Survey cited the lack of collateral as a barrier to financing, while 70% mentioned high-interest rates.<sup>84</sup> Overall, the Enterprise Survey states that 61.8% of small businesses and 30.6% of medium businesses reported unfavorable rates, collateral, or procedures as main reasons for not applying for loans.<sup>85</sup>
16. **One of the key barriers to the development of green financing in Benin is the lack of a bankable pipeline of green projects proposed by SMEs.** Green businesses lack the technical capacity, expertise, and resources required to design and implement viable adaptation and mitigation projects that meet the stringent criteria of financial institutions. Often, these projects are not sufficiently detailed or structured to attract investment, particularly when it comes to evaluating their long-term financial viability and environmental impact. Without a well-defined pipeline of green projects, financial institutions are reluctant to allocate funds to environmental initiatives as the risks associated with funding unstructured or underdeveloped projects are perceived to be too high.

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<sup>82</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>83</sup> World Bank Group (WBG), Enterprise Surveys, Benin, 2024. Accessible [here](#)

<sup>84</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>85</sup> World Bank Group (WBG), Enterprise Surveys, Benin, 2024. Accessible [here](#)

**This may also be attributed to the presence of so-called 'accidental' green businesses**—SMEs that engage in environmentally sustainable activities unintentionally, and often without the necessary strategic orientation or technical know-how.<sup>86</sup>

17. The lack of a bankable pipeline of green projects is linked to another barrier: **the limited financial and business skills among SMEs**. Many SME owners lack essential business management skills, such as financial planning, marketing, and supply chain management, which are critical for building investor confidence and accessing formal financial services.<sup>87</sup> They often lack the capacity to develop robust business plans for green projects, manage finances effectively during implementation, or demonstrate the financial returns to potential investors. This gap limits their ability to attract funding, scale operations, and effectively implement green initiatives.

**It also shapes their approach toward green financing, as they may not be able to even access critical information, understand financial products and navigate formal processes** such as applying for loans. Green SMEs often lack awareness and understanding of the various types of green financing Accessible (e.g. green loans, grants, bonds, and equity) and how to access them. They often don't know the eligibility criteria, application processes, or the specific requirements needed to secure such funding. This lack of knowledge and understanding makes it particularly challenging for SMEs to navigate the administrative requirements of loan applications and to prepare the complex documentation often demanded by financial institutions.

18. Limited business skills among SMEs, combined with financial institutions' insufficient understanding of green business models, result in **significant communication and comprehension gaps**—hindering effective dialogue and mutual understanding around project specifics, risks, and financing needs.<sup>88</sup>

19. **Many green SMEs lack the tools, knowledge, and expertise to measure and track their environmental impact, such as carbon emissions, waste generation, or resource usage**. This makes it challenging for them to quantify and demonstrate the positive environmental outcomes of their projects, hindering their ability to attract financing. Financial institutions and investors often require clear, verifiable data to assess the sustainability and impact of projects. Without the capacity to provide such data, green SMEs struggle to prove the value of their environmental contributions, limiting their access to green financing. The Enterprise Surveys reveal a significant gap in environmental monitoring by firm size: only 10.3% of small businesses have tracked their CO<sub>2</sub> emissions over the past three years, compared to 28.7% of medium-sized enterprises and 52.2% of large firms.<sup>89</sup>

20. **The numerous business climate reforms, particularly in the entrepreneurial promotion sub-sector, have led to a rapid increase in the number of support and financing structures for businesses. However, these do not always provide adequate support to SMEs (including green SMEs)**. These entrepreneurship support entities offer increasingly diverse services, albeit with varying levels of effectiveness and impact.<sup>90</sup> However, according to a study by Technoserve (2023),<sup>91</sup> SME support services in Benin face significant challenges in efficiency and inclusiveness. Among the 222 public and private support services (SAEs) offering skills development, only 27% provide certified trainers and training programs with measurable impacts. Only a few national-scale programs, such as GERME and BENIBIZ, have reached over 5,000 beneficiaries in recent years. Most offerings fail to meet the needs of low-literacy entrepreneurs or disadvantaged groups. Entrepreneurial training in university incubators remains underdeveloped and misaligned with labor market demands. Programs are largely reliant on subsidies from development partners, and the question of how to reach underserved populations persists. Additionally, many initiatives lack adaptation to digital

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<sup>86</sup> From stakeholders consultations.

<sup>87</sup> International Finance Corporation (IFC), *Créer des marchés au Bénin*, 2023. Accessible [here](#)

<sup>88</sup> From stakeholders consultations.

<sup>89</sup> World Bank Group (WBG), *Enterprise Surveys, Benin*, 2024. Accessible [here](#)

<sup>90</sup> African Development Bank (AfDB), *Rapport Pays 2024 Bénin - Impulser la transformation du Bénin par la réforme de l'architecture financière mondiale*, 2024. Accessible [here](#)

<sup>91</sup> Technoserve, *Cartographie de l'Ecosystème des Structures D'appui à l'Entrepreneuriat au Bénin*, 2023. Accessible [here](#)

advancements, and the quality of business plans and consulting services is often deemed insufficient by financial sector actors.

**Moreover, there is no dedicated institution specifically focused on supporting SMEs in accessing green finance** or providing specialized services such as eligibility assessments, business structuring, and strategic business planning aimed at securing green loans.<sup>92</sup>

### Financial barriers

**The financial barriers to SME green financing, already discussed in previous sections, include key challenges such as the long-term financing gap and the perceived risks associated with green SME lending.** Green projects typically require longer payback periods, which makes securing adequate long-term financing more difficult. Additionally, lenders often perceive green SME lending as riskier due to factors like limited credit history, volatile cash flows, and a higher failure rate compared to larger businesses.

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<sup>92</sup> From stakeholders consultations.

## 4 | Benchmarking Green Finance for SMEs

**The purpose of this section is to conduct a rapid comparative analysis of green finance initiatives for SMEs in countries in Sub-Saharan and North Africa.** The goal is identifying key lessons and best practices that can be adapted to the context of Benin.

To guide this analysis, a set of countries was selected to ensure regional diversity and a range of income levels comparable to Benin's, all within the geography of interest. This approach ensures a comprehensive comparative framework, focusing on economies with similar developmental trajectories and financing challenges. The countries selected for this benchmarking exercise—Côte d'Ivoire, Togo, Kenya, Morocco, Rwanda, Mauritius and South Africa—were chosen based on criteria including geographic location and income level. The aim is to showcase examples from countries from the same income level as Benin (lower-middle-income) but also slightly below and above to provide a larger picture of the current green financing for SMEs landscape. The selection also includes diverse regions across Africa, including WAEMU, to enrich results. The selection criteria are further detailed in Table 8 below.

Table 8: Selected countries for benchmarking criteria

Country	Geography & economic area	Income level <sup>93</sup>
<b>Côte d'Ivoire</b>	West Africa, part of the WAEMU	Lower-middle-income
<b>Togo</b>	West Africa, part of the WAEMU	Low-income
<b>Kenya</b>	East Africa, part of the East African Community (EAC)	Lower-middle-income
<b>Morocco</b>	North Africa, part of the Arab Maghreb Union	Upper-middle-income
<b>Rwanda</b>	East Africa, part of the EAC	Low-income
<b>South Africa</b>	Southern Africa, part of the Southern African Development Community (SADC)	Upper-middle-income
<b>Mauritius</b>	Indian Ocean, part of the Indian Ocean Commission (IOC)	Upper-middle-income

This comparative analysis explores key variables that determine the effectiveness of green financing for SMEs in each of the selected countries. These include:

1. **Green finance providers:** A review of the financial institutions, national funds and international organizations that offer green financing to SMEs.
2. **Type of finance:** A review of the different financial products (e.g., loans, grants, equity financing, bonds) Accessible to SMEs for green purposes.
3. **Eligibility criteria:** A review of the conditions SMEs must meet to access green financing.

Following the review of the relevant variables in table 9 below, this section concludes by highlighting regional trends in green financing for SMEs based on the benchmarking outcomes and further sources, as well as outlining preliminary considerations for the upcoming development of recommendations of green financial mechanisms applicable to Benin.

<sup>93</sup> The World Bank Group (WBG), World Bank Country Classifications by Income Level for 2024-2025. Accessible [here](#).

Table 9: Benchmark of green financing for SMEs by country<sup>94</sup>

Country	Key green finance providers	Products	Eligibility criteria	Sector
Côte d'Ivoire	<a href="#">National Investment Bank (BNI)</a> (financed by the AfDB's Green Bank Initiative)	-Loans	-Green projects	All
	<a href="#">Advans (Microfinance)</a> (financed by CDC-CI)	-Classic and green loans	-No specific requirements -Green loans cover adaptation projects, climate resilience, decarbonisation, agricultural diversification	-50% general -50% climate-related -63% of the clients are farmers/SMEs in the agriculture sector
	<a href="#">NSIA Bank</a> (Financed by AFD's SUNREF)	-Loans -Technical assistance to the beneficiary bank	-Projects covering renewable energy and energy efficiency	Energy (Energy savings and renewable energy)
	<a href="#">Société Générale</a> (Financed by AFD's SUNREF)	-Loans -Technical assistance to the beneficiary bank	-Projects covering renewable energy and energy efficiency	Energy (Energy savings and renewable energy)
	<a href="#">BNI</a> (Financed by AFD)	-Loans -Technical assistance to the beneficiary bank	-Public and private projects related to climate change mitigation and adaptation, covering low-carbon transition, reduction of greenhouse gases emissions, energy savings, climate-smart agriculture, etc.	-Energy -Industry -Construction -Agriculture -Water management -Waste management
Kenya	<a href="#">Village Capital and NORAD</a> (Empowering Sustainable Entrepreneurship Africa program)	-Training -Mentorship -Financial analysis -Media exposure -Research collaboration -Access to an in-house ESO diagnostic tool	-Locally-led Entrepreneur Support Organizations (ESOs) who are (1) willing to support climate-focused - early-stage, tech-enabled SMEs with growth potential, and/or ventures with scale potential, (2) providing or looking to provide training, resources, advice, or support to entrepreneurs around finance and investment, (3) located in Ghana, Kenya, Malawi, Mozambique, and Tanzania and (4) in operation for more than 2 years OR has grown from co-founder/founder to 5+ employees including middle management	-Energy (green energy transition) -Sectors related to ecosystem restoration and regenerative economy

<sup>94</sup> The highlighted items in each country are prominent examples; the exercise is not meant to be a comprehensive recount of them.

Country	Key green finance providers	Products	Eligibility criteria	Sector
			-Enterprises funded are active in green energy transition, climate mitigation and adaptation, ecosystem restoration, and the regenerative economy.	
	CFC Stanbic Bank (financed by Standard Bank Group, African Guarantee Fund, AfDB) <sup>95</sup>	-Loans (green loans, asset financing, mortgage)	-Asset financing applicable to green business space and/or financing for construction of green buildings. -Mortgage financing applicable to green housing -Green loans applicable to renewable energy projects	-Energy (renewable energy -solar and wind) -Construction (green housing)
Morocco	<a href="#">Green Economy Financing Facility (GEFF)</a> , via local banks (financed by EU and GCF)	-Loans or lease	-Investments in high-performing technologies listed in the <a href="#">Green Technology Selector</a> (Financing up to 100% of cost not to exceed EUR 250,000 per selected equipment) -Assisted projects, where the GEFF advisory team of experts can provide technical support in the evaluation and implementation (up to EUR 5,000,000) -Maximum cumulative financing of EUR 5,000,000 across the life of the facility per borrower/lessee.	<a href="#">Green technology</a> (energy, transport, water management, agriculture, housing, processing industry)
	<a href="#">Morocco Sustainable Energy Financing Facility (MorSEFF)</a> (financed by EBRD, EIB, EU, AFD and KfW). <sup>96</sup>	-Loans or lease -Technical assistance to the beneficiary bank -Advisory services to sub-borrowers -Incentive payment (10% of financing amount funded by grants)	-Private enterprises operating in Morocco and Energy Service Companies (ESCOs) investing in relevant sectors -Up to EUR 5 million for loans and 1 million for leases	Energy (energy efficiency and renewable energy projects)
	<a href="#">Société Générale</a> (financed by EBRD)	-Loans, investment subsidy and technical expertise to the SMEs	-SMEs in global value chains and certain industrial ecosystems -Finance the acquisition of green equipment	-Energy (energy efficiency and renewable energy) -Water management -Waste management
	Crédit du Maroc (financed by EBRD and IFC)	- <a href="#">10% subsidy of investment costs</a> - <a href="#">Technical assistance</a> to SMEs	-SMEs in green value chains	-Energy

<sup>95</sup> United Nations Environment Programme (UNEP) & Switch Africa Green, Assessment of Green Financing Mechanisms for MSMEs in Africa, 2023. Accessible [here](#).

<sup>96</sup> United Nations Environment Programme Finance Initiative (UNEP FI), Greening the SMEs: Improving SME Access to Green Finance in Mauritius, 2021. Accessible [here](#).

Country	Key green finance providers	Products	Eligibility criteria	Sector
		- <a href="#">Loans</a>	-SMEs run by women or youth -Green projects	-Energy (energy efficiency, renewable energy) -Construction (certified green buildings) -Agriculture (climate smart agriculture)
Rwanda	<a href="#">Ireme Invest</a> (part of Rwanda's Green Fund (FONERWA))	-Grants, recoverable grants and equity ( <a href="#">Project Preparatory Facility</a> )	-Businesses in the circular economy -SMEs that demonstrate scalability and significant economic impact -Present evidence of environmental and financial viability -Innovation grants: must provide 25% match funding	-Circular economy (food waste reduction, recycling, bio-waste composting, repurposing discarded batteries) -Sustainable cities -Transport (smart mobility) -Agriculture (climate smart-agriculture)
		-Concessional loans and credit guarantees (Credit Facility) <sup>97</sup>	- <a href="#">Variable impact indicators per sector</a> -Companies must provide 30% match funding	-Energy (Clean energy) -Transport (smart mobility) -Sustainable cities -Agriculture (climate smart-agriculture) -Waste management -Circular economy
	<a href="#">Bank of Kigali</a> (financed by EIB)	-Long-term loans -Technical assistance to beneficiary banks	-Not disclosed yet but targeting smallholders, businesses, and enterprises dependent on climate-vulnerable agriculture	-Agriculture
	<a href="#">Rwanda Green Investment Facility (RGIF)</a> (financed by GCF)	-Grants and reimbursable grants -Loans	-Not disclosed yet but targeting green and climate projects	-Sectors prioritised by Rwanda including renewable energy, climate-smart agriculture, water-efficient systems, green buildings, and clean transportation
South Africa	Development Bank of Southern Africa (DBSA) (financed by FONERWA, AfDB, and others)	<a href="#">Green Fund</a> : Recoverable grants, equity, guarantees, technical support, loans	-Contribution to NDCs/SDGs targets -Strategic areas fit -Sufficient leverage -Scalability -Development impact -Financial and management capacity	-Energy (new/emerging energy generation and storage) -Construction (green building) -Transport -Water management -Waste management
	<a href="#">Green Energy Efficiency Fund</a> (financed by IDC and KfW)	-Loan amount of R1 million to a maximum of R50 million -Discounted interest rate of prime less than 2%	-Entrepreneurs and businesses that want to invest in renewable energy technologies and energy efficiency.	-Energy (energy efficiency, renewable energy)

<sup>97</sup> Hosted at the Development Bank of Rwanda (DBR)

Country	Key green finance providers	Products	Eligibility criteria	Sector
		-Pay-back period of up to 15 years	-Priority is given to companies that have yearly revenues of less than R51 million, assets less than R55 million and employing no more than 200 people.	
	<a href="#">Green Outcomes Fund</a> (World Bank Group and others)	-Concessional funding to local investment funds who in turn allocate finance to local MSMEs	-MSMEs that make a demonstrable contribution to South Africa's green economy. Specifically, those that can generate verifiable green outcomes whilst creating job opportunities.	-All green sectors
	Standard Bank	-Loans, asset finance, and overdrafts. <sup>98</sup>	-Current bank loan requirements may exclude MSMEs with turnover of less than R1 million -South African MSMEs operating in sectors that hold the potential to address socio-economic inequalities and grow the South African economy. <sup>99</sup>	-Green economy -Agriculture -Financial inclusion -Health -Education
<b>Togo</b>	<a href="#">African Guarantee Fund pour les petites et moyennes entreprises S.A. (AGF West Africa)</a>	-Portfolio guarantees for lending to SMEs	-SMEs focused on agriculture and climate-smart sectors	-Agriculture
	<a href="#">Ecobank</a> (financed by Proparco)	-Portfolio guarantee (EURIZ)	-Very Small and Medium Enterprises (VSEs) with a focus on women's entrepreneurs -SMEs with a high development impact -Climate co-benefit investments	-Social sectors -Agriculture -Green
	<a href="#">Microfinance African Institutions Network (MAIN)</a> (financed by Fondation Terre Solidaire and AFD).	-Technical assistance to beneficiary microfinance -Microloan and other green financial products (TBC)	-Investments with a positive environmental impact while addressing the needs of the most vulnerable populations.	-Agriculture -Energy (clean energy technology) -Waste management
<b>Mauritius<sup>100</sup></b>	Mauritius Commercial Bank (supported by AFD)	-Preferential interest rates for green loans (from 6%; minimum MUR 50,000)	-Project related to climate change mitigation and adaptation -Commitment to assess organizational gender balance and undertake a gender action plan	-Energy (renewable energy, energy-efficient equipment and installations) -Water management (water savings installations, rainwater harvesting, seawater desalination)

<sup>98</sup> United Nations Environment Programme (UNEP) & Switch Africa Green, Assessment of Green Financing Mechanisms for MSMEs in Africa, 2023. Accessible [here](#).

<sup>99</sup> Proparco, "ARIZ and EURIZ guarantees to Standard Bank South Africa to support high-impact SMEs", 2021. Accessible [here](#).

<sup>100</sup> United Nations Environment Programme Finance Initiative (UNEP FI), Greening the SMEs: Improving SME Access to Green Finance in Mauritius, 2021. Accessible [here](#).

Country	Key green finance providers	Products	Eligibility criteria	Sector
		-Investment grants (5% for climate change mitigation projects and 15% for climate change adaptation projects) -Financing of up to 100% of the investment		-Construction (thermal insulation building techniques)
	State Bank of Mauritius (SBM) (financed by AFD)	-Loan (Up to MUR 100,000; 100% financing of the acquisition and installation costs; Repayment period up to 10 years)	-acquisition and installation of energy-efficient and renewable energy equipment	-Energy (renewable energy, energy-efficiency)
	Development Bank of Mauritius (DBM)	-Preferential interest rates for green finance -Mentoring on green business development to SMEs -Loan tenors of 5–10 years	-SMEs that invest in target sectors	Energy (renewable energy) Construction (green building) Forestry and land use

## 4.1 Analysis for Benchmarking Green Finance for SMEs

### Green financing trends in Africa<sup>101</sup>

**Opportunities for green finance in Africa have grown significantly as development financiers shift their portfolios toward climate-related objectives.** Between 2015 and 2020, regional green finance flows targeting MSMEs increased from USD 4.2 billion to USD 14.5 billion annually. Institutions such as the World Bank Group, GCF, EBRD, International Fund for Agricultural Development, AfDB, and GEF are driving this growth.

**Globally, private finance for green instruments also presents opportunities, with the green bond market growing from USD 26 billion in 2015 to over USD 508 billion in 2021.** However, Africa's share remains less than 1% due to governance challenges, high transaction costs, and the large ticket sizes required for such instruments. Innovations are emerging across the continent to address these challenges. Financial service providers (FSPs), such as the Development Bank of Southern Africa (DBSA) and commercial banks like Kenya Commercial Bank (KCB), are increasingly offering tailored products, including concessional loans, guarantees, and asset financing. Climate accelerators, such as the Uganda Green Enterprise Finance Accelerator, provide business development support to increase MSME readiness. PAYGO mechanisms, exemplified by M-KOPA, address collateral requirements, enabling affordable access to equipment.

**Carbon finance is another emerging opportunity.** African MSMEs are beginning to tap into voluntary carbon markets to fund activities such as forestry, clean cooking, and agriculture. These markets have seen significant growth, with traded volumes in Africa increasing by 50% and prices rising by 40% between 2016 and 2019. Sectors like forest and land use exhibit high traded volumes, while agriculture shows promise, with an 876% increase in traded volumes between 2020 and 2021.

### Diverse product offerings

**FSPs offer a range of products, including loans, equity, guarantees, asset financing and grants.** For instance, DBSA's Climate Finance Facility de-risks green projects to attract private investment, while KCB leverages its accreditation with the GCF to provide larger loans to MSMEs. Similarly, PAYGO mechanisms and asset financing models, such as those provided by M-KOPA, address regulatory challenges around collateral.<sup>102</sup>

**However, green finance offerings vary significantly across income levels.** The outcome of the rapid benchmarking exercise conducted through Table 9 above evidenced that lower-income countries, such as Togo and Rwanda, emphasize grants, guarantees, and technical assistance to improve SME affordability and access to finance. In contrast, upper-middle-income countries like Morocco and Mauritius offer more investment incentives, concessional loans, and targeted subsidies focused on renewable energy and energy efficiency.

### Eligibility criteria and institutional focus

**Green finance eligibility criteria also reflect income levels.** The benchmarking exercise shows that lower-income countries, such as Togo and Rwanda, prioritize broad accessibility, targeting agriculture, women- and youth-led enterprises, and climate-vulnerable SMEs. Upper-middle-income countries, such as Morocco and South Africa, apply more stringent criteria, focusing on scalability, alignment with national climate goals, and technical benchmarks.

**The regional approach to green finance varies.** In West Africa, it seems like countries like Togo and Côte d'Ivoire rely heavily on international institutions like the AfDB and AFD for guarantees and credit lines. In East and Southern Africa, countries such as Kenya and South Africa involve more private sector actors, leveraging investment funds and concessional financing to support SME growth. Public-private partnerships, national green funds, and accelerators are increasingly prominent across regions.

<sup>101</sup> United Nations Environment Programme (UNEP) & Switch Africa Green, Assessment of Green Financing Mechanisms for MSMEs in Africa, 2023. Accessible [here](#).

<sup>102</sup> United Nations Environment Programme (UNEP) & Switch Africa Green, Assessment of Green Financing Mechanisms for MSMEs in Africa, 2023. Accessible [here](#).

## 5 | Optimal mechanism for SMEs access to green financing

### Introduction

**This section presents a two-phase, evolving mechanism designed to facilitate SME access to green finance in Benin.** The proposal involves a multi-stakeholder approach that leverages the capacity and expertise of various institutions interested and involved in the green sector. Phase 1 will span three years, bringing together public institutions that will provide financial and technical support through existing national channels for SMEs' readiness to access green finance. During that period, as the supply and demand matures, the mechanism will expand to phase 2 to include partners from the private sector and development institutions such as MDBs, donors, local financial institutions, and the private sector. The second phase aims to scale to facilitate riskier investments with private equity funds. This phase will include all relevant stakeholders in the SMEs green finance ecosystem introduced earlier and any new one with interest in financing green SMEs in Benin.

**To enhance the effectiveness of the green finance mechanism, it is crucial to identify and engage relevant governmental entities, SMEs, and the financial sector.** This approach is informed by extensive consultations with stakeholders and a comprehensive desk review. Annex III introduces a suggested implementation recommendations for each group to bolster the financial support framework for green SMEs. These recommendations aim to facilitate collaboration, strengthen existing financial mechanisms, and promote the development of innovative green financial products, ensuring a holistic approach to fostering a robust green finance ecosystem.

### The Mechanism

**The two-phase mechanism employs a tiered approach to green SME financing, categorizing projects based on their potential economic returns to direct them to appropriate funding sources.** Similar to a green window, it gives access to green SMEs to information and funding and facilitates partnerships. Through events, calls for proposals, awareness sessions and other events, the mechanism unites all relevant stakeholders in the green sector and aims to match the demand and supply. The initial step involves inviting green SMEs to register in the database. This registration will facilitate the division of the green project pipeline into two categories: those primarily serving a social purpose and those with the potential for high economic return.

- For **social projects**, which may lack high economic returns, funding will be directed towards grants from public institutions like the FNEC/FNDA/FNM/AEPC or directly from the Ministry of Economy and Finance through green bonds, carbon market access or public private partnerships (PPP) models.
- Conversely, **projects with higher economic returns** will be steered towards debt financing or private equity, with potential funding sources including public and private financial institutions like Green Bank, CDC, FIGPME, BIIC and Banks accompanied on green matters by IFC, supported by ADPME.

**This approach provides a targeted strategy for resource allocation and matching projects with suitable financing instruments.** By differentiating between social and commercially viable projects, it aims to attract a broader range of investors and maximize the impact of limited funds. However, potential challenges exist as described below:

- **The criteria for classifying projects as "social" or "high economic return"** must be clearly defined and consistently applied to prevent bias or misallocation.
- **Access to green bonds and carbon markets for social projects may be constrained** by complexity and eligibility requirements.
- **Similarly, securing debt financing or private equity for commercially viable green projects hinges on the perceived risk and return profiles**, which may pose difficulties for early-stage or smaller SMEs.

- **Effective coordination and collaboration among various funding entities and support agencies** is crucial for seamless implementation and avoiding duplication of efforts.

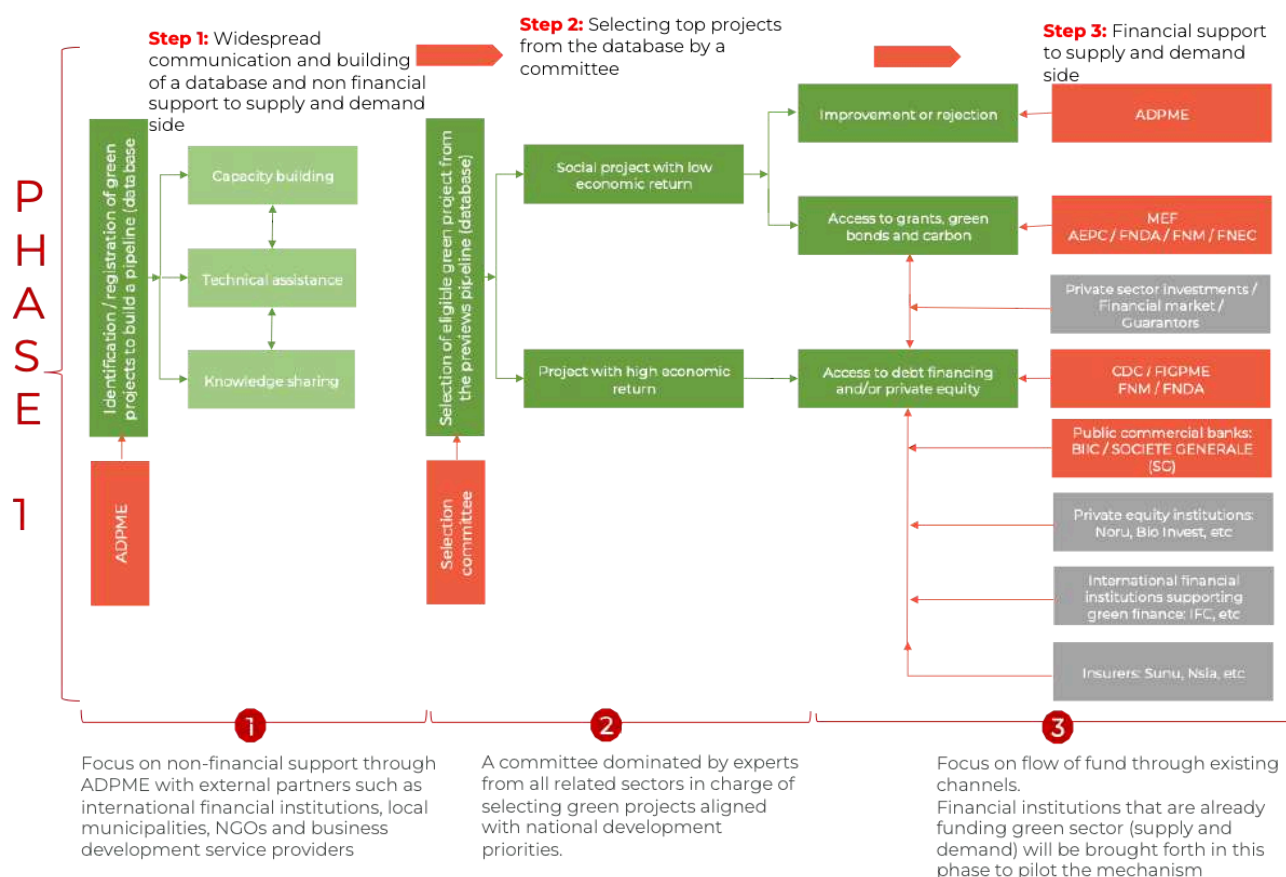
Ultimately, the success of this mechanism relies on the combined effect of non-financial support, a robust pipeline of bankable green projects, and effective financial support from public and private stakeholders.

The two-phase mechanism is illustrated in figures 5 and 6 below.

### Phase 1 (2025 - 2027) - Maturing process of the mechanism that lies on public institutions

**Phase 1 constitutes the process of setting up the mechanism, onboarding the relevant institutions, establishing the selection committee and widely communicating on it to raise awareness and to make it a window for all opportunities in the green sector.** While the main emphasis is helping green SMEs grow and be ready for investors through technical assistance and grants, this phase will include to a lesser extent assistance to the bankable green projects for debt and equity financing. This type of financing from the private sector will be piloted and evolve in the second phase with more adapted instruments which will unite all relevant stakeholders around information and financing for green SMEs.

Figure 5: Optimal mechanism for SMEs access to green financing in Benin (Phase 1)



**The implementation of the mechanism lies on ADPME, national funds and public financial institutions. It consists of three main steps:**

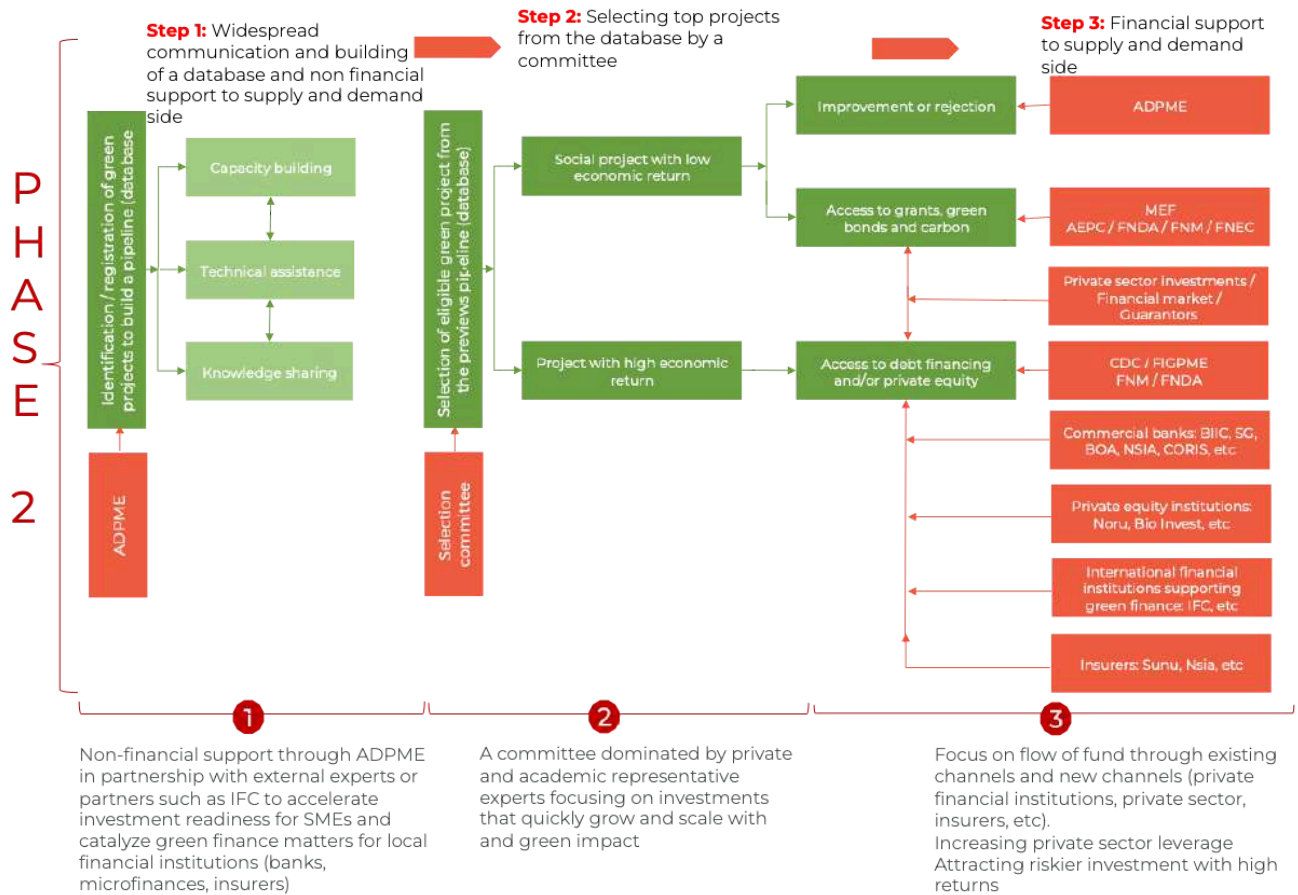
- 1. Widespread communication, database development and non-financial support:** widespread communication, employing various accessible channels, will be a priority at this step, which includes establishing a comprehensive database of green projects and offering non-financial support to both supply and demand; meanwhile, all technical support will be handled externally.
- 2. Project selection:** A committee comprising, on one hand, public entities such as ADPME, AEPC, FNEC, FNM, CDC, FNDA, and BIIC, and on the other hand, private sector and academia, will select top projects from the database.

- 3. Financial support mechanism:** This involves a combination of grants, loans, and private equity aimed at both the supply and demand sides.

**Phase 2 (2028 onwards) - Scaling the mechanism into more innovative and riskier investments**

**Phase 2 has the same configuration as Phase 1 except that it puts greater emphasis on private funding through a wide array of financial instruments.** It scales the initial financial instruments that were piloted for bankable green projects in the previous phase and introduces new instruments to enhance the sector.

Figure 6: Optimal mechanism for SMEs access to green financing in Benin (Phase 2)



**The implementation of the mechanism expands from phase 1 to include stakeholders from the private sector.**

- 4. Widespread communication, database development and non-financial support:** Phase 2 builds on the foundation of phase 1 and directs it towards specific goals: making SMEs investor-ready and fostering a green finance market.
- 5. Project selection:** Phase 2 focuses on rapid growth and scalability of green investments, driven by private and academic expertise, prioritizing innovation and market-driven solutions for quick returns.
- 6. Financial support mechanism:** Financing is mobilized through a dynamic strategy, accelerating progress through diversified funding channels from the private sector and increased risk-taking with innovative insurance and guarantee as shown respectively in figures 7 and 8.

Figure 7: Insurance financing revamping

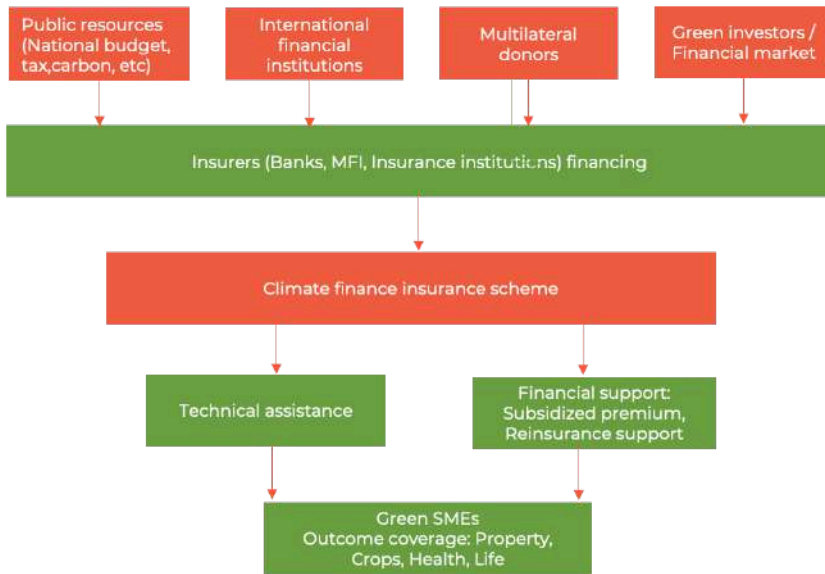
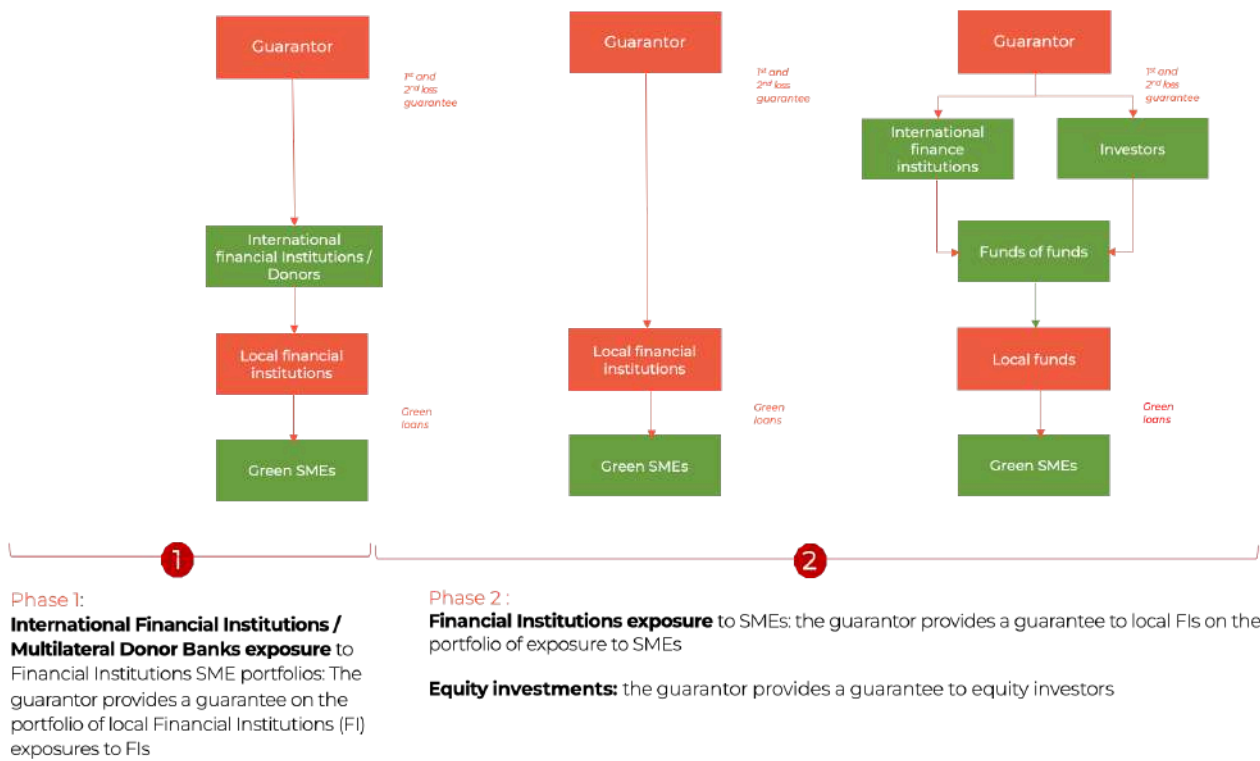


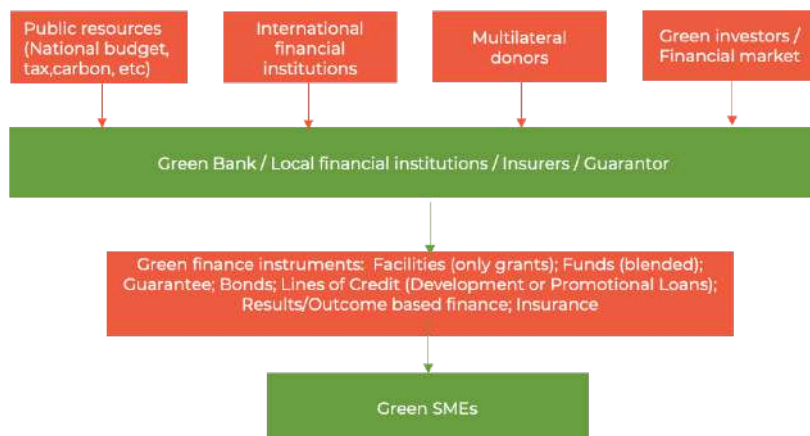
Figure 8: Guarantee mechanism<sup>103</sup>



The mechanism provides scope for funding from the public sector as well as from multilateral donors such as the WB, IFC, AfDB, and West African Development Bank (WADB) to contribute to the capitalization of CDC and FIGPME as shown in figure 9 below.

<sup>103</sup> Dalberg, Increasing MSME access to climate finance, 2015. Accessible [here](#)

Figure 9: Capitalization of financial institutions for accelerating green financing



## Breakdown of steps

### Step 0: Set up of the institutional framework for the mechanism

**The initiation of the mechanism commences with the issuance of a decree.** This foundational document established the necessary institutional framework for the mechanism's operation, most notably the creation of the green SME projects selection committee. The decree serves as the primary legal and operational instrument, defining the committee's mandate, composition, objectives, term and selection criteria.

### Step 1: Widespread communication, green projects database and non-financial support

**The first step in this mechanism involves widespread communication and the creation of a comprehensive database for green projects, coupled with measures to provide technical support to enhance both the supply and demand sides.** This step is crucial for laying the groundwork for identifying and supporting impactful green initiatives.

#### Demand-led project identification and registration

**The process begins with green SMEs submitting projects through an ADPME's Knowledge Sharing platform, which would launch a call for project registration on a quarterly basis.** The call for the project will be spread widely across various platforms for a diversified pipeline of green projects across the country. At this stage, ADPME could establish green SME focal points at its partners' offices (e.g. public finance institutions, municipalities) and disseminate information in local languages. The agency would not evaluate the projects but facilitate their registration, which also serves as building a database of green SMEs including social and solidarity economy (SSE) projects over time. The evaluation would occur in the second step as part of the selection committee's responsibilities.

#### The role of Agence de Développement des Petites et Moyennes Entreprises (ADPME)

**ADPME is strategically positioned to manage this process due to its mandate on promoting and developing SMEs.** It acts as a single window for supporting SMEs, coordinating public efforts to help them grow. ADPME's established online presence, including a regularly updated website like the [e-PME platform](#) and social media accounts, demonstrates a commitment to communication and transparency. Their proven track record of supporting SMEs through initiatives like *Projet d'Appui à l'Entrepreneuriat au Bénin (PAEB)*, encompassing economic modeling and improved access to funding, highlights their expertise in this area. The dedicated team further strengthens their capacity to deliver effective support. ADPME's ongoing activities and participation in green sector initiatives such as *Investing in Women's Entrepreneurship for a Greener Economy in Benin*, a six-year gender equity and economic inclusion program implemented by AECF and the *"Women Entrepreneurship for Climate"* project with APEFE, coupled with the institution's expressed interest in this sector, solidify its position as the ideal choice for this role. Moreover, the institution maintains

strong collaborative relationships with a network of Business Development Service providers and national institutions (CCIB, CDC, SEME-CITY, etc.) throughout Benin.

### Non-financial support

#### **To improve access to green finance for SMEs, ADPME could facilitate the implementation of a three-step intervention strategy:**

1. **Capacity building:** Provide targeted training programs to enhance both demand side and supply side's understanding of green finance opportunities, including how to develop bankable green projects or how to navigate green finance application processes effectively. This would empower SMEs particularly for women entrepreneurs to confidently pursue and secure green financing.
2. **Technical assistance:** ADPME could offer, via external expertise of well known international firms, technical assistance for 12 months to both demand side and supply side, guiding them through the complexities of green finance applications. This support could include developing comprehensive business plans, conducting environmental impact assessments, and preparing necessary documentation, thereby increasing the successful funding acquisition or green financial products.
3. **Knowledge sharing:** ADPME will establish a dedicated platform, such as the [Green Finance Center of Excellence for French-Speaking Africa](#), for knowledge sharing, disseminating best practices, success stories, providing access to valuable funding databases and opportunities, including [GET.invest](#), and innovative solutions related to green finance. This platform will serve as a valuable resource for both demand side and supply side, fostering collaboration and peer-to-peer learning, and promoting wider adoption of green finance practices. Access to this platform would be publicly accessible regardless of project submission and/or selection.

**To maximize ADPME's impact on green SME finance, the [Green Finance Center of Excellence for French-Speaking Africa](#) could be integrated into its core framework.** ADPME could involve the sustainable finance knowledge center and IFC involvement in all capacity-building initiatives, allocating a dedicated budget to ensure its active participation in needs assessments, curriculum development, and the delivery of targeted training programs. Furthermore, ADPME could leverage the center's expertise for technical assistance, making it a pivot partner in guiding SMEs through complex green finance applications.

**Besides, ADPME could provide a practical juridical assistance component in its technical assistance for green SMEs.** This service would aim to equip entrepreneurs with essential legal literacy and preventative tools for navigating the regulatory landscape, focusing on common SME challenges such as understanding the implications of different legal structures during registration (RCCM), drafting or reviewing basic commercial agreements (e.g., sales contracts, leases), complying with fundamental labor laws (hiring, CNSS) and tax requirements, and identifying sector-specific legal obligations. Through accessible workshops, simplified guides, potentially providing basic contract templates (with clear disclaimers about their limitations), and facilitating connections with qualified legal professionals for complex matters, this ADPME support would directly empower SMEs to avoid common pitfalls, reduce legal risks, and build a stronger foundation for the suggested optimal mechanism.

**Additionally, ADPME should establish collaborative frameworks with local municipalities, green and Social and Solidarity Economy (SSE) NGOs as well as Benin's diaspora.** This strategic integration will facilitate localized entrepreneurship ecosystems and optimize resource allocation for regional economic development.

### Step 2: Project selection by expert committee

**The selection of the most viable projects is crucial to the success of the mechanism.** Therefore, the focus of this step is on establishing a robust selection committee. This Committee will be established by the Ministry of Economy and Finance (MEF), following the suggested structure in table 10 below.

Table 10: Projects Evaluation Committee: Structure, Mandate, and Operations

Category	Details
<p><b>Mandate</b></p>	<ul style="list-style-type: none"> <li>● <b>Mandate:</b> The committee evaluates top projects from the database to guide funding decisions and policy incentives. The mandate includes: <ul style="list-style-type: none"> <li>○ Developing and applying evaluation criteria.</li> <li>○ Conducting due diligence on shortlisted projects, covering technical, financial, and environmental assessments.</li> <li>○ Providing recommendations to the MEF on project selection and policy incentives.</li> </ul> </li> <li>● <b>Evaluation Criteria:</b> <ul style="list-style-type: none"> <li>○ Environmental impact: GHG emissions reduction, pollution control, resource use.</li> <li>○ Financial viability: Business plan, revenue model, market analysis, financial projections.</li> <li>○ Technical feasibility: Technology readiness, implementation plan, expertise.</li> <li>○ Social impact: Job creation, community benefits, social inclusion.</li> <li>○ Management capacity: Team experience, governance, organizational structure.</li> </ul> </li> </ul>
<p><b>Membership and Nomination</b></p>	<ul style="list-style-type: none"> <li>● <b>Composition:</b> The committee consists of eleven (17) representatives with expertise in green SME projects: <ul style="list-style-type: none"> <li><i>Principal members mainly for phase 1</i> <ul style="list-style-type: none"> <li>○ Minister of Economy and Finance (Chair) for CDC, FIGPME, BIIC, SG and InStaD</li> <li>○ Representative of the ministry of Development and Coordination of Governmental actions for CNSMO-SRIF</li> <li>○ Representative of the ministry of Living Environment and Transport (in charge of sustainable development) for FNEC</li> <li>○ Representative of the ministry of Agriculture, Livestock, and Fisheries for FNDA</li> <li>○ Representative of the ministry of SMEs and Employment Promotion for ADPME</li> <li>○ Representative of the ministry of Commerce and Industry for CCIB</li> <li>○ Representative of Ministry of Social Affairs and Microfinance for FNM</li> <li>○ Representative of Ministry of Energy</li> <li>○ Representative of Professional association of banks and financial institutions of Benin</li> <li>○ Representative of academics from higher education universities with strong expertise in climate impact and green solutions</li> <li>○ Representative of experts in financial inclusion, green finance, environment/climate change, adaptation/mitigation/monitoring and evaluation</li> </ul> </li> <li><i>Potential additional members for phase 2</i> <ul style="list-style-type: none"> <li>○ Representative of multilateral donors / donors representative</li> <li>○ Representative of SMEs associations or support organizations and business incubators</li> <li>○ Representative of the national chamber of agriculture, the chamber of crafts trades, etc.</li> </ul> </li> </ul> </li> <li>● <b>Nomination:</b> Each organization nominates a representative, confirmed by the MEF for a two-years term.</li> <li>● <b>Quorum:</b> While the suggested number of members for the committee is currently 17, the target size is 11 and 7 permanent members. This smaller number is generally more efficient for discussions and decision-making. Furthermore, to ensure that decisions are made with sufficient participation, the quorum required for any vote or formal decision within the committee will be 6 out of the ideal 11 members.</li> </ul>
<p><b>Meetings and Documentation</b></p>	<ul style="list-style-type: none"> <li>● <b>Meetings:</b> The ADPME platform would accept project submissions quarterly. The committee would meet quarterly, bi-annually, or as needed based on submission volume.</li> <li>● <b>Documentation:</b> Detailed minutes, including evaluation rationales, would be recorded and may be accessible (while ensuring confidentiality) on ADPME's knowledge-sharing platform.</li> </ul>

Category	Details
<b>Outcomes and Reporting</b>	<ul style="list-style-type: none"> <li>● <b>Outcomes:</b> The committee's work will lead to: <ul style="list-style-type: none"> <li>○ Selection of top green SME projects for funding or policy incentives.</li> <li>○ Feedback to applicants on projects' strengths and weaknesses.</li> <li>○ Development of best practices for green SME evaluation.</li> <li>○ Contribution to a pipeline of bankable green SME projects.</li> </ul> </li> <li>● <b>Reporting:</b> The committee will submit regular (at least annual) reports to the MEF on activities, evaluated projects, and impact. Reports may be publicly accessible on ADPME's knowledge-sharing platform, respecting confidentiality.</li> </ul>
<b>Mode of operation</b>	<ul style="list-style-type: none"> <li>● <b>Secretariat:</b> MEF and/or ADPME would provide support for logistics, evaluation materials, applicant communication, and documentation.</li> <li>● <b>Budget:</b> MEF and/or ADPME would allocate resources for operations, covering expert fees, travel, and due diligence costs. Funding will come from the national budget and donor funding (grants).</li> </ul>

**Gradually, to further reinforce the selection committee's independence and expertise, especially with donor funding, an ad-hoc committee of experts could be established.** This committee, composed of renowned specialists in areas relevant to the specific projects being considered (e.g., renewable energy technology, sustainable agriculture, environmental impact assessment), would be convened on a project-by-project basis. Its role would be to provide independent, technical evaluations of project proposals, focusing on feasibility, impact, and alignment with sustainability goals. The ad-hoc committee would present its findings and recommendations to the main selection committee, informing their final decisions. The ad-hoc committee's members should not be involved in the main selection committee, and their names will be made public after the selection process is complete.

**Finally, to eliminate time-consuming project selection bottlenecks and enhance strategic decision-making, the committee should implement a digital program.** The dedicated platform of ADPME could streamline the entire process by centralizing submissions, automating review workflows with digital scoring, and providing immediate access to consolidated data drastically reducing the time spent on administrative tasks. This transformation boosts transparency, eradicates previous delays, and empowers the committee to efficiently evaluate and select the most promising projects based on clear, consistent information, freeing up valuable committee time for strategic focus rather than procedural hurdles.

### Step 3: Financial support mechanism that combines grants, loans and private equity

**The proposed financing mechanism is designed to address the diverse financial needs of green SMEs.** It strategically integrates non-debt financing (private equity and guarantees) to attract investment and mitigate risk, traditional bank loans for established funding needs, and specialized lines of credit to support growth in agriculture and microfinance. The below introduces suggested governmental entities and green financial instruments to explore for access to green finance.

**Table 11 below introduces the proposed six public financial institutions (PFIs) that could be involved in the financing mechanism,** outlining their respective roles in non-debt financing (CDC and FIGPME), debt financing (BIIC and SOCIETE GENERALE), and lines of credit (FNM and FNDA).

Table 11: Suggested governmental entities for financial support of the mechanism<sup>104</sup>

	Non debt financing (Private equity & Guarantee)		Debt financing (Banks)		Line of Credits (Funds for agriculture and microfinance)	
<b>Institution</b>	Caisse de Dépôt et de Consignation (CDC)	Fonds d'Investissement et de Garantie des Petites et Moyennes Entreprises (FIGPME)	Banque Internationale pour l'Industrie et le Commerce (BIIC)	Société Générale Bénin	Fonds National de la Microfinance (FNM)	Fonds National de Développement Agricole (FNDA)
<b>Focus</b>	Facilitates access to financing for SMEs, state projects, and local authorities; contributes to lowering national interest rates; and supports Benin's economic transformation.	Guarantee fund for SMEs access to credit with banks and microfinance institutions, some direct financing, capacity building	Commercial banking, serving SMEs, and institutions	Commercial banking, serving SMEs, and institutions	Strengthen microfinance institutions' financial and technical capabilities to better serve low-income populations' financial needs	Agricultural support for farmers and SMEs via investment subsidies, non-financial services, and financial services
<b>Capitalization / assets (in XOF)</b>	808,8 billions in 2023	5 billions in 2024	85 billions in 2024	37 billions in 2024	10 billions in 2016	100 billions in 2016
<b>Equity vs. Debt</b>	Primarily equity in strategic sectors, also debt	Primarily guarantee (e.g. 50%), some direct equity	Primarily debt	Primarily debt	Primarily lines of credits	Primarily lines of credits, and some grants
<b>Risk tolerance</b>	High	High	Moderate	Moderate	Low to moderate	Low to moderate
<b>Role in green finance</b>	Involved in green projects (infrastructure and SMEs)	May offer guarantees for green projects	No dedicated green finance products offer but finance some SMEs in green sector	No dedicated green finance products offer but finance some SMEs in green sector	Currently establishing a green finance window for microfinance institutions in partnership with LuxDev and ADA via the BEN005 project, <sup>106</sup> providing funding to medium-sized companies.	Support sustainable agriculture projects and developing green insurances and green financial products with partners

<sup>104</sup> Authors based on consultations and secondary research.

<sup>105</sup> FIGPME is created after a financing agreement signed in november 2024 between Republic of Benin and International Association. FIGPME is preparing to become operational in 2025.

<sup>106</sup> Luxdev website, Finance Inclusive et Innovante (FIINOV) project brochure. Accessible [here](#)

	Non debt financing (Private equity & Guarantee)		Debt financing (Banks)		Line of Credits (Funds for agriculture and microfinance)	
					Support MFIs involved in sustainable activities	
<b>Ownership</b>	Government-owned	Government-owned	Primarily government owned, some private ownership	Government-owned	Government-owned	Government-owned

**A range of green financial instruments are Accessible to support the diverse needs of green SMEs.** The table 12 below details these instruments, including their typology, description, and Beninese public financial institutions that can offer them.

Table 12: Key green financial instrument for SMEs access to financing<sup>107</sup>

Green instruments	Typology	Public finance institutions	Description
<b>Mini-green bonds</b>	Capital Markets	AEPC, CDC	A bond instrument committed exclusively to financing environmental or climate projects. They often can't be traded and must be held until maturity, as they do not usually have a secondary market for investors to exit early. They are smaller green bonds to allow the access of unlisted SMEs to capital markets. Mini bonds can complement large green bonds. The downside is that they are often perceived as risky investments with high returns as they are less regulated, thus they are guaranteed by public institutions
<b>Green supply chain financing / green factoring</b>	Debt	CDC, BIIC, SOCIETE GENERALE	Financial institutions as well as enterprises can use this instrument to support SME greening in supply chains. Supply chain finance involves a buyer approving its supplier invoices for financing by a bank when a product or service is provided. This type of financing helps the supplier get short-term credit and optimize working capital, while the buyer gets more time to pay off balances. Green supply chain finance entails the provision of financing at preferential rates upon demonstrated sustainability performance. Such preferential rates can potentially improve along with sustainability scores
<b>Loan guarantees to banks</b>	Debt	CDC, BIIC, SOCIETE GENERALE, FIGPME	Public Finance Institutions (PFIs) can incentivize bank lending by providing guarantees to green credit lines. Eco-credits are examples of loan guarantees to promote energy efficiency projects. Green credit guarantees have specific eligibility criteria aligned with environmental objectives that can be based on the use of proceeds and/or on the characteristics of borrowers. Green guarantees may have monitor and evaluation frameworks to measure and report climate performance.
<b>Revolving credit</b>	Debt	CDC, BIIC, SOCIETE GENERALE	Revolving credit gives flexibility to green SMEs as they can use funds when they need it. The requested amount is Accessible, once used and repaid, the credit replenishes. Green revolving credits are often dedicated to fund energy efficiency, renewable energy, and/or sustainability projects that generate cost savings. A portion of the savings are used to replenish Green Revolving Funds allowing reinvestment in future similar projects.

<sup>107</sup>Authors based "Financing SMEs for sustainability: Drivers, Constraints and Policies" working paper (OECD, 2022, accessible [here](#))

Green instruments	Typology	Public finance institutions	Description
<b>Bridge loans</b>	Debt	CDC, BIIC, SOCIETE GENERALE	Bridge loans can be crucial for the survival of green projects. Given the large risk of sustainable projects, this instrument allows the SME to have capital until permanent or next stage financing can be obtained. Instrument particularly useful for green pioneer companies facing high upfront costs and risks in early stage development phases and between funding rounds, e.g. developing cutting-edge technologies in areas such as clean energy or mobility.
<b>Concessional loans</b>	Debt	CDC, BIIC, SOCIETE GENERALE, FNM, FNDA	As PFIs are supported by governments to achieve policy goals, they are in a position to provide loans with favorable terms for SMEs, such as grace periods and low interest rates. Loans used specifically for environmental investments and granted with (substantially) more favorable terms compared to market loans (below-the-market interest rates, longer grant periods, or a combination of both). Such loans may be conditional on measures going beyond regulatory requirements (e.g., use of best Accessible techniques or best management practices).
<b>Green loans</b>	Debt	CDC, BIIC, SOCIETE GENERALE, FNM	Lending to green SMEs can be enhanced through targeted SME lending portfolios or green credit lines. Loans whose funds are committed exclusively to finance green projects such as climate change, natural resources depletion, loss of biodiversity, and air, water, and soil pollution. These instruments involve periodic reporting by the borrower to the lender on the actual use of proceeds, through qualitative or quantitative performance measures (e.g., electricity generation or reduction of GHG emissions).
<b>Grants for green projects</b>	Grants	FIGPME, FNDA	PFIs can channel governmental grants for green SME projects. Grants can include cash transfers as well as technical support. While green subsidies are specifically used to help firms offset high upfront costs related to the implementation of green technologies and/or processes, green grants can be used for a broader set of purposes (e.g., incentivizing the production of green products and services).
<b>Equity</b>	Equity	CDC, FIGPME	Equity is one of the main instruments used by impact investors, but it can also be utilized by PFIs and private financial institutions. Green Equity includes both Venture Capital (VC) and Private Equity (PE) aimed specifically at funding innovative solutions to address environmental challenges (e.g., green-tech, sustainability start-ups). Green VC typically funds the development of pilot-scale green projects, where investments can have long funding periods. It involves continuous monitoring and reporting, with investors directly involved in corporate governance to ensure products and processes align with climate objectives. PE funds support green start-ups in advanced stages and also incorporate green initiatives.
<b>Hybrid Financing</b>	Equity and Debt	CDC, FIGPME	Hybrid instruments combine debt and equity. It is useful for SMEs as they can convert outstanding debt into equity. With hybrid financing instruments PFIs are able to offer additional incentives for SMEs' green transition. SMEs are likely to benefit more from green investments as compared to alternative investments because of favourable financing conditions, e.g. when a green loan is connected to a grant. For example, PFIs can provide a certain percentage of the green loan in the form of a grant if the company uses the grant for targeted green measures such as investment in renewable energies or energy efficiency.

# Annex I | Analysis of policies, strategies and regulations

## NDC & Climate Goals in National Development Plans

### Nationally Determined Contributions (NDCs)

**Benin submitted its updated NDC to the United Nations Framework Convention on Climate Change (UNFCCC) in 2021.** In terms of mitigation, the overall greenhouse gas (GHG) emissions reduction target outlined is a 20.15% reduction (48.75 Mt CO<sub>2</sub>-eq) between 2021 and 2030 compared to the business-as-usual scenario (excluding the forestry and land-use sector). The largest emissions contributing sectors are energy (58.09%), agriculture (28.51%), waste (5.38%), industrial processes (1.22%) and other sectors (6.80%). The energy sector focuses on transitioning to natural gas and renewable energy, expanding electricity access, and promoting energy efficiency. These measures aim to reduce emissions by 12.15% (18.71 Mt CO<sub>2</sub>-eq). The agriculture sector emphasises improved farming techniques, soil fertility management, and irrigation infrastructure, targeting a reduction of 51.4% (29.9 Mt CO<sub>2</sub>-eq). In forestry and land use, efforts include restoring degraded forests and promoting agroforestry, while the waste sector plans to enhance waste treatment technologies for additional reductions.

**Adaptation efforts prioritise sectors such as agriculture, water resources, forestry, coastal zones, health, and infrastructure.** Objectives include improving resilience through strengthened infrastructure, disaster risk reduction, and capacity building to address key climate impacts like flooding, drought, sea-level rise, and declining agricultural yields.

**Cross-cutting considerations include integrating gender perspectives to ensure women's active participation in climate initiatives.** Implementation involves coordination by the Ministère du Cadre de Vie et des Transports en charge du Développement Durable (MCVT), with contributions from sectoral ministries, local governments, and the private sector.

**The total financial need for implementing the NDC is estimated at USD \$10.52 billion, including USD \$8.56 billion for mitigation and USD \$1.8 billion for adaptation.** Of this, USD \$5.66 billion (54%) is expected from domestic sources, including government and private sector contributions, while USD \$4.85 billion (46%) depends on international support. Mobilising adequate international funding remains critical to bridging the financial gap and achieving Benin's climate objectives.

### Plan national d'adaptation aux changements climatiques du Bénin (2022)

**The National Adaptation Plan (NAP) is in alignment with the NDC, advancing shared priorities to build resilience against climate change impacts.** Both frameworks emphasise reducing vulnerabilities in critical sectors such as agriculture, water, forestry, health, and infrastructure, focusing on sustainable resource management, ecosystem-based adaptation, and inclusive disaster management systems. The NAP operationalises these priorities by integrating climate considerations into development policies and budgets while addressing institutional, financial, and technical needs identified in the NDC. It emphasizes gender equity and social inclusion, ensuring participation and equitable resource access for women and marginalised groups.

**Implementation relies on sectoral action plans, capacity-building, and robust monitoring and evaluation systems, with financial resources mobilised from the government, international partners, the private sector, and local communities.** The MCVT oversees strategic monitoring, while sectoral ministries manage operational tracking through specialised units. The NAP strengthens multi-stakeholder collaboration and aligns with international commitments like the Paris Agreement and Sustainable Development Goals.

### Stratégie de développement à faible intensité de carbone et résilient aux changements climatiques (2016 - 2025)

**The document outlines a pathway to achieving sustainable growth while reducing GHG emissions and enhancing resilience to climate impacts.** The strategy prioritises key sectors, including agriculture, forestry, energy, water, and infrastructure, focusing on low-carbon technologies, ecosystem-based approaches, and sustainable resource management. Cross-cutting considerations, such as gender equity and social inclusion,

are emphasized to ensure vulnerable populations, including women, benefit equitably from interventions. The strategy sets ambitious targets for emissions reduction and adaptation while aiming to strengthen institutional frameworks, build capacity, and integrate climate considerations into national and local policies.

**Aligned with the NDC, the strategy addresses shared priorities such as transitioning to a low-carbon economy and enhancing resilience in critical sectors.** It operationalises NDC goals by detailing sector-specific interventions, mobilising resources from public, private, and international partners, and fostering multi-stakeholder collaboration. Implementation mechanisms include integrating climate action into financial and policy frameworks, enhancing governance, and utilising monitoring and evaluation systems to track progress.

#### Plan National de Développement (PND) (2018-2025)

**The plan provides a strategic framework for achieving sustainable economic growth, poverty reduction, and structural transformation.** This document, unifying governmental efforts, recognises the importance of SME development to the achievement of national development objectives. It prioritises investments in infrastructure, agriculture, energy, water, health, and education to promote inclusive development. Climate change is a central consideration, with the plan emphasising resilience-building, sustainable resource management, and low-carbon growth pathways. Cross-cutting priorities include gender equity, social inclusion, and community engagement to ensure that development benefits are equitably shared across society. Key targets include diversifying the economy, reducing poverty, and improving access to essential services while fostering environmental sustainability.

**The development plan recognises the need to address obstacles to SME development, including issues in access to finance, infrastructure coverage and human capital development.** The Plan further highlights the importance of SME development in the achievement of employment objectives, citing the creation of a dedicated National Fund for the Promotion of Enterprise and Youth Employment (FNPEEJ).

**Enterprise development in Benin is linked to multiple objectives of the PND.** Enterprise development is also linked to the plan's efforts to structurally transform the informal economy in Benin. The Government of Benin highlights the importance of SME development in its ability to engage private financing for the PND.

**The PND aligns with and reinforces Benin's Stratégie de développement à faible intensité de carbone et résilient aux changements climatiques (2016 - 2025) by integrating its goals of emissions reduction and climate resilience into broader economic development objectives.** Both documents share a commitment to ecosystem-based approaches, sustainable agriculture, and renewable energy, ensuring coherence in their implementation. The PND also supports the country's NDC by embedding climate actions in national development priorities, mobilising resources from public, private, and international partners, and strengthening institutional capacity. Together, these frameworks advance Benin's ambitions for sustainable growth, climate resilience, and fulfillment of its international commitments under the Paris Agreement.

#### Politique Nationale de Financement du Développement (PNFD) (2024-2033)

**The PNFD provides a strategic framework for mobilizing resources to finance Benin's sustainable development.** It emphasizes the optimization of both domestic and external financial flows to reduce poverty, drive economic transformation, and achieve the SDGs. Key elements include fostering public-private partnerships (PPPs), leveraging innovative financing mechanisms, and improving institutional capacities to support national development goals. Aligned with the Plan National de Développement (PND) (2018-2025) and the Programme d'Action du Gouvernement (PAG II) (2021-2026), the PNFD builds on these frameworks by incorporating ambitious goals for economic resilience, social equity, and environmental sustainability. It prioritizes sectors such as renewable energy, education, and health while addressing structural financing gaps through strategic partnerships and reforms.

**The PNFD reinforces Benin's NDC under the Paris Agreement by integrating climate resilience and low-carbon growth strategies into its broader economic objectives.** It also leverages international initiatives, including the African Continental Free Trade Area (AfCFTA) and strategic partnerships with organizations such as the GCF, to mobilize resources and foster inclusive, sustainable growth.

#### Loi N° 2018 - 18 du 06 Août 2018 sur les changements climatiques en République du Bénin

**The 2018 Loi sur les changements climatiques en République du Bénin establishes a comprehensive framework for addressing climate change through mitigation, adaptation, and institutional capacity-building.** The law focuses on reducing GHG emissions, enhancing resilience, and safeguarding

natural ecosystems and human communities. It mandates integrating climate considerations into national and local policies, promoting renewable energy, sustainable agriculture, and forest conservation. Cross-cutting issues include social equity, gender considerations, and engaging local communities in planning and decision-making processes.

**The law operationalises priorities outlined in Benin's NDC by providing the legal basis for implementing mitigation and adaptation actions across sectors.** It complements the Stratégie de développement à faible intensité de carbone et résilient aux changements climatiques (2016 - 2025) by reinforcing commitments to renewable energy, emissions reduction, and climate-smart agriculture while ensuring alignment with international climate obligations. This synergy enhances Benin's capacity to mobilise resources, engage stakeholders, and implement transformative climate solutions at all governance levels.

#### Programme d'Actions du Gouvernement (PAG 2021 – 2026)

**The Government Action Program (PAG II) 2021-26 serves as the country's primary strategic framework for socioeconomic development.** Building on the progress achieved under PAG I (2016-21), PAG II adopts a three-pronged strategy: (i) consolidating democracy, rule of law, and good governance; (ii) driving structural economic transformation; and (iii) enhancing social wellbeing. To achieve these objectives, PAG II prioritises reforms and substantial investments in infrastructure (including transport, logistics, agriculture, and tourism), resource mobilisation (from both public and private sectors), and the implementation of innovative mechanisms for monitoring and evaluation.

**Although climate change is not incorporated as a cross-cutting theme, it is identified as a priority under Axis 7, which focuses on strengthening environmental conservation and climate resilience.** Despite this, climate change considerations in sectoral policies are often hindered by inadequate budget allocations and the absence of robust monitoring frameworks.<sup>108</sup>

#### Innovative finance frameworks

##### Benin SDG Bond Framework (2021)

**The Benin SDG Bond Framework (2021) aims to align sovereign bond issuance with the SDGs, focusing on financing projects that advance social and environmental priorities.** It aligns with relevant international standards, i.e. the International Capital Market Association (ICMA) Green Bond Principles and the Social Bond Principles. The framework outlines governance mechanisms for project evaluation and selection, as well as reporting requirements on the use of proceeds and impacts.

**The framework includes SMEs and entrepreneurship as part of its focus on fostering sustainable economic growth and reducing inequalities.** Eligible project categories such as sustainable agriculture, education, and clean energy indirectly support SMEs by improving infrastructure, capacity-building, and access to resources. The framework emphasises job creation and economic inclusion, aligning with SDG targets that promote entrepreneurship and innovation.

**Vigeo Eiris (V.E.) provided a second party opinion, confirming the framework's alignment with the ICMA principles and the relevance of its contributions to SDG advancement.** The second party opinion commended the framework's governance structure but noted areas for improvement, such as enhanced transparency in project selection criteria and systematic impact assessment methodologies, which would enhance the framework's effectiveness in targeting SMEs directly. The framework would benefit from the establishment of a centralised monitoring system, independent assurance mechanisms for reporting, and clearer processes for managing stakeholder engagement and mitigating risks associated with financed projects. These enhancements would strengthen accountability and the framework's overall effectiveness in driving SDG-related outcomes. Strengthening mechanisms to explicitly integrate SMEs into sustainable financing initiatives would further optimise the framework's contribution to inclusive growth.

**The 2023 SDG Bond Issue Impact Report highlights some progress in supporting SMEs, particularly in agriculture, through improved access to credit and subsidies, which indirectly fosters climate finance readiness.** By the end of 2022, 146 agricultural entrepreneurial projects gained easier access to credit, including 39 SMEs benefiting from subsidised initiatives. These interventions enhance the resilience of small businesses to climate risks by enabling the adoption of sustainable practices and technologies. Additionally, infrastructure improvements, such as irrigation systems and market facilities, have contributed to increased

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<sup>108</sup> World Bank Group (WBG), Benin Country Climate and Development Report, 2023. Accessible [here](#)

productivity and income for SMEs, reinforcing their capacity to engage in climate-resilient agriculture. The report, however, does not directly address whether SMEs have explicit access to green finance mechanisms.

**The Government of Benin is collaborating with the EU to bolster its green bond market, leveraging guidance from the Global Green Bond Initiative to attract institutional private investment in green projects.** As part of this effort, Benin is exploring a climate-focused financing plan, supported by the Global Environment Facility (GEF), which includes establishing a dedicated credit enhancement facility to de-risk investments. Additionally, the EU, the European Investment Bank (EIB), and the United Nations Development Program (UNDP) are providing technical assistance to identify and develop high-impact green projects, further enhancing the country's capacity to mobilise sustainable financing.<sup>109</sup> Under the AfDB's African Green Banks Initiative, the AfDB, in collaboration with the Climate Investment Funds (CIF) and Canada Climate Action, is supporting Benin in establishing the Benin Green Investments Vehicle—a blended financing mechanism for the private sector.

Carbon markets: Décrets N° 2022 – 699 portant création, attributions, organisation et fonctionnement de l'Autorité d'Enregistrement des Projets Carbone au Bénin (AEPC), et 698 fixant les modalités d'enregistrement des projets carbone.

**The decrees establish the institutional and procedural framework for carbon project registration in Benin.** Decree N° 2022-699 creates the Autorité d'Enregistrement des Projets Carbone (AEPC), tasked with managing carbon project registration, ensuring compliance with national and international climate frameworks, and promoting carbon market participation. Decree N° 2022-698 specifies the modalities for registering carbon projects, emphasising criteria such as environmental integrity, social equity, and alignment with Benin's climate policies.

**Key objectives include fostering public, private, and international collaboration to attract investments in carbon projects and integrating these efforts into the broader goals of emissions reduction and sustainable development.** These decrees support Benin's NDC by providing a structured approach to carbon accounting and emissions trading, facilitating the mobilisation of climate finance, and strengthening institutional capacity.

However, the documents do not explicitly detail operational mechanisms, such as timelines, financial mechanisms, or monitoring systems, to ensure effective implementation. The AfDB<sup>110</sup> noted the following challenges:

- Lack of regulations clearly defining the rules for credit generation, as well as measurement and reporting methodologies for carbon markets.
- Absence of an action plan for the development of carbon markets.
- Limited capacity of potential participants and regulators.

**In addition to the institutional framework established by the decrees, the Government of Benin is taking significant steps to implement a robust carbon monetisation strategy.**<sup>111</sup> This strategy is supported by 2.5 million carbon credits generated from energy and regenerative agriculture projects, managed by the AEPC. In collaboration with the WB through the SCALE Trust Fund, Benin plans to expand these initiatives, focusing on enhancing nature-based activities. The Global Green Growth Institute (GGGI) further supports these efforts through its Carbon Transaction Facility (CTF), while Luxembourg aids the establishment of a new Climate Finance Unit (CFU) to facilitate international climate finance under the Paris Agreement. The proceeds from these projects will be managed by Benin's Debt Management Office to align with the country's updated NDCs, supporting mitigation and adaptation efforts, including desertification control and food security. Moreover, the Global Center for Adaptation (GCA) has committed an initial envelope of USD\$1 million to catalyse further adaptation finance, helping Benin tap into innovative financing sources like carbon finance for nature-based solutions.

<sup>109</sup> International Monetary Fund (IMF), "International Financial Institutions and Development Partners Support the Republic of Benin to Establish a Country Climate Finance Platform", 2024. Accessible [here](#).

<sup>110</sup> Banque Africaine de Développement (AFDB), Rapport Pays 2023 – Bénin – Mobiliser les financements du secteur privé en faveur du climat et de la croissance verte (AFDB, 2023).

<sup>111</sup> International Monetary Fund (IMF), "International Financial Institutions and Development Partners Support the Republic of Benin to Establish a Country Climate Finance Platform", 2024. Accessible [here](#).

**Building on these foundations, a new bilateral agreement between Norway and Benin under Article 6 of the Paris Agreement marks a significant advancement in international climate cooperation.**<sup>112</sup> Signed at COP29 in Baku, this agreement allows Norway to support renewable energy projects in Benin, including solar and off-grid initiatives, while providing technical assistance to enhance Benin's emission reduction capabilities. This comprehensive approach aims to unlock additional climate finance, mitigate risks, and boost investments in sustainable development while enhancing the country's resilience to climate impacts.

**Benin's progress in establishing a carbon market framework is encouraging.** Consultations with stakeholders have provided valuable insights: a clear consensus emerged regarding the significant potential for carbon projects within agriculture, particularly in sustainable land management and agroforestry. Some green SMEs like Africa Green Corporation, Ismart and Kalao have strong interest in the carbon market and identified potential projects to submit to AEPC. Participants emphasized the importance of community engagement like the ongoing Local Climate Adaptive Living Facility – LoCAL funded by GCF and implemented by FNEC to ensure equitable benefit-sharing and project sustainability. Furthermore, the consultations highlighted the need for information sharing on the carbon market and targeted technical assistance to support project developers in navigating the registration process at AEPC. These key takeaways will directly inform the development of the national carbon market action plan, with a specific focus on creating enabling conditions for agricultural carbon projects and ensuring meaningful community participation.

#### Taxonomie des projets verts, sociaux et durables au sein de l'UEMOA (2024)

**The taxonomie des projets verts, sociaux et durables au sein de l'Union Économique et Monétaire Ouest-Africaine (UEMOA) provides a foundational framework to classify green, social, and sustainable projects eligible for financing within the UEMOA region's financial markets.** It aligns with international standards such as the ICMA Green Bond Principles and the Climate Bonds Initiative, while integrating the specific priorities of member states,<sup>113</sup> including their NDCs, and taking into account the priority sectors of the Green Climate Fund (GCF). The taxonomy identifies eligible activities under three categories: green (e.g., renewable energy, sustainable agriculture, water management), social (e.g., affordable housing, income inequality reduction), and blue (e.g., marine biodiversity conservation, sustainable fisheries). Its goals are to enhance transparency, reduce greenwashing risks, and direct investments toward projects aligned with sustainable development and climate resilience.

**The UEMOA taxonomy draws inspiration from the European Union (EU) Taxonomy in terms of goals but does not align with it in terms of depth and specificity without detailed technical criteria and verification systems.** Compatibility between the UEMOA taxonomy and the EU Taxonomy would be beneficial for attracting green finance flows from the EU, particularly to benefit SMEs in the UEMOA region. Alignment would increase investor confidence, facilitate access to EU green finance resources, and integrate UEMOA markets into global sustainable finance ecosystems. It would enable SMEs to meet stringent EU standards more easily, reducing compliance barriers and increasing their ability to secure funding. Moreover, compatibility would mitigate greenwashing risks, reassuring EU investors of the credibility of UEMOA projects.

**To enhance UEMOA taxonomy implementation and the attractiveness of the region for green finance flows, some aspects need further attention:**

1. **Technical screening criteria:** Specific and measurable benchmarks to define "substantial contribution" to environmental objectives.
2. **Do No Significant Harm (DNSH) Principle:** Detailed criteria to ensure that projects avoid causing harm to other environmental objectives.
3. **Lifecycle assessments:** Requirements for evaluating environmental impacts across the lifecycle of a project or activity.
4. **Verification mechanisms:** Independent third-party verification to ensure compliance with taxonomy criteria.

<sup>112</sup> Government of the Republic of Benin website, "La Norvège et la République du Bénin signent un accord bilatéral au titre de l'article 6 lors de la COP29", 2024. Accessible [here](#).

<sup>113</sup> The West African Economic and Monetary Union (UEMOA) includes Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

5. **Reporting standards:** Harmonised templates for reporting on taxonomy-aligned activities and impacts.
6. **Data collection systems:** Centralised tools for monitoring and evaluating financed projects' performance.
7. **Transition activities:** Specific provisions for activities contributing to a low-carbon transition without full sustainability compliance.
8. **Capacity building:** Targeted programs to equip issuers, investors, and SMEs with the knowledge to implement taxonomy requirements effectively.
9. **Guidance for SMEs:** Simplified compliance pathways tailored for small and medium enterprises to access green finance.

**The ongoing efforts from the Government of Benin with development partners seem to be on a good path towards enhancing its innovative financing framework and thus attracting further sustainable financing.** However, the outcome of the stakeholders consultations evidenced the lack of widespread knowledge and consequent adoption of the taxonomy discussed above. Having a fully functional taxonomy could provide a standardisation of what constitutes a “green” activity, spread knowledge about climate-related opportunities and prevent greenwashing. It would also facilitate international green finance flows into the country.

## Policies and regulations relevant to SMEs development

### Loi cadre des PME 2020

**The Government of Benin highlighted its commitment to innovative SME development through its 2020 adoption of a dedicated law for SMEs.** The law had two objectives. Firstly, to create a legal, institutional and financial framework conducive to the development of entrepreneurship in Benin. Secondly, establish a specific system for aid from the state and local authorities for companies to take into account their specific requirements and their vulnerability to regional and international competition. The law establishes certain provisions aiming to ensure the creation of this dedicated framework. The law confirms the importance of this objective, and assigns its execution to a dedicated ministry tasked with MSME development.

**The law provides for the simplified creation process for MSMEs, aiming to reduce the delays and costs of creation and to simplify administrative processes.** It provides for a special status for MSME status, under which registered organisations are able to benefit from fiscal and regulatory advantages and governmental support. This includes efforts by the government to support MSME access to public tender processes, and to define a preference for MSMEs in these tender processes. MSMEs are protected against late payment of debts from the state.

**The law provides certain fiscal benefits for MSMEs.** It provides for the exoneration of taxes for the first 12 months of activities. The law also preserves the future exclusion of certain professional tools and equipment from rights and taxes. MSMEs transforming local raw materials benefit from a complete exoneration of taxes and import duties on the VAT for any imported production equipment. Specific tax reductions are Accessible for accelerators and enterprise incubators. Fiscal incentives are in place for MSMEs that reinvest their profit into their business. MSMEs also benefit from streamlined tax declarations.

**The law provides for certain targeted support mechanisms for MSMEs facing difficulties including delayed tax payment and other fiscal support.** It further provides for the establishment of a mechanism for the restructuring and redevelopment of MSMEs facing difficulties in Benin.

**The law provides for technical assistance to MSMEs for capacity development.** It supports and encourages access to accelerators and incubators for MSMEs. The law provides for access to certain dedicated economic zones for MSMEs and facilitated access to land. Under the law, the state shall promote or set up specialised mechanisms or institutions to finance MSMEs such as venture capital firms, guarantee mechanisms, cooperative funding schemes and others, a notable example includes the upcoming creation of the Fonds Amorçe.

**Beyond the direct provisions from the law, it has also served to support the emergence of a dedicated agency for the support of SME development, the Agence de développement des petites et moyennes entreprises (ADPME).** This agency notably houses the Projet d'appui à l'entrepreneuriat au Bénin (Paeb). This

is a dedicated platform in Benin to support the development of SMEs in Benin. The PAEB serves as a one-stop shop for SME registration along with resources for capacity building within SMEs.

**It is generally recognized that the Loi Cadre has contributed to more favorable conditions for the creation of enterprises in Benin.**<sup>114</sup> In particular, the law has been relevant in the development of streamlined processes for administrative procedures for creating business organisations. The law has also been important in creating a system for governments to assist SMEs with the payment of their debts over greater time periods.<sup>115</sup> Nonetheless, as interventions from development partners highlight, the implementation of the coordination between the law and associated governmental efforts remains limited.

Loi des finances 2025

**The finance law for 2025, signed in December 2024, includes targeted measures to support the development of SMEs.** During his presentation of the budget, the director general for taxation within the Ministry, pointed out that under the law “Materials and equipment imported by SMEs are exempt from VAT and customs duties”.

Directive portant harmonisation de la fiscalité applicable aux entreprises d'investissement à capital fixe au sein de l'UEMOA, 2011

**At the sub-regional level, the WAEMU zone began a process of legalisation in favour of private equity:** in particular, the adoption in 2006 of a uniform law relating to fixed capital investment companies and the 2011 directive for preferential tax treatment, exempting these companies from taxes and duties when they are incorporated, dissolved or have their capital modified. This directive seeks to harmonize the fiscal status of fixed capital investment firms in the UEMOA region. This law exempts these organizations from the following taxes and duties:

- For the incorporation, extension, increase or reduction of capital and dissolution of an investment firm with fixed capital.
- For the use of financial instruments in the acquisition of holdings in the capital of other companies.
- From tax on the income from transferable securities. The duration of this exemption may not exceed fifteen (15) years from the date of creation of the company. Income generated by funds deposited with venture capital companies for management for a minimum period of three (3) years shall benefit from an exemption from tax on profits and from tax on income from transferable securities
- From capital gains tax on the sale of securities held by closed-end investment companies where the securities sold have been held in their portfolios for a minimum period of three (03) years from the date of acquisition

**Benin was an early adopter of the law, with local implementation promulgation in 2006.** Despite the promise of this dynamic at the sub-regional level, the two texts have been slow to be incorporated into the domestic legislation of countries in the zone.

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<sup>114</sup> International Trade Centre (ITC), "Promouvoir la compétitivité des PME au Bénin". Accessible [here](#)

<sup>115</sup> La Nouvelle Tribune, "Bénin : Le Délai de Paiement des Créances de l'État aux PME Réduit à 30 Jours", 2021. Accessible [here](#)

# Annex II | Analysis of public, private and development partners green financing

## Public sector green financing

**This section provides an overview of public sector initiatives in Benin aimed at supporting green financing and fostering the development of SMEs.** The initiatives encompass a range of strategies but the effectiveness of these efforts is constrained by gaps in regulatory frameworks, funding accessibility, and measurable outcomes. Strengthening regulatory frameworks, enhancing access to concessional financing, and ensuring effective implementation are critical for realizing Benin's sustainable development objectives.

### Sustainable SMEs and innovative startups support

**Project RISE<sup>116</sup>, an initiative of the Government of Benin, accelerates the growth of high-potential SMEs and innovative startups by providing financial and technical support.** Implemented by Sèmè City<sup>117</sup> (via FP2E) and the Agence pour le Développement des PME (via PAEB), RISE is funded by the World Bank/International Financial Corporation (IFC) and Team Europe (IYA-SEED). Participating businesses benefit from strategic financial assistance (up to 30 million FCFA, with co-funding requirements), tailored technical support through diagnostics, training, and coaching, and networking opportunities with experts and peers. The program focuses on sectors such as agro-industry, light manufacturing, creative industries, high-value services (e.g., digitalization, tourism), and sustainable urban services (e.g., waste management). To qualify, businesses must meet specific criteria, including being registered for at least a year, having financial records, and generating annual revenues between 15–500 million FCFA. RISE aims to foster resilience, create jobs, and drive sustainable economic growth in Benin.

### National Fund for the Environment and Climate (FNEC)<sup>118</sup>

**The National Fund for the Environment and Climate (FNEC) is a crucial financing mechanism established by Benin in 2017 to address climate change and environmental challenges.** Accredited by the Green Climate Fund (GCF), FNEC aims to capture green funding and finance programmes and projects that protect and manage the environment, mitigate the adverse effects of climate change, and promote sustainable development in the country. FNEC is a public institution with legal personality and financial autonomy, operating under the Ministère du Cadre de Vie et des Transports en charge du Développement Durable (MCVT). It serves as a funding mechanism for projects related to environmental protection, climate change mitigation, and sustainable development. The fund plays a key role in implementing national climate strategies and facilitating access to international climate finance, particularly from the GCF.

**The FNEC finances a range of projects focused on environmental protection and climate change mitigation.** Although specific funding opportunities for SMEs are not explicitly outlined, FNEC's initiatives often involve collaboration with civil society organisations and local communities. This indirect engagement can benefit SMEs, particularly those that adopt sustainable practices or participate in climate-resilient projects.

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<sup>116</sup> Sèmè City website. Programme RISE. Accessible [here](#).

<sup>117</sup> Sèmè City is a flagship initiative established in 2017 through the Agence de Développement Sèmè City (ADSC) that seeks to create a regional entrepreneurial ecosystem connecting Cotonou and Ouidah by bringing together students, researchers, and entrepreneurs.

<sup>118</sup> Green Climate Fund (GCF), "Fonds National pour L'Environnement (FNEC)". Accessible [here](#).

## Caisse des Dépôts et Consignations du Bénin (CDCB)<sup>119,120</sup>

**Established in 2018, the CDCB aims to reduce term deposit costs by pooling funds from legal and judicial operations.** Its recent initiatives include a partial credit guarantee of USD 2 million to mitigate borrower default risks, enabling financial institutions to increase credit offerings, particularly to agricultural enterprises. Additionally, with support from the AfDB and the Climate Investment Funds (CIF), the CDCB is developing Africa's first green financing facility. The CDCB benefits from funding and technical assistance amounting to 800,000 USD to establish a green financing facility.<sup>121</sup> Specifically, the Green Facility of CDC Bénin will promote:

- The mobilization of additional resources for projects and programs aligned with Benin's climate change strategy;
- Technical support and expertise to help Benin effectively develop and implement climate projects,
- Capacity building at the local level in climate project management, climate data collection, and progress monitoring;
- Support for specific local initiatives related to climate change, such as sustainable agriculture projects, renewable energy, coastal protection, and resilient infrastructure;
- Coordination and alignment of sustainable projects with Benin's climate strategy and international objectives, such as those of the Paris Agreement;
- Monitoring and evaluation to measure the impact of financed climate projects, ensuring their effectiveness and compliance with the SDGs and climate goals.<sup>122</sup>

**The initiative encompasses comprehensive feasibility studies, the development of a financial structuring plan, and policy alignment to ensure the integration of climate adaptation and mitigation into its investment portfolio.** It also includes creating a detailed business plan, a financial model, and a resource mobilization strategy, laying the groundwork for a sustainable green financing framework.

## National microfinance fund (FNM)

**The National Microfinance Fund (FNM) is a public institution dedicated to strengthening the financial and technical capacities of microfinance sector stakeholders, particularly Decentralized Financial Services (DFS).** Its main goal is to meet the financial and non-financial service needs of low-income populations.

**FNM's strategic priorities** include developing a diverse range of innovative financial and non-financial services tailored to the needs of DFS and specific population groups, as well as strengthening the operational and financial capacities of DFS to ensure the sustainability of the microfinance sector. Among its key interventions, the FNM facilitates DFS access to appropriate financing through credit lines and refinancing, thereby supporting the development of their activities and fostering better integration with conventional banks and international lenders.<sup>123</sup>

**The National Microfinance Fund (FNM) is in the process of establishing a dedicated green finance window** for microfinance institutions in partnership with LuxDev and ADA via the BEN005 project, in funding earmarked to support medium-sized enterprises engaged in environmentally sustainable initiatives.<sup>124</sup>

## Development partners green financing

**Development partners have played a significant role in advancing green financing in Benin, particularly for SMEs.** Efforts include providing direct financial support, facilitating access to international climate funds, and fostering public-private partnerships aimed at enhancing SMEs' resilience to climate change. Key development partners such as the WBG, IMF, and the AfDB have collaborated with local institutions to create

<sup>119</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#).

<sup>120</sup> International Finance Corporation (IFC), Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>121</sup> Caisse des Dépôts et Consignations du Bénin, Rapport annuel, 2023. Accessible [here](#)

<sup>122</sup> Caisse des Dépôts et Consignations du Bénin, Rapport annuel, 2023. Accessible [here](#)

<sup>123</sup> Fond National de la Microfinance website (accessed in April 2025). Accessible [here](#)

<sup>124</sup> Luxdev website, Finance Inclusive et Innovante (FIINOV) project brochure. Accessible [here](#)

frameworks and platforms that enable SMEs to access climate-smart financing. This support is crucial in fostering a green, resilient, and inclusive development agenda for Benin, empowering SMEs to transition to sustainable business practices while contributing to the country's broader climate goals.

### Climate Finance Framework Memorandum<sup>125</sup>

**In April 2025, the Government of Benin signed a landmark Climate Finance Framework Memorandum with major international partners, including the World Bank Group, African Development Bank (AfDB), Asian Infrastructure Investment Bank (AIIB), and the OPEC Fund.** This unprecedented agreement marks the first coordinated climate policy framework between multiple development partners and a single country in West Africa. It aims to mobilize large-scale climate financing and integrate climate action into Benin's macroeconomic planning, supporting its Nationally Determined Contributions (NDCs) and Sustainable Development Goals (SDGs).

**The memorandum builds upon reforms initiated under Benin's Resilience and Sustainability Facility program with the International Monetary Fund (IMF), established in December 2023.** Initial commitments include EUR 30 million from the OPEC Fund and a planned EUR 28 million contribution from the European Union in 2025, with additional funding anticipated in 2026.

**This initiative follows Benin's ambitious climate finance strategy presented during the July 2024 Climate Finance Roundtable in Cotonou and further elaborated at COP29 in Baku.** The strategy emphasizes innovative financing mechanisms, such as carbon markets and green bonds, alongside governance reforms. The memorandum also outlines principles for budgetary support, underscoring Benin's commitment to sustainable development and global climate leadership.

### IMF's Resilience and Sustainability Facility (RSF)<sup>126,127</sup>

**The IMF's Resilience and Sustainability Facility (RSF) is a key lending mechanism designed to help countries like Benin in its efforts to integrate climate risks into national policies, address balance-of-payment challenges, and attract additional climate finance.** Through the RSF, the IMF strengthens Benin's capacity to meet its National Adaptation Plan (NAP) and Nationally Determined Contribution (NDC) targets, fostering long-term climate resilience.

**In December 2023, the IMF Executive Board approved a two-year RSF arrangement for Benin, amounting to approximately USD 200 million.** By June 2024, Benin had demonstrated strong program performance, meeting all quantitative targets and implementing key structural benchmarks. The RSF-supported reforms focus on mainstreaming climate considerations in policymaking, enhancing adaptation measures, mitigating transition risks, and mobilizing private climate finance. These efforts are designed to address structural challenges that increase Benin's vulnerability to climate shocks, thereby strengthening socio-economic resilience. In October 2024, the IMF reached a staff-level agreement with Benin on the Second Review of the RSF, acknowledging signs of economic transformation, including growth in higher value-added exports and advancements in information technology and tourism.

**The RSF's scope is primarily focused on macroeconomic stability and systemic resilience rather than direct SME-specific interventions,** even if SMEs could indirectly benefit from an enhanced enabling environment.

### World Bank Government of Benin Development Financing Package<sup>128</sup>

**The World Bank Group has approved a EUR 635.5 million financing package in October 2024 to support Benin's efforts** in fostering private sector-led growth, improving domestic revenue collection, and enhancing social and climate resilience. The package includes a EUR 135.5 million Development Policy Financing credit, a EUR 200 million Policy-Based Guarantee, and mobilizes EUR 500 million in long-term commercial financing. A key component of the financing is aimed at strengthening support for SMEs by operationalizing a new

<sup>125</sup> Gouvernement de la République du Bénin, "Le Bénin et ses Partenaires signent un cadre historique pour le financement climatique dans le but de favoriser les réformes, les investissements et la création d'emplois", 2025. Accessible [here](#)

<sup>126</sup> International Monetary Fund (IMF), "Benin: IMF Executive Board Approves US\$200 Million RSF, Completes 3rd Review Under the ECF", 2023. Accessible [here](#).

<sup>127</sup> International Monetary Fund (IMF), Benin: Review of EFF, Resilience and Sustainability Facility, and 2024 Article IV, 2024. Accessible [here](#).

<sup>128</sup> World Bank Group (WBG), "Benin: \$635 Million Package to Drive Growth, Strengthen Climate and Social Resilience", 2024. Accessible [here](#).

Public-Private Partnership (PPP) framework that facilitates private sector participation in public projects, improves access to finance for SMEs through loan guarantees, and provides capitalization, advisory support, and other forms of assistance.

**Aligned with Benin's climate change commitments, the financing also supports the country's green, resilient, and inclusive development agenda.** The reforms focus on increasing climate adaptation and resilience, particularly in disaster preparedness and response. Additionally, the financing package builds on previous World Bank-backed efforts to strengthen Benin's capacity to manage disaster risks and mitigate the impacts of natural disasters, promoting a more inclusive and climate-resilient economic future.

### One-Stop Window for Local Financial Access<sup>129</sup>

**In partnership with the World Bank, IFC, GGGI, and the West African Development Bank, Benin is establishing a one-stop climate finance window** to streamline intermediated lending to local banks and microfinance institutions. This initiative will be supported by the newly launched Sustainable Finance Knowledge Center for Francophone Africa. The platform aims to foster long-term investments by SMEs in Benin, promoting local business growth while aligning with green investment objectives.

**The Sustainable Finance Knowledge Center for Francophone Africa,**<sup>130</sup> launched by the World Bank Group and partners in October 2024, is a virtual platform aimed at advancing green finance across Francophone Africa. Accessible in English and French, the platform equips businesses and financial institutions with tools to address sustainability challenges and integrate climate action into operations. Tailored to regional needs, its French-language curricula address a critical knowledge gap hindering sustainable development. In Benin, the center is expected to strengthen business leaders' capacity to leverage green finance, fostering climate resilience and economic growth in a region heavily impacted by climate change.

### International Climate Funds

**International climate funds play a strategic role in supporting green development in Benin.** These funds, such as the Green Climate Fund (GCF), Climate Investment Funds (CIF), and the Global Environment Facility (GEF), are essential for attracting private investment and enabling national and multilateral development banks to develop risk-sharing instruments and technical capacities to foster green investments. However, limited institutional capacity and lengthy project preparation processes hinder the full utilisation of these funds.

#### *Green Climate Fund (GCF)*<sup>131</sup>

**The Green Climate Fund (GCF) is a key source of international financing for Benin.** The country's GCF-accredited National Fund for Environment and Climate (FNEC) has been instrumental in accessing these resources. Benin's GCF allocation stands at USD 66.8 million, funding a diverse portfolio of eight projects, including those that extend beyond national borders. However, challenges related to low capacity and the prolonged preparation time for projects remain a significant barrier to unlocking the full potential of these funds. The FNEC has been accredited by the GCF since 2019, and there is potential for additional funding. However, only a portion of the allocation has been received.

#### *Global Environment Facility (GEF)*<sup>132</sup>

**The Global Environment Facility (GEF) has provided limited but important financing for Benin's climate-related initiatives.** To date, the country has received US\$9.6 million from GEF7, with further funding of US\$12.6 million expected from GEF8 to support investments in biodiversity, climate change, and land degradation. This funding, which is yet to be allocated, highlights the potential for increased support to address pressing environmental challenges in Benin. Despite this potential, the country has only accessed a small fraction of the funds Accessible due to capacity constraints.

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<sup>129</sup> International Monetary Fund (IMF), Benin: International Financial Institutions and Development Partners Support the Republic of Benin in Establishing a Country Climate Finance Platform, 2024. Accessible [here](#).

<sup>130</sup> International Finance Corporation (IFC), "The World Bank Group and Partners Launch Sustainable Finance Knowledge Center for Francophone Africa", 2024. Accessible [here](#).

<sup>131</sup> World Bank Group (WBG), Benin Country Climate and Development Report, 2023. Accessible [here](#)

<sup>132</sup> World Bank Group (WBG), Benin Country Climate and Development Report, 2023. Accessible [here](#)

### *Climate Investment Fund (CIF)<sup>133</sup>*

**The Climate Investment Fund (CIF) has also supported climate-related investments in Benin**, particularly through its Scaling up Renewable Energy Program (SREP). The SREP investment plan aims to accelerate renewable energy generation in the country, focusing on bioenergy, hydro, solar, and wind energy. The plan addresses key institutional, financial, and economic barriers to scaling up these renewable energy technologies, while also considering demand forecasts and ways to support private developers within the existing legal framework.

### *V20 Sustainable Insurance Facility (SIF)<sup>134</sup>*

**The V20 Sustainable Insurance Facility (SIF) is an initiative by the Vulnerable Twenty Group (V20) aimed at enhancing access to climate-smart insurance solutions for micro, small, and medium-sized enterprises (MSMEs) in climate-vulnerable nations.** The SIF seeks to mitigate the financial risks posed by climate change, thereby strengthening the resilience of MSMEs through the development of a pipeline of projects.

**While specific information about the SIF's activities in Benin is limited, Benin's status as a V20 member country positions it to benefit from the facility's programmes.** The SIF collaborates with regional coordinators to tailor solutions that address the unique challenges faced by MSMEs in these regions. The SIF's approach involves working with entities that have established relationships with MSMEs, including banks, microfinance institutions, and state agencies, to define climate risks and develop solutions that overcome barriers to insurance access. By facilitating partnerships and advocating for public-private collaborations, the SIF aims to provide a safety net for critical businesses in V20 economies

### *African Guarantee Fund (AGF)*

**The African Guarantee Fund (AGF), established by the Government of Denmark (DANIDA), the Government of Spain (AECID), and the AfDB, plays a pivotal role in enhancing financing access for SMEs in Benin.** Through partnerships with financial institutions, AGF facilitates portfolio guarantees that target SME growth, women's entrepreneurship, and green financing, thereby fostering economic development and sustainability.

### *Partnership with Ecobank Benin<sup>135</sup>*

**In 2022, AGF partnered with Ecobank Benin to launch a 1.6 billion FCFA portfolio guarantee designed to address the financing barriers faced by SMEs, particularly the lack of collateral.** The partnership also focuses on women-led businesses through the Affirmative Finance Action for Women in Africa (AFAWA) programme and supports green economy initiatives. Ecobank Benin leverages this collaboration to offer tailored financing solutions, including stock and asset financing, performance bonds, and trade financing options. Additionally, Ecobank provides digital tools such as EcobankPay and Digital Payment Terminals to enhance SMEs' cash flow management and transaction security. The Ellevate programme further promotes female leadership by offering favourable loan terms and value-added services, strengthening the capacity of SMEs in Benin and contributing to gender-inclusive growth.

### *Collaboration with Banque Internationale pour l'Industrie et le Commerce (BIIC)<sup>136</sup>*

**AGF's partnership with BIIC involves a guarantee facility aimed at increasing SME financing across various sectors, with a focus on green projects and women's entrepreneurship under the Green Guarantee Facility and the AFAWA initiative.** This collaboration reduces transaction costs, enhances investment returns, and improves access to financing for high-potential businesses. By providing innovative and flexible financial solutions, AGF and BIIC enable SMEs to achieve sustainable growth, reinforcing the private sector's role in Benin's economic development.

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<sup>133</sup> Climate Investment Funds (CIF). Benin. Accessible [here](#).

<sup>134</sup> United Nations Environment Programme Finance Initiative (UNEP FI), "The V20 Sustainable Insurance Facility". Accessible [here](#).

<sup>135</sup> African Guarantee Fund, "African Guarantee Fund and Ecobank Benin Partner to Finance Beninese SMEs". Accessible [here](#)

<sup>136</sup> African Guarantee Fund, "African Guarantee Fund and Banque Internationale pour l'Industrie et le Commerce Partner to Increase SME Financing in Benin". Accessible [here](#)

### Agreement with Société Générale Benin<sup>137</sup>

**AGF has also partnered with Société Générale Benin to provide a EUR 7.6 million portfolio guarantee to expand SME financing.** This partnership supports green and women-led enterprises through the AFAWA programme, aligning with Société Générale's "Maison de la PME" initiative and its broader "Grow with Africa" strategy. The agreement aims to reduce risks for the bank while prioritising key sectors such as renewable energy, infrastructure, agriculture, and financial inclusion. By strengthening Société Générale's capacity to finance vital businesses, this collaboration contributes to sustainable economic growth and promotes gender equality in Benin's entrepreneurial ecosystem.

### African Development Bank Transaction Guarantee Fund<sup>138</sup>

**In November 2024, the AfDB granted a EUR 15 million transaction guarantee to Bank of Africa Benin to support the importation of supplies, machinery, and telecommunications equipment crucial for the country's industrialization.** This guarantee will facilitate trade finance mechanisms such as letters of credit for large local businesses and SMEs. The primary sectors benefiting from this initiative include agro-industry and light manufacturing, but it will also assist in meeting the short-term demand for basic goods. The facility will be in place for three years and will also support women-led businesses, focusing on projects with minimal exposure to climate risks. It will provide a mechanism for guaranteeing trade financing instruments, thus enabling local businesses to access the resources needed to drive economic growth.

### Projet d'Appui à l'Entrepreneuriat au Bénin (Paeb)<sup>139</sup>

**The "Projet d'Appui à l'Entrepreneuriat au Bénin" (PAEB) by the Agence Française de Développement (AFD) aims to support entrepreneurship in Benin by enhancing policy coordination and strengthening both financial and non-financial services for businesses.** This initiative targets addressing key challenges, including limited entrepreneurial projects in growth sectors, inadequate financing frameworks, lack of supportive infrastructure, and market access barriers. It aligns with Benin's broader economic goals, including reforms like the 2020 PME Law and the 2022 establishment of the Agency for Small and Medium Enterprise Development.

The project is structured around three key components:

1. **Enhancing the entrepreneurial ecosystem** by improving support coordination and guiding beneficiaries to relevant institutions for training, financing, and market access. MPMEPE and ADPME will oversee the project, with Expertise France supporting the One-Stop Shop implementation.
2. **Boosting the local economy** by supporting youth entrepreneurship through financial and non-financial assistance, including training on gender, E&S, and climate issues.
3. **Enhancing competitiveness and modernizing high-potential businesses** to foster national champions.

The project also aims to enhance the integration of E&S, climate, and gender considerations at the enterprise level (awareness, tailored training, and targeting) and within public agencies (capacity building).<sup>140</sup>

### Investir dans l'Entrepreneuriat Féminin pour une Économie plus Verte au Bénin (IFEV-Bénin)<sup>141</sup>

The IFEV-B&BF programme is a six-year initiative (October 2023 - March 2029) implemented by Africa Enterprise Challenge Fund (AECF) and funded by Global Affairs Canada. **The programme aims to empower women entrepreneurs in Benin and Burkina Faso's green economy.** Leveraging a competitive funding model, IFEV-B&BF will invest in at least 13 women-led small and medium enterprises (SMEs), 4 microfinance institutions (MFIs), and 10 women's cooperatives through various financing windows ranging from CAD \$50,000 to \$1,000,000, each with specific counterpart funding requirements. **Beyond financial support, the**

<sup>137</sup> African Guarantee Fund, "African Guarantee Fund and Société Générale Partner to Finance SMEs in Benin". Accessible [here](#)

<sup>138</sup> African Development Bank (AfDB), "Benin: African Development Bank Grants Bank of Africa Benin Transaction Guarantee of EUR 15 Million to Support Imports, Supplies, and Telecommunications Equipment for Local Businesses and SMEs", 2024. Accessible [here](#)

<sup>139</sup> Agence Française de Développement, "Projet d'Appui à l'Entrepreneuriat au Bénin". Accessible [here](#).

<sup>140</sup> Agence Française de Développement, "Projet d'Appui à l'Entrepreneuriat au Bénin (PAEB)". Accessible [here](#).

<sup>141</sup> Africa Enterprise Challenge Fund (AECF), Investir dans l'Entrepreneuriat Féminin pour une Économie plus Verte au Bénin et au Burkina Faso (IFEV-B&BF). Accessible [here](#).

**programme will deliver training to 9,000 women** through MFIs and cooperatives and will provide support to 100 members of women's rights organizations.

**The expected outcomes include reaching and improving the lives of over 53,750 individuals, with women representing at least 80% of the beneficiaries.** It also seeks to create or strengthen a minimum of 1,150 jobs, again with a focus on women (80%). These outcomes will be achieved through a combination of financial investments, non-financial technical assistance, and collaborative engagement with key stakeholders in both countries.

### Compact with Africa Green Business Fund<sup>142</sup>

**Launched in 2021 as part of the G20 Compact with Africa initiative, the Compact with Africa Green Business Fund (CwA) aims to promote private sector investment in Africa's low-carbon and climate-resilient businesses.** With an initial USD 24 million investment from Germany's International Climate Initiative (IKI), the Fund focuses on strengthening SMEs that contribute to sustainable development. The Fund supports green businesses through capacity building, blended finance instruments, and policy dialogue to foster private sector participation in Africa's green transition. It is part of the World Bank's broader Partnership for Market Development and Innovation Facility (PMIF).

**The CwA Fund targets several priority sectors, including food security, low-carbon energy, water security, and resilient cities.** It aims to enhance the knowledge and skills of stakeholders, including public and private sectors, to accelerate climate action. The Fund focuses on closing the climate finance gap by leveraging private sector investments and facilitating the development of financing mechanisms for local green businesses. Initially active in 12 African countries, including Benin, the CwA Fund addresses barriers to climate business development and supports the scaling up of low-carbon innovations through targeted country-specific and regional initiatives.

### Private sector green financing<sup>143</sup>

**As introduced earlier, private sector financial flows remain particularly limited in Benin, with private investment amounting to just USD 11.5 million in 2020—only 2.7% of total climate financing.** These contributions were predominantly from international private sources, while domestic private investments remain negligible, partly due to insufficient data to quantify the participation of local businesses and households in green financing efforts.

### Overview of the financial sector in Benin<sup>144</sup>

**Benin's financial sector remains underdeveloped and highly concentrated.** The financial services sector consists of 14 banks in Benin of which 9 are subsidiaries of international banking groups and 5 are sub-regional banks,<sup>145</sup> more than 95 decentralized financial institutions (58 of which are licensed and 37 operate outside of regulation), and a limited number of non-bank financial service providers. The sector is very concentrated, with the 3 leading banks - Banque Internationale pour l'Industrie et le Commerce, Bank of Africa, and Coris Bank - owning 47% of total assets at the end of 2023. Together, the top 5 banks held 68% of the industry's total assets.<sup>146</sup> The three largest microfinance institutions account for 57.8% of microfinance loans as of the end of 2021.

**Beninese banks have historically faced profitability challenges,** marked by low returns on assets and equity, elevated non-performing loan (NPL) ratios, and operational inefficiencies. Contributing factors included high overhead costs, substantial provisioning for loan losses, and elevated deposit costs. **Recent trends, however, indicate a positive shift.** As at December 2023, the gross NPL ratio had declined to 4.8%, down from 7.2% a year earlier, positioning Benin as the top performer in the West African Economic and Monetary Union (WAEMU), where the average NPL ratio stood at 8.7% during the same period.

<sup>142</sup> World Bank Group (WBG), "Compact with Africa: Green Businesses Fund", 2021. Accessible [here](#).

<sup>143</sup> World Bank Group (WBG), Benin Country Climate and Development Report, 2023. Accessible [here](#)

<sup>144</sup> International Finance Corporation, Créer des marchés au Bénin, 2023. Accessible [here](#)

<sup>145</sup> Central Bank of West African States (BCEAO), Rapport Annuel de la Commission Bancaire, 2023. Accessible [here](#)

<sup>146</sup> Central Bank of West African States (BCEAO), Rapport Annuel de la Commission Bancaire, 2023. Accessible [here](#)

**Despite the structural challenges facing Benin's financial sector, recent improvements in asset quality indicate progress in risk management and regulatory oversight.** As of December 2023, the average gross non-performing loan (NPL) ratio in Benin's banking sector stood at 4.8%, marking a significant improvement from 7.1% in 2022 and 12.4% in 2021. This reduction positions Benin as the top performer in the West African Economic and Monetary Union (WAEMU), where the regional average NPL ratio was 8.5% during the same period.<sup>147</sup>

**Top banks supporting SME financing in Benin include** Bank Of Africa (BOA), NSIA Bank, Coris Bank, United Bank for Africa (UBA), Banque Sahélo-saharienne pour l'Investissement et le Commerce (BSIC), Orabank, Ecobank, and Banque Internationale pour l'Industrie et le Commerce (BIIC). They offer flexible financing with friendly interest rates and loan terms; and partner with other organisations to provide targeted offering.<sup>148</sup>

**The share of credit to the private sector as a proportion of GDP was 18.6% in 2023.** This is less than other countries in the region like Cote d'Ivoire (22.4%) and Togo (27.9%), and below the average of 33.4% for Sub-Saharan Africa.<sup>149</sup> The average interest rate loan applied by banks in 2023 amounted to 8.6%.<sup>150</sup>

**The ability of banks to finance private SMEs is limited by several factors:** i) low bank profitability, ii) high exposure to public enterprises, iii) a historically high stock of non-performing loans, and iv) competition from government securities. Additionally, the small size of the formal economy leads to high credit concentration and strong exposure to trade with Nigeria.

**Long-term financing instruments, equity financing, and capital markets are underdeveloped and do not yet provide significant alternatives to bank financing.** Private sector funding in the country relies heavily on bank credit, which accounts for 82% of total private financing. Only 27% of the banking sector's loan portfolio is made up of long-term loans, and more than 80% of the resources collected by the banking system are deposits (mostly short-term), a structure that limits the banks' ability to create long-term assets. Capital markets have only started to develop since the creation of the Regional Stock Exchange (BRVM) in 1998. As of February 2022, the BRVM's market capitalization stood at around USD 6.4 billion, with only 55 listed companies, one of which is based in Benin.

**External financing for the private sector remains almost negligible, with private external funding amounting to USD 556 million in 2019, or 3.9% of total financial flows.** Despite its regional reach, the stock market remains illiquid due to the low number of listings, a weak institutional investor base, limited product diversification, and lack of awareness. The non-sovereign bond market is dominated by two issuers, with a corporate debt outstanding of USD 0.5 billion at the end of 2021. Regional efforts to integrate and develop capital markets have had only limited impact in Benin.

**While microfinance institutions provide limited financing to SMEs, they play a crucial role in financial inclusion.** The total loans from microfinance institutions represent only 2.1% of GDP, compared to 22% of GDP for commercial banks that primarily serve urban clients. Nevertheless, microfinance is a significant driver of financial inclusion in Benin, with 3.1 million depositors, or 27% of the population. With proper regulation and supervision, microfinance institutions could play a more significant role. However, the operations of unlicensed microfinance institutions undermine trust in the sector, despite efforts by the regulatory body to consolidate the sector, including the formalization of 240 institutions and the closure of 17 non-viable institutions between 2013 and 2018.

**Digital financial services (DFS) represent an untapped potential, as electronic money transfers are experiencing rapid growth.** The number of active users of electronic money transfer accounts grew tenfold between 2015 and 2019, reaching 4.3 million users, or 38% of the population.

<sup>147</sup> Central Bank of West African States (BCEAO), Rapport Annuel de la Commission Bancaire, 2023. Accessible [here](#)

<sup>148</sup> Technoserve, Cartographie de l'Ecosysteme des Structures D'appui à l'Entrepreneuriat au Bénin, 2023

<sup>149</sup> World Bank Group (WBG) Database, 2023. Accessible [here](#)

<sup>150</sup> Central Bank of West African States (BCEAO), Conditions débitrices appliquées par les établissements de crédit de l'UEMOA au titre du deuxième semestre 2023, 2023. Accessible [here](#)

## Green financing

**Long-term financing instruments critical for climate change adaptation in Benin remain underdeveloped.** Bank credit, which accounts for 82% of total private domestic funding, is predominantly focused on short- and medium-term financing. In contrast, long-term credit, necessary for the structural investments required for the green transition and climate resilience, represented only 4% of the total bank lending portfolio in 2021. Alternative long-term financing sources, such as equity finance and capital markets, are still nascent and do not yet provide a substantial alternative to traditional bank lending.

**The lack of green financing options stems partly from banks' risk aversion, limited awareness of the potential in green investments, and the absence of financial products that align with environmental goals.** Thus, SMEs face a lack of funding for initiatives such as renewable energy adoption, waste management, or energy-efficient technologies.

**Private sector financing through capital markets, particularly for green initiatives, has progressed slowly at the WAEMU level.** By mid-2023, no corporate green bonds had been issued in Benin, and the uptake across WAEMU remains limited. In contrast, countries like Nigeria and South Africa had issued significant volumes of green bonds by March 2023, with Nigeria at approximately USD 200 million and South Africa at USD 1.3 billion. WAEMU's capital markets are still shallow, with a market capitalization of CFAF 10.42 billion and CFAF 2,018 billion raised in 2020. The market is heavily reliant on bond issuance, which constitutes 97% of total issuance, with equity accounting for only 3 percent. Government bonds make up 95% of total securities, limiting the scope for private sector investment and discouraging diversification.

**The dominance of sovereign financing in the WAEMU region has restricted private sector involvement, with private (2.7%) and foreign (0.03%) investor participation remaining low.** While a guide for the issuance of green, social, and sustainable bonds was introduced in March 2020, and efforts to address regulatory challenges are underway, the market still lacks critical mass, diversity, and broader participation.

**In Benin, the financial sector is predominantly bank-driven, with improvements in banking sector profitability, but access to finance remains a significant barrier to private sector growth, especially regarding climate-related investments.** Fewer than one in four firms have access to bank credit, and only 12% of businesses use banks to finance investments, compared to 19% in sub-Saharan Africa. When SMEs do obtain financing, they are required to provide collateral worth 231.3% of the loan amount, which is higher than the regional average.

**Climate financing in Benin remains in its early stages.** Commercial banks are not yet financing climate projects, and there are no formal green lending labels or dedicated financing streams for climate and environmental initiatives. Expanding financing mechanisms, particularly for green technology adoption at the firm level, would be a key step in facilitating Benin's transition to a low-carbon and climate-resilient economy.

**In terms of innovation, funding remains scarce.** The existing legal and regulatory framework for the venture capital and private equity sectors has significant limitations compared to international standards. The regional framework is primarily based on the 2003 WAEMU uniform law on fixed capital investment companies, under the supervision of the Regional Council for Public Savings and Financial Markets (CREPMF). However, the domiciliation of funds and fund managers outside the WAEMU zone presents several challenges for fund managers and investors. Fund managers face high costs associated with currency transfers outside the zone, while the external domiciliation of funds creates a major barrier to mobilising resources from institutional investors within the WAEMU region.<sup>151</sup>

## Use of innovative financial instruments for green finance

**Benin has significant potential to leverage green financial instruments, given the existing frameworks for carbon markets and SDG bonds.** Table 14 below explores the potential green financing instruments to use in Benin, its development (by 2023) and identified contextual challenges.

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<sup>151</sup> International Finance Corporation (IFC), *Créer des marchés au Bénin*, 2023. Accessible [here](#)

Table 13: Innovative instruments for private sector financing in Benin<sup>152</sup>

Type of instruments	Green and sustainable finance (e.g. thematic bonds)	Blended finance instruments (e.g., guarantees, first-loss facilities)	Private equity and venture capital	Carbon markets
<b>Current performance</b>	Benin is active in the sustainable bond market. In 2021, it issued an SDG bond of EUR\$500 million for projects aligned with SDGs. In 2023, the country raised EUR\$700 million in Eurobonds for SDG-related projects and EUR\$600 million in the international capital markets.	In 2023, Benin received technical assistance of USD 800,000 from the AfDB Group to support the creation of the first green financing facility in Africa at the Caisse de Dépôts et Consignations du Bénin (CDCB). This green bank will serve as a mixed financing instrument.	Private equity in Benin is a potential source of financing for young innovative companies, which often lack the equity capital for their business start-up, to accelerate their growth, or for the transfer of existing businesses. However, this type of financing is still underdeveloped in the country.	No current carbon markets exist in Benin given its complexity.
<b>Contextual challenges</b>	<ul style="list-style-type: none"> <li>- Products on capital markets are not very diversified (limited to SDG bonds only).</li> <li>- There is a need to strengthen the regulatory and legal framework to make it more favourable.</li> <li>- No recent long-term strategy for climate action and green growth, along with an insufficient pipeline of projects.</li> <li>- Limited technical capacity for project development, monitoring, reporting, and impact assessments.</li> <li>- Lack of expertise and regulatory frameworks at both technical and institutional levels for green finance and green bonds.</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of policy and regulatory frameworks for the use of blended financing instruments.</li> <li>- Absence of a pipeline of investment projects that align with national and local needs.</li> <li>- Limited technical capacity to establish financing vehicles for SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>- Limited capacity of SMEs and start-ups to meet the conditions for accessing credit and financing from the banking sector.</li> <li>- Lack of specialised institutions at the national level to enhance financial inclusion and promote innovation in the banking sector.</li> <li>- Weak capacity of commercial banks to diversify their investor base and develop financial products and services that address green investment needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Limited capacity of potential participants and regulators.</li> <li>- Lack of regulations clearly defining the rules for credit generation, as well as measurement and reporting methodologies for carbon markets.</li> <li>- Absence of an action plan for the development of carbon markets.</li> </ul>

### Current initiatives

**Under the African Development Bank's (AfDB) African Green Banks Initiative, the AfDB, in collaboration with the Climate Investment Funds (CIF) and Canada Climate Action, is supporting Benin in establishing the Benin Green Investments Vehicle**—a blended financing mechanism for the private sector. This innovative vehicle is designed to provide additional financial resources to drive Benin's green transition. By catalysing private sector financing, the vehicle serves as a critical component of Benin's Country Platform architecture, enhancing its ability to mobilise and direct green investments effectively.<sup>153</sup>

**The Japan Bank for International Cooperation (JBIC) has signed a loan agreement of up to EUR 1 million, including EUR 500,000 from JBIC, with the Government of Benin to support a solar energy project under its GREEN operations.** This initiative involves installing rooftop solar panels on elementary schools to power rechargeable electric lanterns, which will be loaned to pupils in unelectrified rural areas, simultaneously

<sup>152</sup> African Development Bank (AfDB), Rapport Pays 2023 Bénin - Mobiliser les financements privés pour la croissance verte, 2023. Accessible [here](#).

<sup>153</sup> International Monetary Fund (IMF), "Benin: International Financial Institutions and Development Partners Support the Republic of Benin to Establish a Country Climate Finance Platform," (2024). Accessible [here](#).

promoting education and improving household electrification. By addressing regional disparities in electrification and encouraging school attendance, the project aligns with Benin's climate commitments under its NDC, aiming to reduce GHG significantly by 2030. The loan builds on a EUR 30 million credit line extended by JBIC in 2021 to finance environmental preservation projects in Benin, reinforcing JBIC's role in supporting sustainable development and climate action in developing countries.<sup>154</sup>

### Green taxonomy and climate risks management

**The introduction of a green taxonomy for the WAEMU region in 2024 marks a significant step towards identifying and categorising environmentally sustainable investments.**<sup>155</sup> This framework provides a foundation for aligning financial flows with climate objectives and addressing climate-related risks. However, its effectiveness in practice remains unclear due to limited accessible information on its application and impact.

**Despite this development, further progress is needed to strengthen the integration of climate risks into financial sector oversight.** The Central Bank of the West African States (BCEAO) and the Banking Commission of the West African Monetary Union (BC-WAMU) have yet to incorporate climate risks into their supervisory frameworks or conduct stress testing on Benin's largest banks to evaluate their resilience to climate-related financial shocks.<sup>156</sup>

**Additionally, the Regional Council for Public Savings and Financial Markets (AMF-UMOA), which oversees WAEMU's capital markets, has not introduced climate risk disclosure guidelines for corporates.**<sup>157</sup> Such guidelines, combined with the green taxonomy, could enhance the financial sector's understanding and management of climate risks by providing the necessary data for informed decision-making.

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<sup>154</sup> Japan Bank for International Cooperation, "Loan to Government of Republic of Benin under GREEN Operations", 2023. Accessible [here](#)

<sup>155</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>156</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

<sup>157</sup> World Bank Group (WBG), Country Climate Development Report, 2023. Accessible [here](#)

# Annex III | Implementation Recommendations

Table 14: Implementation Recommendations for stakeholder groups<sup>158</sup>

Ecosystem stakeholders	Recommendations
<p><b>Policy makers and regulators</b></p>	<ol style="list-style-type: none"> <li>1. <b>Provide a framework for consultation, knowledge sharing and communication for different stakeholders (E.g. government, ADPME, CCIB, financial institutions, and Green SMEs) to improve mutual understanding and share experiences on green finance.</b> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Agence de Développement des Petites et Moyennes Entreprises (ADPME)</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Ministry of Economy and Finance (MEF) for policy support and potential funding from the national budget.</li> <li>○ CCIB</li> <li>○ Financial Institutions (Banks, Microfinance Institutions, Insurance )</li> <li>○ Green SMEs</li> <li>○ Licensed Business Support Organizations (BSOs)</li> </ul> </li> </ul> </li> <li>2. <b>Inform and communicate widely via ADPME (single window and website/social media) about existing green initiatives, service and support mechanisms (SME refinancing window, BCEAO) and about countries' experiences.</b> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Agence de Développement des Petites et Moyennes Entreprises (ADPME) - Given their role as a single window for SMEs.</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ BCEAO</li> <li>○ Relevant ministries (MEF, MAEP, MCVDT,etc)</li> <li>○ Successful green SMEs (Case studies)</li> <li>○ Communication and media professionals</li> </ul> </li> </ul> </li> <li>3. <b>Strengthen via ADPME the capacities of both demand side (green SMEs) and supply side, in collaboration with the Business Support Organizations, on their areas of weakness (management, finance, project set-up, negotiation, etc.).</b> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Agence de Développement des Petites et Moyennes Entreprises (ADPME)</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Licensed Business Support Organizations (BSOs)</li> <li>○ Local banks and microfinance institutions</li> <li>○ Green SME representatives</li> <li>○ Experts in green finance/Risk assessment</li> </ul> </li> </ul> </li> <li>4. <b>Strengthen existing public non debt financing and debt financing mechanisms (ex: CDC, FIGPME, BIIC) for long-term funds for green SMEs.</b> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Ministry of Finance/Economy</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ CDC, FIGPME, BIIC and SOCIETE GENERALE</li> <li>○ Relevant development partners (e.g., AfDB, World Bank)</li> </ul> </li> </ul> </li> <li>5. <b>Support private financial institutions in greening and launching innovative green financial products for SMEs such as preferential lending .</b> <ul style="list-style-type: none"> <li>● <b>Lead:</b> BCEAO / UMOA to enable financial environment</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Private financial institutions (banks, microfinance institutions)</li> <li>○ Fintech companies</li> <li>○ Green SMEs</li> <li>○ Technical experts in green finance</li> </ul> </li> </ul> </li> <li>6. <b>Produce data for ESG measurement to facilitate access to carbon market for green SMEs</b> <ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF, particularly Institut National de la Statistique et de la Démographie (INStaD) and MCVT</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Green SMEs</li> <li>○ Data and analytics experts (develop methodologies for ESG measurement).</li> <li>○ Carbon market experts</li> <li>○ Certification bodies (verify and certify ESG data).</li> </ul> </li> </ul> </li> <li>7. <b>MEF to develop tax incentives including tax breaks in the finance law for the financing of green SMEs by the private sector (e.g. Bank, SFD, VC, Corporate, Diaspora)</b></li> </ol>

<sup>158</sup> Includes selected recommendations from the World Bank Group, Country Climate Development Report, 2023. Accessible [here](#)

Ecosystem stakeholders	Recommendations
	<ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Tax authorities</li> <li>○ Private sector actors (Banks, Microfinance institutions, VCs, corporations, diaspora groups).</li> <li>○ Legal and financial professionals (advise on tax incentive design and implementation)</li> </ul> </li> </ul> <p><b>8. Formulate a lending policy infrastructure and developing the capacity to finance SMEs for the procurement of appliances and equipment that encourage productive use of electricity, thereby elevating electricity consumption and productivity, particularly within the agricultural sectors</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF and Ministry of energy</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Central bank</li> <li>○ Commercial banks and microfinance institutions (MFIs)</li> <li>○ Ministry of agriculture</li> <li>○ ADPME</li> <li>○ Energy regulatory Authority</li> <li>○ Equipment suppliers</li> <li>○ Technical experts in renewable energy, and efficient appliances.</li> </ul> </li> </ul> <p><b>9. Offer subsidies for SMEs in large cities to adopt clean cooking appliances</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Ministry of environment and sustainable development and Ministry of energy</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ ADPME</li> <li>○ Municipal authorities (of large cities like Cotonou, Abomey - Calavi, Parakou)</li> <li>○ Ministry of trade</li> <li>○ Clean cooking appliance suppliers</li> </ul> </li> </ul> <p><b>10. Promote private investments in e-mobility within the SME sector</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF and Ministry of Energy</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ ADPME</li> <li>○ Private sector actors (Banks, Microfinance institutions, VCs, corporations, diaspora groups).</li> <li>○ Legal and financial professionals (advise on tax incentive design and implementation)</li> </ul> </li> </ul> <p><b>11. Offer specialized support to SMEs by enhancing their accessibility to funding, markets, and business development services for the expansion of non-farming enterprises.</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF and Ministry of SMEs</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ ADPME</li> <li>○ Private sector actors (Banks, Microfinance institutions, VCs, corporations, diaspora groups).</li> <li>○ Business Development Service Organizations</li> <li>○ Chamber of Commerce of Benin (CCI-Benin)</li> </ul> </li> </ul> <p><b>12. Enhance financial inclusivity by promoting the development of savings plans and facilitating access to microloans, particularly for women-run SMEs.</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ ADPME</li> <li>○ Private sector actors (Banks, Microfinance institutions, VCs, corporations, diaspora groups).</li> <li>○ Digital financial service providers</li> <li>○ Women's Associations/Cooperatives</li> </ul> </li> </ul>
Supply side	<p><b>13. Develop a specific mechanism for assessing, or jointly with qualified Business Support Organization or ADPME, the risks related to the business models of green SMEs and adapting loan guarantees</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> ADPME</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Green SMEs</li> <li>○ MEF for policy support and potential funding from the national budget.</li> <li>○ Financial Institutions (Banks, Microfinance Institutions, Insurance )</li> <li>○ Green SMEs</li> <li>○ Licensed Business Support Organizations (BSOs)</li> </ul> </li> </ul>

Ecosystem stakeholders	Recommendations
	<ul style="list-style-type: none"> <li>○ Experts in green finance/Risk assessment</li> </ul> <p><b>14. Mobilize financial resources or lines of credit/ guarantee via public financial institutions (Ex: CDC, FIGPME) or international financial partners (e.g. IFC, UNPD, AfDB, etc.) to finance green SMEs</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> MEF</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ CDC and FIGPME</li> <li>○ Private sector actors (Banks, Microfinance institutions)</li> <li>○ International development institutions and donors</li> </ul> </li> </ul> <p><b>15. Develop or strengthen innovative green financial products (e.g. green mesofinance) and forge partnerships with public financial institution and Fintech</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Public financial institutions (CDC, BIIC and SOCIETE GENERALE) in collaboration with BCEAO</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ CDC and FIGPME</li> <li>○ ADPME</li> <li>○ Banks and microfinance institutions</li> <li>○ Fintech</li> <li>○ Experts in green finance/Risk assessment/ financial regulations</li> <li>○ International development institutions and donors</li> </ul> </li> </ul> <p><b>16. Dedicate a unit of internal staff within financial institutions specially trained to the target of green SMEs financing niche.</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Banks and microfinance institutions</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ ADPME</li> <li>○ Experts in green finance/Risk assessment</li> </ul> </li> </ul> <p><b>17. Establish a national network of green VCs / Private Equity firms or impact investors</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> CDC and FIGPME</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ Non debt financing institutions including Benin Business Angel Association, Kampani, Bio Invest, etc</li> <li>○ MEF</li> <li>○ International development institutions and donors</li> </ul> </li> </ul> <p><b>18. Develop partnerships including PPP model with other local financial institutions for new financing mechanisms for green SMEs</b></p> <ul style="list-style-type: none"> <li>● <b>Lead:</b> Banks and microfinance institutions</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ CDC and FIGPME</li> <li>○ Private sector actors (Banks, Microfinance institutions)</li> <li>○ International development institutions and donors</li> </ul> </li> </ul>
Demand side (Green SMEs)	<p><b>19. Access to capacity building for staff and build investment or green financing readiness for financial institutions or investors.</b></p> <p><b>20. Maintain current and accurate financial records.</b></p> <p><b>21. Carefully plan green financing needs (Equity and/or Credit) on the basis of a specific and feasible business plan.</b></p> <p><b>22. Identify and cooperate with adapted financial institutions to comply with guidelines for green financing.</b></p> <p><b>23. Produce required data and documents in one place (e.g. Data Room).</b></p> <p><b>The following lead and key stakeholders are responsible for the implementation of demand side recommendations.</b></p> <ul style="list-style-type: none"> <li>● <b>Leads :</b> Green SMES</li> <li>● <b>Key stakeholders:</b> <ul style="list-style-type: none"> <li>○ ADPME</li> <li>○ Public financial institution</li> <li>○ Private sector actors (Banks, Microfinance institutions)</li> <li>○ International development institutions and donors</li> </ul> </li> </ul>

## Annex IV | List of Consulted Stakeholders

Table 15: List of Consulted Stakeholders

N°	Organisations	Name	Position	Email
<b>Group 1: Demand side (9)</b>				
<b>SME Owners</b>				
1	Village Solaire Africain / Recycler Benin	Salim Bio-Tchane	Managing Director	salimbiotchane@gmail.com
2	Ismart	Ismène Ahamide Zoumenou	Managing Director	isahamide@gmail.com
3	Agrosfer	Roméo Djigli	Technology Director	romeo@agrosfer.co
4	Agrosfer	Anaïs de Souza,	Agrosfer platform Manager	anais@agrosfer.co
5	Agrosfer	Elvis Azonsi	Co-founder and Country Director	elvis@agrosfer.co
6	Natura	Gilles Adamon	Managing Director	naturacosm@yahoo.fr
<b>Adopters of green technology</b>				
7	Aress	Léonide Michael Sinsin	Managing Director	michael.sinsin@adress-group.com
8	Qotto	Enagnon Glwadys Gaelle Allahassa	Managing Director	gwlady.alahassa@qotto.net
9	Kalao / Power On	Muhleman Jake	Co-founder and Technical Director	jake@kalao.co
<b>Group 2: Supply side (17)</b>				
<b>Commercial banks with innovative instruments</b>				
10	Banque Internationale pour l'Industrie et le Commerce (BIIC)	Bastatou Saka	Details Bank Director	bastatou.saka@biic-bank.com
11	Banque Internationale pour l'Industrie et le Commerce (BIIC)	Mariam Assani Raimy	SMEs / SMLs Manager	mariam.assani@biic-bank.com
<b>Microfinance institutions with innovative instruments</b>				
12	Fececam	Idrissou Orou Dama	Credit Director	ioroudama@fececam.org
<b>Development Finance Institutions</b>				
13	African Development Bank (AfDB)	Tankien Dayo	Country Economist	T.DAYO@afdb.org

N°	Organisations	Name	Position	Email
<b>Development Partners/Incubators/Fab Labs with specific activities with SMEs in priority sectors in the NDC</b>				
<b>Bilateral donors</b>				
14	Agence Allemande de coopération internationale (GIZ)	Tchokanaka Tede T. Aimee	Programme Coordinator / Profina	aimee.tchokanaka@giz.de
15	Agence Allemande de coopération internationale (GIZ)	Stefanie Zirpins, Phd	Programme Manager / ACTE	stefanie.zirpins@giz.de
16	Agence Allemande de coopération internationale (GIZ)	Aristide Djimgou Tchakounté	Programme Coordinator / ProPME	aristide.djimgou@giz.de
17	LuxDev	Rieuneau Clémence	Programme Manager	Clemence.rieuneau@luxdev.lu
18	LuxDev	Da Costa Gilles	Senior Technical Advisor	gilles.dacosta@luxdev.lu
19	Enabel	Waly Clement Faye	Expert in Agricultural Financial Services	walyclement.faye@enabel.be
<b>International NGOs / FabLab / Incubators</b>				
20	Africa Enterprise Challenge Fund (AECF)	Phillipe Akpaki	Programme Manager / IFEV	pakpaki@aecfafrica.org
21	TechnoServe	Colette Kiki Houeze	Access to finance Manager	ckikihoueze@tns.org
22	Seme One /Techlab	Mohamed Salifou	TechIma Manager	mohasalifou@semecity.com
23	Tic Agrobusiness	Donald Tchaou	Managing Director	donald.tchaou@ticagrobusiness.com
24	Impact Hub	Andree Akobe Akomia	Programmes Coordinator	andree.akobe@impacthub.net
25	Toogueda	Fahad Kissira	Project Manager	fahad.kissira@toogueda.africa
26	Africa Green Corporation	Laurent Glin	Managing Director	laurent.glin@africa-green.com
<b>Group 3: Experts and academics (7)</b>				
<b>Academic Researcher</b>				
27	Université d'Abomey-Calavi / UNPD	Melain Modeste Senou, PhD	Climate finance Researcher, UAC	melain.senou@undp.org
<b>Consultant in SMEs</b>				
28	Independent	Maxime Lokossi	Independent Expert, SME finance and Green finance	lokossimaxime@gmail.com
<b>Industry Experts</b>				
29	IPC	Prévo Victor	Head of transversal activities / FNDA -KfW project	prevot@ipcgbh.com
30	Global Green Growth Institute	Fabrice Armel Kamdem	Sustainable Finance Officer, Africa	fabrice.kamdem@gggi.org

N°	Organisations	Name	Position	Email
		Kamga		
31	Global Green Growth Institute	Lamine Ouedraogo	Senior Officer	lamine.ouedraogo@gggi.org
32	Global Green Growth Institute	Dethie Soumare Ndiaye	Country Representative	dethie.ndiaye@gggi.org
33	Conseil des Investisseurs Privés du Bénin (CIPB)	Leopold Adjakpa Abile	Executive Director	aleopold@cipb.bj
<b>Group 4: Policies and regulations (7)</b>				
<b>Ministry of Small and Medium Enterprises and Employment Promotion</b>				
34	Agence pour le Développement des PME (ADPME)	Jessica Gaba	Head of SMEs and Startup Innovation	jgaba@adpme.bj
<b>Ministry of Commerce and Industry</b>				
35	Chambre du Commerce et d'Industrie du Benin (CCI - Benin)	Felix Agbakou	Resources Director	felix.agbakou@ccib.bj
36	Chambre du Commerce et d'Industrie du Benin (CCI - Benin)	Joelle Videhouenou	Operations Director	joelle.goussanou@ccib.bj
<b>Ministry of Economy and Finance</b>				
37	Caisse de Dépôt et de Consignation Bénin	Ray-Médard Zounon	Head of Resources Mobilization and Products Development	ray-medard.zounon@cdbc.bj
38	Caisse de Dépôt et de Consignation Bénin	Djidjoho Romuald Allagbe	Head of Studies and Strategy Division	romuald.allagbe@cdbc.bj
<b>Ministry of Agriculture</b>				
39	Fonds National pour le Développement de l'Agriculture (FNDA)	Abdou Djalill Djibril	Operations Director	addjibril@fnda.bj
40	Fonds National pour le Développement de l'Agriculture (FNDA)	Morgan Adjagboni	Assistant of Operations Director	madjagboni@fnda.bj



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