



**The Brookings Institution
Africa Growth Initiative
*Foresight Africa Podcast***

“Why the climate crisis is a generational opportunity for Africa”

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Episode Summary:

Climate change is one of the biggest challenges the continent of Africa faces, but with severe challenges come generational opportunities. In this episode, host Landry Signé interviews Vera Songwe, chair of the board of the Liquidity and Sustainability Facility and a Brookings Africa Growth Initiative nonresident senior fellow, about those opportunities including, as she argues, converting Africa’s assets like the largest carbon sink in the world into financial resources that African countries can invest in growth.

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SIGNÉ: Hello, I am Landry Signé, senior fellow in the Global Economy and Development Program and the Africa Growth Initiative at the Brookings Institution. Welcome to *Foresight Africa* podcast, where I engage with contributors to our annual *Foresight Africa* report, as well as with policymakers, industry leaders, and other key figures. You can learn more about this show and our work at Brookings dot edu slash Foresight Africa podcast.

Today on the podcast, I am pleased to welcome Vera Songwe. Vera Songwe is a nonresident senior fellow in the Global Economy and Development program and the Africa Growth Initiative at the Brookings Institution. She's also the founder and chair of the Liquidity and Sustainability Facility and co-chair of the Food Systems Economics Commission. Doctor Songwe has also held positions at the United Nations, including serving as executive secretary of the United Nations Economic Commission for Africa and at the World Bank, just to name a few.

Welcome to the show, Vera.

SONGWE: Thank you, Landry. Thank you. It's a pleasure to be here and to see you again. How are you doing?

SIGNÉ: Doing very well. Always a pleasure on engaging with you. There are a range of issues that you can work on as an economist. What drew you to climate and sustainability?

[2:07]

SONGWE: Listen, I don't know that it's climate sustainability. I think I was working on how one delivers prosperity for the continent. And, you know, that takes you through a long process. Every decade there is a different issue that you must focus on. We focused a lot in the early 2000 on, of course, trade and trying to see if we could get trade as a transformational element for our continent.

But very quickly, we realized that even our trading mechanisms, our supply chains were being disrupted because of one thing: climate change. And so, it became imperative that there was no way that one could talk about delivering prosperity, creating growth, and increasing incomes for the continent without looking at the climate change challenge and seeing how one could find solutions to it.

And so, I started working on that, of course, as a means to the same end, which is prosperity for the continent of Africa. And, of course, the world. When Africa prospers, the world prospers even more.

SIGNÉ: Absolutely. Turning to your *Foresight* essay, Vera, entitled "The Climate Crisis: A Generational Opportunity for Africa," why do you consider the climate crisis a generational opportunity for Africa, when others see it as one of the biggest challenges the continent is facing?

[3:32]

SONGWE: Yeah, it is it is clearly the biggest challenge that the continent is facing; it is the biggest challenge the globe is facing. If we don't take action in the next five years, we will most likely hit the 1.5-degree mark of climate warming. I think actually, by the end of 2022–23, we were already at 1.1. So, it is imperative on us that we start acting quickly and faster. So, it is a challenge. But out of every challenge, if we handle it well, it could become an opportunity.

And hence, for me, the generational opportunity question. One because it means that Africa, unlike many other continents, can use its assets. We've been talking a lot about what Africa has as assets. We have the minerals. But most importantly for the climate question, we have carbon sinks. We have the largest carbon sink in the world. Twenty-five percent of Africa's lands are forests, right? We have just now, with new research that came out, shown that it is the tropical forests, actually, that are the largest carbon sinks in the world. Where do you find tropical forest? On the continent, in Africa. Of course, you find some of them in Latin America. But Latin America has not protected its tropical forests as well as Africa has.

Of course, we've suffered a little bit from illegal logging and poor agriculture and poor cooking practices. But overall, 26% of our landmass is still a carbon sink for the world. If we were to find ways of converting this asset into financial resources that we could invest in our growth, then you begin to see huge opportunity. Africa needs about \$29 billion every year to deal with the climate challenge.

So, essentially, if we are to convert our nature assets into investment possibilities, we actually could get almost \$29 billion annually from climate due to carbon markets, carbon pricing, and making carbon pricing a more effective way of getting additional domestic resource mobilization. So, this is for me why I call it the generational opportunity.

Today, as we all see, a lot of the conversation is around moving to electric vehicles. We have the minerals, we have the assets on the continent. We need to translate that into real sort of getting into the global value chains that produce the electric vehicles, that produce the two wheelers, that produce the chips that we're going to need for artificial intelligence, that produce the chips that we're going to need for battery energy storage. So, the continent can be the epicenter of the climate change transition. But we do need, first of all, to get the right policies in place to be able to do that.

SIGNÉ: Insightful, Vera. You also mentioned in your essay that transitioning to the climate economy will lead to high growth across the continent. Can you explain what you mean by climate economy?

[6:24]

SONGWE: Today, we have over 60% of the African economy and rural economy engaged in agriculture. The climate economy is an economy that says, yes, we continue to do agriculture, but we start doing it differently, we start doing it better. We start using our land mass differently. We start using fertilizers that are not chemical based, but at that are organic base. We use water in a much more efficient way to

ensure that we can actually increase productivity without increasing the use of the land, without foiling the land by injecting more chemicals into the land.

We can transition and transform our food systems. This is a very important part of the transition process is really that we have today in the world about 770 million people that suffer from obesity in the developed world because they are eating the wrong kinds of foods. In the developing world, we have about 735 million people that are suffering from malnutrition. All of this because our agriculture systems, our food systems, are not being used well and are not responding to the climate in the way that they should.

If we went back to eating and transforming our food into vegetables, more nature-based foods, first Africa would begin to export a lot more because we have the land, we have the space, we have the right kinds of weather systems. But we also have water, if we were able to use it and use it more effectively. So, just from the agriculture space, that's one of the transitions.

A second huge transition: as a continent, we know that a lot of Africa is becoming urbanized. Urbanization requires housing. If housing were a country, it's going to be the seventh largest emitter of pollution in the world today, which means Africa has the benefit that we have not yet finished building our cities so we could build our cities differently. We could use different materials to build our our cities. That would create jobs, one, in the production of those materials, but in the building. As we know, construction is usually the basis for growth in many economies.

Roads, which we need for our trade and the African Continental Free Trade Area agreement. We're going to need roads. A lot of Africa's goods transportation is going to happen on roads and rail. For roads and rail, we need another investment of over \$200 billion between now and 2030 in new kinds of vehicles, new kinds of trucks, and in railways. Again, investments that will create jobs but will increase mobility, will improve our supply chains, and increase production.

Tourism! Huge income earner for many parts of the continent. Again, Rwanda is a very good example of how we've they have been able to with the gorillas protect the environment, protect nature, protect the animals, but use the resources from this tourism activity to strengthen and build the ecosystem within the communities, provide them with energy, give them our water and allow for better education for the kids. And this is this is the ecosystem that climate brings. It transforms not only one activity, but it's a continuum that allows for generational changes in the way development is pursued, but also in the resource that it can deliver for the continent.

SIGNÉ: Insightful, Vera. You also describe the automotive master plan in South Africa, which will increase domestic vehicles production and potentially double employment in the country. Are there examples of other policies or plans that could yield similar outcomes on the continent?

[10:02]

SONGWE: Yes. I think we have seen the automotive masterplan of South Africa is a very good example, but we are hoping that we can reproduce something similar with chip production in the DRC, in Zambia. And we're seeing already, congratulations to

Nigeria, and the efforts by and Nigerian businesses to start producing two wheelers, electric busses, again for these transportation purposes that I discussed.

And for trade. Right? Nigeria is kind of the epicenter of trade in the West Africa region. And so, being able to move goods from Nigeria to Cote d'Ivoire to Ghana with cleaner trucks, with better, more efficient trucks is one.

We're bringing technology to the continent. We are using chips that are being produced on the continent. We are creating jobs, of course, and we are able to then bring closer our supply chains. I think that's one very good example which is just happening, you know, as we speak in that process.

DRC, of course, is the lungs of the continent in many ways because it has the cobalt and Burundi has some platinum, and Gabon has manganese. And you bring all of that together, you begin to talk about the production of battery energy storage systems, which are going to be so important. The one of the big challenges for energy, renewable energy production on the continent today is that our grids are not stable, and you can't put renewable energy on the grid because there is a lack of grids stability. Transmission lines are not good enough. With battery energy storage facilities, then you can have portable units that you can then scale to the size of the demand and move from one place to the other.

These kinds of policies, for example, the DRC government is rolling them out. Zambia is looking at doing something similar, I think are the policies that we are looking to to improve both access to energy, but make sure that as Africa transitions into a access full continent, it is also a clean access continent as opposed to the other parts of the world that need to transition from less clean energy sources to cleaner energy sources. Africa still has 580 million people without energy. Being able to do that transition is going to be particularly important.

Another good example is again in Nigeria, working with clean energy for all, sustainable energy for all, huge efforts that have been made to transition from diesel into solar systems and has allowed for many, one, to reduce the cost of energy, but also to improve their productivity, improve their well-being and their livelihoods. So, these are good examples that we see that are clearly improving outcomes, creating and generating more prosperity for those that are benefiting from the system.

So, now what we need to do is get more resources so that we can invest at scale. So, we have six more years left to be able to make sure that we can actually stand on the other side and say, yes, we were able to keep the continent below 1.5 degrees, and every bit of investment is going to be important to get that straight.

A final example is what Kenya has done in terms of beginning to eradicate plastics from the city and beginning to use more recyclable products and ensure that both production of local portable products is giving jobs to the women, but it's also cleaning the city. Of course, Rwanda has been leading on this as well.

SIGNÉ: We have heard some scholars describing Africa as being the lungs of the world. Despite this, we have seen financing for climate in Africa shrink in recent years. Why do you think it is so difficult to mobilize both domestic and international resources to combat the crisis?

[13:52]

SONGWE: There are two reasons for that. I think the first one is Africa needs to make the case that we still need a lot of data on climate. We have not yet been able to, for example, ensure that we have enough data that demonstrates the reforestation efforts that we are doing, the transition efforts that we are doing, the mitigation and adaptation efforts that we are doing.

Essentially, if you go to Senegal, for example, right, they have huge mangroves. Mangroves are such an important component of ensuring, protecting, and preserving our biodiversity. But we need a lot more data to understand how long it takes. What is the effort that the government of Senegal has been putting in place? And many other governments, by the way—Sierra Leone, Liberia, Mauritania that are all working on the mangroves. We need more data to be able to assure those who are looking—the top ten largest firms in the United States with bottom lines of trillions are looking and have all committed to net zero by 2030. Part of that commitment to net zero by 2030 is that they're going to have to purchase carbon from someplace else to make sure that they meet their commitments, not because they only want to do replacement, but because the technology that will allow them to get to net zero within their own business cycles is not yet there. So, they are going to have to complement changing technology within the business with buying carbon credits from someplace else.

The important and lucky thing or fortunate thing for the for the continent in particular, is that we have a lot of carbon credits on offer. Unfortunately, the integrity of the carbon credits on the continent are not yet certifiable at scale. And so, we hear a lot about greenwashing and the fright or the fear that businesses have about coming to invest in buying carbon credits on the continent.

So, we do need to set up the Africa Carbon Markets Initiative, for example. It's a very, very good piece of work that's happening to see whether we can eventually make carbon credits available at scale, maybe by developing a trading exchange that puts all sort of certified carbon on that exchange. The Economic Commission for Africa, again, SEforALL [Sustainable Energy for All] and many others are working on this, the G Funds, to see how we can make sure that we translate the efforts that we're doing in terms of protecting our environment in terms of sequestering carbon into real dollar investment figures that can help us work towards adaptation, help others reduce their emissions, and improve the global environment.

As they we do research today, the United States Inflation Reduction Act is probably one of the largest investments in climate change that we've seen ever. Part of it is to accelerate innovation so that businesses that have committed to net zero can do it quickly. But while waiting for them to do that, they still need to keep going on the trajectory towards net zero, which means they're going to look to buy carbon credits. And so, working on that process and getting Africa to have higher integrity carbon markets is really the key part of that conversation that we must focus on and see how to do it well.

Now, Europe and the United States and many others are going towards what they call the Carbon Border Adjustment Mechanisms, which is a compliance mechanism for carbon. And there is a case, I make the case, that maybe Africa should not only

focus on trying to get voluntary carbon credits, but we should move to a compliance system as well. Because if we move to a compliance system, we level the playing field. Once we level the playing field, then the price of what I call a DNA of carbon in Norway is going to be the same as the price for a DNA of carbon in Kenya. And there will be no conversations around well, we can't certify it, and we don't know the integrity. And so, I pay \$75 in Norway and \$5 in Kenya or some other African country.

I think that's where Africa is, again, losing because there is no institutional way of certifying our carbon. We end up getting the shorter end of the stick. And so, essentially, we don't have the resources that we need to invest in transforming and transitioning our economies.

SIGNÉ: Fantastic, Vera. You write that the private sector will provide most of the financing for mitigation and adaptation projects on the continent and say 66% of Africa's climate finance needs are mitigation needs where there is more private sector appetite. What are some examples of these investments?

[18:31]

SONGWE: The easiest one is energy. What we see, again, as we discussed before, about 600 million people on the continent are still without energy. You know, I'd like to talk a little bit about the 600 million people on the continent without energy. But more importantly, for us to transition this economy, for us to transform the African economy, we we need to not worry only about the 600 million people without energy. We need to worry about the lack of energy to power industry. Right?

And so, if we end up with a conversation that is only talking about 600 million people without energy, we are not actually meeting Africa's needs. Right? Africa needs a lot more energy if we are going to transition our steel, our cement, our agriculture into a more sustainable green conversation. AI, you know, which we are going to need going forward into the future, we need a lot of energy for that.

And so, essentially, these are segments of the economy where private sector knows how to do. Renewable energy business we know how to do it. Green agriculture, we know how to do. And so, it's no longer anymore, oh no, we don't know the technology. We don't have the technology. So, how do you transition into sort of better shipping oil? There, you know, we need a lot more research to figure out, you know, what kinds of fuel you're going to need to do that. Or maybe how do you use hydrogen, to process steel. There's still a lot more work and a lot more research that is going to be needed to do that.

But renewable energy? We know how to do. Battery energy storage? We know how to do. Better agriculture processes, better buildings, better road systems, more sustainable utilization of these things? We know how to do. So, I think, business, when I say we know how to do, business knows how to assess the risk of this investment. Business knows how to invest in these sectors. Business knows the risks, the rate of return. Business knows the risk adjusted rates of return for these investments. So, these are turnkey investments that we can do very easily. And I think that is why you see a lot of investment, even including in the United States, in these sectors of the economy.

Where I think we still need a little bit more education is on sort of nature as an asset. How do you invest in the protection of nature, and what are the rates of return in the sort of nature segment of our economies? We are still working on that. And I think a lot more work can be done.

But when we look at, for example, you know, the corporate balance sheets today, corporate bond issuances of green and sustainable bonds is almost about \$167 billion. So, the private sector is doing this now almost turnkey. Right? Multilateral development banks are still at about \$47 billion, so a factor of three less. They need to get into the business. Governments need to put in place the right policies, transparency, integrity, institutional strengthening, so that our economies can also benefit from this.

SIGNÉ: I really like how you are providing very specific examples, Vera. And given the continent and investors' mutual benefit, how do you believe policymakers can engage with these investors to ensure these projects happen?

[21:37]

SONGWE: Hey, that's a very good question. I think the first thing that policymakers need to do is, one, have a good transition plan. I think what we talk about is good country platforms, good ownership. If you look again at the case, for example, of Egypt—Egypt has what they call the NWEF plan, which is sort of water, food, energy systems and how that creates an ecosystem for transition. It's country owned. Every ministry in Egypt was part of building and putting together this process. Brazil is doing something similar. I think they have 22 transition plans now in Brazil with every ministry working around its transition. African countries need to do that.

We have done, and I think this is huge credit to the countries in the continent, and so the effort that they've made finance ministers, environment ministers, and all, you know, we've put together our National Determined Contributions, and which essentially says this is what we're going to do as part of our contribution to reducing CO₂ emissions.

What I think has made the continent less enthusiastic is that we have not gotten the kind of investment response that was needed to be able to continue. But I think part of it is also that once you put together your investment plans, your NDCs, what you need to then do is do roadshows, you know, make an active, concerted effort to go and sort of explain that plan to the rest of the world and particularly to investors.

Of course, Africa is also now suffering from the rise in interest rates in the advanced economies in the United States and Europe in particular. And so, the cost of resources has gone up. I think one of the big arguments that we are making is that as a continent that has so much to offer in terms of supporting the climate imperative, we should not be borrowing and getting more indebted to solve the climate crisis. We need to do this differently. And part of it is through market mechanisms, equity investments into the continent.

So, we need to build our stories. We need to show and tell the story, each country needs that, working in concert, across ministries.

[23:40]

And as we know, climate change is not only about energy. It's not only about agriculture, it's also about health. It's about education. And so, it really is, has to be, must be an all of country discussion to arrive at the country platform. So, that's one.

The second most important piece of advice, of course, if you are looking for investment, is stability of your investment environment. It's creating the right environment for investment, ensuring that people who invest can take their profits out. Convertibility of your currency. I think we have a big discussion around, you know, FX, no FX conversations. That policy environment needs to be clear, needs to be stable, needs to be certain, so that when investors come in, they know what they're expecting. They know that it's going to be stable and certain for a longer period.

And then finally, of course, you need skills on ground to be able to transform these investments. I think one of the things that we hear a lot from investors when they come on the continent is that they don't find the right skills to sort of help support the investments that they are trying to put in place, and hence it takes much longer sometimes to get the investments done.

So, I think if one were to advise policymakers, it would be on these three fronts. It's, you know, getting the strategy done, making sure it's comprehensive, that it's all of country, inclusive. The business environment is the best, the strongest, the most important. If you don't have a stable business environment, nobody comes. You need certainty in your business environment.

And then you need the skills. And the skills should be tailored to what you have to offer. Right? If you're a DRC, then you need maybe engineers and battery precursor developers. If you're in Kenya, you need IT specialists. If you're in South Africa, you need a little bit of both. So, I think we do need again to begin to tailor our skills development systems to what is the market asking for and what do we as countries have to offer? If you're in Namibia, you need hydrogen experts to make sure that we can transform hydrogen into prosperity for the country.

SIGNÉ: Wonderful, Vera. As you know from previous *Foresight Africa* podcast episodes, I love finishing this session with a couple of questions for all my guests. AGI looks at Africa from an economic perspective and we focus on how to maintain economic growth and structural transformation while fostering inclusion, especially for young people and women on the continent. Building on your work and wealth of experience, what is one piece of advice you will give to African or global policymakers to ensure the best outcomes on the continent?

[26:27]

SONGWE: It will be implementation; it will be implementation follow up. So, we talked about having your country plans. I think now many countries have country plans that are country owned, that are homegrown from Ethiopia to South Africa. We see countries owning their plans.

But then there is I think where we start maybe missing the boat is from going from designing the plan to implementing the plan. A lot more effort needs to be put in the implementation. And implementation essentially is accountability, is delivery, is making sure that you build a system that has accountability, that has constant check ins.

It is not acceptable on the continent today that projects take seven years to do. I think this is one of the big issues that we see even when we talk about resources, from the multilateral development systems. Disbursement rates are very low because projects are taking so long to implement. And so, sometimes in some of our countries, we have more resources that have been processed and approved by multilateral development systems than have been disbursed to the countries. This essentially means that the projects are slow. It means implementation is not keeping up to pace.

And so, I think this is for us today on the continent one of the biggest bottlenecks for development. And so, if I were to have the lock or the magic wand, it will be to see how we can accelerate implementation of ... The good ideas are there, how to do them we know. But we now need to just follow up on making sure that we implement.

SIGNÉ: Insightful, Vera. Given you a successful career and global impact, what advice would you give to youth and women hoping to follow in your footsteps?

[28:11]

SONGWE: I mean, I think it's simple, right? One of them is have good mentors, pick good mentors. I've been very fortunate to have good mentors. Ngozi Okonjo-Iweala, for example, the head of the WTO, has been a lifelong mentor. And and you have to listen to them. She's going to laugh if she hears this.

SIGNÉ: Absolutely.

SONGWE: And, and then, hard work, hard work, hard work, a lot of hard work. I say that for the continent, you have to wake up very, very early and go to bed very, very late to be able to make it, to make the messages go through and make the continent change.

But I think we are living in, again, exciting times. The climate crisis is real. I remember going to Rwanda and talking to the leadership there and saying, oh, you know, I love to come to Rwanda because I would like to eat boiled corn or grilled corn. And everybody just looked at me and said, you know, it hasn't rained in so long.

And that's the impact of climate. And I think that's the really what we are trying to change is, is, is every year more than the rest—in my own country, Cameroon, 2022 was the year that saw the most rain that we've ever seen in the last 25 years. It means that it changes planting patterns. It changes even schooling and all these things that need to be addressed and managed.

And so, it really is important that everything that we do today, we we sort of put the climate lens to it and see how, one, we can contribute ourselves with everything we

do to make sure that we are helping to stay below, but also that we make sure that our leadership understands the importance of, of the crisis and how we can get out of it. It is not fatality if we do the right things and if you do them soon enough and at scale.

SIGNÉ: Thank you so much for joining us today, Vera.

SONGWE: Thank you. Thank you for having me. It was a pleasure, Landry, to talk to you on this very important subject.

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SIGNÉ: I am Landry Signé, and this has been *Foresight Africa*. To learn more about this show and our report, visit [Brookings dot edu slash Foresight Africa](https://brookings.edu/foresight-africa) podcast.

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