**DRAFT TALKING POINTS FOR**

**HIS EXCELLENCY WAMKELE MENE**

**SECRETARY- GENERAL, AfCFTA SECRETARIAT**

**GREEN TRADE IN AFRICA**

**AT THE KENYA PAVILION, BLUE ZONE, DUBAI EXPO CITY, THE COP28**

**2ND DECEMBER 2023**

**15:00 - 16:30**

***Distinguished Ladies and Gentlemen,***

1. I am delighted to address this gathering today and underscore the role of the AfCFTA in promoting green investment and trade.
2. Africa's leaders have demonstrated a strategic vision to tackle these pressing issues through Agenda 2063, which outlines a comprehensive plan for the continent's development and places a strong emphasis on inclusive growth and sustainable development.
3. As we discuss this subject of sustainable trade and investment, I would like to take this opportunity to commend the Kenyan government, led by His Excellency Dr. William Ruto, for its support of and development of internationally acclaimed sustainable trade and investment policies and practices.
4. In September this year, Kenya successfully hosted the inaugural African Climate Summit where African leaders pledged to find long-term solutions to the climate crisis and emphasized the importance of Africa leading the way in developing these solutions. These leaders comprised the heads of state from Tanzania, Rwanda, Burundi, Mozambique, South Sudan, Congo, Egypt, Ghana, Libya, Sierra Leone, Ethiopia, Sahrawi, Comoros, Djibouti, Eritrea, and Senegal.

***Ladies and Gentlemen,***

1. The African Continental Free Trade Area agreement (AfCFTA), operationalised in January 2021, creates a single market in Africa and provides a crucial framework for promoting sustainable investment and trade. It also presents a huge opportunity to unleash the potential of sustainable business ventures throughout Africa and the rest of the world.
2. It promotes intra-African trade and investment; eliminates tariffs on 90% of goods; provides a framework for harmonizing investment policy landscape and regulatory framework; and creates avenues for regional value chains that encourage near shoring and utilization of local production, the AfCFTA facilitates and encourages sustainable investment across its State Parties.
3. To enhance climate action and adaptation efforts, it is imperative to implement regulations and policies that incentivize investors to consider environmental and climate risks in their decision-making processes. The AfCFTA Protocol on Investment, adopted in February 2023, offers a robust framework for African countries to navigate the green transition successfully. This protocol includes a number of mechanisms, such as promoting investments in green sectors, facilitating technology transfer, establishing green investment standards, and encouraging regional cooperation.
4. The adoption of the Protocol marks a significant step in promoting responsible investment and environmental due diligence, contributing to sustainable practices. It incorporates considerations for environmental, social, and governance (ESG) factors, reinforcing a holistic approach to investment decision-making. Importantly, the Protocol recognizes the critical role of climate action, supports sustainable investments, and provides policy flexibility for climate-related measures, creating a conducive legal environment for fostering green initiatives.
5. The Protocol has specific objectives geared towards stimulating intra-African investment flows. It aims to promote, facilitate, retain, protect, and expand investments that contribute to the sustainable development of State Parties. Additionally, the Protocol underscores the importance of encouraging the acquisition and transfer of pertinent technology within Africa.
6. A notable provision within the Protocol is Article 26, specifically addressing Investment and Climate Change. And as we say “a child of its time” calls on African governments to collaborate on investment-related aspects of climate change policies and measures. It serves as a forward-thinking directive, acknowledging the intrinsic link between investment activities and climate change concerns, positioning the Protocol as a contemporary and impactful instrument. The article highlights the key areas that African governments ought to do, to address climate issues, and includes to:
7. Promote and facilitate investments that support actions to mitigate greenhouse gas emissions and measures to adapt to the negative impacts of climate change.
8. Adopt policy frameworks conducive to transfer and deployment of climate-friendly technologies.
9. Facilitate and encourage new investment regimes, such as low or zero carbon Special Economic Zones; and
10. Encourage investments that mitigate climate change impacts on exhaustible natural resources such as fresh water and biological diversity.

***Ladies and Gentlemen,***

1. The African continent, through the AfCFTA, presents substantial untapped potential for sustainable investments. I will explore key areas that position Africa as a promising center for both sustainable trade and green investments, with their impact becoming evident through the effective implementation of the AfCFTA Agreement and its Protocols.
   * 1. **Abundance of Natural Resources and Capital**: Africa is rich in diverse natural resources, including minerals, arable land, and renewable energy sources. It holds approximately 30% of the world's mineral reserves, including significant deposits of gold, platinum, copper, magnesium, cobalt, lithium and rare earth elements (key in high technology and green product development). Natural capital accounts for 19% of Africa’s total wealth compared to 7% for Latin America and the Caribbean and 3% for developing Asia. From 2011 to 2020, African forests increased the global carbon stock by 11.6 million kilotons of CO2-equivalent net emissions, while carbon stocks in forests outside Africa declined by 13 million kilotons. Africa has 60% of the world’s arable land, these vast swaths of arable land and extensive coastline provide opportunities for agriculture, fisheries, and aquaculture, fostering sustainable trade in these sectors.
     2. The policies strategies on the blue economy further supports the shift and utilization of the natural resources in a more sustainable manner. These resources offer a strong foundation for sustainable trade, enabling the continent to leverage these assets for both local consumption and export markets. The AfCFTA is intended to improve the regulatory and policy environment to boost intra-African trade and investment that promotes sustainable industrialization and broadens domestic resource mobilization while attracting finance to support Africa climate mitigation and adaptation strategies. With the right market-backed policies, there is a great potential for Africa to leverage its natural resources through the beneficiation of its green minerals, renewable energy and carbon markets.
     3. **Harnessing the Human Capital and Growing Consumer Market**: With a population estimated to reach over 2 billion by 2050, Africa presents a burgeoning consumer market, that has combined business and consumer spending that is estimated to reach $6.7 billion by 2030. This demographic shift creates immense opportunities for industries focusing on sustainable products and services, catering to eco-conscious consumers. Similarly, the African continent holds unique human and natural capital for sustainable investment. Africa has the world’s youngest population, with a median age of 19 years, compared to 30 for Latin America and the Caribbean, 31 for developing Asia and 42 for Europe. By 2050, Africa’s population will almost double, from about 1.4 billion inhabitants to nearly 2.5 billion. More than half of the world’s population growth will happen on the continent.
     4. **Enhancing the Capacity of countries to participate in Regional Value Chains**: One of the key objectives of the AfCFTA is to “enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.” Exploiting regional complementarities will create new competitive advantages for African countries and enhance export diversification, and regional processing offer(s) opportunities for adding value to Africa’s agricultural and raw materials and for increasing backward participation in global value chains. The AfCFTA Secretariat has selected four high-potential sectors representing opportunities for companies looking to invest in Africa: automotive; agriculture and Agro-processing; pharmaceuticals; and transport and logistics. These four sectors are expected to see rapid acceleration in production and trade volumes under the AfCFTA, given their high potential to meet local demand with local production.
     5. **The development of an African Carbon Market through the Africa Carbon Markets Initiative (ACMI)** which was launched at the COP27 with the long-term ambition to reach 300 million credits retired annually by 2030, could unlock US$ 6 billion in revenue, supporting 30 million jobs by 2030 and enable countries to foster value chain creation, expand energy access while driving climate action towards the goals of the Paris Agreement. Strengthening the capacity of Africa’s large development finance network will improve the allocation of sustainable finance in climate related investments.
     6. **Regional integration policies will improve and harmonise Africa’s investment landscape**. Cross-border initiatives such as development corridors and digital infrastructures will facilitate the reduction of market fragmentation. At the same time, small and medium-sized enterprises need targeted support to seize investment opportunities along regional value chains. The African Continental Free Trade Area Protocol on Investment aims to harmonise the African investment policy landscape. The Platform provided by the Protocol on Investment can be used to develop continental, regional and national transformative policy actions to leverage and mobilize more private sector financing for climate and green growth in Africa, including information availability and transparency.
     7. The Protocol on Investment provides an avenue to develop and domesticate policies that are aligned to environmental sustainability and provides countries with the framework to review existing legislation, while reaffirming the ability of states to regulate in the public interest to respond to challenges related to climate change. Further, the Protocol ensures contribution of investments to climate change mitigation and adaptation and obligates State Parties and investors to ensure compliance with high standards of protection of the environment, without lowering these standards in the quest for increased investment.
     8. **Developing capacities to prepare bankable projects and tapping into the continental Capital Base**. Africa’s domestic financial resources hold a large potential for sustainable development. Domestic government revenues amounted to USD 466 billion in 2021, equivalent to 17% of GDP, and assets held by African institutional investors amounted to USD 1.8 trillion in 2020, equivalent to 73% of GDP. During the COVID-19 pandemic in 2020-21, intra-Africa foreign direct investment was three times more resilient than foreign direct investment from outside the continent, boosting growth in renewable energies and in information and communications technology.
     9. The AfDB reports in the African Economic Outlook 2023 that, African economies remain resilient amidst multiple shocks with average growth projected to stabilize at 4.1 percent in 2023–24, this is higher than the estimated 3.8 percent in 2022. It is reported that the continent performed better than most world regions in 2022, with the continent’s resilience projected to put five of the six pre-pandemic top performing economies— Benin, Côte d’Ivoire, Ethiopia, Rwanda, and Tanzania— back in the league of the world’s 10 fastest-growing economies in 2023 –24.
     10. Furthermore, with the trillion-dollar opportunities availing in Africa for private sector investment in climate and green growth sectors, there is need for project development to high standards of bankability. The 102 African development finance institutions (DFIs) can act as intermediaries between international finance and local projects, supporting the identification and allocation of these resources in line with national development agendas. When fully operationalised, the Protocol on Investment will provide the technical assistance and facilitation to assist investment promotion agencies, governments as well as businesses in developing their capacities to identify, develop and profile bankable projects.
     11. Changing and owning the narrative of Africa’s economic growth and development. This calls for **addressing the Risk perceptions and information shortages that have lowered investor confidence and increased the cost of capital in Africa** more than in other world regions. An overall lack of information inhibits assessments of investment opportunities in African markets. There is the pervasive emphasis on macroeconomic risks, policy instability and the lack of regulatory capacity as persisting barriers to businesses investing in African countries. Statistics indicate that investors with in-country experience can and do generate higher rates of return in Africa compared to other world regions. As of December 2022, leading global credit rating agencies gave investment-grade ratings only to Botswana and Mauritius, followed by Côte d’Ivoire, Morocco and South Africa in the non-investment grade speculative category (Trading Economics, 2022). Credit rating agencies may lack detailed data and insights on African countries.
     12. A recent UNDP (2023) study compared neutral model-based ratings with those issued by credit rating agencies, estimating that the latter led to higher interest rates and dampened investment mobilisation, creating a total opportunity cost of up to USD 74.5 billion for African countries. The establishment of the Pan-African Trade and Investment Agency, provides the opportunity to build Africa’s capacity the publication of investment related information. It highlights the necessity of transparency and predictability through investment facilitation that will increase investor confidence. In addition, availability of a cross section of accurate data will help to reduce transaction costs and improve sustainability assessments.
     13. **Reduction in Trade Barriers**: AfCFTA's focus on harmonization of trade policies and reducing non-tariff barriers, such as excessive regulations and bureaucratic hurdles, streamlines trade processes. This reduction in barriers encourages businesses to adopt more sustainable practices to remain competitive within the integrated market, thereby promoting a shift towards green trade. The removal of tariffs on most goods also promotes sustainable trade by encouraging the exchange of environmentally friendly products. The agreement also emphasizes the importance of sustainable development and includes provisions for environmental protection and conservation.
     14. **Capacity Building and Collaboration**: AfCFTA emphasizes knowledge exchange and collaboration among member states. This includes sharing best practices, promoting technology transfer, and developing skills in sustainable trade and investment practices. Collaborative efforts strengthen the continent's capabilities in adopting and implementing eco-friendly technologies and policies.

***Distinguished Ladies and Gentlemen***,

1. In conclusion, The African Continental Free Trade Area has the potential to drive sustainable and inclusive investments in Africa. By creating a single and liberalised market for goods, services and capital, the AfCFTA reduces trading costs across borders and makes it easier for businesses to invest across borders.
2. With States, businesses and partners collaborating, the AfCFTA can be used as a Climate resilient development tool. The AfCFTA can mainstream climate change issues into its implementation by building institutional capacity to support the development of tangible transition plans and strategies that attract climate-friendly investment from multiple sources, and advancing climate resilient development through several pathways including, renewable energy and transformative green industrialization; agriculture, food and security and climate change adaptation; strengthening development finance institutions; engaging in multilateral forums and; contributing to a compact on a global green new deal that advances Africa’s interests on climate resilient development.

End.