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# TOWARDS A GREEN TRADE AND INVESTMENT STRATEGY FOR AFRICA

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## KEY POINTS:

- As the global economy decarbonizes and the impacts of climate change are increasingly felt, African countries need a proactive strategy to 'climate-proof' development goals. Trade and investment institutions will be key for doing so.
- Already, key African trade and investment institutions such as the African Development Bank (AfDB) and the Africa Export and Import Bank (Afrexim) are supporting ambitious climate initiatives in the continent, such as on just energy transition, but the potential of numerous similar institutions remains untapped.
- A green trade and investment strategy for Africa would coordinate the emerging initiatives, support ambitious climate action while also expanding economic opportunities.

## INTRODUCTION

Climate change is reshaping the world economy in significant ways, from affecting critical sectors in vulnerable economies, to heightening the race by major economies to dominate green and climate technologies. To address these challenges and also secure the emerging opportunities, many countries are increasingly adjusting trade rules around climate goals. While discussion has mainly focused on the global North, as well as major emerging economies such as China, these changes have significant implications for other countries, especially those in the global South. For African countries which have adopted and begun implementing ambitious regional economic integration initiatives, climate-proofing its development is an imperative.

Against this background policy memo outlines proposals for an African green trade and investment strategy. It draws on extensive mapping of the institutional, policy and diplomatic landscape, and also considers emerging and long-term trends. As such, Africa would need to embed climate in trade and investment institutions, otherwise it will not achieve its development goals in a world shaped by climate change.

# MAPPING THE TRADE AND INVESTMENT INSTITUTIONAL LANDSCAPE

All African countries - except Libya - have also submitted climate action plans under the Paris Agreement on Climate Change. To fully implement their NDCs, African countries would have to leverage financial and economic tools, in pursuit of the broader objective of sustainable development.<sup>1</sup>

## **African Continental Free Trade Area (AfCFTA)**

In 2018, African countries concluded the landmark Africa Continental Free Trade Area (AfCFTA), which seeks to transform the continent by expanding trade and investment opportunities. Even though African countries have concluded other trade and investment agreements, AfCFTA's significance makes it the central regime for trade and investment in Africa. Moreover, the significant political commitment that underpins AfCFTA, and its importance as a key pillar of the landmark blueprint for Africa's development - the African Union Agenda 2063 - underscores the significance of the regime.<sup>2</sup> Surprisingly, AfCFTA does not have environmental commitments beyond their reference in the preamble, despite extensive environmental cooperation in regional economic bodies on which AfCFTA was established.

## **Preferential Trade Agreements (PTAs)**

As the second pillar of the global trading system, PTAs are an important forum for aligning trade policy with climate goals. Of the more than seven hundred PTAs in existence, about 60% of them include environmental policy commitments.

African countries have concluded many PTAs. Only a handful of the PTAs include climate change commitments, since only five of the 101 PTAs (5%) concluded by African countries include climate change provisions. East African countries have concluded the highest number of climate-aligned PTAs, as illustrated in Figure 1 below. Moreover, there is significant geographical variation in the adoption of such PTAs. Most (three out of five) of the climate-aligned PTAs have been concluded with the European Union (Lomé IV Agreement, Cotonou Agreement, EC EAC), which has used its relative economic bargaining power to promote the inclusion of climate and environmental commitments in PTAs. The two other PTAs are the East African

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<sup>1</sup> Kennedy Mbeva et al., *Africa's Right to Development in a Climate-Constrained World* (London, UK: Palgrave Macmillan, 2023), <https://link.springer.com/book/9783031228865>.

<sup>2</sup> Francis Mangeni and Calestous Juma, *Emergent Africa. Evolution of Regional Economic Integration* (Terra Alta, WV: Headline Books, 2019).

Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), which are both regional agreements.<sup>3</sup>

Figure 1. Climate-aligned Preferential Trade Agreements in Africa. Data source: Morin et al. (2023)



Note: the scale indicates the number of PTAs with climate provisions.

While the climate commitments in the PTAs vary significantly, the key point is that states have granted the PTAs the authority to address climate change.

### **Regional economic communities**

At the regional level, African countries have instead focused on Regional Economic Communities (RECs) as the main institutional forums for aligning trade policy with the climate agenda. RECs are the key pillars of continental integration in Africa, as envisioned in the 1991 Africa Economic Community (AEC) Treaty, also known as the Abuja Treaty. Similarly, the upgrading of the Organisation of the African Union, to the African Union in 2002, shifted the gravity of regional cooperation from decolonization to economic integration.

Table 1 below shows that almost all the eight RECs in Africa have mainstreamed the climate agenda. Only the Arab Maghreb Union (AMU) is yet to do so. Most of the

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<sup>3</sup> Jean Frédéric Morin, Clara Brandi, and Noémie Laurens, 'TREND Analytics - Environmental Provisions in Preferential Trade Agreements.' (German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), Bonn, Germany, and Université Laval, Canada, 2023), DOI: 10.23661/trendanalytics\_2017\_1.0.

RECs have a mandate to address climate change, have adopted an alignment policy, developed an implementation plan, outlined reforms, and developed detailed plans.

Analysis was based on five dimensions, the sum of which is the “total alignment score”. *Mandate* examines whether the REC has a mandate to address climate change in its founding treaty document; *Alignment policy* on whether the REC has developed climate policy; *Implementation plan* on whether the REC has a roadmap to achieve its climate goals; *Reforms* on whether the RECs is undertaking any policy or institutional changes to incorporate climate change; and *Proposed plans* assesses whether the REC has new plans to adopt or scale climate initiatives.

Table 1. Mainstreaming of climate policy in regional economic communities in Africa. Source: Authors

<b>Regional economic community</b>	<b>Mandate</b>	<b>Alignment policy</b>	<b>Implementati on plan</b>	<b>Reforms</b>	<b>Proposed plans</b>	<b>Total alignment score</b>
East African Community (EAC)	✓	✓	✓	✓	✓	<b>5</b>
Economic Community for West African States (ECOWAS)	✓	✓	✓	✓	✓	<b>5</b>
Southern African Development Community (SADC)	✓	✓	✓	✓	✓	<b>5</b>
Common Market for Eastern and Southern African (COMESA)	✓	✓	✓	✓	✓	<b>5</b>
Arab Maghreb union (AMU)	x	x	x	x	x	<b>0</b>
Economic Community of Central African States (ECCAS)	✓	✓	✓	✓	✓	<b>5</b>
Intergovernmental Authority on Development (IGAD)	✓	✓	✓	✓	✓	<b>5</b>
Community on Sahel-Saharan States (CEN-SAD)	✓	✓	✓	✓	✓	<b>5</b>

Note: (✓) means fulfilment of the criteria, while (x) means otherwise.

All the REC, except the Arab Maghreb Union, have met all the alignment criteria, thus indicating that the institutions have the requisite institutional and policy foundation to scale climate action.

While they differ in some of the aspects of their alignment, most of the RECs are oriented on implementing the broader goals of the Paris Agreement, as elaborated in the Nationally Determined Contributions (NDCs) of their member states. The East African Community, for instance, has developed a roadmap for the implementation of the Paris Agreement, as well as developing a regional climate change law to enshrine the suite of climate change commitments undertaken by the member states.

### **AfCFTA national implementation strategies**

As African governments that have ratified the AfCFTA prepare to trade with each other, they have also been developing national implementation strategies that outline their policy commitments and priorities. Climate change is included as a cross-cutting issue in the guidance on preparing the national strategies. Only Côte d'Ivoire has included climate change commitments in its national strategy, despite many other countries preparing similar documents. A major untapped opportunity therefore lies in integrating connecting the national strategies with the implementation of the respective country's NDC, thus fostering the synergy between trade and investment and climate policy.

### **Public trade finance**

Public trade finance is often overlooked yet important in scaling climate action. About ninety percent of global trade is supported by private and public export financing, insurance and guarantees. Leveraging these financing mechanisms can therefore unlock significant and transformative sources of climate finance.<sup>4</sup>

Export and Import banks (EXIMs) and Export Credit Agencies (ECA) are the key public trade finance institutions. At the global level, there is a growing recognition of the need to scale the role of public finance institutions in supporting climate action.<sup>5</sup> An array of initiatives have emerged to coordinate the engagement of these institutions. The Berne Union, which coordinates EXIMs and ECAs across the world, has established a Climate Working Group to explore concrete ways that the institutions and its members can contribute to climate action.<sup>6</sup>

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<sup>4</sup> Thomas Hale, 'Trade and Investment Finance after Paris: Navigating the Transition to Universal Lowcarbon Energy', Policy Memo (Oxford: Blavatnik School of Government, University of Oxford, March 2016), [https://www.bsg.ox.ac.uk/sites/default/files/2018-06/2016-03\\_Hale\\_Berne\\_Union.pdf](https://www.bsg.ox.ac.uk/sites/default/files/2018-06/2016-03_Hale_Berne_Union.pdf); Andreas Klasen et al., 'Export Finance and the Green Transition', *Global Policy* 13, no. 5 (2022): 710–20, <https://doi.org/10.1111/1758-5899.13121>.

<sup>5</sup> Hale, 'Trade and Investment Finance after Paris: Navigating the Transition to Universal Lowcarbon Energy'.

<sup>6</sup> Klasen et al., 'Export Finance and the Green Transition'.

In Africa, the role of ECAs and EXIMs is becoming more prominent, given their critical role in facilitating continental trade. At the continental level, the Africa EXIM (Afrexim) bank has committed to helping African countries to bridge the US\$250 billion climate finance gap, in collaboration with other African institutions.<sup>7</sup>

At the national level, public trade finance institutions in Africa are yet to mainstream the climate change agenda into their initiatives. Only the Africa Trade and Insurance Agency (ATIA), which is a pan-African institution, has comprehensively taken up the climate change mandate. As Table 2 below shows, all the other national public finance institutions analysed are not engaging with climate policy, with the exception of the ECIC SA in South Africa - which only has an implementation strategy. Analysis was also based on the aforementioned "total alignment score" criteria.

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<sup>7</sup> Afriexim, 'Afreximbank Pledges to Help Bridge Africa's Climate Finance Gap', 11 December 2022, <https://www.afreximbank.com/afreximbank-pledges-to-help-bridge-africas-climate-finance-gap/>.



Table 2. Climate alignment of African trade finance institutions

<b>Name</b>	<b>Mandate</b>	<b>Alignment policy</b>	<b>Implementation plan</b>	<b>Reforms</b>	<b>Proposed plans</b>	<b>Total alignment score</b>
The African Export-Import Bank	✓	✓	✓	✓	✓	<b>5</b>
The African Trade Insurance Agency (ATIA)	✓	✓	✓	x	✓	<b>4</b>
Export Credit Insurance & Guarantee Company (Botswana)	x	x	x	x	x	<b>0</b>
Credit Insurance Zimbabwe Ltd (CREDSURE)	x	x	x	x	x	<b>0</b>
Export Credit Guarantee Corporation of Zimbabwe (ECGC Z)	x	x	x	x	x	<b>0</b>
Export Credit Insurance Corporation SOC Ltd (ECIC SA)- South Africa	x	x	x	x	x	<b>0</b>
Export Credit Guarantee Company of Egypt (EGE)	x	x	x	x	x	<b>0</b>
Eximbank of Ghana (GEXIM)	x	x	x	x	x	<b>0</b>
Compagnie Algérienne D'Assurance Et De Garantie Des Exportations (CAGEX) - Algeria	x	x	x	x	x	<b>0</b>
Société Marocaine d'Assurance à l'Exportation - Morocco	x	x	x	x	x	<b>0</b>
Nigerian Export Import Bank (NEXIM)	x	x	x	x	x	<b>0</b>
Société Nationale d'assurance de Crédit et du Cautionnement (SONAC) - Senegal	x	x	x	x	x	<b>0</b>
National Agency for Insurance and Finance Exports - Sudan	x	x	x	x	x	<b>0</b>
The Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE) - Tunisia	x	x	x	x	x	<b>0</b>

Note: (✓) means fulfilment of the criteria, while (x) means otherwise.

From Table 2 above, it is evident that trade finance institutions are yet to incorporate climate change into their mandate and operations. Only the Afrexim bank has adopted and is implementing comprehensive climate change initiatives, as elaborated in Box 1 below. Afrexim and ATIA are thus the “anchor” institutions in the continent, with much untapped potential for the other trade finance institutions.

### **Box 1: Establishment of the African Energy Transition Bank**

As the premier trade finance institution in Africa, the Afreximbank created the African Energy Transition Bank (AETB) to support a just transition to low carbon and climate resilient economies. Established through a multilateral treaty, and in partnership with the African Petroleum Producers Organization (APPO), the AETB will support the APPO member states to minimise the risks and maximise the opportunities of transitioning to clean energy. APPO member states will ‘invest equity into the new vehicle, while Afreximbank will co-invest and advise on the establishment and implementation process’.<sup>8</sup> Overall, the AETB would contribute to the attainment of the goals of the Paris Agreement, Sustainable Development Goals (SDGs), and the African Union Agenda 2063.

Related, the African Trade Insurance Agency (ATIA) has also been active in financing climate initiatives. While it meets almost all of the “alignment” criteria, there are no proposed reforms to expand the scope of ATIA to scale climate action.

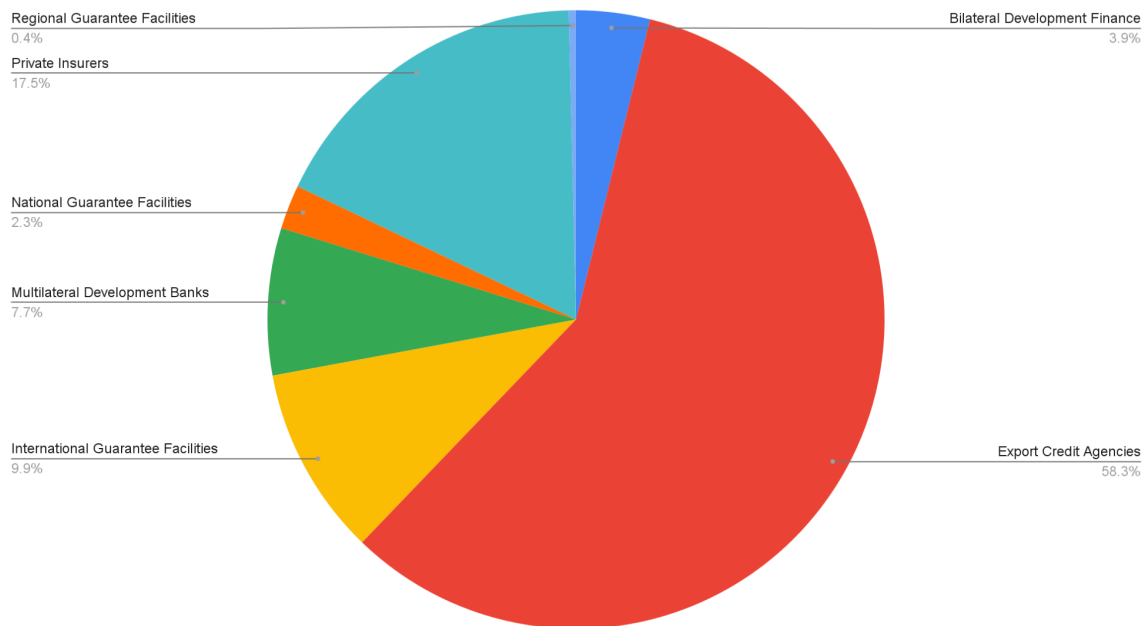
None of the other trade finance institutions is engaged in climate action, including adopting a mandate. A major gap therefore exists between the engagement and potential of these trade finance institutions to contribute to and scale climate action. The minimal engagement of public trade finance institutions in climate policy perhaps reflects global trends, where these institutions are uncertain about how to best engage. A few ECAs and EXIMs such as those in the UK, Korea and Canada have indicated their commitment to net zero targets. As the Berne Union, which is a multilateral trade finance institution, has begun exploring how to best support climate action, the African ECAs and other trade finance can take cue and complement these efforts.

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<sup>8</sup> Afrexim, ‘Afreximbank Signs Memorandum of Understanding with the African Petroleum Producers Organization to Establish an African Energy Transition Bank’, African Export-Import Bank, 20 May 2022, <https://www.afreximbank.com/afreximbank-signs-memorandum-of-understanding-with-the-african-petroleum-producers-organization-to-establish-an-african-energy-transition-bank/>.

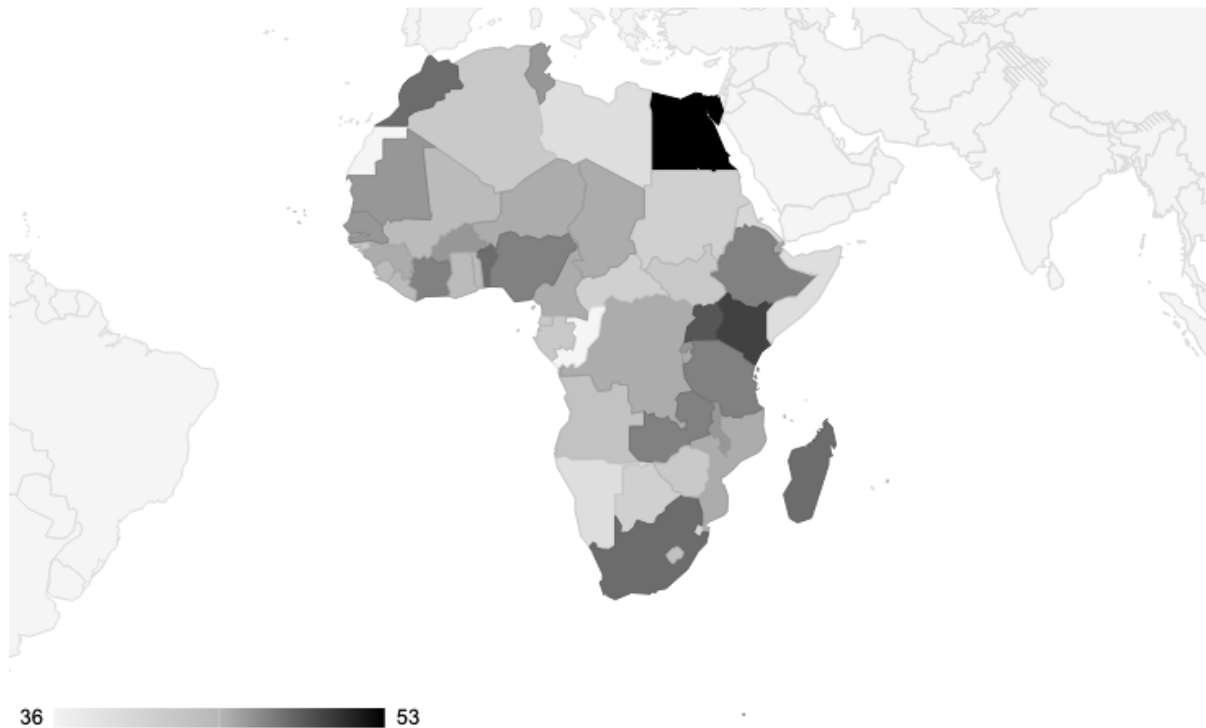
Related, African countries have access to a wide range of green de-risking and insurance instruments, both within and outside the continent. As Figure 2 below shows, export credits are the most prevalent de-risking and insurance instrument that can be leveraged by African countries.

Figure 2. Types of green de-risking and insurance instruments for trade finance accessible to African countries. Data source: OECD (2021)



When the geographical variation is considered, it is evident that the degree of access to the instruments varies across the continent, as illustrated in Figure 3. Crucially, most African countries have access to some if not most of these instruments, despite the geographical variation.

Figure 3. Geographical distribution of green de-risking and insurance instruments accessible to African countries. Data source: OECD (2021)



Note: the scale indicates the number of instruments.

That the most disadvantaged country in Africa can access at least 36 different types of green de-risking and insurance instruments underscores their untapped potential. As the countries continue to mobilise investments for infrastructure, they can leverage these instruments to promote investment in green infrastructure. Box 2 below illustrates how African countries are developing innovative trade finance initiatives.

### **Box 2: Strengthening Africa's global competitiveness through innovative trade finance**

To support the scaling of renewable energy in member countries, the African Trade Insurance (ATI) Agency, in partnership with KfW Development Bank and NORAD, has established the Regional Liquidity Support Facility (RLSF). The Facility helps to de-risk small and medium scale renewable energy projects, especially against delayed payments by public agencies. By connecting international support, contextually relevant trade finance mechanisms, and securing support from African governments, the RLSF underscores the feasibility and promise of trade finance in scaling climate action. It also reflects the evolving nature of international partnerships and politics.<sup>9</sup>

### **Public development banks**

Finance is the bloodline of the economy. In Africa, unlicensed development banks have been key to mobilising climate finance. As Table 3 below shows, the African Development Bank (AfDB) has been at the forefront in this regard. AfDB has launched several initiatives to support African countries in mobilising climate finance, and also strengthening their national capacities to access the various multilateral financing mechanisms. A flagship programme is the Investment Climate Facility (ICF), a 'public-private initiative through which donors, international and domestic corporations as well as NGOs, collaborate with African governments and regional organizations, to improve the investment climate at the national, regional, and continental levels'.<sup>10</sup>

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<sup>9</sup> ATIA, 'ATI's Role in Africa's Competitiveness in the New Global Order', 20 June 2022, <https://www.ati-aca.org/atis-role-in-africas-competitiveness-in-the-new-global-order/>.

<sup>10</sup> AfDB, 'Investment Climate Facility', Text, African Development Bank - Building today, a better Africa tomorrow (African Development Bank Group, 18 April 2019), <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/investment-climate-facility/climate-change>.

Table 3. Climate alignment of public development banks in Africa. Data source: Authors

Name	Year established	Mandate	Alignment policy	Implementation plan	Reforms	Proposed plans	Total alignment score
<b>Continental</b>							
African Development Bank	1964	✓	✓	✓	✓	✓	<b>5</b>
African Monetary Fund	Proposed	x	x	x	x	x	<b>0</b>
African Central Bank	Proposed	x	x	x	x	x	<b>0</b>
African Investment Bank	Proposed	x	x	x	x	x	<b>0</b>
<b>Regional</b>							
East African Development Bank	1967	✓	✓	✓	✓	✓	<b>5</b>
West African Development Bank	1973	✓	✓	✓	✓	✓	<b>5</b>
Arab Bank for Economic Development in Africa	1975	x	x	x	x	x	<b>0</b>
Development Bank of Southern Africa	1983	✓	✓	✓	✓	✓	<b>5</b>
Trade and Development Bank (COMESA)	1985	x	x	x	x	x	<b>5</b>
Maghreb Bank for Investment and Foreign Trade	2015	x	x	x	x	x	<b>0</b>
ECOWAS Bank for Investment and Development (EBID)	1999	✓	✓	✓	✓	x	<b>4</b>

Note: (✓) means fulfilment of the criteria, while (x) means otherwise.

Several proposed continental finance institutions - such as the Africa Monetary Fund, the African Central Bank and the African Investment Bank - can also contribute to scaling climate finance once operational. They can also domestic some of the global initiatives such as the Bridgetown Initiative, and the Coalition of Finance Ministers for Climate Action.<sup>11</sup>

Almost half of the regional development banks (RDBs), which are established under the respective regional economic communities, have also integrated the climate agenda into their activities. West and East African RDBs have undertaken the most comprehensive alignment of their initiatives with climate policy, while the rest of the RDBs are yet to commence the alignment. As regional economic integration continues to be an integral element of the broader continental integration efforts, there is much scope and potential for the RDBs to especially contribute to mobilising and scaling climate finance.

### **International investment regime**

Investments into infrastructure is a key priority for continental integration in general, and for many African governments in particular. Meeting the US\$10 billion per year infrastructure financing gap in Africa requires significant investment from a variety of sources. But it is also an opportunity for African countries to invest in infrastructure that lays the foundation for low carbon and climate resilient economies.<sup>12</sup>

While African governments are supporting investments in climate-compatible infrastructure, the bigger and less appreciated challenge from the investment regime would be in ensuring a just transition. The biggest threat to securing a just transition in Africa, from the investment regime, is the potent investor-state dispute settlement (ISDS) system. Governments across the world are being sued by foreign investors for introducing climate regulations that might impair fossil fuel investments. Due to these threats, some governments are already pulling out of treaties that do it offer sufficient protections, such as the Energy Charter Treaty.<sup>13</sup>

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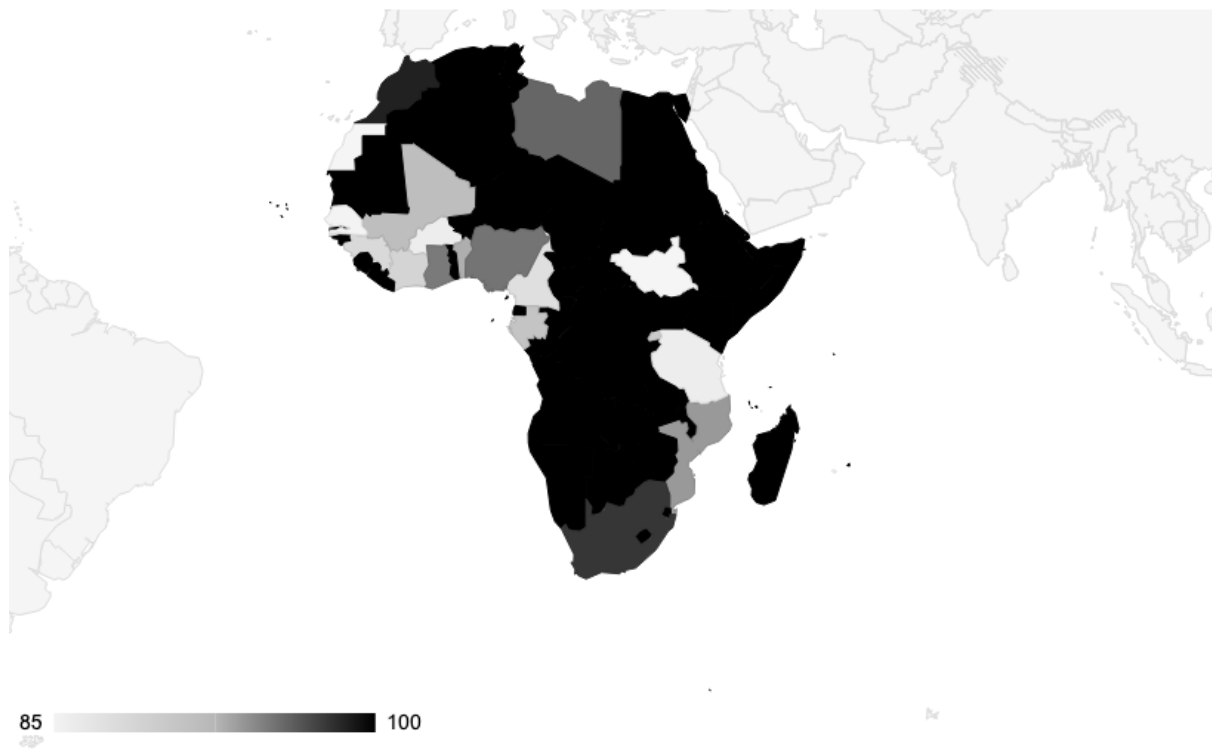
<sup>11</sup> GoB, 'The Bridgetown Initiative', Foreign Affairs and Foreign Trade, 23 September 2022, <https://www.foreign.gov.bb/the-2022-barbados-agenda/>; CFMCA, 'The Coalition of Finance Ministers for Climate Action', 2023, <https://www.financeministersforclimate.org/>.

<sup>12</sup> AfDB, 'COP27: African and Global Partners Launch Multi-Billion Alliance for Green Infrastructure', Text, African Development Bank - Building today, a better Africa tomorrow (African Development Bank Group, 11 November 2022), <https://www.afdb.org/en/news-and-events/press-releases/cop27-african-and-global-partners-launch-multi-billion-alliance-green-infrastructure-56403>.

<sup>13</sup> Kyla Tienhaara et al., 'Investor-State Disputes Threaten the Global Green Energy Transition', *Science* 376, no. 6594 (13 May 2022): 701–3, <https://doi.org/10.1126/science.abo4637>; Adebayo Majekolagbe and Olabisi D. Akinkugbe, 'International Investment Law and Climate Justice: The Search for a Just Green Investment Order', *Fordham International Law Journal* 46, no. 2 (1 January 2023): 169.

Africa is significantly exposed to the ISDS threat, as only two percent (2%) of all the international investment treaties concluded across the continent protect governments against such ISDS claims, based on environmental regulations.<sup>14</sup> Moreover, African countries have ratified international investment agreements (IIAs) that could subject them to several arbitration rules and bodies, the most consequential being the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which backs arbitral awards with enforcement in domestic judicial courts.<sup>15</sup> Forty two African countries (78%) have ratified the New York Convention. Coupled with the fact that 98% of African countries have signed international investment treaties that include ISDS provisions, African countries could find themselves significantly exposed to ISDS claims. Figure 4 below illustrates the extent of the exposure.

Figure 4. Exposure of African countries to ISDS claims based on environmental expropriation



Data source: IIA ISDS Navigator<sup>16</sup> Scale in percentage (%). Higher figures indicate increased exposure to ISDS claims.

<sup>14</sup> Based on analysis by the Authors, using data from UNCTAD's International Investment Agreements (IIAs) Navigator <https://investmentpolicy.unctad.org/international-investment-agreements>. Moreover, 42 out of 54 African countries (78%) have ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (also known as the New York Convention), based on which arbitral awards can be enforced in private courts.

<sup>15</sup> Hale New York Convention

<sup>16</sup> <https://investmentpolicy.unctad.org/investment-dispute-settlement>



As African governments continue to sign investment commitments that include fossil fuel projects, they are at a high risk of being sued by foreign investors should the implementation of NDCs be deemed to impair these investments. Developments where foreign investors are suing governments over climate policy should be a cautionary tale for African countries. When viewed in the context of a just transition, African countries could end up losing billions of dollars to foreign investors; funds that are very much needed to address basic human and development needs. Already, Egypt and Tanzania have faced ISDS claims related to the energy sector, with one case settled in favour of the state, one case pending, another case discontinued, and one more case pending determination. Climate-proofing the investment treaty regime in Africa is critical to ensuring a just transition and achieving the broader goal of sustainable development.

### **International standards**

As AfCFTA seeks to rapidly and significantly expand intra-African trade, it would be prudent to integrate climate standards. Indeed, many of Africa's NDCs submitted under the Paris Agreement highlight the role of non-state actors such as the private sector in delivering ambitious climate action. In the African context, small and medium enterprises (SMEs) form the backbone of the economy, and are central to realising the potential of intra-African trade.

Adopting common standards can facilitate smooth continual trading. Importantly, it can also ensure that the common standards also contribute to delivering on the NDCs of African countries. Fortunately, such standards exist. The International Standards Organization (ISO), an intergovernmental body, recently adopted net zero guidelines.<sup>17</sup> African countries, through their respective standards bodies and other actors, significantly contributed towards developing the guidelines. Since the guidelines include aspects such as just transition and alignment with sustainable development, African countries can domesticate them. Doing so would not only lay climate-compatible ground rules for the continental economy, but would also enable African companies to access export markets that have stringent climate requirements, and also engage more effectively in the rapidly changing international policy environment.<sup>18</sup> Incorporating the guidelines into the AfCFTA national strategies is a viable approach.

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<sup>17</sup> ISO, 'ISO - Net Zero Guidelines', ISO, 2022, <https://www.iso.org/netzero>. <https://www.iso.org/netzero>

<sup>18</sup> HLCC, 'The Pivot Point: Building the Groundswell of Voluntary Climate Action into Ground Rules for the Economy' (High Level Climate Champions, 2022), <https://climatechampions.unfccc.int/wp-content/uploads/2022/09/R2Z-Pivot-Point-Report.pdf>. <https://climatechampions.unfccc.int/wp-content/uploads/2022/09/R2Z-Pivot-Point-Report.pdf> HLCC.

## Multilateral diplomacy

To complement the continental initiatives, African countries can leverage the various reform initiatives in multilateral institutions. Participation in the WTO Ministerial Group on Climate Change is crucial, as African countries can ensure that their policy priorities are reflected in the initiatives.<sup>19</sup> Kenya is a member of the Ministerial Group; greater coordination with other African governments and continental institutions would be key.

In the multilateral investment regime, African countries should support the ongoing reforms to ensure that climate regulations are not grounds for claims of expropriation by foreign investors. Seven African countries were elected to the United Nations Commission on International Trade Law (UNCITRAL) in 2019 for a six-year term. By participating in UNCITRAL's Working Group III Work Programme on 'Possible future work on climate change mitigation, adaptation and resilience', the countries can support the reform efforts.

In the finance domain, African countries should prioritise participating in the Bridgetown Initiative. An ambitious agenda to reform the global economic system, the Bridgetown Agenda is gaining global traction and support. A key strength of the Initiative is in connecting development and climate finance, an issue of great significance to African countries.<sup>20</sup> Engaging in the Bridgetown Initiative would not only enable African countries to support the reform of the global economic system, but it would also open opportunities to domesticate the Initiative at the continental level.

African countries can also enhance their capacity to leverage trade finance and political risk insurance instruments by participating in the relevant global initiatives. As the leading global association for the export credit and investment insurance industry, the Berne Union launched a Climate Working Group to advance the institution's 'thought leadership and practices within export credit, trade finance and political risk insurance and contribute to global problem-solving around climate challenges and sustainable development'.<sup>21</sup> In tandem, African countries can also strengthen the capacity of their respective ECAs and EXIMs to mainstream the climate change agenda.

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<sup>19</sup> Carolyn Deere Birkbeck, 'Trade Ministers Must Pull Their Weight on Climate Action', Chatham House – International Affairs Think Tank, 8 October 2021, <https://www.chathamhouse.org/2021/10/trade-ministers-must-pull-their-weight-climate-action>.

<sup>20</sup> Jan Yves Remy, 'Why the Bridgetown Initiative on Climate Finance Is Good For Trade – SRC', 10 November 2022, <https://shridathramphalcentre.com/why-bridgetown-initiative-good-for-trade/>. <https://shridathramphalcentre.com/why-bridgetown-initiative-good-for-trade/> Jan Yves Remy.

<sup>21</sup> <https://www.berneunion.org/Stub/Display/234>

## NEXT STEPS: IMPLEMENTING THE AFRICAN GREEN TRADE AND INVESTMENT STRATEGY

Implementation of the African green strategy could be supported in the following ways:

**Coordination of initiatives:** While the myriad initiatives indicate a positive shift towards mainstreaming climate policy into trade and investment regimes, their fragmentation can pose significant challenges. Coordinating the initiatives would foster a more coherent alignment. To address this challenge, African governments can leverage AfCFTA to drive coordination of the trade and investment initiatives.

**Climate capacity building in trade ministries:** Initiatives aimed at building the capacity of trade ministries to incorporate climate action in their policies and activities are key. Supporting African countries to incorporate and implement climate action through AfCFTA national implementation strategies holds much promise.

**Reviewing international investment agreements for climate alignment:** Expanding the scope of ongoing review of international investment agreements such as BITs, and initiating new reviews, could enable African countries to shield themselves against ISDS claims that may undermine a just transition.

**Mainstreaming climate in trade and investment institutions:** Many regional and national trade and finance institutions in Africa are yet to include the climate mandate. As governments strengthen these institutions to support regional economic integration, they can also mainstream the climate mandate, especially the role of public development banks and export credit agencies in mobilising and scaling climate finance.

**Enhancing diplomatic capacity:** As trade and investment institutions take up the climate mandate, African countries can strengthen their diplomatic engagement in these institutions. Moreover, the countries can also incorporate climate action into their diplomatic corps, especially those offices working on trade and investment. Crucially, such diplomatic efforts can also enhance Africa's engagement with the major countries shaping the global economy through climate action.

## CONCLUSION

Adopting a green trade and investment strategy would allow African countries to climate-proof development on the continent. In addition to bringing coherence to the myriad of climate-alignment initiatives, the strategy would also strengthen the capacity of African countries to effectively engage in a rapidly changing global context. Ultimately, it would also make a significant contribution to the realisation of the goals of the African Union Agenda 2063 - the continent's development blueprint.

### **Acknowledgment**

This report has been prepared under the Global Economic Governance track of the Future of Climate Cooperation project. I would like to thank Thomas Hale and Caroline Merner for providing helpful comments on an earlier version of this policy memo.