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Achieving sustainable development in Africa through inclusive green growth

The present policy brief is the first in a series of six briefs, drawn from the fifth edition of the Sustainable Development Report on Africa, a joint publication of the Economic Commission for Africa (ECA), the Food and Agriculture Organization of the United Nations, the United Nations Environment Programme, the United Nations Industrial Development Organization and the United Nations Development Programme on the theme "achieving sustainable development in Africa through inclusive green growth". The theme was inspired by one of the two themes of the United Nations Conference on Sustainable Development, "a green economy in the context of sustainable development and poverty eradication", and the increasing recognition that inclusive green growth could accelerate sustainable structural transformation in Africa. This brief provides a snapshot of the key findings, which are further highlighted in subsequent policy briefs in this series.

African countries, in their common position on the objective and themes of the United Nations Conference on Sustainable Development, recognized that the transition to a green economy could offer new opportunities to advance the achievement of sustainable development objectives through employment creation, economic growth and poverty eradication, while underlining the need for the green economy to be rooted in national objectives. An inclusive green growth pathway employs green economy principles to realize optimal economic, social and environmental outcomes through targeted interventions in key sectors of the economy. In addition, the process should generate good practices and lessons to inform the transition and foster sustainable development.

The quest for an equitable and sustainable transformation has gained momentum in Africa. Such a transformation can be achieved through various strategies, including commodity-based industrialization that leverages comparative advantages in terms of resource endowment. However, the high dependence of Africa's economies on natural resources means that there will be sustained and increased pressure on these resources in the course of its transformation. Minerals, forests, land, water and marine resources need to be harnessed sustainably. The increased demand for resources and infrastructure, particularly energy and transport for industrial development, should be decoupled from social inequalities, environmental degradation and climate change, which are already posing serious limitations to growth.

An inclusive green growth approach provides an opportunity for an equitable and sustainable transformation in Africa, to which inclusivity and the maintenance of environmental integrity are central. In this regard, the fifth edition of the Sustainable Development Report on Africa analysed the key issues, trends, challenges and opportunities for promoting inclusive green growth in selected economic sectors where targeted investments with accompanying enabling measures could spur inclusive green growth and contribute to the realization of sustainable transformation and development. The sectors are agriculture, ecosystems goods and services, energy, industry and trade. The report also examined enabling measures that could foster inclusive green growth towards building inclusive green economies in the region. The aim is to guide countries in making long-term choices for the transition to a green economy.

Agriculture

The crucial role of the agriculture sector in Africa's social and economic development underlines the importance of promoting inclusive green growth in the sector. Agriculture has been the engine of economic growth in most African countries, and contributes an average of one-third to the region's gross domestic product (GDP). Although employment in agriculture is declining globally, the sector still accounts for more than half of the total employment in sub-Saharan Africa.[1] It is estimated that more than one in four Africans are undernourished, a figure which is projected to increase because of the growing threats of climate change.[2] Furthermore, while agricultural GDP has grown by an annual 3.3 per cent over the past decade, this growth has been far from inclusive and green. African farmers still make up the largest share of the poor, and most of this growth is associated with environmental degradation.[3] Other additional factors that warrant urgent efforts to foster inclusive green growth in the sector are its high dependence on natural resources and the associated negative impacts on environmental sustainability; and the need for climate change adaptation and mitigation in the sector.

Inclusive green growth interventions in the agriculture sector should enhance productivity and add value to primary products, in addition to rendering it green and inclusive. Agriculture productivity in Africa has been increasing but it is still far below optimal efficiency. Moreover, it has not been translated into food security for most Africans and environmental degradation continues unabated.

Improving the functioning of African land markets could be a trigger for inclusive green growth in agriculture. For farmers to be able to invest in their land and adopt sustainable agricultural practices, legal ties to land need to be recognized without gender discrimination. Such ties need to be clearly defined, identifiable on the ground, and enforceable at low cost.

Ecosystems goods and services

The development and management of ecosystems goods and services[4] provide the opportunity to create jobs, improve human welfare and reduce poverty by using resources efficiently and enhancing environmental assets. Ecosystem goods and services are critical to promote an inclusive green economy as poor households rely disproportionately on natural resources and the environment for their livelihoods and income. The poor are also more vulnerable to natural disasters such as droughts and floods and to the ongoing impacts of climate change. By maintaining healthy ecosystems and increasing their resilience, ecosystems goods and services management preserves the economic values of natural resources and can utilize these natural capitals for improving social outcomes, reducing poverty and reversing environmental degradation.

Inclusive green growth based on ecosystems goods and services can support the livelihoods of the poor and promote the realization of sustainable development in Africa. Millions of people in Africa earn most of their income from ecosystems goods and services. Inclusive green growth realized through ecosystems goods and services would enhance water quality and provision; promote the development of clean and renewable energy sources; enhance food security; improve gender integration; promote sustainable use of natural resources; and stimulate innovation, employment creation and sustainable economic development.

To enhance the benefits derived from ecosystems goods and services, sustainable management and sound governance of natural resources should be accorded a high priority. Policy decisions on effective governance of EGS should be based on sound scientific evidence, provide tangible benefits to people and be relevant to overall development. Supportive policies and incentives, and evaluation systems such as strategic environmental assessment, would allow higher-order or strategic decisions to be subjected to environmental and social scrutiny.

Energy

Energy is an engine of economic growth and poverty eradication. Energy can support businesses, wealth and employment creation, thus improving the welfare of the majority of Africans. The region is endowed with a wide range of energy resources. Despite this endowment, Africa currently faces many energy-related challenges. More than 75 per cent of the African population is without electricity and 81 per cent depends on solid traditional biomass fuels for cooking. Per capita electricity consumption levels in Africa are much lower than the global average. Hence, Africa needs to transform its resource endowment into modern energy forms to drive its transformation and sustainable development agenda. This can be achieved by catalysing investments for exploration and exploitation of the abundant energy resources. The application of inclusive green growth principles and practices could drive the required transformation in the energy sector with beneficial economic, social and environmental impacts.

1 www.fao.org/docrep/015/i2490e/i2490e01b.pdf.
2 United Nations Development Programme, African Human Development Report: Towards a Food Secure Future, (New York, 2012).
3 World Bank, World Development Report 2008: Agriculture for Development, (Washington D.C., 2007).
4 Ecosystem goods and services are the benefits that people obtain from both natural and modified ecosystems.

Fostering inclusive green growth in the energy sector can contribute to addressing Africa's energy-related challenges. Despite Africa's abundant fossil and renewable energy potential, severe energy-related challenges persist, suggesting that current approaches to energy development and deployment have not delivered the desired levels of energy services and security. Inclusive green growth policies and practices can contribute to meeting the challenges of energy insecurity and poverty; reducing energy intensity; enhancing the clean energy mix; increasing energy access and consumption; reducing energy prices; and reducing environmental impacts, while improving human welfare.

Development of the renewable energy sector presents considerable opportunities for inclusive green growth. Africa's considerable renewable energy potential, which could be a major contributor to clean energy, improved social well-being and jobs, remains largely untapped. Renewable energy can create up to 25 per cent more jobs than coal and 90 per cent more jobs than nuclear energy, per unit of energy generated. However, the development of renewable energy is constrained by low investments in the sector, and aggravated by the high cost of technologies and small markets for products. Exploiting economies of scale through regional power pools can remove the constraints and increase the share of renewable energy in the total energy mix.

Industry

Africa's natural resources endowment can propel a commodity-based industrialization and economic structural transformation that could shift the sectoral composition in favour of high-productivity activities, especially manufacturing and modern services.[5] Such industrialization can be oriented to promote inclusive green growth that fosters resource use efficiency and ecosystems integrity, creates jobs, generates income and wealth, lifts millions out of poverty and improves human welfare. There is correlation between industrialization (represented by manufacturing value added), and economic growth that increases productivity, generates income, reduces poverty and provides opportunities for social inclusion. Manufacturing value added also brings about productive employment and improves not only the number of jobs but also their quality in all countries.[6] The raw material-based commodity exports led to a loss of much-needed productive employment, jobs, income generation and shared prosperity that can be achieved through manufacturing value added and value chain development. Africa's untapped domestic market, emerging markets in the South and high commodity prices are potential drivers of manufacturing value added and value chain development in the industrial sector.

African countries largely continue to export raw materials with low value added, resulting in low industrial development. This situation has prompted the current drive for the structural transformation of African economies through accelerated industrialization. The application of inclusive green growth principles and practices in the implementation of national and regional industrial development frameworks, supported by adequate sustainable infrastructure, could contribute to transforming African economies from agrarian and resource-based to more industrialized economies, and lead the continent towards a sustainable development pathway.

Inclusive green growth opportunities are emerging in the agribusiness and agro-processing, mineral and metals, regional, south-south and global value chains. However, energy challenges threaten the development and sustainability of these activities. African Governments should capitalize on the under-tapped renewable energy and energy efficiency opportunities, to meet sustainable energy requirements for increased valorisation of its natural resource endowment and generate productive employment and income for its citizens, particularly the young.

Trade

There are a number of important ways in which trade can foster inclusive green growth in Africa. Through trade, States can expand the goods and services produced, create decent employment opportunities and enhance economic ties with the rest of the world within African economies, so that the growing demand for green and eco-friendly goods in the rest of the world can be met through African producers, across a variety of sectors. The green growth strategies being adopted by African countries could accelerate investment in resource-efficient technologies and new industries, while managing costs and risks to domestic taxpayers, businesses, communities and consumers.[7] African countries can achieve inclusive green growth within a highly globalized and competitive world market by harnessing the abundant natural resources that also provide a broad range of benefits across the various sectors of society. Trade in a green economy will promote production efficiency not just by means of specialization, but also through resource efficiency, building on economies of scale and enhanced competition. Policy interventions are needed to promote inclusive green growth in Africa and, depending on a country's openness to trade and global markets, there are important interactions that need to be considered in designing country-level strategies for inclusive green growth.

5 Economic Commission for Africa and African Union, Economic Report on Africa 2013. Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation (Addis Ababa, Economic Commission for Africa, 2013)

6 United Nations Industrial Development Organization, Competitive Industrial Performance Report 2012/2013. The Industrial Competitiveness of Nations: Looking back, forging ahead (Vienna, 2013).

7 Green Growth Best Practices, Green Growth in Practice: Lessons from Country Experiences (2014). Available from www. ggbp.org.

Trade has the potential to spur inclusive green growth in Africa and support the transition to an inclusive green economy. However, this can only be achieved if comparative advantages in sustainably produced goods and services are exploited. The identification of inclusive green growth opportunities and niche markets should be prioritized. Overspecialization in a small set of "staple" activities that tend to be driven by the forces of international trade should be avoided.

The drivers of the green economy transition in Africa are the same forces that would reinforce Africa's comparative advantage in trading green goods. The process of transformation would move Africa from being an exporter of primarily resource-intensive goods with low value added to being a resource-efficient producer of "green" goods. These processes are self-reinforcing and require that green growth-oriented policies take into account, and are adaptive to the forces of a highly-globalized marketplace.

Infrastructure investments are also critical to keep down transaction costs and ensure the trade competitiveness of African "green" goods in a globalized marketplace. Upgrading and expanding ports and cargo-handling capacity and improving national and subregional rail networks are a key part of this strategy, and go a long way in themselves towards enhancing inclusive green growth. Transportation by rail, for example, has been shown to reduce the carbon emissions associated with transporting goods across countries and borders, and tends to be more resilient to water and heat stresses than roads – this is important when considering the future impacts of climate change.

Enablers of the transition

Political economy analysis should be carefully undertaken to inform decisions and actions to drive the process of the green economy transition, in view of the attendant shift of resources and the likely winners and losers that would result from the transition. Efforts to make the transition towards an inclusive green economy are still at the early stages, but valuable experiences are being documented by a number of countries that have adopted an inclusive green economy roadmap. These are dissipating uncertainties that others may still have about the green economy. The transition, however, requires an optimal combination of enabling measures including policies and strategies to enable growth through increased productivity, value addition and competitiveness; generate social benefits with decent jobs, improved livelihoods and welfare; and enhance natural capital and environmental resilience. Adequate finance, technology development and transfer, capacity development and institutions are other enablers required to further the development and implementation of inclusive green economy policies that drive the desired transition and transformation. International coordination and cooperation are also necessary to complement domestic efforts.

Policy briefs of the Economic Commission for Africa (ECA) are based on analyses and research on the social and economic development of Africa, carried out at or in collaboration with the Commission. The mandate of ECA is to promote economic and social development in member States and foster regional integration in Africa.

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