Talking Points for H.E President William S. Ruto at the Presidential Dialogue on the Global Financial Institutions Reform, Addis Ababa, 17th February, 2024.

Excellencies, Distinguished Ladies and Gentlemen,

1. Thank you President Nana Akufo-Addo for organising this session. I am happy we are pushing the agenda of international financial reform.

2. In Paris, Nairobi, New York and Dubai, the messages from our continent have been consistent, and Kenya remains fully focussed on the subject.

3. As you know, we are co-leading both the *Taskforce International Taxation to Scale up Development, Climate, and Nature Action* (the Taskforce) and the *Expert Review on Debt, Nature and Climate.*

4. We have high ambitions in both – and the negotiations on the terms of reference and the set-up have made clear that there are real changes at stake here. It was tough negotiations between our

teams and those from the developed world to agree what should be the focus and how.

5. In the Nairobi Declaration last year, African Leaders supported the call for improved debt management, including, ‘debt pause clauses’, and instruments such as extension of debt tenor, and grace period.

6. We also called for adoption of principles of responsible sovereign lending and accountability encompassing credit rating, risk analysis and debt sustainability assessment frameworks and urged the financial markets to commit to eliminate this disparity by 2025.

7. The also proposed a new financing architecture that is responsive to Africa’s needs and the development of a new Global Climate Finance Charter through UNGA and COP processes by 2025.

8. It is our hope that an expanded and innovative toolkit to deal with Africa’s sovereign debt burden will not only include instruments such as **debt pause clauses** and **debt for nature swaps**, but also

appropriately **differentiated treatment** of debt incurred to **finance green economic growth.**

9. For example, investments in renewable energy generation capacity are almost all upfront capex, with hardly any running opex. By contrast, fossil-fuel powered energy generation has lower upfront investment needs and an ongoing need to purchase the fossil fuel to power it. At reasonable assumptions on cost of capital, the lifetime cost is lower for renewable than for non-renewable power: green is not only more future proof, but even cheaper.

10. But if we are penalised for high upfront investment through an impact on our credit rating or with high interest rates, it might become more economically rational to invest in fossil fuels to avoid a higher debt burden and a poorer debt rating – even if that introduces not just climate issues, but also opens us up to future fossil fuel price volatility and refinancing challenges, which can cost us dearly.

11. We cannot waste our opportunity to leapfrog with **climate positive growth**, because debt

instruments are **outdated** and do not sufficiently take into account differences and climate and stranded assets risks.

12. In addition to the structural reforms that we all fully support, such as changes to the **voting structure**, I hope we can also start with bottom-up experimentation and innovation.

13. Optimising investment in green growth will require innovation, it needs to be structured so that the business case to invest in green alternatives is maintained and where possible strengthened. And it needs to recognise and feed into discussions about trade and market access.

14. A good mechanism for this experimentation, will be the approach we intend to take in the African Green Industrialisation Initiative (AGII) which a number of African Leaders launched at COP28. One of the elements in AGII, will be regional clusters across key value chains, in which we develop "green industrial zones" to apply a systemic approach to innovation, combining investment, enabling environment, skill-building, job creation and off-take through market access. These will not only be tangible demonstration of

the potential, kick-starting green industrial development, but are also suitable bounded areas for the experimentation and innovation that is needed to better tailor the instruments and tools of the Global Financial Architecture to Africa's needs. We look forward to working together on this.

15. 2024 and 2025 are crucial years to push the agenda. High level of coordination among many different types of actors: bilateral creditors, private lenders, multilateral institutions and borrowing countries themselves is essential.

16. We need to maximise our membership in the G20 which an important venue where such political consensus can be mustered.

Launch of the Africa Club

17. Towards this, we welcome the launch of the Africa Club, or the Alliance of African Multilateral Financial Institutions (AAMFI). This will allow each entity to be more effective, and the collective to create a step change in their effectiveness and efficiency. But just as importantly, it will be an opportunity for Africa to further inform

international reform and to lead by example with regional collaboration.

18. We need each of the members of AAMFI. The combined strength of their unique profiles will be much better able to design and implement finance and investment approaches and instruments that enable new economic activity for growth and equitable prosperity.

19. We look forward to working together with AAMFI, through AGII and other collaborations, to bring the best of Africa to the world.