

THE NEW STATESMAN

The Report

Development finance reform
The key to climate action

Africa's green potential
The continent as a net zero superpower

Women entrepreneurs
Equality and the clean economy

The international aid dilemma
Why grants simply aren't enough

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Global finance: Bridging the gap for developing countries

\$3trn

Low- and middle-income countries need an additional \$3trn a year to meet Sustainable Development Goals by 2030, including \$1.8trn to tackle climate change

\$2trn

Could come from domestic resources, leaving a financing gap of \$1trn a year to be filled by international public and private finance

\$211bn

Globally, overseas aid spending increased to \$211bn in 2022 but only 15 per cent (\$32bn) was spent on low-income countries

UK Aid Cut

In 2020, the UK cut international aid from 0.7% to 0.5% of gross national income, causing aid to fall by £3.8bn between 2019 and 2021



+£4bn

Meanwhile, money mobilised through other forms of UK development finance rose by £4bn between 2018 and 2021



\$1trn more

Reforming multilateral development banks could unlock an additional \$1trn globally to tackle extreme poverty and climate change



Introduction



Lis Wallace
Interim UK director at the
ONE campaign

“We need to think more creatively about development finance”

From geopolitical conflict to pandemics and climate change, we face daunting global challenges. The impacts of these polycrises are evident the world over, but they are felt most acutely in low- and middle-income countries, which have the least capacity to respond. The traditional resources used when working with these countries to mitigate crises – international aid, or Official Development Assistance (ODA) – are insufficient, and have seen massive cuts in the UK, compounding the problem.

The world cannot afford to wait. Tackling the impacts of climate change or preventing the next pandemic cannot be delayed until circumstances have improved and aid might

have increased. To borrow the ultimate pragmatic maxim, we must “do what we can, with what we have, where we are”.

So, what is to be done? UK policymakers need to think more creatively and ambitiously about how to unlock additional sources of funding so that we can contribute our fair share towards global challenges. New financial approaches, innovations and mechanisms are needed that make existing money go further, work better with the private sector and leverage Britain’s influence. This would not only represent far greater value for money, but also enhance our global reputation. Moving away from a “top-down” paternalistic approach to one where wealthier and low-income nations collaborate as equals on global issues could pay significant dividends.

This aligns with what the shadow foreign secretary David Lammy MP termed “Britain Reconnected”, which summarised his vision of a foreign policy for security and prosperity at home. Reimagining international development is key to this agenda. At its heart is capitalising on the UK’s “outsized influence” in key international financial institutions to make them more efficient and representative. And it must be sincere in its collaborative and mutually respectful values. Donor-recipient models of aid and outdated narratives about low-income countries must be replaced with a compelling new vision for global green prosperity, based on shared goals and equal partnerships.

Investing in the green transition is a top priority for all countries to tackle climate change, create jobs and promote prosperity. Leaders of African governments have set out a positive agenda for driving green growth by harnessing the continent’s untapped potential for renewable energy resources, its mineral reserves and its young population. African countries are clear on the steps they must take and the role of international partners. By partnering to deliver this agenda, the UK could help to unlock a green transition that is good for Africa, good for the planet and thereby benefits the UK.

Looking at the African continent as a case study, this report will examine how global partnerships between multilateral organisations (such as the African Development Bank and the World Bank), governments and the private sector can play a central role in enabling low-income countries to be part of the solution to global issues. This is about reimagining what economic development is, and the role Britain can play in this effort. ●

“Africa has almost limitless untapped resources”

Climate action advocate

James Mwangi on the continent’s green potential

Africa’s 54 economies are among the countries most vulnerable to climate change. These nations produce some of the lowest levels of greenhouse gas emissions globally, yet many experience some of the worst impacts of rising temperatures, including Nigeria, Senegal and Kenya.

But according to the climate action advocate James Mwangi, while this sympathetic framing is “entirely appropriate and morally justified”, it ignores the wealth of opportunities on offer to African nations in pursuit of the green economy.

In 2021, Mwangi co-founded the Kenya-based organisation Climate Action Platform Africa (Cap-A) alongside data expert Carlijn Nouwen. Cap-A looks to shape and unlock Africa’s potential as a “global hub for climate action” by building evidence around how its countries might capitalise on green opportunities and boost economic growth.

The organisation arose out of the observation that while Africa is the continent with the “fastest-growing population” it is “stuck at the bottom of every single value chain in which it plays”, says Mwangi. He adds: “it cannot generate dignified livelihoods for its population at anything close to the rate it needs without changing that fact”.

Mwangi points out that Africa has huge untapped potential. Year-round sun makes the continent ripe for renewable energy, while its youthful population offers a thriving workforce, and its “massive endowment of land” offers space for development and large-scale net zero projects.

African countries collectively contribute only 3.8 per cent of global emissions, in comparison to 23 per cent from China, 19 per cent from the US and 13 per cent from the EU. But Mwangi says we must reframe the argument from focusing too crudely on the continent’s small global emissions. “There’s two ways you can cut emissions,” he says, “you can cut [them] where they’re currently happening, or you can move production to a cleaner place.”

Countries such as Ethiopia and

Kenya are ripe for renewable power generation, he says: “What they have right now is an almost functionally limitless, untapped resource.” And these countries have already pledged to expand further. In Kenya, the government has committed to having a 100 per cent green grid by 2030.

Mwangi also highlights the capacity for bauxite production on the African continent. Today, a quarter of the world’s bauxite – which is the raw material used to make aluminium – is produced there. The top producers include Sierra Leone, Ghana and Mozambique. Much of what is produced is then shipped around the globe to be processed, with all the attached emissions of transportation.

According to Cap-A’s research, if bauxite was processed at the point of extraction, it would cut global industrial emissions by 1 per cent. This would also “transform the economies of all the countries in that region”, says Mwangi, by creating jobs for processing.

But the reason this has not happened at scale is because “Africa is rich in energy, but at the same time, it is extremely energy-poor”, he adds. Although “renewable energy is the cheapest form of energy”, this is only true once infrastructure has been built, which is expensive and requires intense long-term investment. “That means Africa is really exposed to the cost of capital,” Mwangi says.

This problem can be overcome with the right investment in the right places, but requires a collaborative approach between developed and developing countries. Bringing the African continent up to speed on renewable energy generation will benefit the world by speeding up the green transition.

An area in which this makes “economic sense” is solar energy, says Mwangi, where costs for production have gone down and photovoltaic storage capacity is improving. However, solar energy is unreliable, due to the nature of sunlight; any power generated must either be used at the point of generation or stored for later. It is



James Mwangi is the co-founder of Climate Action Platform Africa

therefore expensive for countries in the Global North to rely on solar. Owing to their sunnier climates, African nations have the capacity to generate far more solar power, and they have more land available for storage than European nations.

Cap-A has calculated that countries such as Tanzania would need 14 times less investment in storage to get the baseload level of electricity from a solar farm, compared to countries such as Belgium or Germany – yet, Mwangi says, “these countries have more solar deployed today than the entire continent of Africa”. Therefore, it’s globally beneficial to change “where we deploy these resources”. European countries would spend less on solar, and African nations would see higher growth and productivity through the jobs created by solar production.

But how can the UK improve its global standing against countries that are already heavily investing in renewables in African countries, such as China? Mwangi says much of the focus should be on the move towards a “meaningful domestic price on carbon” (a tax on the

emissions associated with the production of an item or project). By charging emissions more fairly, the UK’s approach to investing in lower-carbon alternatives might look outward.

For example, without fair domestic carbon pricing, it could appear more attractive to invest in a product made in Manchester that actually ends up causing more emissions than one imported from an African nation. Mwangi says that changing this philosophy would create a “fair slate”.

The UK also needs to scale up its ambition and investment. Mwangi says it should be looking to invest “early in some of the countries... where developing these projects makes sense”. This could be solar power in Tanzania, or carbon capture and storage in South Africa.

“Think about how transformative the UK’s investment in North Sea wind has been for the country’s overall energy mix,” Mwangi says. “Investing in similar shifts in renewable industries in countries of the Commonwealth could unlock a huge dividend in a range of ways.” ●

Case studies

How UK development finance is supporting women-led businesses

Innovative models are making a difference in Zimbabwe and Nigeria



Regina Markesa
Farmer, Zimbabwe



Anthonia Churchill
Trader, Nigeria

Mobility for Africa is a project providing green transport services to rural communities in Zimbabwe using electric tricycles called “hambas”. People share the tricycles with their neighbours via a rental programme, promoting economic development while also enabling women to be more mobile. It was funded by the African development arm of the Private Infrastructure Development Group (PIDG), an infrastructure development and finance organisation funded by six donor governments, including the UK.

“I farm with my husband but I didn’t have anything to do before the hamba – I just sat at home waiting for the sale of my annual crops. We [the local women] share the hamba two weeks on and two weeks off. Some days you are constantly on the move carrying people. We are happy that it gives us income and the community is also happy. We assist people who need to go to clinics, farms or shopping. I use it for fetching firewood and water, and for taking my three young children to school. My farming has improved because I can save money when I get my commission and use that to buy my farming supplies, which I store until I need them. In future, I would like to save money to do other projects, such as running small businesses when I go to farms, where I can transport my passengers then sell my stuff while I wait for other customers to come.” ●

TradeDepot is an online platform operating in Nigeria, Ghana and South Africa, which connects small retailers with suppliers of consumer goods to cut out supply chain inefficiencies and enable fast delivery to address stock shortages. It has helped expand women-led businesses and is funded by British International Investment (BII), the UK’s government-owned development finance institution which invests in businesses primarily in Africa and Asia.

“I’m a food and drink trader, and I’ve been working with TradeDepot for about five years. Every day, after getting my children ready for school, I come down to my trading place, where customers are already waiting. This was a godsend for me, because my shop was burgled in 2016 and was completely emptied. A TradeDepot agent said she could bring me goods, despite the fact I didn’t have any money – I could buy now and pay later. They educated me on how to use the app and raise an order, and a driver then arrives either the same day or the next morning. Now, I have goods in stock, and I can buy them in bulk before the price increases – in Nigeria, the inflation rate is so high that prices can double in a day. Working with TradeDepot means I have goods in abundance, and it’s made me a wholesaler. People are buying from me to resell, which helps others who don’t have money. My plan is to go worldwide – I want to be an international businesswoman.” ●

How can the UK reset its relationship with African countries?

Aid continues to be a vital resource for low-income countries, helping to fund health, education, social safety nets and the response to humanitarian crises, but it remains a drop in the ocean compared to what's needed. To properly respond to the scale of global challenges, we must mobilise all resources – national and international, public and private. While the potential to mobilise significant resources for sustainable development from the private sector has long been recognised, international efforts so far have failed to deliver the hoped-for trillions of dollars.

The purpose of some other forms of development finance is to catalyse additional resources from the private sector. That can be done in several ways – by investing directly in companies in low- and middle-income countries, by reducing the risk of investment through guarantees to back loans, or by using a small amount of public money (ODA) to crowd in additional resources from the private sector.

An agenda for action

So, what steps should the UK take to reform its approach to development and contribute to this agenda? First, the UK needs to reset its relationship with African countries and replace North-South, donor-recipient relationships with equal partnerships based on mutual respect. There is an urgent need to rebuild African countries' trust in the UK, which has been eroded due to vaccine-hoarding during the pandemic, moving of the goal posts on climate finance commitments and cuts to the aid budget. Research commissioned by ONE with stakeholders in Nigeria, Ghana and Kenya confirmed that the nature of partnerships is important, and the UK was often compared unfavourably with other donors.

Second, the UK needs to maximise the impact of its other development finance tools. While UK aid has declined significantly since 2019, research by the Center for Global Development confirms that the UK has mobilised increasing levels of support for low- and middle-income countries through other types of development finance. The main drivers of this are the UK's development finance institution British International Investment (BII), export credit agency UK Export Finance and increased use of guarantees to unlock additional resources via the multilateral development banks (MDBs). These instruments are designed to encourage private sector investment, and at their best they can support the green transition, promote economic development and create jobs. Reform is nevertheless required to improve the transparency and poverty-focus of some of these instruments, and they should complement, rather than substitute, grant aid.

Third, the UK should use its voice and its vote in key international institutions to give African countries a greater say in decision-making and unlock the scale of finance required to end poverty and tackle climate change. The sums needed are huge and way beyond the means of an individual donor, nor can the UK hope to compete with the scale of investment from China by acting alone. Instead, the UK should continue to work with others to champion reform of the MDBs, which has the potential to triple the quantity of low-cost, long-term lending by 2030 to support poverty eradication, tackle climate change and boost prosperity.

These steps would enable the UK to have an outsized impact in international development, while contributing to the wider vision of a "Britain Reconnected". ●

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