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Item 6: Economic development in Africa:
Structural Transformation and Sustainable Development in Africa

Sustainable Economic Transformation as a Driver for Inclusive Growth and Competitiveness in Africa

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

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Challenges and opportunities for achieving sustainable structural economic transformation

Inclusive growth and poverty

- Africa experienced robust economic growth in the past decades, but growth has not translated into significant levels of poverty reduction and social inclusiveness.

World's ten fastest-growing economies*
Annual average GDP growth, %

2001-2010 Estimate		2011-2015 Forecast	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	D. R. Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

Employment creation

- Even in times of high economic growth, Africa still faces high levels of unemployment and under-employment.

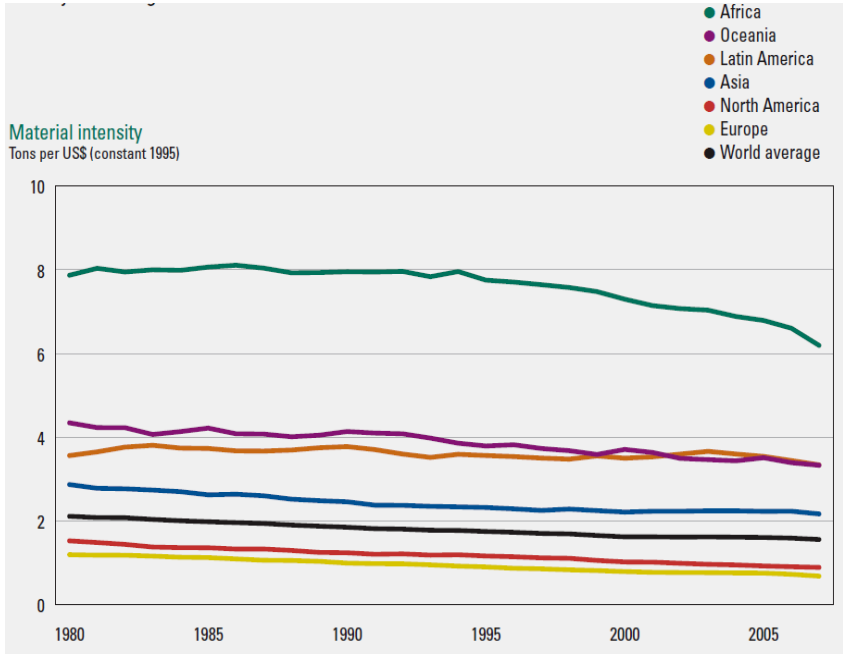
- This is in part because economic growth in the last decade has been led by capital-intensive enclave sectors with low employment elasticity of output growth (UNECA 2011).

There is growing evidence that investments to promote sustainable development can enhance job creation in areas of importance to Africa, including sustainable agriculture (+4%), clean energy generation and energy efficiency (+20%), forest management (+20) and sustainable transport (+10%).

Green opportunities for industrial growth

- Taking advantage of the early stage of industrialisation, African countries can freely choose between available technology paths and achieve a "leapfrog" industrial development.
- Reducing environmental, social and economic costs
- Increasing efficiency in energy and material input to enhance international competitiveness.

Material intensity of the world economy: Domestic extraction of materials per unit of GDP by world region

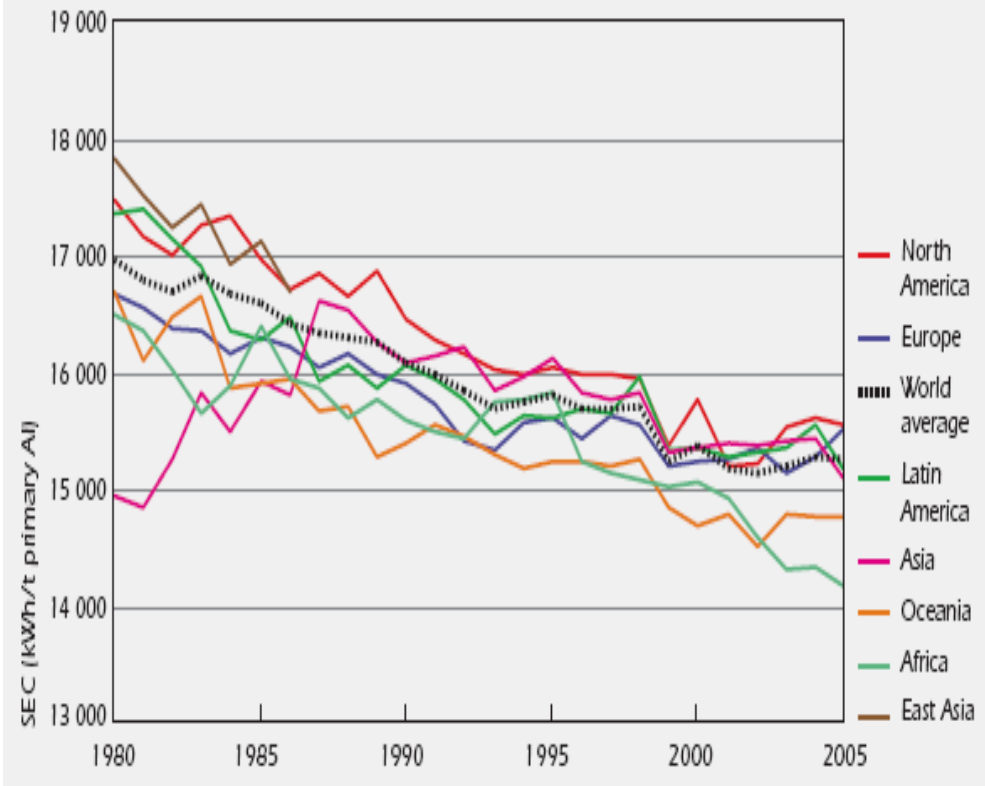


Leapfrogging

- The use of outdated technology, smaller-scale plants, and inadequate operating practices are factors causing inefficiency in production processes.

- In the aluminum sector, Africa has the most efficient smelters in the world due to new production facilities that have the latest technologies in the field.

Regional specific power consumption in aluminum smelting

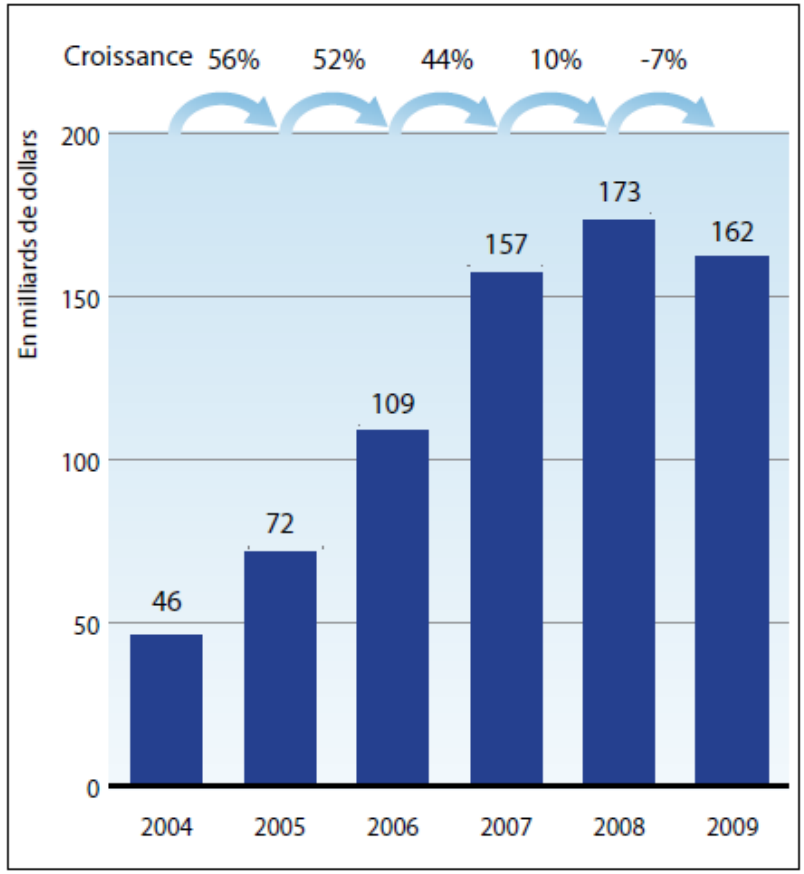


Source: International Aluminium Institute, 2003.

Trends in clean energy investment

- Investment in renewable energies grew reached $257 in 2011, a six fold increase on the 2004 figure of $46 billions (UNEP and gGmbH 2012).
- In 2010, for the first time, developing countries received more investment in clean energy than developed countries, with $72 billion invested.
- When Brazil, China and India are excluded, African countries received the largest investment in developing countries.

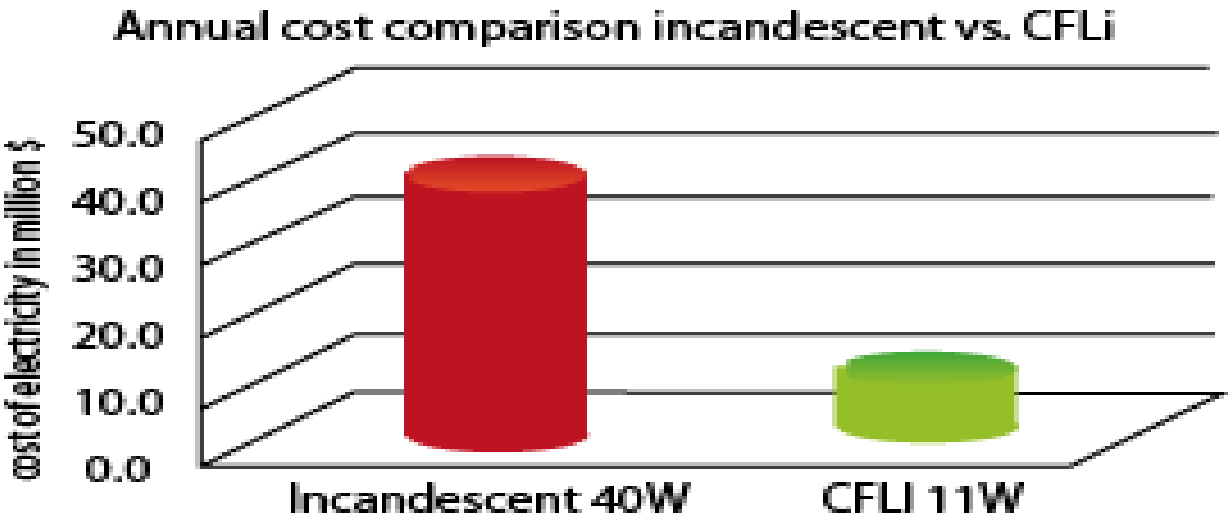
Investment in clean energy, 2004-2009 (billion $)



Source : UNEP and Bloomberg New Energy Finance, 2010.

Potential for energy saving

- In a country such as Senegal, a 100% replacement of installed incandescent lamps with compact fluorescent lamps at an estimated cost of $ 52 million, could deliver annual energy savings of 73% and cost savings of nearly US$ 30 million



Source: en.lighten

Benefits of greening agriculture

Investments aimed at increasing the productivity of the agriculture sector have proved to be more than twice as effective in reducing rural poverty than investment in any other sector

A 10% increase in agricultural productivity is estimated to reduce poverty by 5% in Asia and 7% in Africa.

Sustainable agricultural practices can increase productivity, on average, by 79% on small farms.

Pathways to a Sustainable Economic Transformation

Some Successful Policy Initiatives

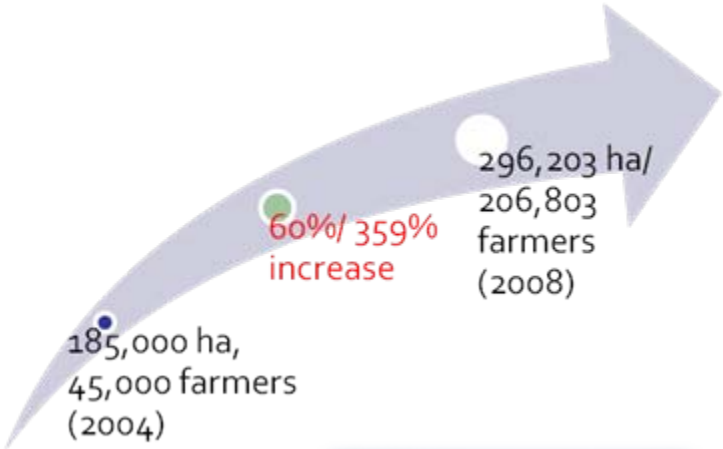
Important shifts in development strategies

- **South Africa's** New Growth Path and Green Economy Accord
- **Ethiopia's** Climate-Resilient Green Economy Green economy strategy
- **Senegal** Economic and Social Policy Paper (2011-2015)

"It seems to me that structural economic transformation and green development in Africa not only go together but are virtually inseparable."

H.E. Meles Zenawi, Late Prime Minister of Ethiopia, 25 November 2011

Uganda – *Sustainable agriculture*



US$ 22.8 mil (2007/8)
US$ 6.2 mil (2004/5)
US$ 3.7 mil (2003/4)

48-68% less emissions and carbon sequestration

The global market:
97% of buyers in OECD countries;
80% of producers in Africa, Asia and Latin America

A $ 60 bn market growing at 10% per year

Egypt– *Wind energy development*

- Egypt adopted a "Long-Term Plan for Wind Energy" and fixed a target to meet 20% of electricity needs with renewable energy by 2020, with 12% cent coming from wind energy.

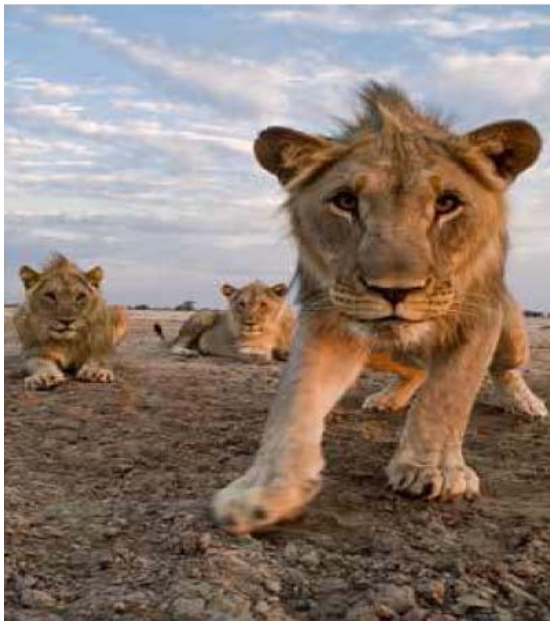
- A New and Reliable Energy Authority (NREA) was set up to foster growth in this sector.
- A target of 3500 MW installed capacity has been set for 2025.
- In 2010, renewable energy investment in Egypt rose by $800 million to $1.3 billion as a result of the solar thermal project in Kom Ombo and a 220MW onshore wind farm in the Gulf of Zayt.

Kenya – *Ecosystem restoration*

- The Mau forest is the largest closed-canopy forest ecosystem in Kenya covering over 400, 000 hectares.

- Over 25% of the Mau Forest cover has been lost to ecosystem encroachments threatening natural capital, biodiversity and livelihoods.
- The value of the Mau forest complex to the economy, including tourism, hydro power, agriculture and the tea industry is estimated as much as US$1.5 billion a year.
- A multi million restoration initiative to reverse trends of decades of deforestation started in 2010.

Namibia – *Income from protected areas*



Source: GEF, 2010

- Namibia's protected area system covers 17 % of the country's terrestrial area.
- Protected areas contribute up to 6.3% of GDP through park based tourism only, without accounting for other ecosystem service values.

- Namibia increased the annual budget for park management and development by 300% in the last four years.
- The Ministry of Finance agreed to ear-mark 25% park entrance revenue for reinvestment through a trust fund, providing up to $2 million in additional sustainable financing per year.

Ghana – *Reforming fossil fuel subsidies*

- In 2005, Ghana used the findings of a Poverty and Social Impact Analysis which demonstrated that petroleum subsidies go predominantly to higher income groups, to initiate a public and parliamentary debate on reforming such subsidies.

- In parallel to reducing petroleum subsidies, Ghana eliminated fees for attending primary and junior-secondary school, and made available extra funds for primary health care and rural electrification programs

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