

## Inclusive Green Economy and Structural Transformation in Africa

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Over the last decade, African economies recorded impressive economic growth rates. Economic growth remains vigorous and growth is forecasted to be 5.5% in 2013-2014 in Sub-Saharan Africa. Today, almost a third of the countries in the region are growing at 6% or more. African countries are now routinely among the fastest growing countries in the world (World Bank, 2013). Despite the remarkable economic performance, Africa has the world's highest proportion of poor people and is off track to meeting key MDGs (ECA, 2014). It is also projected that the continent's population will increase by approximately 800 million people by 2040, putting even more pressure on natural resources.

The challenge confronting the region therefore is not only to maintain, but to translate the rapid economic growth into sustained and inclusive development, based on economic diversification that creates jobs, contributes to reduced inequality and poverty, and enhances access to basic services. This underlies the renewed calls by countries for a structural transformation that fosters sustained and inclusive economic growth (Lin, 2012). Rodrik (2013) notes that while East Asian countries grew rapidly and turned their farmers into manufacturing workers, diversified their economies, and exported a range of increasingly sophisticated goods, little of that is taking place in Africa today.

Structural transformation in the region will be associated with an inevitable increase in the uptake of resources to meet basic needs, and the development of infrastructure, particularly energy and transport for

industrialization and economic growth. Conceptually, structural transformation entails systematic changes in sector contributions to output as economies grow. Essentially, four interrelated processes define the structural transformation process: i) a declining share of agriculture in GDP and employment; ii) the rapid process of urbanization as people migrate from rural to urban areas; iii) the rise of a modern industrial and service economy; and iv) a demographic transition from high rates of births and deaths (Timmer, 2012).

Adopting an inclusive green economy (IGE) approach to structural transformation could enable African countries to ensure efficient, equitable and sustainable use of their natural resources and reduce the adverse impacts of economic growth. In order to be inclusive and sustainable, structural transformation should be decoupled from social inequalities, environmental degradation and climate change, which are already posing serious limitations to growth. Moreover, the high dependence of Africa's economies on natural resources signifies increased and sustained pressure on these resources. As such minerals, forests, land, water and marine resources need to be efficiently and sustainably harnessed. The transition to IGE would enable African countries to respond to these challenges.

Thus, in the context of Africa's structural transformation, IGE could play an important role in the following areas: increasing agricultural productivity and production in a sustainable manner; harnessing Africa's natural resources endowment sustainably; accelerating and promoting sustainable

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industrial development; boosting overall and renewable energy production, access and efficiency; expanding trade opportunities; and creating jobs and reducing poverty. We illustrate these with three country case studies (ECA, 2015 a, b, c).

## **Tunisia**

Development programs implemented since independence led to sustained economic growth and establishment of a diversified economic structure. Despite the integration of sustainable development into policies in the past twenty years, Tunisia still faces serious challenges including:

- Increasing spatial and social exclusion, caused by regional disparities and high unemployment.
- High pressure on natural resources and ecosystems with negative consequences for air, water, and soil quality, as well as coastal marine degradation.

The National Conference on Sustainable Development held in October 2014 and “The National Strategy for Sustainable Development” recently adopted, reflect strong commitment of all stakeholders to IGE. Indeed, the transition to IGE would lead to positive economic, social and environmental benefits for Tunisia. It is estimated that green investments of 2 per cent of GDP would lead to 227000 to 307000 jobs (7 to 9.5% of total employment). This potential would be distributed as follows: 12% for energy, 56% for the construction sector, 30% in agriculture and 2% in the water sector (ITUC, 2012).

Intra-sectoral transformation in the agriculture sector through crop diversification, coupled with soil and water conservation would result in positive agricultural yields and revenues, positive impacts on rural poverty and reduced rural emigration. In the tourism sector, the necessity of protecting the Tunisian coast has led to a strategy of tourism

diversification which will result in increased share of the services sector in GDP. Energy efficiency and renewable energy also represent a vast field of deployment of IGE policies. The positive impacts on employment of the Tunisian Solar Plan are estimated between 7000 and 20000 jobs (ANME and GIZ, 2012). Finally, the environmental upgrading of industrial enterprises is an essential component of IGE policies in Tunisia.

## **Ethiopia**

Over the past decade, Ethiopia’s economy has become one of the largest non-oil exporting economies in Africa and one of the top ten fastest growing economies in the world. Economic growth has led to a considerable increase in per capita GDP, from USD 162.8 in 2005 to USD 505 in 2013<sup>1</sup>. Despite the progress, the poorest of the poor are yet to benefit to the same extent.

Ethiopia has embarked on structural transformation agenda as reflected in its Growth and Transformation Plan (GTP) (2011-2015). The GTP gives due emphasis on promoting the agricultural and manufacturing sectors, and infrastructure development. GTP also recognizes the importance of environmental issues (e.g., climate change) and of conservation and management of natural resources for sustainable structural transformation.

Ethiopia is also implementing a Climate Resilient and Green Economy (CRGE) strategy. This strategy is consistent with the structural transformation plan and reinforces the country’s long-term economic vision. The Government has selected a suite of green economy projects meeting CRGE criteria. When implemented, GDP per capita will increase to more than USD 1800 by 2030, while at the same time GHG emissions will decrease on a per capita basis to 1.1t CO<sub>2</sub>e (FDRE, 2011). Accordingly, four initiatives were

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<sup>1</sup>World Bank data

selected to fast-track implementation of the CRGE strategy: hydropower development, rural cooking technologies, livestock value chain, and forestry development. These initiatives offer prospects of immediate economic growth and large carbon abatement potential. More importantly, the initiatives were selected to maximize synergies between environmental, social, and economic development outcomes, while managing the costs, trade-offs, and uncertainties of the transition.

### **Burkina Faso**

Despite the positive outcomes observed in terms of economic growth rates (4.4 percent) over the period 2000-2013, Burkina Faso is one of the poorest countries in the world. The poverty rate was more than 40 percent over the period 2000-2010 (UNICEF, 2010). The economy is heavily reliant on agriculture and mining. About 85% of the population depends on natural resources which contribute 31.5% of the GDP. In this context, the government is focusing on sustainable development through implementation of poverty-environment objectives and encouraging innovative investment in the agriculture and environment sectors for pro-poor growth. Since 2011, the country has been implementing the Strategy for Accelerated Growth and Sustainable Development (SCADD<sup>2</sup>).

The policies implemented through SCADD will accelerate the transition to an inclusive green economy and structural transformation. In the primary sector, SCADD would improve agricultural yields, productivity and growth of agricultural value added by 10.7% due to (i) water management, (ii) grants of agricultural inputs, (iii) technical assistance to producers, (iv) support to agricultural research and introduction of modern varieties and (v) farmers' access to agricultural mechanization and credit.

Moreover SCADD will increase the growth of valued added of secondary and tertiary sectors by 11.8% and 12.5%, respectively. The ultimate impact will be reduced poverty and better income distribution.

### **Conclusion and recommendations**

The transition to an IGE will not happen automatically. Certain enabling conditions need to be in place, including:

- An integrated strategy, with high level political commitment, effective policies and institutions to promote the transition and direct private investment in major economic sectors (agriculture, industry, services);
- A strategy for innovation, technology development and transfer for green industrialization and economic development;
- A comprehensive capacity development program targeting all sectors and stakeholders;
- Adequate funding for the green economy including mechanisms for mobilization of domestic and international resources;
- The involvement of civil society, public awareness and empowerment of citizens.

The three country examples also show that there is a wide array of policies and policy instruments that countries can develop or adapt and implement to foster the transition to IGE. The choice of policies will of necessity depend on country specificities including the level of development and structural transformation priorities and objectives.

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<sup>2</sup> SCADD: Stratégie de Croissance Accélérée et de Développement Durable.

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