

Bloomberg Invest: Focus on Africa

In Focus: Climate Change

Speaker 1: Please welcome Parliamentary Under-Secretary of State, Minister for Africa, Latin America and Caribbean, Vicky Ford.

[music] [applause]

Vicky Ford: Ladies and gentlemen, thank you and a big thank you to Bloomberg for giving me this opportunity to speak about the government's work, to grow trade between the UK and Africa and through this to help grow African economies, create jobs, create opportunities, both in African countries and here in the UK. Over the past seven-and-a-bit months, since I've been minister for Africa, I've had the chance to visit 13 different African countries to meet UK businesses that are already busy there and others who aspire to be. I've seen firsthand some of the investments that UK organizations have made and the impact that this is having.

I've also spoken to many different officials, ministers, prime ministers, even presidents about their priorities and hopes for the future. Every country is different and yes, there are often challenges and barriers, but there are also opportunities. Our task has been made even harder by Putin's illegal and barbaric war in Ukraine. Since the invasion, so many African voices have spoken to me about their concerns. It's sent commodity prices, soaring across Africa as elsewhere and this is impacting on household budgets, on the cost of food production, and on humanitarian operations. The UK has not only stood by Ukraine, but we've also stood with the world's poorest.

As one of the World Bank's largest shareholders, we've helped to put together an unprecedented package of \$170 billion to help the world's poorest countries cope with these rising prices. Ahead of the conversation I'm going to have with Akshat, I wanted to give you an overview of three areas of work, facilitating trade, supporting business, and making sure that we continue to address and mitigate the impact of climate change.

The starting point for trade facilitation is a trade agreement and the UK has 18 trade agreements in place with African countries, providing preferential market access to 51 African nations. Later this year, my colleagues in DIT will launch our new preferential trading scheme for developing countries, which will be more generous and simpler to understand. We're also supporting trade between African countries. In March, we announced a program of up to £35 million to support and facilitate the African Continental Free Trade Agreement, which is working to remove trade barriers between over 1.3 billion people across 54 African countries.

During my trip to Kenya in January, I saw how our investment of £75 million has eased trade by improving capacity and efficiency of the Kenyan ports authority. Back in 2011, the turnaround time at Mombasa port was 12 days. Then the investment has happened and now it is just three and a half days, that allows more goods to move in and out of the continent and reduces the costs of trade.

In January, I launched the growth gateway business support service. This has already helped more than 100 African and UK businesses to trade and invest. When it comes to British trade with African countries, UK businesses are already among the top investors in Africa, investing more than £50 billion pounds, sorry, billion pounds in 2019, but many businesses don't need UK government support, but some do.

Therefore, the UK government is currently supporting more than two-and-a-half billion pounds of private sector investment into the continent. That figure is set to grow following the launch of **[unintelligible 00:04:01]** international investment, which is our revamped development finance arm. In January, sorry, in February BII committed to invest \$50 million into agribusinesses in Africa, through AgDevCo.

When I visited Tanzania last month, I saw how our investment has helped to grow avocado production and exports. That's not only helped a large UK producer, but has also assisted around 2,000 local smallholder farmers. The UK is also supporting cutting edge industries and technologies. In February, in Nigeria, I saw how the Digi-Girls project that we support was giving female entrepreneurs and small business owners, the digital skills that they need to succeed. Our tech hubs in Nigeria, Kenya, and South Africa have also supported numerous startups to grow their businesses and do good for their communities. At the UK-Nigeria Economic Dialogue last month, I heard about the growing interests among many Nigerian tech companies to expand their connections with UK-based businesses, especially when it comes to using tech to solve societal dilemmas and boost development. The UK government also played an important role in the creation and launch of M-Pesa, which is Africa's most successful mobile phone-based money transfer and microfinancing services.

It has helped revolutionize access to finance, it's trebled financial inclusion. M-Pesa now, hosts transactions worth over half of Kenya's GDP. One of the greatest threats to Africa though is climate change. That is why tackling climate change is a major strand of our work with African countries and institutions. We used our Presidency of COP26 to launch the Just Energy Transition partnership with South Africa. It's a really ambitious eight-and-a-half billion dollar program to accelerate a fair and inclusive transition to a low-carbon future.

South Africa has now established a permanent task team under Daniel Mminele to deliver the Just Energy Transition program and an investment plan including a program of priority projects is being prepared. Alok Sharma, the COP President will be visiting shortly and we're also contributing £200 million to the one-and-a-half billion dollar program to preserve the Congo basin forest. Delivering these commitments is a top priority for the remainder of our COP Presidency. We're also working closely with partners, as we hand Egypt the baton when they become COP27 President.

Next week, I'll be an anchor for discussion at the annual meeting of the African Development Bank. This is to support the transition to cleaner, greener, and ultimately, more prosperous development. We've been working with the Bank on the room to run guarantee agreement. The guarantee will unlock up to \$2 billion of additional climate finance for countries across Africa with a focus on supporting adaptation and mitigation projects, but climate change is also a huge opportunity for many UK companies.

In Niger, for example, UK company is exploring the feasibility for a huge wind farm. That would be a big step forward for the country's clean energy transformation. Just to summarize, [coughs] excuse me, the UK is committed to building long term, sustainable partnerships with African countries. We want to support a freer, healthier, more prosperous, and resilient continent and we'll be working on these partnerships to remove barriers to trade and investment, to support UK companies seeking to invest in Africa, to increase trade between African countries, and to help shield African countries from the worst impacts of climate change. Thank you.

Speaker 1: Please, welcome. Bloomberg's Akshat Rathi.

[music]

Akshat Rathi: Thank you for that, so much. They touched all aspects, but let's start on climate. You mentioned that COP26 Presidency is still held by the UK and you will be handing over the baton to COP27. Now, one of the things that could not happen at COP26 in Glasgow was the discussion around loss and damage. This is to do with when climate impacts happen, especially extreme weather events where countries have to tackle the immediate impact of, say a hurricane or a flash flood. They would like compensation from developed countries, which is part of the Paris Climate Agreement. How is the UK government thinking about those discussions that are going to happen in Egypt in November?

Vicky: First of all, can I just start talking about what happened last November? I think it was incredibly important that countries from all across the world came together to make those promises and they were their promises of how they were going to work towards reducing carbon. Now, the UK as President of COP feels a really important role and I've discussed this with Alok Sharma, a really important role to encourage those countries, who've all made these really important promises to actually deliver on them and we need to be seen to deliver on themselves.

I'm going to leave aside the mitigation, the question you've just had because that will be very much what Alok will be working with Egypt. Also what I've been focusing on is trying to make sure that the promises that we made are also delivered. For example, last week when we had the COP conference in Côte d'Ivoire on desertification. I'm very much saying this is what the UK is doing to see through on our promises and therefore encourage others as well. Yes, you are right. There's huge issues that we have when you see the really adverse impacts. For example, I've been in Malawi where I've met young girls whose schools have been washed away by the flood.

I've met just tragedy of the drought in Somalia. One of the things that we as the UK are doing is through our International Development Strategy, we are increasing backup, the amount of money that we spend on humanitarian aid. That's meant that we've been able to put, for example, more funding into helping the situation in Somalia and those adverse impacts.

Akshat: That is of course maintaining the level of total funding that's going towards foreign aid. That has dropped from 0.7% to 0.5%. You're saying it'll be shifted towards humanitarian efforts more, so there'll be some cuts happening somewhere else to manage.

Vicky: One of the really difficult decisions we've had to make during the pandemic because the pandemic has such a massive impact on government spending, government budgets. As we had to make a really difficult decision about how we were going to try to restore public finances in the UK. The decision was made to reduce **[unintelligible 00:11:29]** from 0.7 to 0.5. We've been looking again at how that 0.5 is spent. We announced the new International Development Strategy yesterday.

The Foreign Secretary, absolutely passionate that we need to restore backup to the pre-reduction levels, what we were investing in humanitarian aid, but also what we were investing in women and girls. The UK is a massive supporter of women and girls across the world-- We will never enable countries to get the best performance and economic growth if we don't invest in 50% of the world's population. This is why girls education is so key.

Akshat: In terms of investments that are again committed to and are being made, there's the massive \$8.5 billion deal with South Africa to help it move away from coal. Now that deal is absolutely key, not just for South Africa, which is 35% unemployment, but if it happens successfully, those could be replicated in other places that are dependent on coal. Now there are discussions happening in South Africa about what projects to fund. The funders, including the UK, are very clear that they should try and move away from coal. How are those discussions going? Will we see the details of the deal by COP25 **[unintelligible 00:12:51]** you think?

Vicky: Yes. It is such an important project, the Just Energy Transition and it's got to be an energy transition, but it's also got to be done in a just way. As you pointed out, lots of challenges in South Africa with employment levels, for example. The UK is the largest funder, often through guarantees that we've put up. Current status, I mentioned in my opening remarks is that the South Africans have now arranged the task group of people who will be leading this and they are working on putting together their project program.

I'm hoping that we will see that in the next coming months and definitely before we get to Egypt and that will then give investors the oversight of what types of projects they can invest in. We can use that eight-and-a-half billion and also bring in other investors alongside.

Akshat: Now we are having these discussions which are quite important about cutting emissions, about moving away from coal, at a moment here in Europe, where we are having to rely more on coal, if we can, in places that still have coal power plants left, or having to figure out where we can get access to gas from because we want to try and reduce imports of gas from Russia.

African countries have much wealth in fossil fuels which they would look at what's happening in Europe and say, "Why can't we use more of it?" How do you ensure that that is something that they will not tap into, that they can keep in the ground because there are cleaner, better, cheaper alternatives that they can get access to?

Vicky: I think we've seen this awful illegal invasion of Ukraine. It had this massive impact on fuel prices across the world. It's really hitting the world's poorest, but it's also reminded us of the need for energy security. In the UK, that's actually reminded

us that actually, we need to work towards having more renewables and more new nuclear-- As quickly as possible, and I think the same goes for countries all across the world.

Obviously, to get to that energy transition, you sometimes use gas as a transition fuel, but actually, we should be accelerating our focus on getting those cleaner, greener energy sources out there as well. We've just seen in the film, that we just watched, the devastating environmental impact in Nigeria of fuel theft, legal fossil fuel extraction. It's one of the reasons why when I meet the Nigerians, I've not only spoken to them recently about how can they tackle that better, but actually also, how can they move on with some of the plans to increase, for example, solar contracts to diversify. That, I think is really, really important. We should be working to diversify those energies.

Akshat: What specific clean energy projects do you think are highlights that, you would say, could be replicated in other countries that the UK has been involved in?

Vicky: I love going and seeing the Malindi Solar Power Plants in Kenya, East Africa's largest solar production plant that went online in January. There's room to expand that as well. It is complex, don't underestimate that. You need investment in grids as well, which is another thing that we will be looking at, but actually those sort of projects we'd love to see replicated in other parts of the world. I mentioned also the one in Niger, they're doing trial work on that massive wind farm there, a windy country that desperately needs electricity.

Akshat: Now, you mentioned renewables and obviously, that is now pretty much clear to everybody as the cheapest source of electricity that you can get and key to grow. The UK is also looking at new nuclear here domestically because it allows you to have electricity that is constantly available, whenever you want it. Would one of the things that the UK would look to do is help other countries get nuclear after doing- [crosstalk]

Vicky: Obviously, countries will make their own decisions about what they want to do with regards to that. One of the things that we have in the International Development Strategy is a strategy to have centers of expertise for different-- One of it will be green transformation, so that countries can come to the UK and ask for our advice, how we have seen things and get that expert advice as well.

Akshat: In terms of the time that you spend on this portfolio will be limited, what are the things that you would want people to remember for what you've done in your role as Minister for-- This is not just Africa, you're also-- A part of your portfolio covers Latin America, the Caribbean.

Vicky: First of all, as a woman minister, I am incredibly proud to be serving a woman Foreign Secretary. It's only the second time in our country's history that we've had a woman Foreign Secretary. So many times in the past few months of having this job, I've seen how women often bear the brunt of what are very challenging circumstances. I'm very proud of what the UK has done over recent years in investing in girls' education. That is something I would like to be proud of.

We'll be hosting a conference, later on, this year on the awful impact of sexual violence in war. Ukraine's reminded us of how terrible it is when rape is used as a weapon of war. Actually, it's something that I've also heard of, from reports in Tigray and Ethiopia. Being able to shift the dial on that, the Foreign Secretary is very clear that she thinks that the use of rape and war should be considered as much of a red line as using chemical weapons, for example. That would be a key thing we will be working on.

Delivering on some of these climate change projects, I'm so proud to have played that little part in the COP Conference last November. We now need to deliver on that, keeping the focus on that. Also, my background before getting involved in politics was as an infrastructure banker. I've seen how infrastructure really can help change the future for our country. Getting a few more of those infrastructure projects up and running in an honest, reliable, transparent way for the country that's taking our money, so they know what they're signing up to. I'd love to see some of that. It's a long-term goal, but it's going to be good.

Akshat: Thank you. Thank you very much for your time.

Vicky: Thank you.

[00:20:25] [END OF AUDIO]