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Side-event
"Financing for Sustainable Development: Towards a 21st Century Sustainable Financial System"

Remarks

by

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Ladies and Gentlemen

A decade of non-inclusive growth is not a lost decade. Complacency cannot be the order of the day as the persistent social challenges limits access to the fruits of our labor to an estimated 366 million people in Africa still living on less than $1.25 a day. Africa's growth did not translate into decent jobs and enough poverty reduction. Over the last decade African countries implemented a range of programmes to boost broad-based economic growth. Medium term prospects remain strong, with the average GDP growth rate projected to accelerate to 5.1 per cent in 2015. But how could this growth become transformative, inclusive and raise Africans' well-being?

Sustainable development is not just another slogan. For Africa it is actually an opportunity if we do the right things. We will undoubtedly have challenges to address. If we want to move in a path of economic transformation, with industrialization at its centre.

Africa's industrialization will require investments in new technologies, equipment, buildings and infrastructure, and new markets. We have capital and human investments to make to enhance manufacturing value addition. 15 per cent from the tertiary sector is low. Current industries are characterized by high energy and material intensive prone to waste generation. We need a new model.

Ladies and Gentlemen,

To spur, sustainable development in Africa, strategic actions on three fronts is required: (1) capitalizing on the economic importance of natural capital in wealth creation, employment, livelihoods, and poverty reduction; (2) greening Africa's industrialization through the deployment of clean, efficient, and resource-saving technologies; and, (3) putting in place a set of enabling policies and institutions including financing.

Based on these strategic actions, Africa has five key priorities: (1) accelerating and promoting sustainable infrastructure; (2) boosting overall and renewable energy production and access; (3) increasing sustainable agricultural production while harnessing Africa's natural resources endowment for broad-based development; (4) investing in innovation and technologies; and, and (5) expanding trade opportunities.

To turn the tide, grow and transform Africa needs massive financial investment which should start from domestic resource mobilization. It is estimated that incremental investment to achieve sustainable development targets in developing countries is $1.1 trillion per annum between 2000 and 2050, based on costs required to meet sectorial targets in energy, manufacturing, transport, buildings, waste, agriculture, fisheries and water, and forests. Compared to global figures, $2 trillion is currently invested in infrastructure annually, including transport, energy and water (excluding transport vehicles and buildings). It is also estimated that $1.3 trillion will be required annually to replace and maintain water infrastructure in developing countries and emerging markets. A shift to green infrastructure could require additional spending – an upper-end estimate puts this in the order of $350 billion per year.

More specifically, Africa has a major deficit in infrastructure. Massive investment in transport, energy, ICT, and water and sanitation could strengthen the platform for sustainable development. Infrastructure requirement has been projected at about $100 billion per year. The Priority Action Plan for Infrastructure Development in Africa (PIDA) adopted by African Heads of State in 2012 requires $68 billion for implementation until 2020, and $300 billion for project implementation through 2040.

Moreover, renewable energy and energy infrastructure is a top priority in Africa where, as of 2011, about 600 million people (80 per cent of the population) did not have access to electricity. The level of public investment required to shift to the global supply of clean energy is in the range of $116-139 billion if the private sector can invest about $558 to $581 billion. The green investment gaps for low-carbon energy supply and energy efficiency at the global level, based on CO_2 emission reduction targets, stands at $1 trillion annually over the next thirty years. The projected annual shortfall to drive this low-carbon energy transition in developing economies alone is $350 billion. Importantly, opportunities to upscale renewable energy on the continent benefit from the African Power Vision, the African Clean Energy Corridor, the Power Africa Initiative, and the SIDS Lighthouses Initiative, within the overall framework of Sustainable Energy for All Initiative.

Natural resources have been a source of revenue and conflicts in Africa, exacerbated by illicit financial flows. We know that Africa is endowed with mineral resources and ranks first or second in quantity of world reserves of bauxite, chromite, cobalt, industrial diamond, manganese, phosphate rock, platinum-group metals, soda ash, vermiculite and zirconium. The continent has also become an important player in the global production of coal, oil and gas. About 47.2 per cent of Africa's merchandise export share comes from mining, which constitutes 70.5 per cent of primary commodity exports. Yet transformation of these natural resources in other parts of the world continues to leave millions of Africans scrambling for low value addition jobs.

Safeguarding Africa’s natural resources from which most of the growth stems is key. Public investment in the agriculture sector which is the mainstay of the majority of Africans remains low. The region falls short of the $8.55 billion investment per annum required under the Comprehensive Africa Agriculture Development Programme. Transition towards green agriculture requires a whopping $198 billion per year up to 2050 with a further $125 billion per year to 2030 to green primary agriculture in developing countries. Additionally, $2 billion is needed annually just to compensate for deforestation and degradation opportunity costs and $22 billion is required annually for sustainable development of water resources.

These numbers reflect the scale and magnitude of the shift that is required to make Africa’s transformation viable in the current context. The cost of putting Africa on a low-carbon growth pathway is estimated at about $9 to $12 billion per year by 2015 while the incremental cost of climate change adaptation in Africa is between $13 and $19 billion, if proper actions are not taken now. Cumulative annual costs for climate change adaptation are between $520 and $840 billion.

Ladies and Gentlemen,

Significant improvements are being made in a coordinated manner. As such, allow me to reiterate a six point strategy for Africa that I have been presenting to the leaders:

First, Africa is not locked in any technology preferences, it could follow a green and clean energy pathway and leapfrog old carbon-intensive models and pursue a low carbon development pathway. As such, the continent is well positioned to absorb, adapt and build on the vast quantities of scientific and technical knowledge already available.

Second, greater investment in climate science, services and the production of high quality data to facilitate the development of early warning systems and initiate the much needed research on climate impact, vulnerability and adaptation; and for creating a knowledge economy.

Third, major improvements in Africa’s institutional and policy capacity is required in mechanisms for a concerted engagement of all key players, including climate and social scientists, development economists, policy makers, entrepreneurs and users of climate information. It would contribute to the design of innovative multi-sectorial strategies, mainstream climate change into national development plans, and usher in a new form of deliberative democracy. To prepare for climate risks in urban infrastructure and development countries could build climate-proof urban infrastructure and development, and put transport systems on a low-carbon path, like Côte d’Ivoire, Algeria, South Africa and others are doing.

Fourth, investing in expanded south-south partnerships can help risk management. By systematically sharing experiences and lessons learned, disaster-prone countries facing similar challenges can arrive at better climate change solutions. For example, the African, Caribbean and Pacific Small Island States share similar challenges. They can step up efforts to address these challenges and establish south-south cooperation to focus on their unique challenge and incubate several options that will insulate them from current vulnerabilities and develop future opportunities. It is essential for Africa to go beyond the sum total of individual countries capacities.

Fifth, let us leverage Africa's agriculture. With a growing population and an ever-increasing demand for food, investments in agriculture are critical. Investing in production technologies, innovation, water use efficiency and sustainable land management are essential. The bulk of agricultural export across the continent is still predominantly in the form of primary products, with very limited value addition. Leveraging the capacity of the private sector to scale-up investment in agro processing would create jobs and diversify export commodities. Unlocking the sector's strong multiplier effect in the economy would further contribute to increased incomes and poverty reduction.

Sixth, let us use tourism for Africa's advantage and the world's biodiversity wealth. According to the UN World Tourism Organization, Africa is one of the fastest-growing tourism destinations.

Ladies and Gentlemen,

It is in this context that UNEP Financing Initiative is significant. Greater coordination and collaboration aligns Africa's strategy with its need for green industrialization to tackle the continents energy, water and food security challenges which the negative impacts of climate change have accentuated.

UNEP's inquiry into the design of a sustainable financial system comes at an opportune time. The reflections by distinguished experts at this high-level policy dialogue should inform the intergovernmental negotiations at the Third International Conference on Financing for Development, which in turn is expected to inform the enabling measures for the post 2015 development agenda.

The level of stakeholder engagement on the need to align financial systems with sustainable development should be matched by commitments at various levels to make necessary adjustments that benefit Africans and Africa. There is an important element related to equity as volume of financing should be commensurate with the rising incremental costs of achieving sustainable development. In Africa, we have clear-cut opportunities where international financing could benefit the region for example through the renewed drive for national and regional economic transformation programmes, green investments, and enhanced climate change adaptation and mitigation financing such as the Green Climate Fund.

To maintain the sustainable objective, we ought to ensure that the new financial architecture guarantees accessibility and predictability of sustainable development financing coupled with transparency in stakeholders' engagement. As such clarity on what needs to be financed requires strong innovative institutions, strategies and policies.

2015 is a year where decisions we make, commitments we fulfill will allow us to contribute to a foundation that would enhance real transformation for Africans in our commitment to human progress and environmental preservation.