

The Climate Finance Highlight



DC L'AFRIQUE

4th April to 8th April 2022

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THE EU'S PURSUIT OF A CIRCULAR ECONOMY

On Wednesday 30th March 2022, the European Commission released a set of strategies that are intended to accelerate its transition towards a circular economy. The EU's new sustainability rules have been proposed to ensure that everyday things like clothes, smartphones, and furniture will have to be made to be long lasting, easier to repair and recycle in order to gain access to the EU market all in pursuit of the bloc's circular economy goals.

The circular economy “refers to an economy that uses a systems-focused approach and involves industrial processes and economic activities that are restorative or regenerative by design. [Thus] enabl[ing] resources used in such processes and activities to maintain their highest value for as long as possible, and aim for the elimination of waste through the superior design of materials, products, and systems” (*Epa.gov*). The aim behind the circular economy is to keep the value of products, materials and resources intact for as long as possible by returning them to the product cycle at the end of their use, all the while reducing the generation of waste. The idea is that the fewer products that are thrown away, the less materials are extracted and this becomes a plus to the environment (*ec.europa.eu*). It also means, “The goods of today are the resources of tomorrow at yesterday's resource prices” (*unctad.org*).

The European Union's pursuit of a circular economy officially began in 2015 with its adoption of the EU circular Economy Action Plan that placed the bloc on the path to cut back and reduce its heavy dependence on raw materials from developing nations in Africa and Asia particularly, which are regions teeming with resources. In 2020, the EU further adopted the new Circular Economy Action Plan as a means of paving a way for a greener and more competitive Europe (Woolfrey and Karkare, 2021).

The new set of rules introduced to guide Europe's transition to the circular economy comprise of four main strategies. One of these broader strategies is a Sustainable Products Initiative, which is aimed at enhancing the circularity of products on the EU market including a reform of Eco-design laws. Here

the goal is to make the sustainable products the norm and extend eco-design beyond energy-related products. The high-impact products like textiles, furniture, paints and steel could be the initial products targeted. These products will also come with digital product passports to provide consumers with information on product sustainability and inform their purchases.

Another strategy tackles textiles and intends on making textiles sustainable that is, durable and recyclable. The textiles and fabrics industry globally generates high waste volumes and pollution. Other strategies targeted by the European Commission include a revision of the Construction Products Regulations (CPR) and the adoption of the new rules to reinforce consumer power. The latter intends on empowering the consumer for the green transition in the near future.

The path taken by the bloc is a good one, especially if it is able to exert enough pressure on developing countries that export to the EU thus allowing these countries to diversify their exports from raw materials to more refined and manufactured goods. This means that all things being equal the EU's decision to turn towards a circular economy could foster industrialization and environmental sustainability in developing nations. However, it is also worthy to note that the current proposal and the EUs transition to a circular economy, as a whole, will undoubtedly have major impact on developing nations. With a goal to reduce demand for raw materials, means that a lot more countries will lose out on exports of their raw materials which in turn spells negative repercussions for economic development especially in countries that heavily depend on exports to the European Union bloc.

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Country	Year Open 31-Dec-20 21	Week Close	YTD Change	YTD
Ghana	6.095	7.4288	1.3338	-17.95%
Nigeria	411.148	415.22	4.072	-0.98%
Kenya	112.216	114.251	2.035	-1.78%
Cote d'Ivoire	579.178	599.14	19.962	-3.33%

Source: Oanda

Exchange Rates

Economic Rates

Country	91 Day T-Bill	182 Day T-Bill	Inflation (%)	Policy Rate (%)
Ghana	14.80%	15.40%	15.70%	17.00%
Nigeria	1.75%	3.00%	15.70%	11.50%
Kenya	7.30%	8.16%	5.56%	7.00%
Cote d'Ivoire	2.26%	2.43%	4.60%	2.50%

Source: Various Central Banks.

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