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President's summary

Economic development in Africa: Structural transformation and sustainable development in Africa

(Agenda item 6)

1. The focus of the morning session was to introduce and discuss the *Economic Development in Africa Report 2012*, which centred on structural transformation and sustainable development in Africa. The report was widely perceived by most regional groups as a timely and relevant report, in the aftermath of Rio+20 and in the context of the current ongoing debate on the building of green economies and the pathways for transitioning to green economies.
2. The report was built on last year's report, which discussed the importance of a new industrial policy for Africa, highlighting the imperative for Africa to engage in structural transformation through industrialization in order to boost incomes, create jobs, lessen vulnerabilities to shocks and reduce poverty. However structural transformation could also lead to a more intense use of resources, which in turn could result in adverse environmental impacts and unsustainability in resource use. This year's report focused on how Africa could resolve its dilemma between pursuing structural transformation and promoting environmental sustainability. The main message of the report was that Africa could reconcile such a dilemma by engaging in a sustainable structural transformation strategy integrating a relative decoupling of resource use and environmental impacts from the growth process.
3. Several participants said that despite Africa's impressive growth performance over the past 10 years, important challenges remained to be addressed: building productive capacities, achieving food and energy security, managing volatility in commodity prices and reducing high unemployment among the young and poor. Foreign direct investment (FDI) remained an important strategy for Africa to tackle such challenges.
4. Many participants congratulated UNCTAD for its report and the quality of its analysis, and shared the view that sustainable structural transformation could provide a relevant operational framework for African countries to make a transition towards greener economies. They stressed that the contribution of African countries towards climate change was marginal and that developed countries should pursue absolute decoupling while supporting Africa to adapt to climate change and engage in sustainable structural transformation. Such support from developed countries could take the form of technology transfer, increased official development assistance, the maintenance of open markets in the North and capacity-building. The principle of common and differentiated responsibilities was a guiding principle for ascertaining the various obligations of developed and developing countries.
5. Other participants said that the report was right in pointing out that environmental problems should be treated as a development problem and called on UNCTAD to help African countries implement the policy recommendations of the report. In addition, the current economic and financial crisis should not be used as a reason for curtailing assistance and transfer of technology to developing countries, particularly African countries. Several participants noted that while South-South cooperation could provide Africa with the training and technology it needed to foster sustainable structural transformation, such cooperation should in no way be considered a substitute for North-South cooperation. Some participants called on development partners to fulfil their financial pledges to Africa and LDCs under existing mechanisms and conventions such as

the United Nations Framework Convention on Climate Change and the Global Environmental Facility. UNCTAD should pursue its research on sustainable structural transformation and document best practices in sustainable development across various regions as a way to promote the interregional sharing of success stories and lessons learned. In this context, UNCTAD should also explore the ways and means to enhance forums and mechanisms such as the New Asian-African Strategic Partnership in order to maximize their developmental impact. The Thailand International Development Cooperation Agency had been providing technical assistance and training programmes to Africa since 1978 in areas such as agriculture, public health, irrigation, aquaculture and sustainable tourism, and Asia and Africa should strengthen their collaboration on the issue of sustainable development.

6. The Government of Ethiopia had striven to promote sustainable, inclusive growth, notably through its Climate-Resilient Green Strategy. It was important not to systematically discourage African countries from resorting to large-scale agricultural farming as a means of raising agricultural productivity. The Governments of Egypt and Morocco had also taken steps to promote sustainable development through region-wide efforts. For example, Egypt's Fund for Technical Cooperation with Africa was being used to support other African countries with training courses in a number of areas, such as agriculture and natural resource management.

7. Some delegates said that the international community would need to ensure that the proposal to develop the Sustainable Development Goals did not deflect action and attention away from the attainment of the Millennium Development Goals. Africa should develop its own model of sustainable development based on country ownership, taking into account the specificities of African countries and their need to achieve international competitiveness. There was a need for Africa to preserve policy space to pursue green growth and for the international community to safeguard flexibilities in the intellectual property rights regime to ensure faster technology transfer.

8. A number of participants emphasized the role of effective developmental States in spearheading a sustainable structural transformation. They called upon UNCTAD to strengthen its work on the State as a catalyst for development as well as on Africa's ongoing regional integration initiatives, such as the Trilateral Free Trade Agreement and the Continental Free Trade Area. Other issues discussed included the case for African governments to better negotiate resource rents with foreign multinational corporations and to better manage resource rents in general, improve on infrastructure and regional cooperation, strengthen domestic resource mobilization and domestic financial markets, and support the development of small and medium-sized enterprises.

Panel discussion

9. During the panel discussion titled "Towards Sustainable Structural Transformation in Africa: Challenges and Opportunities", participants reiterated that Africa's commodity-driven growth and exports were not translating into significant poverty reduction, job creation and sustainable transformation, and that industrial development through industrial policies had become an essential pathway for the continent. However agriculture as a sector should not be neglected, nor should African countries allow its structural transformation to bring about adverse impacts on its environment.

10. Absolute decoupling could not be an option for Africa, given the region's pressing basic economic needs. African countries must be given the space to catch up with the living standards of other countries but should concomitantly aim at increasing resource productivity. While Africa's transition towards greener economies through sustainable structural transformation would bring opportunities, important challenges would have to be

tackled. Participants gave examples of how Africa could position itself in the global green economy, how to make relative decoupling a feasibility in Africa and how African countries could engage in technological leap-frogging, build effective developmental States and secure financing for its sustainable structural transformation.

11. South Africa's New Growth Path and the five-point work programme of the Southern African Customs Union were examples of ongoing efforts to achieve sustainable development. Further, the boosting of intra-African trade was a significant potential lever for accelerating structural transformation in Africa.

12. Renewable energy development in Africa faced the constraints of financing and regulatory issues, such as the continued subsidizing of fossil fuel subsidies in African countries. Participants identified a number of policies for promoting renewable energy development: gradually phasing-out fossil fuel subsidies, addressing market failures by providing incentives and appropriate regulatory frameworks, strengthening market infrastructure and market-based mechanisms such as the Africa carbon market and the clean development mechanism, boosting public investment in renewable energy and increasing regional cooperation through regional power sharing.

13. Technological leap-frogging was possible in Africa, given that it was a latecomer to industrialization. For example, African aluminium smelters were among the most efficient in the world, owing to new production facilities that had integrated the latest technologies in the field. African countries were receiving a growing share of clean energy investments. The potential for energy savings was also non-negligible. For example, in Senegal, it was estimated that a 100 per cent replacement of installed incandescent lamps with compact fluorescent lamps at an estimated cost of \$52 million could deliver annual energy savings of 73 per cent. Further, investments aimed at increasing the productivity of the agriculture sector had proved to be more than twice as effective in reducing rural poverty than investment in any other sector and that sustainable agricultural practices could increase productivity on average by 79 per cent on small farms. Participants highlighted successful policy initiatives relating to sustainable structural transformation in South Africa, Ethiopia, Senegal, Uganda, Egypt, Kenya, Morocco, Namibia and Ghana.

14. Other issues raised during the discussions related to how Africa's current terms of trade could affect incentives for engaging in sustainable structural transformation, lessons learned from existing environmental financing mechanisms and how these could be relevant for Africa, and the role that official development assistance and FDI could play in financing sustainable structural transformation. Official development assistance to sub-Saharan Africa in the energy sector, for instance, accounted for only 2 per cent between 2005 and 2010, signalling that changes in the aid allocation regime were necessary. Some participants expressed the concern that the provision of incentives on its own would not be enough to attract FDI and domestic private investment in the energy sector, as the private sector was motivated mainly by profits. Others, however, said that the returns from renewable energy projects could in some cases be high enough to attract private investments and that further future falls in the costs of acquiring and deploying renewable energy technologies would increase the attractiveness of investments in the renewable energy sector. A number of participants stressed the critical role of the State in mobilizing investments and said that domestic resource mobilization should also be explored as a source of finance.

15. Some participants asked whether estimates were available on the costs for Africa to achieve sustainable structural transformation. A few participants said that such costing would be difficult to undertake before the process and should instead be done on an ongoing basis. The achievement of sustainable structural transformation would require an incremental approach rather than a sudden shift. Other participants suggested that Africa should not be deterred from engaging in sustainable structural transformation owing to

costs, as growing unsustainably would in the long term be costlier than growing in a sustainable manner and that the twin goals of structural transformation and environmental sustainability were inseparable. Global thinking should shift towards recognizing the economy as a subsystem of the Earth system.
