



Enabling measures for an inclusive green economy in Africa

The present policy brief draws from an upcoming joint publication by the Economic Commission for Africa (ECA) and the United Nations Environment Programme (UNEP) entitled “Means of implementation for sustainable development in Africa: enabling measures for an inclusive green economy in Africa”. The brief outlines the role and significance of various enablers that could facilitate a smooth transition in Africa, taking into account the implications for the region,¹ and highlights key messages that could inform the application of enabling measures in Africa for optimal policy impact. It concludes that the transition to a green economy will not happen automatically; and creating certain ‘enabling’ conditions will provide incentives for various stakeholders, including public and private actors, to invest in, and contribute to building an inclusive green economy.

The green economy transition in Africa

An inclusive green economy provides a credible opportunity for Africa to achieve sustainable development. It offers an alternative for tackling the unique development challenges of the region, including persistent poverty and unemployment, environmental degradation, vulnerability to climate change and rapid population growth. The potential for a green economy

to generate further growth for Africa lies in the huge natural resource endowments that form the basis of economic growth for most countries. However, uncertainties and risks to future economic growth inherent to replacing the conventional economic model with a green economy should not be ignored. In this regard, the transition should be designed as a comprehensive, social, economic, political and socio-cultural process of change requiring political and social support, because of uncertainties and concerns about fairness of distribution of costs and benefits that may occur during the transition. This calls for embedding the transition in long-term development plans that have fundamental effects on achieving sustainable development.

The transition will require an intricate array of enabling measures, including supportive institutions and policies in which the transition will be grounded; policy instruments that serve as incentives to foster the transition; an environment that stimulates innovation and the adoption of green technologies that do not exclude any social group; building capacity at all levels to implement inclusive green economy policies and strategies;² adequate financing for the process, including mobilization of domestic and international resources and investments; and a bolstered role of the private sector to complement Government efforts in driving the transition.

1 Enabling conditions are defined as conditions that make green activities attractive opportunities for investors and businesses. If the right mix of fiscal measures, laws, norms, international frameworks, know-how and infrastructure is in place, then a green economy should emerge as a result of general economic activity.

2 United Nations Environment Programme, Towards a green economy: pathways to sustainable development and poverty eradication, 2011. Available from www.unep.org/greeneconomy/Portals/88/documents/ger/ger_final_dec_2011/Green%20EconomyReport_Final_Dec2011.pdf.

Enabling measures

Institutions and policies

Well constituted, strong and effective institutions and sound policies are required for the transition to a green economy to become reality. Institutions and policies play critical roles in enhancing a balanced integration of the three dimensions of sustainable development (economic, social and environmental) with clear and strong linkages. Africa has a wealth of experience in coordinating institutional support, particularly in the implementation of sustainable development agreements. Building on this experience, the region has stepped up the development and implementation of inclusive green economy policies and strategies, and has begun documenting good practices and lessons.

The successful transition to an inclusive green economy in Africa will depend on several institutional factors. These include the strength and effectiveness of institutions, vision of the leadership, quality of the technical and financial planning and coordination processes, depth of stakeholder engagement, institutional governance, and transparency in the implementation and monitoring processes.

Effectively leveraging win-wins in the transition to an inclusive green economy could compensate for any short-term trade-offs that may arise. In addition, embedding inclusive green economy policies within long-term visions and development frameworks could help chart an implementation trajectory that provides a holistic view of short, medium and long-term costs and benefits and facilitates transparent, participatory and informed decision-making.

Policy instruments

The effective implementation of policies can be achieved through the application and enforcement of appropriate instruments. Implementing an inclusive green economy will require a shift towards a policy structure that engenders fundamental reviews, redesign and different mixes of policy instruments that encourage shifts in production, consumption and investments in and across various sectors of an economy. The appropriate deployment of policy instruments can make a significant contribution to enhancing domestic resources, addressing poverty and inequalities and promoting inclusive growth. Policy instruments can be used to correct market failures; generate revenues and create fiscal space for green public investments and social expenditures benefiting the poor; incentivize investments and better stewardship of ecosystems;

and generate information for decision-making. The effectiveness and efficiency of policy instruments depend on existing institutional, legal, social and economic systems. However, choosing an effective policy package that is compatible with the overall policy context should be key.

The choice of policy instruments must be in line with broad inclusive green economy policy objectives and must be consistent with the sustainable development goals of a given country. Emerging policy initiatives and reforms must be evidence-based and seek to benefit all. Since the transition to an inclusive green economy is a dynamic process of change from current practices, the choice of instruments should reflect this dynamism by, for example, encouraging innovation in production processes that promote sustainable resource use.

Effectiveness of an instrument to achieve specific policy objectives must remain paramount. The potential efficiency of policy instruments must also be balanced against existing policy constraints. Potential losses in efficiency of one instrument could be balanced against the ease and timeliness of implementation of another, given social considerations and the political economy. Analysing trade-offs in a particular policy context is useful to ensure that due consideration is given to the implications of choices and the implicit compromises they contain.

Technology development and transfer

An inclusive green economy will necessitate a shift from low productivity, inefficient and wasteful technologies to efficient and accessible green technologies. Green technologies encompass green systems emphasizing sustainability, resource efficiency or waste and emissions reductions to facilitate or accelerate improvements in economic and social well-being, while minimizing negative impacts on the environment. These technologies are continuously evolving or improving; however, for developing countries, realizing a transition to efficient and cleaner technologies requires deliberate measures that support development and transfer of green technologies, and that accelerate the process of phasing out 'dirty' and obsolete technologies. Green economy can therefore redirect and expand the space for innovation and technology development, so that countries can remain competitive in the world market. While Africa has made tangible progress in technology development and innovation, more remains to be done. This calls for accelerating the implementation of appropriate domestic measures that enhance the deployment of green technologies.

Regional initiatives, such as the NEPAD Science and Technology Consolidated Plan of Action, must be supported by implementing measures that effectively promote green technology development and transfer. Africa needs to strengthen its networks of scientists, intellectuals and research and development resources, as well as potential partnerships within and across national borders. Governments, in partnership with the private sector, should invest in infrastructure that supports research and development.

Human capital is critical for spurring innovation, identifying and undertaking research and development, and developing business models that support technology development and transfer. In this regard, African countries should build human capital across the technology innovation value chain, from the conception of ideas to commercialization. Governments should have a clear vision or programme for skills development at all levels of education and training, including on the job training, in collaboration with the job market.

Capacity development is a crosscutting enabling measure for inclusive green economy, fostering green financing, technology development and transfer, policy and institutional development, trade and private sector development. It is a priority element that, when integrated into country and regional initiatives, complements all other enabling measures for inclusive green economy.

Capacity development requirements for inclusive green economy in the region are diverse and evolving, and thus need to be met in the immediate, medium and long-term. To effectively meet these needs on a sustainable basis, capability for in-country and intra-region planning, delivery, coordination, monitoring and reporting of capacity development should be built. Existing regional initiatives and institutions should be strengthened to support and deliver capacity development on inclusive green economy. Effectively leveraging these initiatives requires appropriate capacity for context-based coordination to minimize duplication and ensure that the diverse capacity development priorities of countries are met.

Capacity development

Capacity development is necessary for creating and enhancing inclusive green economy awareness and understanding; developing leadership and fostering champions of change; developing employable skills in the green job labour market; and supporting inclusive green economy policy formulation, planning and implementation. Given the wide and multilevel needs, capacity development entails short, medium and long-term interventions, thereby requiring good planning. Effective leadership for inclusive green economy capacity development is vital to spearheading and providing ongoing assessment and review of priorities and design; coordinating the implementation of capacity development frameworks, including strengthening country frameworks for the development, coordination and delivery of inclusive green economy capacity development; increasing accessibility and strengthening the capacity of institutions to respond to local, national and regional needs; and linking capacity development approaches to concrete and transformative results and/or improved well-being of target beneficiaries.

Financing

The importance of adequate financing for a green economy transition in Africa cannot be overemphasized. The transition will require significant upfront capital investments and major structural and technological changes. Adequate financing is needed to upgrade skills and to enhance capacity and coordination of actions in the economic, social and environmental spheres of development. Financial resources will also be needed for countries to effectively deploy all transition enablers, particularly technology, capacity development and institutional and policy reforms. With renewed commitment from countries to implement sustainable development objectives viewed within the framework of national development and inclusive green growth, there are now opportunities for better partnership between the private sector and Governments to forge green growth investment strategies that benefit both parties. Thus, mobilization of additional private and domestic public resources is critical for the transition to a green economy.

Domestic resource mobilization will be critical for the success of a green economy transition in Africa. Fiscal reforms will have to be cautiously undertaken within the context of improving the tax administration system. Such reforms should introduce new green fiscal instruments; transparently review the tax base; reformulate existing fiscal instruments and allocate resources to deserving sectors; and close domestic resource gaps by eliminating leakages and inefficiencies.

There is also a need for effective deployment of international support through better targeting and matching of source and destination of funds, and better involvement of the local private sector in disbursing and implementing inclusive green economy projects. The fragmentation of international funding mechanisms for sustainable development poses significant challenges for developing countries. In particular, the multiplicity of instruments, facilities, eligibility criteria and other conditionalities are challenges to developing countries that have to establish fundable projects for various benefactors.

From the forgoing, it is evident that the transition to a green economy will not happen automatically. Certain 'enabling' conditions need to be created so that various stakeholders, including public and private actors, have an incentive to invest in green economy initiatives. Conditions must be established that make it possible for African countries to transition smoothly.

Institutions and policies have fundamental roles in advancing an inclusive green economy in Africa. With the appropriate instruments, they can guide and facilitate the transition. Country efforts to deploy green technology will determine the speed and quality of the transition.

Domestic technology development initiatives, such as innovation clusters to spur green technology development and transfer; international support for technology transfer; and growing South-South cooperation, including in research and development, could turn Africa into an invaluable player in global green technology development and transfer.

Capacity development at the enabling environment level is essential for both institutions and individuals that operate at the national, subregional and regional levels. There is a close link between capacity development and other inclusive green economy enabling measures.

In addition, mobilizing resources from public and private sources, including climate change adaptation and mitigation windows, official development assistance, innovative private funds, green bonds and foreign direct investment targeting green sectors, are critical to the transition.

ECA policy briefs are based on various analytical work 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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