United Nations
Economic Commission for Africa

Political Economy of a Green Economy

Transition in Africa

United Nations
Economic Commission for Africa

Political Economy of a Green Economy

Transition in Africa

To order copies of ***Political Economy of a Green Economy: Transition in Africa***, please contact:

Publications and Conference Management Section
Economic Commission for Africa
P.O. Box 3001
Addis Ababa, Ethiopia
Tel: +251 11 544-9900
Fax: +251 11 551-4416
E-mail: eca-info@un.org
Web: www.uneca.org

First printing May 2020

Designed and printed in Addis Ababa by the ECA Printing and Publishing Unit. ISO 14001:2015 certified. Printed on chlorine free paper

Cover and inside photos: Shutterstock.com

Contents

Acknowledgements

The present report on "*Political economy of a green economy transition in Africa*" benefited from the overall guidance of Fatima Denton, Director of the Special Initiatives Division of the Economic Commission for Africa (ECA). The Chief of the Green Economy and Natural Resource Section, Nassim Oulman, provided intellectual leadership of the team.

The team comprised Benjamin Mattondo Banda (team leader), Charles Akol and Edo Mahendra. Isatou Gaye (former Chief of the Green Economy and Natural Resources Section) provided guidance in the initial stages of the study. Joseph Onjala provided the initial draft of the report. The team is grateful for the comments on, and inputs to the report provided by participants at the ad hoc expert group meeting held on 2 and 3 November 2017 in Dar es Salaam, United Republic of Tanzania.

The team is also grateful for the valuable administrative and organizational support provided by Tsigereda Assayehegn, Tesfaye Wondu and Gezahegn Shiferaw. Lastly, the Chief of the Publications Section, Demba Diarra, and his team are acknowledged for their efficient handling of the editing, text processing, proofreading, design and printing processes.

Chapter 1: Introduction

The United Nations Conference on Sustainable Development (Rio+20) identified the green economy as one of several approaches to sustainable development, and in particular, that the green economy should "*contribute to eradicating poverty, as well as sustained economic growth, enhancing social inclusion, improving human welfare, and creating opportunities for employment and decent work for all, while maintaining the healthy functioning of the Earth's ecosystem*" (United Nations, 2012, para. 56). In their common position to Rio+20, African countries recognized that the transition to a green economy could offer new opportunities to advance the achievement of sustainable development and underlined the need for the green economy to be rooted in national priorities.

Since the Rio+20, several African countries have adopted green-growth strategies and are pursuing green growth in selected sectors (ECA, 2013a, p. 13). As of June 2015, several countries had or were in the process of developing green economy strategies or action plans at the national level. These include Ethiopia, Kenya, Mozambique, Rwanda, Senegal, South Africa and Tunisia. Several countries have also succeeded in making green economy an integral part of national development planning. In Kenya, for example, the Green Economy Strategy and Implementation Plan has now become part of the medium-term plan for 2013-2017. This is based on the understanding that for a successful green economy transition, national development planning processes should be reframed in the context of green economy. The main priority for most countries is inclusive growth and making economic growth more responsive to poverty eradication. Others have called for social impacts and inclusiveness to go beyond creating green jobs, in favour of wider social protection for those who will be negatively affected by the green economy.

Political economy or governance is a fourth and critical dimension of sustainable development in Africa. African countries have committed themselves to pursuing a sustainable transformation and development path, with the Agenda 2063 as the framework articulating their development aspirations. Agenda 2063 reflects a desire for shared prosperity and well-being, entrenched in the pan-Africanism spirit of the 1960s which focused on liberation and political and economic independence (ECA, 2017). In addition, there increased awareness that achieving a prosperous future based on a sustainable development pathway will require strategies to overcome the enormous political and economic challenges.

Given the importance of the process to long-term sustainable development, the present study undertakes a political economy analysis of a green economy transition in Africa with the aim of interrogating the scope (extent and bounds) of a green economy transition, the critical institutions, policies and instruments; political structure and systems that should also be transformed in the process to achieve sustainability. Specific objectives of the study are to identify key political and economic issues of the transition; key stakeholders, their (dis)incentives, resource endowments, constraints and choices; the winners and losers of the transition, the interest groups and their influence or prevailing power(s); the key political and economic systems and institutions through which stakeholders interact and their role in the transition; and propose a system for sustaining the transition, including the public

choice and how it is arrived at; the cost-efficient mechanism for compensating losers; values and social norms, and what needs to be changed; and processes through which institutions can be transformed.

In 2015, global leaders made a stand against poverty, environmental degradation and inequality. The adoption of the 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals and the 2015 Paris Agreement to tackle climate change represent a new global consensus on sustainable development. These sustainable development frameworks provide clear directions for future growth and investment (Organization for Economic Cooperation and Development (OECD), 2016). The Paris Agreement revived the global process of curbing global warming, but implementing it depends heavily on decisive national action. If national development plans are going to be effective in the implementation of the Sustainable Development Goals in any transformational way, countries need to respond to the new agenda and integrate green growth and social development targets into their plans. This is especially relevant as many plans were developed before the Sustainable Development Goals and the Paris Agreement were agreed, so the plans urgently need updating.

A regional approach to diversifying economic structures, alongside investment in infrastructure, especially energy, water and transport, will establish the foundations essential for the sustainable transformation of African economies (OECD, 2016). The African Union and New Partnership for Africa's Development (NEPAD) Environment Action Plan for 2010-2015 adopted by the African Union and NEPAD, is an example of harmonized regional policies for addressing the development challenges of Africa (United Nations Educational, Scientific and Cultural Organization (UNESCO), 2015).

The recent signing by the African Union member States of the Continental Free Trade Area is in the right direction. Successful regional integration would allow countries to specialize in their comparative advantages and trade, leading to higher efficiency and growth. According to the African Development Bank (2015), regional strategies should initially focus on developing areas of industrial complementarity to raise countries' capacity to trade, supported by building regional infrastructure, to ease the movement of products, services, capital and people. In addition, greater scientific integration is critical for sustainable development (UNESCO, 2015).

1.1 Novelty of the political economy for green transition study

The rationale for the study is based on lessons learned from economic growth trends, political and institutional challenges, and experiences from an international environment. These issues are discussed briefly below.

"Business as usual" *economic system has failed to deliver inclusive growth*

Globally, the "business as usual" economic system has failed to deliver inclusive growth or social development and has often led to environmental degradation and scarcities. On the contrary, green economy (see box 1) has the potential for imparting economic benefits that include higher productivity and competitiveness, higher economic growth, new revenue streams, higher per capita incomes, reduced inequalities, long-term food security and job creation. In the past few years, the results from studies conducted in a number of African countries in both small and larger economies with different resource endowments, demonstrate that a green economy has positive and significant economic impacts.

Overall, a green economy can improve prospects for economic development, support the

structural transformation of the economy to achieve more productivity and value addition, and deal with distributional impacts.

While structural transformation will expand sources of economic growth, inclusive growth would ensure that growth is broad-based, providing jobs and creating wealth for all. Inevitably, inclusive growth and environmental protection have costs in the short term, which if analysed accurately would be offset by the green investment needed to generate growth in the medium to long term. A green economy transition is therefore complementary to structural transformation in the sense that green growth is a medium to long-term agenda.

Box 1: Green economy and green growth

In 2011, the United Nations Environment Programme (UNEP) defined a green economy as one which results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcity. It is an economy that successfully balances a trade-off between responsible management of non-renewable natural capital and sustainable management of renewable resources. This is characterized by effectively reconciling economic development with environmental and social sustainability, something which is especially important for low-income countries undergoing rapid growth. Resource efficiency and low carbon development are key elements of all green economy strategies. "In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive" (UNEP, 2011, p. 2). The transition to a green economy is frequently associated with or defined in terms of a process of "green growth". In 2012, the United Nations Conference on Sustainable Development (Rio+20) further refined this definition of a green economy as one that "should contribute to eradicating poverty as well as [achieving] sustained economic growth, enhancing social inclusion, improving human welfare and creating opportunities for employment and decent work for all, while maintaining the healthy functioning of the earth's ecosystems" (UNCSD, 2012, p. 14).

Political platform for negotiating reforms

Political and institutional rationale suggests that a green economy transformation needs a political platform for negotiating reforms, otherwise, there is always the danger that entrenched stakeholders would pull the process in opposite directions with some promoting or obstructing change.

"Political economy" concerns how economic theory and methods influence and develop different social and economic systems, such as capitalism, socialism and communism, and it analyses how public policy is created and implemented. On the other hand, "political issues" refer to controversies debated within the political system – everything regarding divisive social issues, such as education, health, taxation, government spending, agricultural policy and inequality.

The interests that pull the greatest weight in political negotiations may ultimately undermine prospects for sustainability of transformations due to their tendency to perpetuate inequality and exclusion of others. In addition, contradictions over political and economic systems could result in conflicts over meanings and outcomes of the reform. These are some of the reasons a political negotiation process of what a green economy transition entails should consist of key ingredients of inclusivity. A political economy approach is necessary to transparently unveil implications of the "negotiated" reallocation of resources and capital investment, including various types

of "green" technology (Schmitz and Scoones, 2015).

Shifting the political scales in favour of more citizen participation is a painstaking process that requires patience and striking the right balance between socioeconomic development and institutional efficiency. Stability, flexibility and decisiveness of policy response are crucial in dealing with various interest groups. The inability by many countries to adjust to new realities, which are inevitable in a transition, reflects the difficulties in developing patterns of political cooperation that facilitate the implementation of welfare-improving policies. In addition, receiving political support (especially at the highest level) is a huge barrier to overcoming ingrained decision-making patterns that often follow political cycles rather than national priorities (Economic Commission for Latin America and the Caribbean, 2010).

Identify opportunities and challenges to the continent's transition to a green economy

Through a political process in an international environment, African countries have already begun to identify opportunities and challenges in the continent's transition to a green economy (see table 1). At the thirteenth session of the African Ministerial Conference on the Environment held in Bamako, Mali, in June 2010, the African Ministers of Environment adopted the Bamako Declaration on the Environment for Sustainable Development, in which they recognized the need to take advantage of the opportunities provided by a growth and development trajectory that embraces the green economy model. At the seventh African Development Forum held in Addis Ababa, from 10 to 15 October 2010, representatives called upon African Governments to "prioritize and promote green economy as a vehicle for addressing the challenges of climate change impacts on ecosystem sustainability and harnessing the opportunities provided by its vast and diverse ecosystems and natural resources" (African Union, African Development Bank and ECA, 2010, p. 7). At the fourth Joint Annual Meetings of the African Union Conference of Ministers of Economy and Finance and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development, held in Addis Ababa from 28 to 29 March 2011, a declaration was adopted in which ministers committed to, among other things, spearheading "the transition to a green economy in Africa, inter alia, by supporting the systemic and institutional transformations necessary to ensure that green economies contribute to sustainable development and poverty reduction objectives" (ECA and African Union Commission, 2011, p. 29).

1.2 Methodology and analytical framework

Political economy is a powerful tool that would help countries to understand the process of the transition, including the gaps between traditional politics, economy and environmental policies. It is a continuous process that countries need to adopt in the implementation strategies.

1.2.1 Study approach

This study is based on a desk review on the subject matter. Information was gleaned from country studies conducted by ECA in Burkina Faso, Ethiopia, Gabon, Mozambique and Tunisia on green economy policies and structural transformation. Various studies by UNEP on green economy assessments were also reviewed. During the past few years, ECA studies on green economy have focused on assisting member States to adopt and implement green economy policies and strategies, identifying the challenges and opportunities, and providing the tools and methodologies for green economy modelling. Examples of such

Table 1
Benefits of a green economy transformation

Economic benefits	Social benefits	Environmental benefits
• Reduced poverty and inequality* • Increased economic growth and employment* • Improved training and skills* • Development of new markets and specialization • Increased productivity, and increased commodity and agricultural yields • Improved energy security • Improved competitiveness and trade balances	• Reduced poverty and reduced social inequality* • Increased employment* • Improved training and skills* • Better public services • Improved health outcomes	• Sustainable management of natural assets and resources • Reduced greenhouse gas and other emissions • Better adaptation to climate change and resilience to natural disasters • Improved environmental quality

Source: ***Benefits of a Green Economy Transformation in Sub-Saharan Africa*** (Bonn, Germany: German Agency for International Cooperation, 2015).

* = Benefits marked with an asterisk can equally be assigned to economic and social benefits, which is why they are listed twice in this table.

studies include: Achieving Sustainable Development in Africa through Inclusive Green Growth – agriculture, ecosystems, energy, industry and trade (ECA, 2015a); Inclusive green growth country studies for Rwanda, Ethiopia, Ghana and South Africa – enabling measures for an inclusive green economy in Africa (ECA, 2016a); Inclusive green economy policies and structural transformation in selected African countries (ECA, 2016b); Macroeconomic frameworks for an inclusive green economy in Africa (ECA, 2017); and Achieving Sustainable Development Goals through an inclusive green economy (ECA and UNEP, 2017).

The study relied on secondary data covering the various subthemes of the study. Secondary data analysis has been used to illustrate the key trends, patterns, issues and findings. Some of the data sources utilized include databases of agencies of the United Nations system and their reports, specific country reports and reports of other organizations.
Preliminary drafts of the report were subjected to an internal peer review process, and shared with selected partner institutions for their review, comments and input. An expert group meeting of participants drawn from a number of African countries, some of whom have been engaged in the implementation of green economy strategies in their countries, met in Dar es Salaam to further review the draft report. These discussions generated critical inputs in the finalization of the report.

1.2.2 Analytical framework for the report

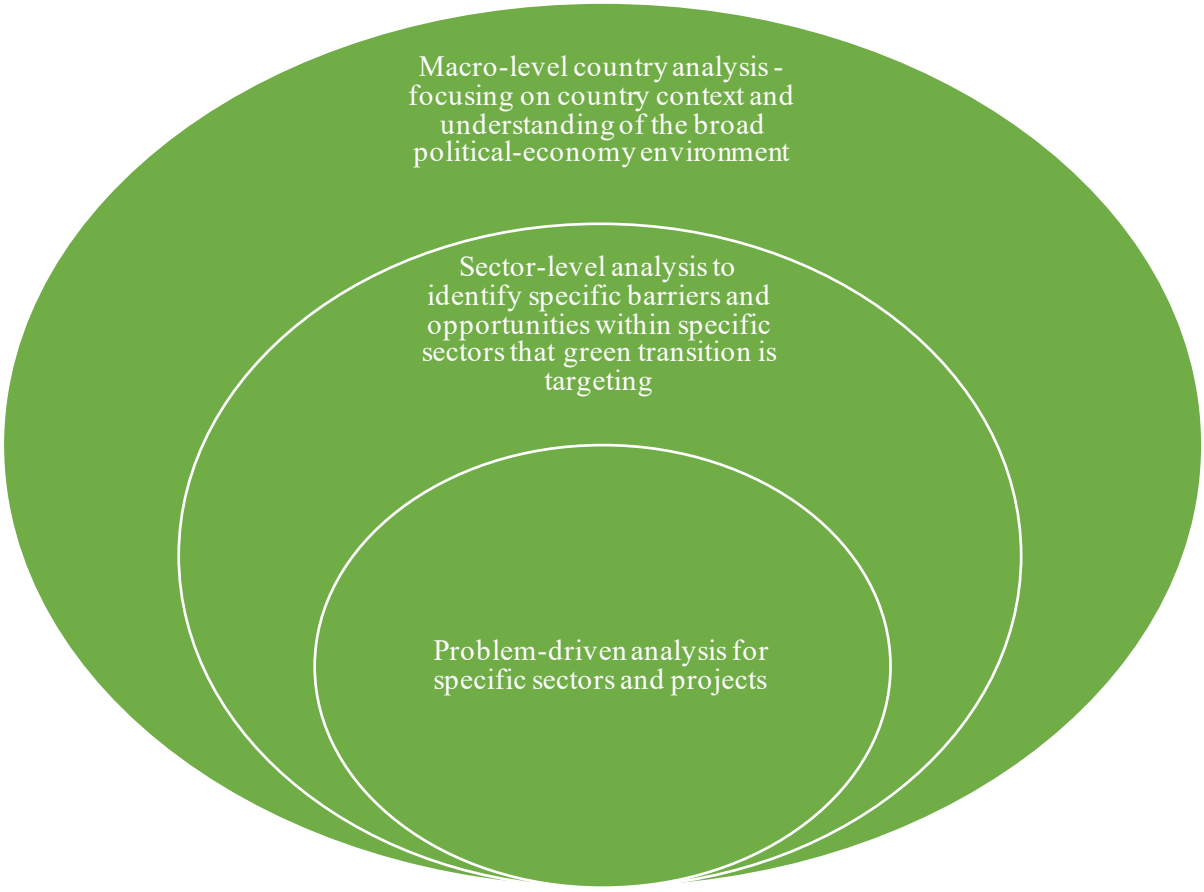
According to the Department for International Development, three major layers of conceptual frameworks in political economy analysis have been distinguished in literature, the macro-level, sector-level, and the problem driven analysis at the lowest level in the green transition. The macro-level country analysis focuses on country context and understanding of the broad political-economy environment among the selected African countries (see figure I). The analysis is critical in interrogating the planning progress and the overall strategic direction of the country development vision. The sector-level framework identifies specific barriers and opportunities within specific sectors that the green economy transition is targeting (e.g., water, energy, forests, agriculture). Furthermore,

sector-level analysis also focuses on sustainable infrastructure and industry. The natural resources sectors, such as water and forestry, can be analysed in terms of their interaction with other sectors in the economy. Lastly, the problem-driven framework of analysis is geared to understanding and resolving specific green transition problems at the project or programme level, or in relation to specific policies adopted or public reforms undertaken to achieve green economy growth. This study applied the country-level analysis and interfaced it with the drivers of change approach that considers the dynamic interaction between three sets of factors – structures, institutions and agents – which might vary over different timescales (Department for International Development, 2009).

1.3 Organization of the report

The rest of the report is organized as follows. Chapter 2, provides various reviews of the state of green economy in Africa with a focus on identifying key sectors of the transition. Chapter 3 presents a set of discussions on the political economy issues that various countries deal with when creating their strategies. In addition, it presents an examination of stakeholders' operations in the green economy – country specific experiences and

Figure 1
Conceptual framework layers



examples for those implementing green economy strategies are interrogated in identifying key stakeholders, their (dis)incentives, resource endowments, constraints and choices. The focus of chapter 4 is on the stakeholders of the green economy transition and their incentives. Chapter 5 concludes the report, providing insights into a system for sustaining the transition and transforming institutions for green transitions.

Chapter 2: Assessing the state of the green economy transition in Africa

2.1 Green economy strategies

In countries that have adopted green economy strategies, implementation is at various stages in different priority sectors. Increasingly, the private sector is motivating investment in the priority sectors of green economy. Much of the social innovation reported in East and Central Africa for example, focuses on overcoming sustainability challenges such as food security, renewable energy and climate change mitigation. Technology innovation hubs are springing up around the continent, such as Hive Colab in Uganda, which helps entrepreneurs to innovate in climate technologies, information and communication technologies and agribusiness. A growing number of countries are investing in technology parks, including Ghana, Kenya, Nigeria and Tunisia. The adoption of the United Nations Technology Facilitation Mechanism for clean and environmentally sound technologies in September 2015, should help to reduce the technology gap with developed countries. In addition, there is increased international cooperation to enhance the ability of least developed countries to have access to technologies developed elsewhere and their capacity to patent (UNESCO, 2015).

A key factor that has hindered the growth and transformation of Africa has been the inadequate commitment to implement national policies with long-term implications. Although the continent has made strides in governance and accountability during the past few years, there has been an inadequate emphasis on the implementation and tracking of progress. Poor implementation has been due to the continent's lack of focus on its own development plans. The green economy strategies will only be successful if implemented under the framework of long-term commitment to transformation and supported by all the relevant enabling measures, including institutions, financing and technology.

Rwanda

In Rwanda, for example, their National Strategy for Climate Change and Low Carbon Development (2011-2050) is aimed at transforming the country from a subsistence agricultural economy to a middle-income country by 2020. The three largest sources of greenhouse gas emissions in Rwanda (agriculture, energy and transport) are addressed in the mitigation "big wins". Rwanda has also identified a number of immediate "quick wins" that can be implemented to begin dealing with the "enabling pillars" of its strategy. The "quick wins" focus on: incorporating climate resilience and low-carbon development into initiatives that are under way: institutional framework; finance; integrated planning and data management; capacity-building; knowledge management; technology; and infrastructure (Government of Rwanda, 2011). This will create the environment needed for the effective implementation of policies.

The strategy is based on the long-term vision for Rwanda to be a developed, climate-resilient, low-carbon economy by 2050. It is defined in terms of guiding principles and

strategic objectives, which both frames what should be achieved and how, such as through integrated soil fertility management. The strategy identifies 14 specific sector-level programmes of action and 5 key enabling pillars focusing on governance, finance, capacity, innovation and planning. It also sets out a roadmap to implement the strategy with big wins, quick wins and further work identified. This strategy has subsequently formed one of the key pillars of the country's second Economic Development and Poverty Reduction Strategy (2013-2018). Following the creation and capitalization of the Fund for Environment and Climate Change funding instrument, the strategy is now being implemented at the project level.

Kenya

In 2015, Kenya developed a green economy strategy and implementation plan (Kenya, Ministry of Environment, Water and Natural Resources, 2015) to guide the transition to a green, low-carbon and climate-resilient economy, in line with the country's second medium-term plan and Kenya Vision 2030. In the Kenyan context, a green economy refers to a shift towards development that promotes the efficient harnessing of resources and their sustainable management, social inclusion, resilience and sustainable development of infrastructure. Policies and programmes include investment in renewable energy, the promotion of resource-efficient and cleaner production and enhanced resilience to economic and climatic shocks. They also cover pollution control and waste management, environmental planning and governance, and the restoration of forest ecosystems.

The Government of Kenya has made substantial efforts in moving the country towards a green economy, including establishing a supportive policy and legal framework and creating a national climate change response strategy. The strategy is to promote investment in renewable energy, resource-efficient and clean production, pollution control, waste management, environmental planning and governance, and restoration of forest ecosystems. The strategy in green agriculture is to shift both commercial and subsistence farming towards ecologically sound farming practices, such as efficient use of water, extensive use of organic and natural soil nutrients, optimal tillage, integrated pest control and agroforestry. Since introducing feed-in tariffs for renewable energy in 2008, Kenya has taken a range of steps to embed green growth into its economic development strategy. In 2010, the constitution was amended to include an article stressing the right to a healthy environment and sustainable natural resource management. A national climate change response strategy was developed in 2010, followed by a National Climate Change Action Plan (2013-2017) in 2012. In June 2017, the green economy strategy and implementation plan was formally launched.

Mozambique

The road map for a green economy transition is aimed at transforming Mozambique into a middle-income status by 2030. The road map is based on the protection, restoration and rational use of natural capital and its ecosystem services to ensure sustainable, inclusive and efficient development. Focusing on industrialization, the country's national development strategy (2015-2035) is intended to advance structural transformation using an integrated development approach. Structural transformation refers to focusing on some development priority sectors, such as agriculture and fisheries and the manufacturing, extractive and tourism industries. Mozambique is implementing policies in four distinct areas: regulatory policies for the conservation, exploitation and management of natural resources; fiscal policies focused on taxation; investment policies directed towards infrastructure development, training and funding producers; and

institutional policies aimed at strengthening national institutions through capacity-building, transformation and best governance practices (African Development Bank, 2015).

Ethiopia

Ethiopia has also made great strides towards building a climate resilient green economy. Its vision is to become a middle-income country by 2025, without increasing its greenhouse gas emissions. This commitment is expressed in their climate-resilient green economy strategy adopted in 2011. The green economy strategy contains two-pronged goals, including achieving high income and sustainability. It is aimed at reducing carbon emissions by approximately 62.5 per cent in 2030, compared with the business as usual development path. The strategy is linked to the five-year growth and transformation plan. There are four pillars in the green economy strategy: adoption of agricultural and land-use efficiency measures; protection and re-establishment of forests for their economic and ecosystem services, including as carbon stocks; deployment of renewable and clean power generation; and use of appropriate advanced technologies in industry, transport and buildings.

South Africa

The Green Economy Accord, signed by the Government of South Africa in 2011, is aimed at achieving economic prosperity, green industrial development, poverty reduction and a greener country with reduced waste emissions and lower dependence on coal. It is based on an economy-wide and multi-stakeholder approach – to mainly target new economic activities, provide an important entry point for broad-based black economic empowerment, and create competitive domestic markets in the green economy space. It is also aimed at fostering green industrial development, using existing and new tools and incentives. For example, commitment two of the Accord includes: investment in the green economy; rollout of renewable energy; energy efficiency; waste recycling, reuse and recovery; biofuels; clean coal initiatives; retrofitting; reducing carbon emissions on roads; the electrification of poor communities and reduction of fossil-fuel open-fire cooking and heating; economic development in the green economy; and the promotion of localization, youth employment, cooperatives and skills development.

Since the implementation of the Accord: energy, transportation and agriculture are the most active sectors, with initiatives in solar and bio-energy, non-motorized transport and planning, and farming; agriculture has the largest number of job-creating initiatives; approximately 80 per cent of the green economy initiatives were funded by domestic public finance, of which 50 per cent were funded by national government departments; approximately 41 per cent of surveyed initiatives are part of multi-stakeholder partnerships that cross an entire value chain from research and development to funding, capacity development, coordinating, implementing and monitoring; and all key sectors in the South African economy and all provinces are active in or associated with the green economy in some way (Partnership for Action on Green Economy, 2017).

Burkina Faso

Burkina Faso has incorporated green economy objectives into its current five-year strategy of accelerated growth and sustainable development (SCADD) and its national environment investment plan for sustainable development. Six priority sectors (agriculture, livestock, forestry, water, energy and mining) were identified through consultation with stakeholders on their prospective of these sectors' potential contribution to the country's economic growth and to job creation, reduction of poverty and overall transition to

a green economy. In the primary sector, the objective of SCADD is to improve agricultural yields and productivity and increase agricultural value addition. The strategy is largely geared towards developing a true inclusive green economy in Burkina Faso. In addition, it "highlights the 'social solidarity' dimension in a country where poverty continues to be a concern" (ECA, 2016c, p. xiv, 64).

Tunisia

The development strategy of Tunisia of 2012 is aimed at reviving growth through diversification and the establishment of technology centres, modern industries and service sectors, and enhancement of productivity in traditional sectors such as agriculture, tourism, crafts and trade. Transformation in the agriculture sector through crop diversification, along with soil and water conservation, will help to enhance agricultural yields and revenue. Energy efficiency and renewable energy also offer vast scope for the deployment of green economy policies. In addition, the environmental upgrading of industrial enterprises is an essential component of green economy and structural transformation policies in Tunisia.

Ghana

The agricultural, forestry and energy sectors present key opportunities for greening the economy in Ghana. Ghana was the first African country to ban the import of incandescent bulbs as a load reduction measure to achieve energy efficiency and promote green growth. The replacement of incandescent bulbs with compact fluorescent lamps and the ban on the import of incandescent bulbs were part of the Government's measures to solve the acute energy crisis between the period August 2006 and September 2007. The Government imported and distributed some 6 million compact fluorescent lamps to residential consumers free of charge in exchange for installed incandescent lamps in 2007. The objective was to reduce household expenditure on electricity, eliminate brownouts and transformer overloads, and cut the domestic peak load by 200-220 megawatts. In 2010, Ghana began to articulate a national approach in a discussion paper entitled "Ghana's National Climate Change Policy Framework (NCCPF)", based around the following three key objectives: low carbon growth; effective adaptation to climate change; and social development. While no further information relating to the framework is available, Ghana has continued to make progress in the area of environmental fiscal reform, creating an action plan for the reform and a design for a green fund. In addition, the country had undertaken fossil fuel subsidy reform in 2013, which, after setbacks in earlier reform attempts, seems to have been maintained.

2.2 Key sectors of the green economy transition

Several countries have adopted green economy policies and strategies and are taking strides in improving their integration into national development planning architecture. These include Rwanda, which is implementing a green growth and climate resilient strategy; and Ethiopia that has integrated the climate resilient green economy strategy into its growth and transformation plan II. Other countries, such as Burkina Faso, Gabon, Ghana, Kenya, Morocco, Mozambique, South Africa and Tunisia, among others, have made strides in various aspects of greening their economies (see table 2). The major sectors of focus in the green economy transition are agriculture, energy and mining, industry and manufacturing, transport infrastructure, construction and green building, water and environment, urban infrastructure development and waste management.

Table 2
Key sectors and priorities of green economy transition in Africa

Green transition sector	Priorities	Countries
Agriculture	Productivity; ecologically sound farming	Burkina Faso, Ethiopia, Ghana, Kenya, Mozambique, Rwanda, Uganda
Energy	Renewable energy; energy efficiency, clean coal, solar technologies, energy savings, removal of subsidies.	Ghana, Kenya, Mauritius Morocco, Rwanda, South Africa, Tunisia,
Industry	Efficiency of technology, clean production, retrofitting	Kenya, Mozambique, South Africa, Zambia
Transport	Modernization; emissions reduction	Ethiopia, Kenya, Rwanda, South Africa
Building	Energy efficiency, waste reduction	Ethiopia
Forestry		Ethiopia, Kenya
Fisheries	Marine fishing sector reforms	Mozambique, South Africa
Tourism		Mozambique, Tunisia

Source: Various national green economy policies and strategies.

2.2.1 Agricultural sector

Agriculture is the best sector for tackling much of the poverty in Africa and unlocking its development, given that the majority of the population are employed in the agricultural sector, which has remained traditional in structure. A green revolution was always going to be a bigger challenge in Africa because of its diverse, rain-fed farming systems, limited irrigation and sparse rural infrastructure. Africa therefore needed a "rainbow" revolution to deal with its diverse array of crops, farming systems.

A green economy in the context of agriculture, will need to take into consideration the challenges that this sector will face in the future. Most farmers are smallholders, many of whom are poor, and a green agricultural transformation would need to raise productivity, help to keep food prices low, and typically have an impact on poverty. Fostering a sustainable transformation of agriculture could create productive employment and income, reduce poverty, inequality and food insecurity, lead to better environmental and nutritional outcomes, and help to make farming and value chains more resilient to shocks from climate change and more attractive to young people (Alliance for a Green Revolution in Africa, 2017).

In addition, adaptation to climate change and curbing ecosystem degradation that negatively affects agriculture, especially rain-fed systems, should be prioritized in the interventions. Sustainable agriculture could "embody green farming and sustainable irrigation practices as a way to conserve soil quality, enhance biodiversity and maintain higher levels of productivity to feed an expanding population" (ECA, 2011a, p. 7).

In Mozambique, for example, practical actions that link the green economy transformation and agriculture include measures to increase agricultural productivity and job creation by opening lines of funding for the sector through the Agricultural Development Fund and the District Development Fund, among others. The country also intends to map soils to "be able to exploit its ten different agro-ecological zones, making it possible to diversify agricultural production (crop subsector) and have a significant impact on poverty reduction and economic growth" (ECA, 2016d, p. 11).

In Burkina Faso, high added value of agriculture and value chains is among the components of structural transformation. The interventions include doubling green agriculture and livestock production, use of sustainable irrigation practices aimed at preserving soil quality, "increasing food production, reducing carbon emissions' and ensuring access to international markets for ecological products" (ECA, 2016c, p. 67). Similarly, Ethiopia emphasizes private-sector investment as key to improving productivity of smallholder agriculture, increasing "access to suitable and affordable farm technologies, and [strengthening] agriculture-industry linkages" (ECA, 2015b, 28).

2.2.2 Energy sector

Africa is often characterized as the epicentre of the global challenge to overcome energy poverty. The successful development of the energy sector will be a crucial factor in determining the pace of economic and social development in Africa. Having limited access to electricity is a fundamental weakness in the energy system of sub-Saharan Africa and a huge barrier to development (International Energy Agency, 2014).

More than 650 million people live without having access to electricity and nearly 730 million people use hazardous, inefficient forms of cooking, a reliance which affects women and children disproportionately. Meanwhile, those who do have access to modern energy face very high prices for a supply that is both insufficient and unreliable. Overall, the energy sector of sub-Saharan Africa is not yet able to meet the needs and aspirations of its citizens. Traditional use of solid biomass for cooking accounts for the largest part of household energy consumption but has significant impacts on health and the environment, creating the need for rapid transitioning to cleaner alternatives in Africa.

Having greater access to reliable modern energy can turbo-charge economic growth in sub-Saharan Africa. The region's current energy resources are more than sufficient to meet its overall needs, but they are unevenly distributed and underdeveloped, a fact that speaks strongly towards the benefits of regional energy integration. Sub-Saharan Africa has untapped renewable resources that could deliver levels of supply in excess of domestic consumption to 2040 and far beyond (International Energy Agency, 2014).

In order to unlock greater levels of energy sector investment, actions are needed at the national and regional levels (see table 3). The actions should entail strengthening policy and regulatory frameworks so that well-functioning energy markets emerge, building on current channels of regional cooperation, and perhaps most importantly, achieving high standards of governance, both within and beyond the energy sector. The international community has a duty to support action in all these areas: many African countries already do so. A universal access to modern energy is now one of the post-2015 Sustainable Development Goals.

2.2.3 Transport and infrastructure

Greening the transport sector is a priority in some countries' green economy strategies. For example, Ethiopia considers low-carbon transport and infrastructure as a key intervention in its Climate Resilient Green Economy/Growth and Transformation Plan II. The country built a mass transport system that combines rail and road in the capital city, and a rail system to bolster its trade route to the port of Djibouti. The overall goal of the transport sub-theme is to leapfrog to modern and energy efficient technologies, introduce fuel efficient standards for passenger and goods vehicles, and substitute imported fossil fuels for locally produced biodiesel and ethanol. For all these to come together, investment in

Table 3
Selected energy policies and targets in some African countries

Country	Objective	Policies and targets
Angola	Power generation	Implement new power market model with a single power purchaser and equal rights for public and private power producers.
	Access	Increase electrification rate from 30 per cent to 60 per cent by 2025.
	Integration	Establish transmission lines with Namibia and the Congo.
Democratic Republic of the Congo	Power generation	Announce stricter standards for electric motors.
	Access	Increase electrification rate from 9 per cent to 14 per cent by 2015 and 26 per cent by 2020.
Ethiopia	Renewables	Increase new renewables capacity (geothermal, hydro, wind).
	Access	Disseminate 9 million improved cookstoves by 2015.
Ghana	Oil and gas	Intensify exploration, utilize revenue to reduce poverty, maximize local participation and develop a petrochemical industry.
	Efficiency	Reduce transmission losses to 18 per cent by 2018. Standards and labels in place for lighting and air conditioners.
	Renewables	Feed-in tariff established by the Renewable Energy Act in 2011.
Kenya	Efficiency	Standards for electrical appliances; energy efficiency obligations for utilities. Energy Bill 2014 provides for the creation of an Energy Efficiency and Conservation Agency to enforce energy efficiency standards.
	Buildings	Eliminate kerosene as a household fuel by 2022. Requirement to install solar water heaters in buildings served by the grid.
Mozambique	Gas	Master plan to maximize the value of gas resources approved in 2014.
	Access	Increase electrification rate from 39 per cent to 85 per cent by 2035.
	Renewables	Install 100,000 solar water heaters, 50,000 lighting systems, 5,000 refrigeration systems and 2,000 televisions powered by solar PV or wind turbine systems in off-grid areas by 2025.
Nigeria	Oil and Gas	Draft Petroleum Industry Bill intended to revise several areas of the current framework.
	Power	As laid out in the Roadmap for Power Sector Reform, continue sector-wide reforms to enable private-sector investment, establish a competitive electricity market and achieve stable power supply.
	Access	Make reliable electricity available to 75 per cent of the population by 2020 and 100 per cent by 2030 (45 per cent today). Connect an average of 1.5 million households per year.
	Buildings	Design and implement minimum energy performance standards for appliances and industrial equipment.
Rwanda	General	Reduce share of bioenergy in primary energy demand to 50 per cent by 2020. Expand the transmission network by 2,100 km by 2017.
	Access	Increase electrification rate from 17 per cent to at least 60 per cent by 2020 and give access to all schools and hospitals by 2017.
Senegal	Renewables	Target 20 per cent of total energy supply from renewable sources by 2017.
South Africa	Renewables	The 2013 update of the Integrated Resource Plan sets out a strategy to diversify the power mix, moving strongly towards low-carbon sources of electricity supply.
	Energy pricing	Electricity prices to be adjusted gradually to better reflect costs. Carbon dioxide (CO_2) tax under consideration.

Source: Adapted from the World Energy Outlook Special Report (Paris, International Energy Agency, 2014).

infrastructure, especially the renewable energy sources (hydroelectric, geothermal, solar and wind), were emphasized (ECA, 2015a, p. 39).

In South Africa, green transport extends beyond technical specification for vehicles that are normally used in the calculation of carbon tax liabilities. The ultimate goal is not only to reduce emissions but also the number of private cars on the road, thereby increasing the lifespan of the transport infrastructure. In this context, major cities (such as Cape Town, Johannesburg, Tshwane and eThekwini) have committed to green transport targets, including conversion of municipal fleets to alternative fuels and reduction of greenhouse gas emissions by 2020. The 2012 Integrated Transport Master Plan for Gauteng has an even higher ambition of 35 per cent reduction in emissions by 2020, up to 50 per cent by 2040.

The roadmap to a green economy in Mozambique identified three pillars, which includes sustainable infrastructure (for energy, transport and cities). The other pillars are sustainable use of natural resources, and strengthening resilience and adaptation to climate change. In support of this, the transport policy is aimed at increasing mobility and accessibility in both rural and urban areas, and linking the natural resource production areas (mainly mining, forestry and fisheries) and agricultural belts to markets (especially large population centres) (ECA, 2016d, p. 37).

Congestion, a common problem in many African cities, has negative implications for the economy. Expanding rail and road networks could help to decongest major cities and contribute to reduced emission from vehicles. For example, the Government of Uganda is going to construct an initial 35-kilometre light rail mass transportation system for greater Kampala, while a new high-speed train between Tangier and Casablanca, and rapid bus systems in Nigeria have been commissioned (ECA, 2016b, p. xv).

2.2.4 Natural resources

Sustainable management of natural resources is one of the key areas of intervention for the green economy in Africa as most countries are still largely based on agriculture and natural resources. The region is endowed with considerable amounts of mineral resources and ranks first or second in quantity of world reserves of several precious metals. For example, economic rents from oil and mining average around 28 per cent of gross domestic product (GDP); and natural resources make up more than 77 per cent of total export earnings and 42 per cent of government revenue (World Bank, 2012). With the recent discoveries of extractives in a number of African countries, there is more potential for increasing resource rents for these countries.

The key to a green transformation lies in how natural resources are governed, harnessed and utilized, and revenue from the sector collected and deployed. Strengthening of linkages between the natural resources and other sectors of the economy of host countries through value addition and other supply and demand routes, is central to their contribution towards the transformation of Africa. Adding value to natural resources increases the proportion of revenue retained by a country, enhances employment in other forward and backward linked industries and generates other economic multiplier effects. The vision that extractive resources could be used to propel Africa to modernization has been articulated in many African plans and development strategies at national and regional levels;[1] however, constraints such as inadequate transparency and governance, minerals rent

1 For example, the Lagos Plan of Action, Southern African Development Community (SADC) Minerals Sector Programme, Mining Chapter of the New Partnership for Africa's Development (NEPAD), Economic Community of West African States (ECOWAS)

mismanagement, the enclave nature of most operations, the need to enhance the participation of artisanal operators, the lack of environmental stewardship, the commodity market risks and the need to adopt appropriate gender-responsive policies and governance frameworks, all remain among the key barriers limiting the transformative role of the natural resources sector.

2.3 Measuring progress in green economy transition: transition from what?

Various empirical studies have considered progress in the transition process to be comprised of a composite index that includes several multidimensional indicators that highlight green economy to be associated with three challenges of inclusiveness – persistent poverty, overstepped planetary boundaries and inequitable sharing of growing prosperity. Green economy indicators are therefore aimed at capturing key components of the transition relating to policy and investment outcomes on the new aggregate supply and aggregate demand (UNEP, 2017).

A green economy progress (GEP) measurement framework has been developed by UNEP to facilitate cross-country comparison of national efforts to transition to greener and more inclusive economies. The GEP measurement framework (see figure II) proposes a method of measuring progress that monitors change in key variables. The components are critical to obtaining a useful measure of progress, making the measurement framework a valid instrument for not only practitioners, but also the wider community of researchers and academics working in the field.

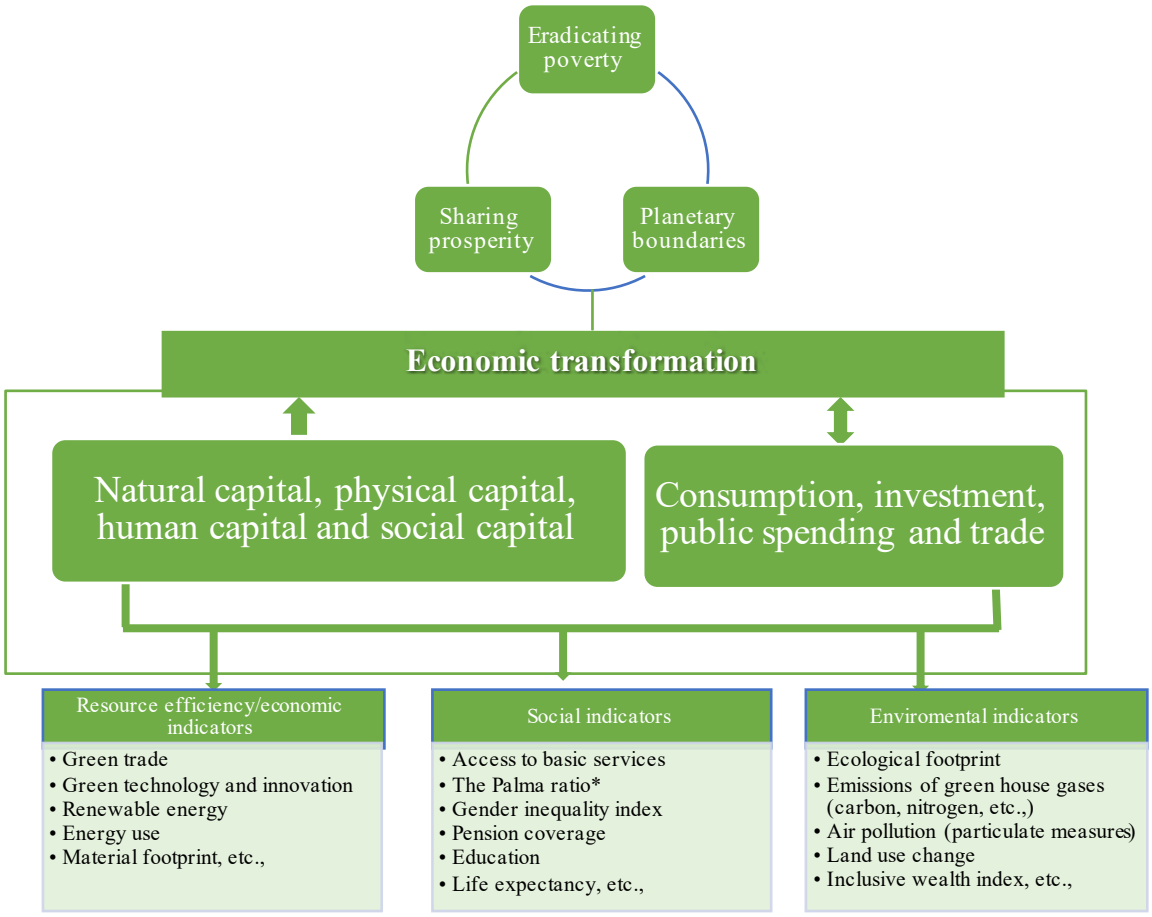
On average, progress by countries in the sample was highest on education, life expectancy, gender inequality and energy use, that is, education and life expectancy increased while gender inequality and energy use decreased. On the other hand, material footprint and air pollution saw, on average, the most significant progress, that is, material footprint and air pollution increased (UNEP, 2017).

The application of green growth principles throughout Africa could enhance the management of natural assets for present and future generations. In turn, a green economy requires good governance, institutions and policies for value addition to promote forward and backward linkages with the rest of the economy, thereby engendering diversification, reducing vulnerabilities and increasing competitiveness with a view to achieving desirable economic, social and environmental outcomes.

Green economy opportunities abound for natural resources management, use efficiency and conservation. For example, some countries have recorded a declining rate of loss in forest cover, while the overall change in forest cover is positive, but remains insignificant. By 2015, Africa had a forest area of approximately 624 million hectares, declining at a rate of -0.49 per cent, of which natural forests accounted for 600 million ha, with a marginal decline rate of -0.54 per cent. During the same period, planted forests accounted for some 16 million hectares, increasing at 1.34 per cent annually. Net annual forest change was at -2.8 million hectares between 2010 and 2015, and the net annual natural forest change stood at -3.1 million hectares during the same period (FAO, 2016).

Mineral Development Policy, the Africa Mining Partnership and the African Mining Vision.

Figure 2
Indicators in the green economy progress measurement framework and the inclusive green economy analytical framework

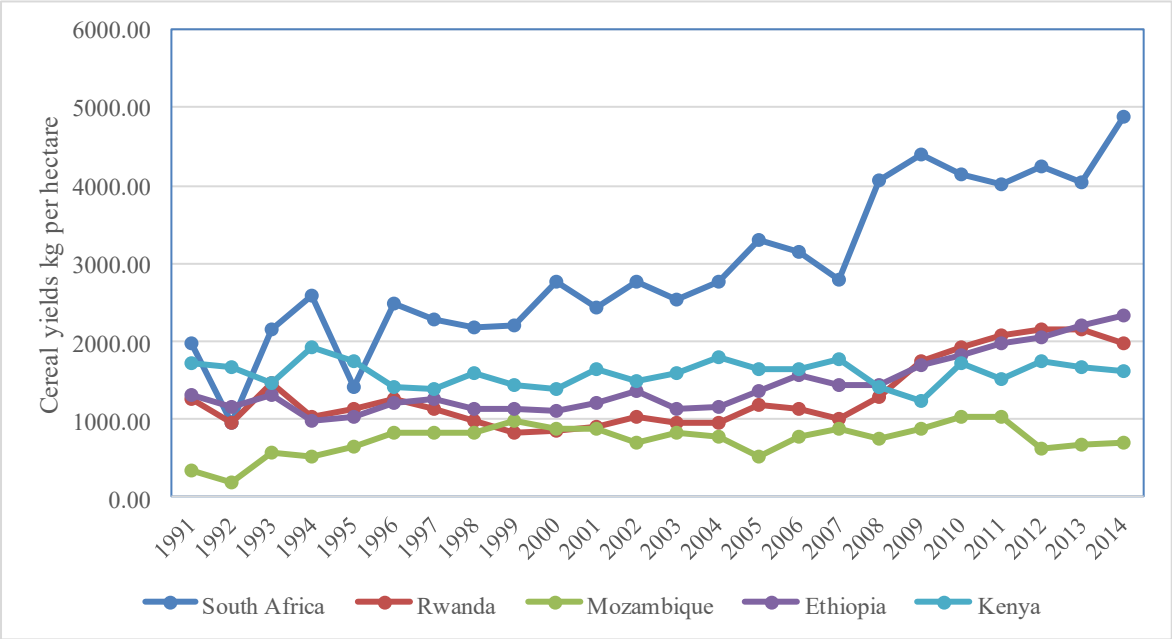


Source: Adapted from ***Enabling measures for an inclusive green economy in Africa*** (Addis Ababa, ECA and UNEP, 2016).

Note: * The Palma ratio is a measure of inequality. It is the ratio of the richest 10 per cent of the population's share of gross national income divided by the poorest 40 per cent's share.

There has also been a marked improvement in biodiversity conservation, with more nationally designated protected terrestrial areas, resulting in a reduction in the percentage change in wetland areas and threatened species. Efforts put into implementing adaptation measures are encouraging, with more countries implementing their national adaptation programmes of action. The number of countries that have developed nationally appropriate mitigation actions in a sustainable development context is also increasing, although Africa accounts for the smallest share of global greenhouse gas emissions–3.8 per cent, compared with the largest emitters such as China, the United States and the European Union, which account for 23 per cent, 19 per cent and 13 per cent, respectively, of global emissions (Sy, 2016).

Figure 3
Trends in cereal yields in selected African countries, 1991-2015



Source: Computation using data from World Development Indicators 2017, The World Bank.

Improvements in productivity, however, have not always been accompanied by value addition in the agricultural sector. Various trends have shown agricultural value added to decline across several countries in Africa (see figure III). For decades, most African countries have been exporting raw materials with low manufacturing value added and value chain, resulting in low industrial competitiveness and human well-being. There is increased investment to provide enabling conditions, such as a well-functioning market economy, adequate infrastructure and efficient energy systems to promote processing and trade of value added products in the agricultural sector. Increased investment in agriculture to make the sector attractive to young people, as a profitable enterprise. Investment, such as irrigation, that is necessary to increase and sustain agricultural productivity and production; and investment to tackle post-harvest losses through the introduction and promotion of better post-harvest handling techniques. In addition, adopting local content policies and legislation may assist countries in exploring opportunities to focus on local investment, develop manufacturing value chains, support the development of an advanced services sector and leverage opportunities for innovation, including upstream, downstream and side-stream linkages.

Chapter 3: Overview of the political economy issues

3.1 Greening the "brownies"

A green economy promises to replace the business as usual economic system with one that results in "improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities" (ECA and UNEP, 2011, p. 1;). Encompassing the economic, environmental and social dimensions of sustainable development, it could not be presumed to be inherently inclusive and automatically foster more equitable societies, hence policies aimed at greening the economy should be carefully designed to maximize benefits for and minimize costs to the poor and most vulnerable people of our societies (World Bank, 2012). A broader concept of "inclusive green economy" explicitly incorporates fully the social sustainability aspects, and in particular enhancing human development and improving conditions for the poor and vulnerable (Samans, 2013 in ECA 2016b).

There is a clear articulation of linkages and contribution of inclusive green economy policies and strategies to the structural transformation of African countries. Conceptually, structural transformation involves the following interrelated processes: a declining share of agriculture in GDP and employment; the rapid change in economic location and urbanization as people migrate from rural to urban areas; the rise of a modern industrial and service economy, with a growing middle class; a change in income distribution and in the institutional environment; and a demographic transition from high to low birth and death rates (Timmer and others, 2012 in ECA 2016b).

Structural transformation itself can broadly be considered to result in three interrelated desired outcomes or features: increased productivity, industrialization, economic diversification and competitiveness; changes in income distribution and poverty reduction; and enhanced human development. Inevitably, the drive for structural transformation in Africa is expected to spur increases in resource uptake and the development and use of infrastructure, in particular energy and transport for industrialization – with undesirable social and environmental outcomes. In addition, the high dependence of African economies on natural resources could increase pressure on resources.

Generally speaking, an inclusive green economy is an economic system of production, distribution and consumption that is aimed at achieving balanced outcomes in the three dimensions of sustainable development (economic, social and environmental), through policies that promote growth, resource efficiency and low-carbon development, protect and enhance biodiversity and ecosystems, and are socially inclusive. An inclusive green economy should therefore lead to sustained economic growth, reduced poverty, better social inclusion and human welfare. It should also create employment and decent work opportunities for all, while supporting and maintaining a healthy functioning of the earth's ecosystem (United Nations, 2012).

In the context of the structural transformation of Africa, an inclusive green economy could play an important role in accelerating and promoting sustainable industrial development. It

could help to boost renewable energy production, availability and efficiency, and increase sustainable agricultural productivity and production. Likewise, it could assist in sustainably harnessing the continent's natural resource endowment, thereby expanding trade opportunities, creating jobs and reducing poverty. This underpins the linkages and contribution of the inclusive green economy to the sustainable structural transformation of African countries (Gaye, and others, 2015).

At the operational level, inclusive green economy and structural transformation goals and objectives must be translated into policies and strategies in an enabling policy and institutional context. The prevailing macroeconomic environment and policy outlook are prerequisites for the sound functioning of an inclusive green economy system. Green fiscal reforms serve as disincentives to over-extraction of resources, while creating incentives for sustainability. This in turn generates revenue and creates fiscal space for the green public investment and social expenditure that benefit the poor.

The focus in most national strategies on environmental and climate change may undermine funding for activities that have a substantial social component, as distinct from the goal of an inclusive green economy, which is to achieve economic, social and environmental balance in development activities. Green growth comes in various forms and has seen polarizing policy debates, especially on the question of whether any green growth strategy will achieve economic growth and significant environmental benefits. The combination of "tackling poverty, accelerating growth and development, and addressing climate change, is likely to involve trade-offs and policy choices between mutually supportive, but equally important priorities towards the improvement of welfare and quality of life for Africa's citizens" (ECA and UNEP, 2011, p. 2).

3.2 Dilemmas in the green economy transition

Inadequate resources to finance the green economy transition

Significant initial investment is required for developing countries to make the transition to a green economy and Governments should play an important role in mobilizing resources. Domestic resource mobilization remains critical for the success of the transition, but international finance may be needed to unlock some of the bottlenecks. The recently adopted green economy strategies and programmes in some of the countries in the region offer a window of opportunity for developed countries to channel their official development assistance and other technical assistance funds to green projects. In parallel, fiscal reforms need to be cautiously undertaken within the context of improving the tax administration system. Such reforms are difficult but could be used to close the domestic resource gaps by eliminating leakages and inefficiencies (ECA, 2016a, p. 102).

Rwanda has overcome this hurdle by setting up a National Fund for Environment and Climate Change in 2008, within the national green growth and climate resilience strategy. Similar funding vehicles were established by South Africa and Ethiopia, but there are significant variations in the approaches. While action on climate change is generally seen as a positive policy, fiscal and regulatory measures with short-term effects (such as price increases) quickly become unpopular and can lead to the perception among decision-makers and the electorate that a green economy approach is more of a luxury rather than a pragmatic necessity. For example, according to the United Nations Research Institute for Social Development (UNRISD) – green energy policies with higher tariffs for domestic users, given that energy comprises a far higher share

of spending in low-income households (UNRISD, 2012).

Trade-offs with social livelihoods

Poverty is still the main challenge that African countries face and the overarching driver of policy. This has led to a strong focus on economic growth at any cost and consequent environmental degradation. A number of studies illustrate the trade-offs between sustainable development policies and livelihoods, the social and distributional costs, and the possible failure of well-intentioned interventions (ECA, 2016a, p. 21; Alliance for a Green Revolution in Africa, 2016). Furthermore, demographic changes in Africa create an overall economic burden to provide sufficient employment for the population, notwithstanding environmental trade-offs. The extent to which a green economy transition could pose a problem might be mitigated by the political gains from job creation if these gains outweigh the political losses from reduced consumption whether "within existing economic structures, or within economic structures that have been reformed to better reconcile green and commercial objectives" (Jeffrey and Seaford, 2014. p. 19).

The stereotypes that raise up negative debates have been reinforced by experiences, such as competition of land for food production – for example, land that has been reclassified or redistributed due to projects putting at risk smallholder agriculture, biodiversity, livelihoods and food security. Furthermore, strict conservation of carbon sinks constrains the livelihood opportunities of indigenous people and ignores cultural systems that, historically, have co-existed and even helped in preserving nature. This has the dual effect of diminishing opportunities for economic development while excluding traditional owners from participation in the green economy. In addition, efforts to promote sustainable development are often at odds with the social, environmental and cultural effects of infrastructural development centred on largescale projects, such as hydroelectricity or railway lines (UNRISD, 2012).

In low-income countries, payment for ecosystem services schemes that allocate private property rights over common property or State-owned resources, may benefit the better-off and reinforce unequal power relations between corporations, States and common property users. Similarly, new markets for greener production may impose burdensome transaction costs for local producers who participate in such schemes while the major beneficiaries tend to remain in the North. Evidence from tree-planting schemes shows that interventions that are perceived as just by those designing them (such as economic compensation or farmer participation in reducing emissions from deforestation and forest degradation (REDD), payment for ecosystem services or clean development mechanism) do not necessarily result in justice locally or may be at odds with local conceptions of justice (UNRISD, 2012).

Karen Jeffrey and Charles Seaford (2014, pp. 19-20) have argued for burden sharing to minimize trade-offs. In their view, the definition of burden sharing is as follows:

> Burden sharing – increased equality and security, reinforced social solidarity, a focus on meeting essential needs and building human capability. This may be put forward as an end in itself or a moral imperative. However, it can also be proposed as a political precondition for transition, both in domestic politics (since it means that the costs of the investment needed and of sustainable consumption are born by an electoral minority), and in international negotiations (potentially reinforcing political support for transition within developing countries). In the absence of the latter, the green economy

can appear to be a rich country's objective. It can be achieved through a range of redistributive and 'pre-distributive' measures domestically, as well as through international transfers and investment. Most commentators will agree that some burden sharing is needed – the disagreement is over the extent of redistribution required within and between countries and how to achieve it.

Alternatively, trade-offs could be managed in the context of setting a standard of the good life which politicians can deliver within environmental limits. This could necessitate burden sharing so that an electoral coalition (or international coalition) for change can be constructed, or development of new narratives as opinion leaders emerge. Development of new narratives requires opinion leaders and champions, for example, to frame the issue of sustainable energy as one of security, requiring active engagement with stakeholders and civil society organisations. In this regard, targets, indicators and data (including new ways of presenting national accounts) are part of the armoury of making change happen: they are political tools, forming the centre piece of a narrative, in the way that GDP forms the centre piece of the growth narrative.

For social progress, however, increasing transparency and accountable decision-making are part of the process of challenging powerful interests. The assumption being made here is that the trade-offs are more difficult because of the power of these interests, and that transparency will reduce this power. Local strategies are needed because what works depends on local political economy, this requires an "analysis of acceptability and urgency" and prioritizing accordingly – acceptability is greatest where local benefits (e.g., jobs, increased safety) offset the transition costs; urgency is where there are lock-in effects in the absence of action (e.g., land use planning) (Hudson and Marquette, 2015, p.74).

Reconciling macroeconomic reforms with social targets

Individuals would choose stimulation of locally based economic activities rather than the bigger picture which involves technological and institutional innovation that simultaneously delivers environmental performance and better lives. The idea is that the reduced scale increases an individuals' sense of control and reduces the opportunities for an elite to appropriate value, and that these (more than) compensate for any reduced economies of scale. If the broader innovations encourage local economic activity – that is, production of goods and services that serve local interests, and if the benefits of macroeconomic reform can also reduce the environmental damage associated with the global trading system, the sustainability of the policy could be enhanced. This can be delivered through local economic planning that creates a group of people benefiting from the green economy and thus an electoral constituency.

Examples of reforms that fall into the dilemma of macroeconomic objectives versus social priorities, include: policies to promote household energy efficiency via appeals to individual or consumer responsibility; community-based forest management schemes that are scaled up nationally; input subsidies for farmers; or energy subsidies. Household energy policies that use moralistic messages can fail because of general mistrust of the public institutions and the energy sector, as well as the failure to build on existing social networks and notions of citizenship. Mistrust in institutions is rife in community-based forest management schemes, scaled nationally because of the increased risk of being captured by the more affluent or political groups and parts of the Government that are keen to extract a share of the profits (Humphries, 2013).

The use of fertilizers and other inputs is an important factor for improving production;

however, Governments are often obligated to subsidize them to make them accessible and affordable. While there are good arguments for providing modest subsidies on strategic inputs such as fertilizers, the way those subsidies are administered matters a great deal. Fertilizer may have negative implications for sustainable development, especially when improper use exposes ecosystems to pollution and downstream effects of erosion and eutrophication of water bodies at levels that threaten aquatic biodiversity (Pimentel, and others, 2004). The effect of fertilizer use on land and water resources is taking centre stage in the debate on sustainable intensification of agricultural production in Africa. Similarly, energy subsidies are necessary to enable green growth, given their economy-wide impacts beyond the energy sector. But the reform processes are complex and challenging, and can be politically unacceptable in the short term. Case studies of fossil fuel subsidy reforms in several African countries (e.g., Ghana and Senegal) show that removal of fossil fuel subsidies calls for extensive consultations with stakeholders in designing and implementing a reform plan.

Role of the State in the transition

According to Levidow (2014, p. 10): "Enabling a green economy means creating a context in which economic activity increases human well-being and social equity, and significantly reduces environmental risks and ecological scarcities. Policy measures are necessary to enable green markets and ensure more efficient use of the environment and natural resources especially by incentivizing private-sector investment, according to the report on Enabling Measures" (Wooders, 2011, cited in Levidow, 2014). The State is therefore expected to play more roles than just regulation and defining frameworks.

A well-designed regulatory framework can create rights and incentives that drive green economic activity, remove barriers to green investment, and regulate the most harmful forms of unsustainable behaviour, either by creating minimum standards or prohibiting specific activities entirely (Cisse, and others, 2014). To use regulatory tools to promote green economic activity in key sectors, it is important to first establish the extent to which current regulatory frameworks are aligned with policy objectives. Furthermore, it is often better for businesses to work with clear and effectively enforced standards, and not have to deal with uncertainty or face competition from those who do not comply with the rules. In many cases, it is not necessary to establish new regulations, but instead, current regulatory frameworks should be better aligned with government objectives to promote green economic activity.

How compatible a green economy is with the free market is a key question when defining the role of the State in making the transition to a green economy and beyond. The State is given responsibility to stimulate existing markets or create new ones where they are missing. For this purpose, the State has various instruments at its disposal, including green accounting for valuing natural resources as "natural capital", to provide a basis for decisions on investment, services and trade-offs; tradable permits to stabilize the total stock of natural capital and its "environmental services"; financial instruments allocating property rights to more natural resources as sources and sinks, for example through carbon credits, carbon trading, water credits, integrated water markets and biodiversity credits; green infrastructure projects; ecosystem restoration through a credit system to mitigate developments destroying an ecosystem elsewhere, thereby facilitating acceptance or State approval of such developments; public-private partnerships bringing extra investment and expertise; "greening supply chains" through sustainable procurements; and promoting

technologies that are resource efficient and green (Levidow, 2014).

The effectiveness of the State in managing reforms is hindered by a lack of clearly articulated policies with respect to the priorities, and by failure to indicate in the national strategies the economic, social and environmental measures for the implementation of sectoral plans. A weakness often cited for the inertia is lack of domestic resources to finance the priority interventions in most African countries. In view of the current economic trends in the world today, external support facilities may not be easily available at the required time to implement the priority programmes. An effective State would engage extra efforts at mobilizing resources, including through engagement between private entrepreneurs and Governments, and external partners.

Appropriate role of the private sector

The public sector, while creating a favourable environment for private sector activity, must see the private sector as a critical partner for achieving socioeconomic development. The private sector must also intensify efforts to make the necessary investment, be innovative to increase competitiveness and live up to its corporate social responsibility. The private sector is becoming increasingly aware of its role for long-term growth that is green and inclusive for sustainable development. It is providing new ideas in the fight to end global poverty by partnering with traditional development players, such as national aid agencies and non-governmental organizations, leveraging supply chains to create economic opportunity for the world's poorest people and incorporating social responsibility into their business practices. It is an important contributor to shape the green and inclusive growth agenda of Africa. Governments need to ensure a conducive investment climate to spur private sector engagement (African Development Bank, 2012).

A key challenge for Governments is designing policies that effectively leverage private capital and know-how to deliver effective modalities and instruments to deal with green and inclusive growth and development at the scale and pace needed. For example, foreign direct investment constitutes 39 per cent of external financial flows in Africa, which is mainly attracted to extractive industries. This often contributes to further degradation of natural assets and can reduce the appeal for green transition. Altering the risk-reward balance of private sector investment via public financial commitments in terms of grants, concessional finance and risk mitigation instruments, would enhance both the supply of private finance for major infrastructure and low-carbon projects, and increase the demand for private finance in long-term development solutions.

While Africa is transforming at a reasonable pace, continued growth requires investment in physical and human capital to sustain public and private investment. The private sector in Africa has the potential to be part of global value chains and benefit from the much needed technology through joint ventures and other forms of partnerships with other private sector actors from other parts of the world. Participation of the private sector could be enhanced through public-private partnership in the context of green economy. The technological innovations that will support a low-carbon growth path for Africa require increased research and development programmes alongside academia through effective partnerships.

3.3 Navigating the challenges and seizing the opportunities

Several challenges continue to hamper African countries from making the transition to a green economy. Generally, most countries have a weak enabling business environment emanating from a policy framework that does

not fully support a green economy transformation, coupled with high cost of technology that is usually too prohibitive for any meaningful level of innovation or technological development to take place and lack of adequate financing for the green economy and structural transformation processes. Financing of development frameworks has remained elusive for most developing countries, leaving countries to rely on meagre domestic resources to kickstart their transformative agendas. Overall, there is inadequate capacity at all levels in the public and private sectors to implement the inclusive green economy from policy formulation, implementation and monitoring (Gaye, and others, 2015; Department of Economic and Social Affairs, 2011).

The quality of a green economy transition will be judged by, among others, the quality of inclusivity of the process and outcomes starting with the policies, the institutional and legal frameworks, and the coordination of the actors and their actions. Policies are a bedrock of the transition, which is why from the outset, countries need to ensure that policy instruments are selected in the light of its dynamic net benefits to the society and their capacity to trigger inclusive green structural transformation. The chosen set of instruments must be consistent with the broad inclusive green economy policy objectives and sustainable development goals of the country concerned. The choice should be based on a rigorous process, supported by evidence of their appropriateness, costs and benefits. Appropriate policy instruments, along with their inherent incentive structure, can stimulate resource efficiency, innovations and research in, and the development of, green technology and investment in natural capital and social infrastructure.

Accompanying a policy setup are the legal and institutional frameworks. Countries should take into account the nature of institutions and their coordinating mechanism for green economy interventions by all partners – domestic and external (ECA, 2016b, p. xix). A lack of legal and regulatory frameworks, inadequate protection for intellectual property rights, limited institutional capacity, excessively bureaucratic and unclear arbitration procedures, political interference, uncalled-for interventions in domestic markets (for example, subsidies) could not be relied upon to deliver inclusive green economy transition. In their Consensus Statement to Rio+20, African countries pledged to redouble efforts to improve the national governance environment, ensuring the full accountability of institutions and transparent and inclusive planning and budgetary processes. This political commitment is critical for the transition (ECA, 2011b, p. 4).

Capacity-building and awareness-raising are critical to support local manufacturing and employment generation, and to enhance support for skills training and capacity-building for the green transition process. The process through which Governments engage with its citizens could unlock the potential for a green economy to benefit a wider stakeholder base. A distinguishing factor for an inclusive green transformation is that it promotes the building of political and institutional coalitions that allow all those involved to recognize that while an inclusive green economy is inherently linked to environmental sustainability, the environment is central in bringing about economic transformation and mobilizing support across the board. For example, the process of engagement with key stakeholders could help to sustain a high-level of support of the green economy even during political transitions, thereby preventing conflicts of interest when leadership changes.

Weak coordination and lack of sectoral harmonization and integration create an environment in which the fragmented nature of sectoral policies on the green economy leads to duplication of activities. Lack of coordination and integration among sectoral ministries

and overlapping powers and responsibilities among institutions could hamper effective implementation of a green transition. To date, the development of inclusive green economy policies in most African countries was overseen and supported by high-level government officials. This has helped to bring together not only the various government offices, but also non-governmental stakeholders and external partners. In addition, with support from high-level political leaders, the inclusive green economy vision, goals and objectives have been integrated into long-term national development visions, transformation plans and sectoral strategies in some countries. High-level political leaders have supported African countries to make the transition to a green economy a central tenet of their national development agenda, especially in Ethiopia, Mauritius, Morocco, Rwanda and Tunisia. Some of the countries have established institutions mandated to coordinate the implementation of green economy strategies within high-level political offices, thereby lending the institutions clout and authority.

Millions of people in Africa earn most of their income from ecological goods and services. Enhancing the benefits that rural dwellers and the urban poor can derive from natural resources can promote inclusive green growth and deal with inequality and unemployment. Agriculture, which is the main source of sustenance and income, is central to inclusive green growth strategies. Given that 70-80 per cent of the population is directly or indirectly employed in agriculture, it is evident that successful structural transformation must begin with improved agricultural productivity and an increase in reliable food supplies. Priority areas in the inclusive green economy strategies of Ethiopia, Kenya, Mozambique, Rwanda and South Africa generally include agriculture, industry, and environmental and climate resilience concerns (ECA, 2013a, p. 107).

Other green growth opportunities are emerging, including agribusiness and agro-processing, mineral and metals, and subregional, south-south and global value chains. African countries mostly continue to export raw materials with low value added, resulting in low industrial development. There is a need to focus on value addition for upscaling ecosystem services. Green investment that promote value addition, increase industrial competitiveness and share of global value chains could unlock avenues for wealth creation and reduction of inequalities. This calls for, among other things, developing local capacities in industry value chains such as skills, expertise and know-how, and aligning artisanal and small-scale mining operations with relevant development priorities to ensure that the sector provides an opportunity for inclusive green growth that benefits women, young people and marginalized communities. For example, Ethiopia is implementing a three-phase road map for industrial development covering the period 2013-2025, with the vision of attaining the largest manufacturing capacity in Africa. The roadmap also places a specific focus on building a diversified, globally competitive and environmentally friendly industrial sector, consistent with their Climate-Resilient Green Economy initiative.

Trade has the potential to spur inclusive green growth in Africa and support the transition to an inclusive green economy. There are several important trade policy interventions that can promote inclusive green growth in Africa, and, depending on a country's openness to trade and global markets, there are important interactions that need to be considered in designing country-level strategies for inclusive green growth. African Governments should foster the comparative advantages of African producers in producing and exporting sustainably produced products to ensure that trade is the driving force behind inclusive green growth and the transition to a green economy in Africa. Overspecialization in a

small set of "staple" activities that tends to be strengthened by the forces of international trade should be avoided. There is a need for Africa to shift from the overall dominance of fossil fuels, raw ores and metals in exports to the rest of the world, to include value addition and create markets and exploit natural comparative advantages for renewable energy and the infrastructure to transfer energy from regions with surplus to regions with expanding energy demands or growing deficits in supply (ECA, 2015a, p. 156).

While Africa is attracting investment in the natural resources sector (in particular mining), there may be a need to balance the flow of resources to deserving sectors. Agriculture for example holds the greatest potential for inclusive growth, but there is a need to eliminate agricultural subsidies and other trade distorting measures to increase market access for agricultural products from African countries. Aside from eliminating trade-distorting tariffs and taxes, trade-driven inclusive green growth also requires fiscal reforms that should include removal of unproductive subsidies, such as those on energy and energy-intensive products. There is also a need for technology transfer to enable African countries to shift to sustainable agriculture whose productivity far outstrips the business as usual as demonstrated by the United Nations Environment Programme (UNEP) assessments. For example, in Kenya, the average agricultural yield under the green economy scenario would exceed the same under the business-as-usual investment scenario by approximately 15 per cent by 2030, while in South Africa, investment allocated to the adoption of ecological agriculture practices (such as organic fertilizer use) would provide a sustained increase (5.5 per cent increase if the Green Economy Accord strategy is implemented) of the yield per hectare, as opposed to the short-term gains from the use of conventional fertilizers (UNEP, 2015, p. 18).

Infrastructure investment are also critical to keep down transaction costs and ensure trade competitiveness of African "green" goods in a globalized marketplace. Upgrading and expanding ports and cargo-handling capacity and improving national and subregional rail networks are a key part of this strategy, and go a long way towards enhancing inclusive green growth. At the regional level, closing the massive gaps in transport, energy, ICT, and water and sanitation could strengthen the platform for sustainable development. The Priority Action Plan for Programme for Infrastructure Development for Africa (PIDA) adopted by the African Heads of State in 2012, requires $68 billion for implementation until 2020, and $300 billion for project implementation through 2040. There is therefore a need for Governments to link their infrastructure development corridors to the continental frameworks, especially now with the signing of the African Continental Free Trade Area agreement.

While Governments have employed a variety of approaches to inclusive green growth planning, the most successful ones are characterized by strong high-level leadership that builds winning coalitions for long-term development goals, examples include Ethiopia, Morocco and Rwanda (Green Growth Best Practice, 2014a). Successes are also characterized by clear economic, environmental and social objectives reflected in formal outcome-based mandates, supported by strong institutional governance, as in Rwanda and South Africa; robust and adequately resourced planning and coordination processes, designed to generate compelling evidence, overcome barriers and manage conflicting interests. The latter is exemplified by the development of the National Climate Change Action Plan for Kenya.

Building strong coalitions around the agenda depends on active and strategic processes for stakeholder engagement. The process should have clear roles and well-managed

expectations. Ethiopia typifies a well-structured institution that is able to manage a predictable long-term cycle of planning, implementation and review, which is aligned with other activities. The test of institutional quality and strength (see box 2) lies in the continuity of programmes upon political administration changes. Ethiopia is also forging ahead in building local capacity from the federal level, line ministries all the way down to the local authority level.

Box 2: Best practice in quality of institutions

- Strong leadership linked long-term national goals, and winning coalitions;
- Clarity of objectives: outcome-based mandates, institutional governance;
- Robust planning and managing conflicting interests;
- Stakeholder engagement with clear roles and managed expectations;
- Well-governed institutions;
- Built local capacity across different layers.

A strong economic showing in most countries is an opportunity to apply fiscal reforms and other economic instruments, and thereby trigger inclusive green growth. Ideally, countries should have clear visions, targets and baselines for long-term green growth, including specific short-term and medium-term goals relating to economic growth, poverty reduction, employment, and natural resources protection to guide macroeconomic reform interventions that are aimed at promoting African countries to make the transition to an inclusive green economy (Green Growth Best Practice, 2014b; ECA, 2016d, p. 10). This would help Governments to design and implement an appropriate and optimal mix of macroeconomic reforms that could sustain green investment and transformation to achieve green growth (ECA, 2016d, p. 10).

Although financing remains a critical gap, many countries have the potential to increase domestic and external mobilization of financial resources. Policies that are properly formulated to improve domestic resource mobilization can have positive benefits if the funds are invested in productive sectors. Fiscal policy reforms could also be an opportunity to link green economy to specific development targets, such as infrastructure development, social development and environmental protection (ECA, 2015a, p. xv). Furthermore, with clear development frameworks, countries could attract external financing either through grants, private investment or credit backed by domestic resource potentials estimated at more than $500 billion in tax revenue, $168 billion in mineral wealth, $400 billion in international reserves, $40 billion in diaspora remittances, $60 billion in banking revenue and some $1.2 trillion in stock market capitalization (ECA, 2016a, p. 116).

Navigating these challenges and harnessing these opportunities would require the political participation of stakeholders and many other enablers, including technology and the capacity of member States. Most of the political tensions revolve around understanding the political players and their roles, benefits and institutional capacity, and an effective communications and outreach strategy required to engage with each other, or among the key parties, and the distribution of the benefits and losses of the reform and its justification. Other enablers of the process include

technology development and transfer; and in Africa, some countries are already developing or supporting technological upgrading for sustainable industrial development. Overall, the effective implementation of the green economy reforms hinges on strong governance systems that promote transparency and accountability (ECA, 2016a, p. 46).

Chapter 4: Stakeholders operations in a green economy

4.1 Centrality of a stakeholder

The political economy of a green economy transition requires attention to meaningful participation in the organized efforts of key groups to control and influence the best national outcomes. Crafting transition paths in Africa with policy coherence – in which macroeconomic and other growth orientated policies do not undermine sustainability objectives, and environmental goals are balanced with social considerations – requires governance arrangements that facilitate the collaboration of multiple actors at multiple scales (international, regional, national, subnational and local) to tackle inequalities and power imbalances associated with the market economy.

The key stakeholders in a green economy include Governments and their agencies, research and academic institutions, think tanks, international and regional development organizations, private-sector players (including innovators, producers and organized political groups). Identifying key stakeholders, and the institutions and frameworks through which they interact, is as important as the objective of making the transition to a green economy. It is only through such an analysis that appropriate policy measures can be identified to safeguard the interests of all stakeholders. A political economy analysis also enhances governance systems and promotes transparency in the implementation of Governments' programmes and helps to reduce uncertainties and risk for investment in the green economy (ECA, 2016a, p. 37).

Participatory approaches in the design and implementation of inclusive green economy reforms ensures that the interests of different stakeholders are accounted for and encourages inclusivity. To date, countries that have a designated lead entity and established multi-stakeholder coordination mechanisms for synergy of the efforts of government ministries, agencies and other stakeholders have achieved early success in identifying key reforms for promoting a green economy (ECA, 2016a, 41). Coordination among government ministries, agencies and other stakeholders, as well as decentralized structures is mostly assured through the establishment of various multi-stakeholder committees, which allow for effective communication and cooperation. Such roles have been played by lead government agencies in several African countries (United Nations Development Programme, 2017). In Mauritius, the Maurice Ile Durable Policy and Strategy Action Plan coordinated by the Ministry of Environment and Sustainable Development, provides a framework for green economy implementation. In Kenya, the Ministry of Devolution and Planning is considered the lead in coordinating activities and initiatives towards a green economy.

4.2 Typology of stakeholders of the reform

4.2.1 Governments and public institutions

Governments and public institutions are critical in providing the frameworks necessary for planning and implementing the green economy transition. Along with creating an amiable

environment for securing financing from both public and private sectors, Governments should ensure the implementation of a range of complementary policies and programmes in the identified priority sector. The aim is to create the incentives necessary to stimulate the private sector and to change people's perceptions. Governments are also key in engendering efficient implementation, enhancing collaboration, coherence and integration among stakeholders.

In Ethiopia for example, the climate-resilient green economy strategy is backed by a permanent institutional setup headed by the Prime Minister's Office and an inter-ministerial steering group of key government ministries to focus on implementation and promote the participation of a broad set of stakeholders. In Rwanda, the green growth and climate resilience strategy is guided by a steering committee consisting of ten cabinet ministers. In South Africa, the National Strategy for Sustainable Development and Action Plan and is coordinated by the Ministry of Water and Environmental Affairs, through the Department of Environmental Affairs, which also oversees the National Committee on Sustainable Development. The committee is multidisciplinary and multisectoral (covering all key government sectors) and engages civil society, the private sector, academia and other stakeholders in its mandate. In Mozambique, four key ministries play a decisive role in guiding and planning (Ministry of Environmental Action Coordination; Ministry of Planning and Development; Ministry of Finance; and Ministry of Foreign Affairs and Cooperation). The National Council for Sustainable Development also plays an important role.

The role of Governments in building the sustainable economy extends beyond policy and includes funding the basic science needed for green processes and technology progress (Cohen, 2014). The South African Government for example, provides an enabling policy and regulatory environment for transitioning to a green economy and harnesses public finance in support of this vision. Of the 357 green economy initiatives, approximately 50 per cent were funded by national government departments, most notably the Department of Environmental Affairs and the Department of Transport, which funded a third of all nationally funded initiatives, while 31 per cent of the green economy initiatives are municipally funded (Partnership for Action on Green Economy, 2017).

Although there is scope for private-sector investment in some of these areas, the role of public financing cannot be overemphasized. Public investment are needed in sustainable infrastructure such as smart grids, electric vehicle charging stations, mass transit transport systems, waste management facilities, water filtration and sewage treatment systems. The National Climate Change Response Strategy for Kenya, for example, identifies total resource requirement of $2.4 billion per year in the energy sector alone (World Economic Forum, 2012). The Climate-Resilient Green Economy (CRGE) facility in Ethiopia allocated $20.8 million to six core CRGE sectors in January 2014 to prepare and implement fast track investment aimed at promoting economic growth, reducing greenhouse gas emissions and building resilience to climate change, but a total of $150 billion is expected to be raised during the first 10 years for investment in CRGE initiatives (Kaur, and others, 2016).

The deliberate deployment of tax systems, government purchasing power and other financial tools can steer private capital towards investment in green technologies and businesses. There is potential to use natural resource taxes as the springboard for revenue-neutral reforms in Botswana, Cameroon, Chad, the Congo, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, Guinea and Nigeria, (Thomas and Treviño, 2013). This would require new green fiscal instruments

to be seamlessly introduced into the current tax code (e.g., when Morocco, South Africa, Uganda, the United Republic of Tanzania and Zambia introduced taxes on pollutants and emissions). These taxes are expanding the tax base and could potentially reduce distortions of current taxes.

Governments may also use regulation of private behaviours to minimize the destruction of ecosystems. For example, although Africa is not a significant contributor to carbon emissions, its cumulative and marginal contributions based on recent economic growth patterns are likely to put pressure on the environment. The headline indicator for environmental pollution is carbon emission from energy and land-use change, and for Africa, resource extraction is one of the major indicators of environmental pressure. The regulatory environment can address biases and inertia and could help countries to fine-tune their economic instruments for environmental management and conservation and accelerate progress towards sustainable development. Excessive regulations however, can increase costs of green investment making them unattractive, while on the other hand, reduced regulations can hamper incentives for green investment (ECA, 2016a, p. xiii).

4.2.2 Private sector

The private sector are the wheels of an economy, as its investing and innovating capacities are crucial for industrialization, poverty eradication and the transition to a resource- and energy-efficient low-carbon economy. Whether it is in creating jobs, improving infrastructure, expanding education and health care, tapping opportunities and structural transformation, or other essential areas – the private sector will continue to be the cornerstone of any development strategy in Africa (International Finance Corporation, 2012). Through innovation and investment in low-carbon and resource-efficient solutions, the private sector will have a major role to play in the transformation towards an inclusive green economy. Rodrik (2014) identified the following four main areas in which the private sector can play a significant role:

- Reviving manufacturing and putting industrialization back on track;
- Generating agriculture-led growth, based on diversification into non-traditional agricultural products;
- Generating rapid growth in productivity in services;
- Stimulating growth based on value addition to natural resources.

To the private sector, a green economy opportunity is assessed just as any other business proposition and will only be undertaken if it offers significant business value on investment. To date, opportunities for private-sector growth are not as pronounced and as a result, the pace of structural transformation has been low. For example, between 2000 and 2010, in sub-Saharan Africa, the share of the labour employed in agriculture declined by roughly 10 percentage points; however, this has not been matched by employment in manufacturing, which grew by a mere 2 percentage points, compared with an 8 percentage point increase in services (McMillan and Harttgen, 2014). Under such dynamics, and with the African continent becoming increasingly urbanized, the private sector will have to radically evolve in order to provide modern industrial and service sectors that are able to offer decent jobs and absorb more low-wage workers from agriculture.

Lack of skills can be an obstacle that hinders the private sector from investing in a green economy (Collier and Venables, 2012). As a result of low skills predominating the landscape, it is estimated that up to 80 per cent of enterprises in developing economies, or approximately 280-340 million, are part of the informal sector, a situation that undermines

economic growth (European Commission, 2014). While an increased level of capacity and skills may lead to the assimilation of some of the informal sector enterprises into the mainstream economy, it will be costly for most countries to find the skills required to upgrade the private sector in readiness for making the transition to a green economy. Following several sustainable development frameworks adopted recently, including the 2030 Agenda for Sustainable Development Goals and the Paris Agreement, private-sector actors are anticipating major shifts in markets and resource availability, and are planning for much lower carbon intensity production as a result. In short, the economics of scarcity and uncertainty are stimulating significant efforts to develop alternative greener business models and patterns. In South Africa, for example, the Government's policy to upscale renewable energy production led to the floating of the Renewable Energy Independent Power Producer Procurement Programme in 2011. This was strongly backed by a sovereign guarantee to the winning bidders to low-risk cash flows to successful independent power producers to supply power to the grid. Within a short period, the Government had purchased 3,922 megawatts from 64 independent power producers and obtained a further $14 billion investment commitment from the private sector during a three-year period (ECA and UNEP, 2017).

Other countries have adopted regulations on prices of renewable energy such as feed-in-tariffs and incentives such as loans for solar water heaters and other technologies. These policies have stimulated the private sector to invest in renewable energy generation in Kenya (see box 3).

Box 3: Fostering renewable energy development in Kenya

Kenya adopted a renewable energy feed-in-tariffs (REFIT) in 2008, a policy it revised in January 2010. The REFIT aims to stimulate market penetration for renewable energy technologies by making it mandatory for energy companies or utilities to purchase electricity from renewable energy sources at a pre-determined price. This price is set at a level high enough to stimulate new investment in the renewable sector. This, in turn, ensures that those who produce electricity from renewable energy sources have a guaranteed market and an attractive return on investment. Aspects of a REFIT include access to the grid, long-term power purchase agreements and a set price per kilowatt hour (kWh). Kenya REFIT covers electricity generated from wind, biomass, small hydro, geothermal, solar and biogas, with a total electricity generation capacity of 1300 MW.

The advantages of this policy include: (a) environmental integrity, including the reduction of greenhouse gas emissions; (b) enhancing energy supply security, reducing the country's dependence on imported fuels, and coping with the global scarcity of fossil fuels and its attendant price volatility; and (c) enhancing economic competitiveness and job creation. As Kenya's greatest renewable energy potential is in rural areas, the effects of the feed-in tariff policy are expected to trickle down and stimulate rural employment. Additional investment could be attracted towards renewable energy in Kenya if the feed-in tariff policy in Kenya would acquire a more solid legal status (AFREPEN/WP 2009).

Source: A Green Economy in the Context of Sustainable Development and Poverty Eradication: What are the Implications for Africa? (Addis Ababa, ECA and UNEP, 2011, p. 19).

This shows that when there are appropriate incentives, the private sector can foster green technology development and transfer through, inter alia, financing, business advisory support, encouraging greater generation of new innovations, promoting South-South cooperation, and foreign direct investment (Hultman, Sierr and Shapiro, 2012). The private sector would invest in appropriate clean technologies relevant to their operations but will not do so on cost effective bases to boost their market share or profits. As they do so, their collective activities will enhance cleaner production technologies aimed at improving optimal operations, efficient use of raw materials and energy in the green economy.

Developing countries are generally perceived as high-risk hosts for investors because of regulatory uncertainty and weak governance which varies from country to country; while structural impediments, such as inadequate infrastructure to enhance competitiveness, imperfect information and other market failures are some of the reasons the private sector does not invest sufficiently in sustainable development in both developed and developing countries (United Nations System Task Team on the Post-2015 United Nations Development Agenda, 2013). As pointed out above, the private sector will only invest in green economy projects based on their projected returns and not any other considerations. In fact, anything that reduces the risk-adjusted returns is a deterrent or impediment to private sector investment in green economy sectors.

There is also a general perception that environment-related product and process standards, regulatory regimes and restrictions are increasing in industrialized economies, giving rise to trade barriers in the global market. Governments in developing countries therefore need to ensure that the variety of standards – including product energy performance standards, testing procedures and labelling requirements used in different markets – are not preventing domestic private investors from having access to developed country markets. Harmonizing these standards would thus be a huge boost for small and medium-sized exporters, especially if Governments in developing countries could enable private sector firms to meet such standards by, among other things, upgrading domestic standards to mirror international standards, and assisting the private sector in identifying, acquiring and assimilating the technologies needed to comply with developed country standards (DESA, UNDP and UNCTAD, 2011).

The instruments at the disposal of Governments to encourage the private sector include budget allocations for environmental activities as seen in the examples above. The private sector should not only be expected to comply with environmental regulations and standards as stipulated in various environmental laws of countries but also as businesses, provide an opportunity to create solutions that enable reducing emissions and use of resources, making the planet cleaner. The private sector comprises a great diversity of organizations ranging from small informal enterprises to large multinational corporations and financial institutions. There is therefore a need for differentiated strategies to engage with the various types of private sector actors for jointly achieving development objective (European Commission, 2014). As a starter, businesses need a regulatory framework from the Government (a kind of rules of the game) supporting innovative and safe investment, providing incentives for private investors to support green technologies and prospective start-ups.

The role of the private sector can further be boosted by engaging them in a policy dialogue to integrate their priorities into green growth strategies and policy frameworks at the development stage. An appropriate and specific policy mix depending on country

specifics, including direct incentives for green investment, is needed. There may also be a need to stimulate businesses in the priority green economy sectors and reducing some of the risks associated with market failures. As a general rule, it is important to create opportunities through market-based solutions and limit public sector and donor interventions that distort markets, but specific sectors may require direct government investment to attract private actors.

4.2.3 Researchers, academia and think tanks

Due to the innovative nature of many green economy initiatives, research institutions and think tanks are often central actors. They play a key role in developing and piloting technological solutions and fostering innovations or observing and monitoring the outcomes and implications of transitioning to a green economy. In South Africa, these institutes are often aligned with the Government or public entities, such as the Council for Scientific and Industrial Research, the Water Research Commission, and the Agricultural Research Council. Many of the networks of centres of excellence set up during the past decade throughout the continent are using research to take the continent's sustainability agenda forward. Among the research priorities of the Biosciences Eastern and Central Africa Network hosted by Kenya, are climate-smart forage grasses. Meanwhile, the Bio-Innovate network in East Africa (est. 2010) is improving crop productivity and agro-processing and building smallholder farmers' resilience to climate change. In 2014, a call for the establishment of the United Nations Educational, Scientific and Cultural Organization (UNESCO) centre of excellence on ocean science and innovation for capacity-building and research, as a contribution to the 2030 Agenda for Sustainable Development, was endorsed by the Mauritius Ministerial Declaration adopted by four island States: Comoros, Mauritius, Madagascar and Seychelles (UNESCO, 2015).

Universities use funding to leverage innovations or to provide academic support or research. Most researchers are involved in trialling solutions within the agriculture, renewable energy, and water and waste sectors. Universities identified as active in this space include Mangosuthu University of Technology (agriculture and green technologies), Stellenbosch University (renewable energy, forestry), University of Cape Town (renewable energy, recycling), University of Johannesburg (renewable energy), University of Pretoria (waste beneficiation, agro-processing), University of Zululand (agriculture), and Vaal University of Technology (waste/water) (Partnership for Action on Green Economy, 2017).

Governments should create an innovative space that will enable them to explore working with private research and innovation hubs as well as state and local governments in promoting initiatives and nurturing ideas that could push the green growth agenda either at local or country level. Research and development funding are the lowest in Africa at less than 1 per cent of GDP in all African countries, except South Africa. The problem is not a lack of political will but a combination of failure to translate expressed political intentions into actions and a general disconnect between political statements and resourcing the required actions. For example, while African Heads of State and Government adopted a 10-year Science, Technology and Innovation Strategy for Africa (STISA-2024), the experience has been that such initiatives are not well resourced or not fully embraced at country-level. The strategy is a result of a review of the Science and Technology Consolidated Plan of Action of 2006 for Africa, whose implementation faced similar constraints. The new strategy, in particular the flagship research programmes and actions, will take stock of existing initiatives

and build on the Consolidated Plan of Action (ECA, 2016a, pp. xvi).

4.2.4 International development partners

Bilateral and multilateral donor agencies are playing a significant role in funding green economy initiatives in the region. Support from Austria, Denmark, Finland, France, Germany, Norway, Switzerland and the United Kingdom (mainly through their Department for International Development) has been delivered primarily through embassies and country-specific aid agencies in government departments. Within the "sustainable consumption and production" sector, support from the Department for International Development and the European Union was notable (European Union support was provided primarily through the "Switch Africa Green" programme). UNEP, African Development Bank, the Danish International Development Agency, the World Wide Fund for Nature, and the German Agency for International Cooperation are also actively involved.

Global and regional entities, including the European Union and the United Nations, have played an important role in promoting green economy in Africa. ECA, together with other agencies of the United Nations system, provide capacity development and other types of support to a variety of green economy initiatives: for example, the International Labour Organization (green jobs and just transitions); the United Nations Industrial Development Organization (transport and sustainable consumption and production); UNDP (through implementation of the Global Environment Facility's small grants programme and their energy and environment support programme); the United Nations Framework Convention on Climate Change (solar and bio-energy) and UNEP (biodiversity, agriculture, transport). The World Bank also provided key support to several "Renewable energy" and "Built environment" initiatives in collaboration with municipalities and state entities (Partnership for Action on Green Economy, 2017).

Partnerships are also developing and delivering substantive programmes to support green transformation in Africa. For example, SWITCH-Africa Green programme is implemented by UNEP with the financial support of the European Union. SWITCH-Africa Green supports six African countries in their transition to an inclusive green economy, by translating the countries' sustainable consumption and production pattern action plans to generate growth, create decent jobs and reduce poverty. The programme mode of delivery involves private sector-led inclusive initiatives in key sectors of green growth, including micro, small and medium-sized enterprises and business service providers.[2]

One of the objectives of the African Development Bank strategy for 2013-2022 is to assist Africa in gradually making the transition to green growth that will protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources and spur innovation, job creation and economic development. Along these lines, the green bonds programme of the Bank is financing eligible climate change projects, including broad categories such as greenfield renewable energy generation; demand-side brownfield and greenfield energy efficiency; urban development, and water supply and access. Similar to the SWITCH-Africa Green programme, success of the Bank's programme hinges on the implementing partner, mainly

2 For more information, see SWITCH-Africa Green (web page). Available at www.switchafricagreen.org/index.php?option=com_content&view=article&id=206&Itemid=1292&lang=en.

the Government, and the impact level of the programmes.[3] The water, energy and transport sectors for example have received substantial amounts[4], but the impacts are likely to be felt in the medium to long term given the huge size of projects.

The position of Great Britain on the green economy in Africa is along the lines of supporting the capacity of partner Governments to meet their commitments set out in their Nationally Determined Contribution from the Paris Agreement on Climate Change. There is expressed interest to support the development of national and sector-specific green growth plans, and build resilience to the impacts of climate change, among others. Among the programmes that are already benefiting, include "Energy Africa which partners with Governments and the private sector in 14 countries to develop household solar energy markets, helping to reach the 600 million people in sub-Saharan Africa who lack access to electricity" (Department for International Development, 2017, p. 16).

Similarly, the Government of Germany, through the Federal Ministry for Economic Cooperation and Development, is studying the landscape to tailor its technical cooperation and support in four possible areas: policy advise (designing and implementing reform, selecting and supporting investment policies, and establishing new fiscal policies); institutional and human capacity development (strengthening institutions, human capacity development, skill and knowledge development); cooperation, partnerships, participation and communication (promoting international and regional cooperation, supporting technology transfer, innovation and research and development, facilitating stakeholder involvement, and communication campaigns); and methodological support (diagnostics, tool design and use, and monitoring and evaluation).

The foregoing shows that there are many overlaps and areas in which synergies can be strengthened to address the fragmentation of donor support towards the green growth agenda in Africa. Development partners should strengthen coordination and collaboration mechanisms, streamline funding mechanisms earmarked for the region, and mobilize national and regional actors and organizations that provide support to African countries on the green economy. To date, countries in the region have expressed the need for support towards quantitative assessments of green economy challenges and opportunities in key economic sectors, and assessment of the feasibility and effectiveness of proposed green economy transition scenarios in the short and long run. Support is also needed for countries to eventually design and implement inclusive green growth strategies and approaches for building an inclusive green economy that ensures a resource-efficient and low-carbon development path, and contributes to sustainable livelihoods, poverty alleviation and sustainable development (ECA and UNEP, 2016).

4.2.5 Other stakeholders

Civil society and non-governmental organizations have had an unquestionable role to play in the development of Africa. They have been a driving force behind raising awareness about environmental issues, at the same time campaigning for responsible policymaking, decision-making and implementation; and are therefore able to ensure that making the transition to a green economy benefits society or the constituents they represent. In addition, they have championed the rights of losers,

3 For more information, see African Development Bank (web page). Background. Available at www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bonds-program/background/.

4 For more information, see African Development Bank (web page). Portfolio selection. Available at www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bonds-program/portfolio-selection/.

that is, loss of job opportunities in the process; and are involved in dialogue and advocacy to encourage people and companies to accept their social responsibility. Civil society are part of the institutional framework to ensure accountability and to bring about changes in the behaviour of citizens, Governments and firms.

Civil society plays a key role in prodding societies towards a just and green future. While far from enlightened or powerful enough to single-handedly create a green economy, civil society represents a necessary component of the transition process; it occupies a critical position for articulating stakeholder interests; and is a realm that is largely outside immediate commercial and even governmental pressures. Civil society is populated by various associations that work throughout societies in the service of public ideals or enterprises. The specifically public dimension suggests that civil society actors are fundamentally motivated not by economic profit, while the transnational character of civil society suggests a sovereignty-free orientation. To the degree that their efforts, which include everything from pressuring Governments to shifting codes of good conduct, influence economic calculation and the dynamics of commercial life, civil society becomes a necessary agent of the green economy transition process (Wapner, 2011).

Non-governmental organizations also play a key role as facilitators between funders and stakeholders and as coordinators and project managers (examples include World Wildlife Fund for Nature, Africa). This is normally a product of interest in seeking out funding opportunities for their own organizations or to advance progress in their areas of interest (especially in the agriculture and resource management sectors). Many projects managed by non-governmental organizations involve multiple stakeholders, which illustrates their strategic networking role in brokering collaboration between international institutions, government institutions, donors and other non-governmental organizations (Partnership for Action on Green Economy, 2017). The positive role of these organizations is not universal because of their relationships and networks with various donor and developing countries; and they have generally been criticized for the unscrupulous practices of some non-governmental organizations. The contentious interests of these organizations can be an issue when there is a formal funding association with developed country Governments or international organizations, raising the possibility of a compromised governance structure, or misguided interests.

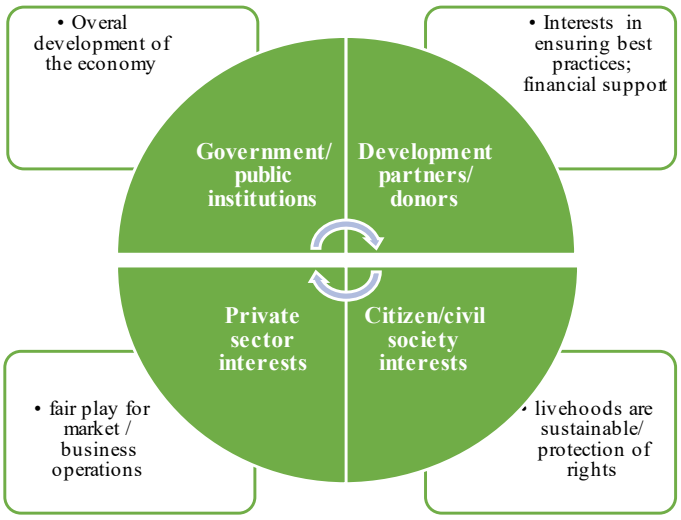
The critical role of media in changing and framing behaviours towards green economy transition is also worth highlighting (Cook, Smith and Utting, 2012). This is important to build social acceptance and strengthen support from businesses and the public, which are all critical for the successful implementation of policy reforms. Active and well-balanced communication and engagement with all relevant stakeholders is also critical to raise awareness of the benefits of the policy reforms and measures to address any potential negative distributional impacts it could have on specific groups to overcome opposition (ECA, 2016a, p. 64; UNEP, 2010).

4.3 Incentives, resource endowments and constraints

As the previous section identified key stakeholders, this section focuses on their incentives, resource endowments and constraints generally, so as to understand what guides their interests and what limits them. There are four major interests exerting weight on green economy transition in various countries and sectors (see figure IV). The interests include government institutions, the private sector, citizen and civil society organizations, and development partners. The primary interests

of Governments are in the overall development of the economy (not green economy exclusively). To make the transition to a green economy requires a shift in investment priorities to areas that lend themselves to the ecological conversion of economic sectors; and substantial funding and, given current means and priorities, this may be a major obstacle for Governments and development partners. This generally necessitates the channelling of limited resources to priority sectors. Capacity for leadership is crucial for sustainable development. Development partners on the other hand, are the providers of financial support and interested in ensuring best practices, including the embedding of the green economy transition into the development process.

Figure 4
Interests in the development of the economy



4.3.1 Government and public agencies

At the helm of macro-level planning is a Government that spells out the policy objectives of a country and how that policy agenda will be implemented, including its funding and timelines. Policy orientations may differ from country to country but the thinking is generally guided by a desire to either leverage natural assets for economic and social transformation, for example, the green economy policy thrust of Burkina Faso and the Congo, or it could be aimed at achieving economic growth within environmental limits while simultaneously improving human wellbeing, alleviating poverty and reducing inequalities, as in the case of the green economy strategies of both Ethiopia and Rwanda. There could be other considerations, such as low carbon development, or structurally transforming the economy while ensuring a balanced integration of the three dimensions of sustainable development. The macro-level objective might also be expressed in terms of sectoral milestones (e.g., to promote green investment and innovation, or promoting sustainable infrastructure investment and addressing market failures, risks and uncertainties).

The policy framework sets the tone not only of the goal but also the intervening steps that a country expects to take. Once the Government sets its "interests" clear, an inward assessment of institutional capacity precedes the implementation, a process that results in reframing key national development planning processes to accommodate new configurations of institutions or allocating new mandates to the current institutions, building on

existing institutional frameworks and reformulating sectoral and national development strategies. For example, the Climate Resilient Green Economy for Ethiopia has over the years evolved from a stand-alone strategy to being integrated into the national development plan, the Growth and Transformation Plan. Similarly, the Green Accord for South Africa and the roadmap to a green economy for Mozambique are all broadly defined in anticipation for a gradual but eventual introduction of new institutions and mechanisms to take over the implementation, while leaving room for oversight roles to evolve. As pointed out by ECA and UNEP (2017, p. 43), these "flexible policy designs offer countries some leeway for experimenting, learning and evaluating results."

Governments of developing countries face several constraints in their quest to transform their economies. An obvious constraint is resources, budgeting for actions, mobilizing domestic and external funding for the green economy transition. The volume of resources to be mobilized will depend, among other things, on the quality of institutions mobilizing the resources, and how the institutions are invested in and aligned with the green economy. It has been emphasized earlier that "domestic resources would be critical to unlock further resources to flow to key sectors and must be catalytic and indispensable" (ECA, 2016a, p. 103). The policy toolkit for resource mobilization includes taxes and charges, which could also serve other purposes in achieving the long-term goal of sustainable development. For example, taxes have been applied to serve as disincentives to the over extraction of natural resources, such as water, forests and carbon fuels. The resultant tax revenue could be an important source of public revenue to finance green growth and sustainable development needs. Financing mechanisms can be created to support the micro, small and medium-sized enterprises that cannot achieve the scale required by current facilities to transition.

Several countries are already implementing policy reforms in various sectors to support their green economy agenda and these provide insights into some of the salient interests and contestations of stakeholders. The reforms have targeted two levels of implementation, the macroeconomy and sectors earmarked for green transition, which typically agrees with the analytical approach of the present study (see chapter 1). There may be a need to also explicitly recognize that the new "social contract" would entail winners and losers, hence the imperative of an inbuilt mechanism for mitigating the unequal social effects of various green economy scenarios. Success of the reform will depend on how effective government policies can deal with and turn persistent structural inequalities into positive social change rather than reproducing them leading to poverty and vulnerability. In addition, government policy is effective when strategies of participation that are emerging or might need to emerge, are managed for diverse social actors to influence the transformative agenda (United Nations Research Institute for Social Development, 2012).

4.3.2 Sector-level incentives

Determining the key sectors of the green economy is not just the role of Governments. In a market economy, a sector would emerge as a priority depending on its performance and growth potential. The priority sectors in many countries include agriculture, industry, mining, trade, infrastructure, energy, forestry and fisheries. These sectors have great probability to create a basis for social development due to their potential in terms of higher forward and backward linkages, unmet productivity, and employment creation: however, to achieve their full potential, sectoral strategies are needed to promote inclusive green growth and kick-start massive investment in the

sectors. Accordingly, key sectors should find prominence in national development plans by, among others, aligning and integrating green economy policies with national priorities.

Apart from government policy, which essentially creates the favourable environment for businesses, sectoral interests converge around the following main issues: the need to have improved access to appropriate technologies, innovative financing mechanisms and enhanced capacity to reach a new frontier of development; the need for skills development, both soft and hard, to develop in-country human and institutional capacities to increase competitiveness and efficiency; the need for investment in markets, including promoting greater access to exports markets and protection from subsidies, tariff and non-tariff barriers in developed countries; the need for infrastructure development to enhance rural-urban and economy-wide linkages; protection for jobs and higher competitiveness in sectors facing direct government interventions; and incentives for businesses to invest in the sectors. These interests are being met at various levels in different countries.

Preferential allocation of capital and other fiscal resources can spur investment by the private sector and improve rates of return on investment in risky environments. In the natural resources sector, payment for ecosystem services has demonstrated its potential for enhancing local livelihoods and ecosystems management, which is critical for inclusive growth in agriculture and forestry. Clear rights over a resource also serves as an effective incentive to sustainably manage the resource (van de Sand, 2012). In Mozambique, rapid approval of investment permits (three days) has helped to spur private investment in a decentralized fashion. For example, the governor of a province can grant permits to national investment projects with a value not exceeding the equivalent of meticais 1.5 billion (approximately $52 million), while the authority of the director-general of the Investment Promotion Centre is needed for national or foreign investment projects of a value not exceeding the equivalent of MT 2.5 billion (approximately $86.5 million) (ECA, 2015).

To enhance value addition and manufacturing growth, Governments can intervene by reducing the cost of acquiring the technology that supports sustainable development, such as the promotion of better post-harvest handling techniques. In the energy sector-emerging policies and strategies, feed-in tariffs and reforms (such as fossil fuel subsidy removal, the creation of cost-reflective tariffs and the liberalization of the sector to involve independent power producers) are being applied throughout Africa. In agriculture, input subsidies aimed at improving agriculture productivity and market-smart and sustainable systems have been applied. These include subsidies aimed at dealing with market failures in the input market, crop and livestock insurance, and channelling microfinancing to farmers located remotely to markets. In the forest sector, promoting women having access to forests has been hugely beneficial for their income and in the process, they are also organically incentivized to protect forest services.

For example, in Mozambique, although the crop subsector is the fastest growing, it is hampered by low productivity due to low technology uptake, having limited access to financial incentives, and poor access to output markets. The Government, through the National Agriculture Investment Plan 2014-2018, targets small, medium and large producers with the potential to produce for the market, and small and medium-sized enterprises that market agricultural inputs or technologies (Mozambique, Ministry of Agriculture, 2013).

In Ethiopia, the Government streamlined tax and business registrations to simplify business processes. Two proclamations issued

in 2010, the Trade Practice and Consumers' Protection Proclamation No. 685/2010, and the Commercial Registration and Business Licensing Proclamation No. 686/2010, offer a uniformed and harmonized system of trade registration and licensing, in which a single identification number is needed for commercial and tax registration, through a one-time registration, and a centralized commercial register. This not only reduced informality but also dealt with illegal activities by putting in place a robust regulatory mechanism (ECA, 2015).

In Tunisia, the Government has been actively involved in promoting employment for young people through technical, vocational and business start-up training, including in aspects relating to the green economy. It has progressively opened up the economy to international markets since the 1970s, while at the same time upgrading its industrial sector through initiatives that remain relevant today, including analytical diagnosis to enhance its linkages with tourism, agriculture and transport. In addition, the Government launched the Enterprise Competitiveness and Market Access Facilitation Support Programme in 2009 to assist enterprises, especially small and medium-sized enterprises, in adapting to international competition, with the Export Market Access Fund also established to support exporting enterprises to diversify their export markets and develop new activities (ECA, 2015).

In Morocco, the Government raised 20 billion euros for renewable energy, energy efficiency, solid waste and waste water management and the mode of delivery, which required a change from a monopolistic national agency for electricity (ONE) to a liberalized market in which the private sector played an increased role through a law on public-private partnerships established in 2012 (Chentouf and Allouch, 2018). It is also important to note that not all the financing was from local sources as the strategy was aimed at attracting foreign investment in the energy sector to reinforce infrastructure and technology, and the latter have implications on local stakeholders, from producers to consumers.

These examples show that there is no one standard approach to securing private-sector involvement in the green economy. The sectoral interests and constraints just demonstrate that numerous private actors are involved in weighing the risks and benefits in order to make the best business decisions. The green economy transition calls for changes in modes of production and consumption and will probably entail conversion or adaptation costs that may prove rather significant for the private sector. Lastly, the final component in the intersections is the citizenry with civil society interests. In this regard, issues of sustainable livelihoods and protection of rights are more critical. Unpacking and reconfiguring power relations in decision-making processes and opening spaces for contestation and negotiation in the design and implementation of projects and policies, are central to achieving a fair and sustainable transition path. As pointed out in the Green Economy Barometer (2016), the "transition is not broad enough or deep enough" in many countries. Consequently, the gap between the haves and the have-nots continues to grow everywhere. The reasons for this can perhaps be explained by the fact the green economy strategies and policies to a large extent still focus at the macroeconomic level and grandiose projects instead of being the driving force for change on the ground to local activities.

Chapter 5: Conclusion

The present report has highlighted the political economy issues that emerge across the green economy landscape in the region. Stakeholder interest varies, and the pitfalls of negotiated and un-negotiated reforms are covered in great detail because the interests that pull the greatest weight usually undermine the prospects for a sustainable transition due to their tendency to perpetuate inequality and exclusion. There is support for the shifting of political scales in favour of more citizen participation, which is a painstaking process that requires patience and striking the right balance between socioeconomic development and institutional efficiency. Stability, flexibility and decisiveness of policy response are crucial in dealing with various interest groups. The inability by many countries to adjust to new realities, which are inevitable in a transition, reflects the difficulties in developing patterns of political cooperation that facilitate the implementation of welfare-improving policies. Building a system for sustaining the transition and strengthening the institutions that manage it are considered the best starting point for a reform. Throughout this process, the centrality of the stakeholder cannot be overemphasized.

5.1 Building a system for sustaining the transition to a green economy

A robust and adequately resourced planning and coordination process is key to the success of the green economy. A good institutional framework is needed to keep stakeholder engagement and strategic processes active, and to manage a predictable long-term cycle of planning, implementation and evaluation. The process of making the transition to a green economy begins with intent followed by the implementation of actions based on well-mapped goals. It takes several interventions, including the need for coherent policies and institutions, and strengthening the technical, financial and human capacity to transition to a green economy. This is well understood in many jurisdictions as exemplified by strategies and action plans being implemented. Given the centrality of a stakeholder and the multi-stakeholder nature of the interests involved in the green economy, there is need for a negotiated policy stance. While most strategies acknowledge the stakeholder and the importance of adopting a multi-stakeholder and interdisciplinary approach, the rigid sectoral frameworks and methodologies for the actual development and implementation of these strategies are their limitation.

Decentralization is a governance tool and institutional issue, as it allows stakeholder participation at various levels. A systematic move towards more flexible and integrated methodologies would maximize the benefits of green economy throughout economic, social and environmental sectors. When stakeholders are appropriately mapped, policy instruments would be deployed to compel both public and private stakeholders to objectively allocate resources to priority sectors, while balancing social and environmental concerns. In addition, the cross-sectoral scope of current national strategies and development plans need to be overlaid with the integrated stakeholder assessments even though they are data-intensive. Strengthening data systems and closing data gaps would be beneficial for effective monitoring and evaluation of progress of the transition.

In some countries, devolved governance structures are being used to take development to

key stakeholders. The devolution of the Government of Kenya presents a significant opportunity to create these innovative policies that cater to more context-specific needs, promoting local economies and sustainably using locally available resources. Another equally important enabler is private-sector development. Part of the government strategy should be geared towards unlocking the private sector's investment potential to help speed up the realization of green economy. The support given to the private sector should be tailored to all stakeholders including small and medium-sized enterprises, and in all sectors as appropriate, to not only foster private-sector development but also ensure inclusive development.

The financing plans of green economy should not neglect the political economy underpinnings of the green economy strategy and the financing arrangements. With a relatively low proportion of official development assistance (international aid) providing funding to green economy initiatives, developing countries would have to rely on domestic resources or private sector investment. In almost all cases, countries have to undertake fiscal policy reforms to align policies in order to allocate public resources to investment that may not be undertaken by the private sector. Green funds, green markets, green bonds, green projects, green public procurements, investment in green technologies and sustainable infrastructure, and private and foreign direct investment in priority green economy sectors are all growing, further providing opportunities for aligning financing sources with a possible divergence of stakeholder views on the green economy. A financing strategy that channels funds through the domestic financial sectors of developing countries could strengthen financial services and investment in developing countries, and help to mitigate the effects of information and transaction costs which often impede private-sector growth (ECA, 2016a, p. 104).

Improving the quality of institutions and their capacity to deliver on their mandates could lead to better coordination and outcomes. High political buy-in is important in cultivating the partnership between Government, business and other stakeholders. Sectoral working groups have been the arrangement of choice in most countries to ensure coordination and collaboration in the implementation of initiatives in specific sectors. While these have worked in strengthening collaboration and finding synergies, analysis of these arrangements revealed that most national coordinating entities do not usually involve institutions handling social affairs and hence leave out the critical stakeholders affected by their decisions. Accordingly, enhanced involvement of and dialogue with the relevant stakeholders and beneficiaries is important in forming the foundation for, and sustaining the transition.

5.2 Transforming institutions for green transitions

A number of key interventions are critical for strengthening institutions for the changes that are proposed in the present chapter. Reforms would have wide reaching implications, including the public services as a whole, the justice and legal systems, the financial system and all services that are important foundations of an enabling business environment for the green economic transition. Imaginative and innovative policy combinations will thus be required to ensure real change within the limited time before climate change-triggered conflicts rise and irreparable damage is done to the planet. It is therefore essential to institutionalize reforms as a priority within the current structures, and include reforms in sectoral budgets, subnational governance structures and mechanisms.

Establishing and boosting mechanisms for inter-institutional cooperation and coordination, such as multi-stakeholder forums and

other platforms, improve the effectiveness of policy. Such platforms provide stakeholders with an integrated and more effective approach to contribute to and support national and sectoral development agendas and to promote the coherence and coordination of partners. It is therefore critical to provide stakeholders with a platform for dialogue and a two-way communication mechanism with key institutions of the reform to enhance political buy-in for the policy measures.
The reformed set of enabling policies and institutions imply a critical role for the State, through public investment, fiscal policies, regulations, and the facilitation of an active participation of non-State actors. In addition, there is an imperative to strengthen engagement with stakeholders on an ongoing basis, and for better alliance and support mechanisms with external partners. External partners are especially encouraged to work more closely with member States as their project-based support fails to match expectations from host countries. For example, to date, African countries did not benefit much from the Green Climate Fund announced at the sixteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Cancun, although the objective of the Cancun Agreement was to "enhance action on adaptation, including through international cooperation and coherent consideration of matters relating to adaptation under the Convention" (United Nations Framework Convention on Climate Change, 2010).

Fast tracking the reform was necessary for some countries but it is important to first ensure that the foundation is right. One of the driving forces of the green economy is bringing the private sector into partnership with the public sector to foster technological development. The key driving factors of the green economy are technology innovation to increase research and development activities, coherence and continuity in policy and intersectoral development programmes, and public-private partnership to attract investors. Recognizing that markets alone cannot deliver the transformational shifts needed for broad-based and equitable development, there is a need for better engagement with the private sector, and for informed and shared choices and economic trade-offs required to foster the green economy.

Well-constituted, strong and effective institutions, together with sound policies for a green economy are essential, but it is the process of establishing and sustaining such institutions that are the most critical. It is therefore important to understand the political processes behind institutions as they determine the quality of regulatory frameworks, prioritization of government investment and spending, the level and type of taxes imposed, incentives and market-based instruments to promote green investment and innovation. There is a need for dialogue between key stakeholders of economy, environment and social sectors; and for interactions between institutions and the stakeholders that influence political processes which, in turn, can affect development outcomes. Institutions also determine the distribution of resources through agent relationships; hence the incentives and disincentives that may emerge, reflect the power relationships among agents.

The analysis and review carried out for the present report has highlighted the stakeholder's role in determining socioeconomic change – the space in which interaction between stakeholders and institutions shape the beneficiation structure and the feedback loops with environment and social impacts – to be the most critical in decision-making processes of transition. Planning frameworks should arise out of a political process in which agents interact with institutions to determine the driving forces behind socioeconomic change and to find balanced choices among economic trade-offs in order to foster the green economy.

References

African Development Bank (2015). *Transition Towards Green Growth in Mozambique: Policy Review and Recommendations for Action*. Côte d'Ivoire.

_____ (web page). Background. Available at www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bonds-program/background/.

_____ (web page). Portfolio selection. Available at www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bonds-program/portfolio-selection/.

African Union, African Development Bank and Economic Commission for Africa (2010). *Consensus Statement*. Seventh African Development Forum, Addis Ababa, 10-15 October 2010.

Alliance for a Green Revolution in Africa (2016). *Africa Agriculture Status Report 2016. Progress Towards Agricultural Transformation in Africa*. Nairobi.

_____ (2017). *Africa Agriculture Status Report 2017: The Business of Smallholder Agriculture in Sub-Saharan Africa*. Issue No. 5. Nairobi.

Chentouf, Mohammed A., and Mohammed Allouch (2018). Renewable and Alternative Energy Deployment in Morocco and Recent Developments in the National Electricity Sector. *MOJ Solar and Photoenergy Systems*, vol. 2, No. 1 (January).

Cisse, Hassane, and others, eds. (2014). The World Bank legal review, volume 5: Fostering development through opportunity, inclusion, and equity. Washington, D.C.: World Bank.

Cohen, Steven (2014). The Role of Government in the Transition to Sustainable Economy, 10 February 2014. Available at www.huffingtonpost.com/steven-cohen/the-role-of-government-in_b_4759621.html.

Collier, Paul, and Anthony J. Venables (2012). Greening Africa? Technologies, endowments and the latecomer effect. *Energy Economics*, vol. 34, supplement 1, pp. S75-S84.

Cook, Sarah, Kiah Smith and Peter Utting (2012). Green economy or green society? Contestation and policies for a fair transition. Occasional Paper: Social Dimensions of Green Economy and Sustainable Development, No. 10. Bonn, Geneva: United Nations Research Institute for Social Development.

Department for International Development (2009). Political Economy Analysis: How to Note. A DFID Practice Paper (July). London.

_____ (2017). *Economic Development Strategy: prosperity, poverty and meeting global challenges*. London.

Department of Economic and Social Affairs (2008). *Climate Change: Technology Development and Technology Transfer*. Prepared for the Beijing High-level Conference on Climate Change. New York.

_____ (2010). *The Green Economy: Trade and Sustainable Development Implications*. Report of the Ad Hoc Expert Meeting Palais des Nations. Geneva, 7 and 8 October 2010.

_____ (2011). *World Economic and Social Survey 2011. The Great Green Technological Transformation.* New York.

Department of Economic and Social Affairs, United Nations Environment Programme and United Nations Conference on Trade and Development (2011). *The Transition to a Green Economy: Benefits, Challenges and Risks from a Sustainable Development Perspective.* New York.

Economic Commission for Africa (2011a). A Green Economy in the Context of Sustainable Development: What are the implications for Africa? Issue Paper. Fourth Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development, Addis Ababa, 28 and 29 March 2011.

_____ (2011b). *Africa consensus statement to Rio+20.* Addis Ababa.

_____ (2013a). *Outcome Document of the Africa Regional Implementation Meeting for the Post-Rio+20 follow-up processes by the Economic Commission for Africa.* Addis Ababa.

_____ (2013b). *Achieving Sustainable Development in Africa Through Inclusive Green Growth: Agriculture, Ecosystems, Energy, Industry and Trade.* Addis Ababa.

_____ (2015a). *Achieving Sustainable Development in Africa through Inclusive Green Growth. Agriculture, Ecosystems, Energy, Industry and Trade. The Sustainable Development Report on Africa.* Fifth Edition. Addis Ababa.

_____ (2015b). *Inclusive green economy policies and structural transformation in Ethiopia.* Addis Ababa.

_____ (2015c). *Inclusive green economy policies and structural transformation in Tunisia.* Addis Ababa.

_____ (2016a). *Inclusive green growth country studies for Rwanda, Ethiopia, Ghana, and South Africa. Enabling measures for an inclusive green economy in Africa.* Main Report. Addis Ababa.

_____ (2016b). *Inclusive green economy policies and structural transformation in selected African countries.* Addis Ababa.

_____ (2016c). *Inclusive green economy policies and structural transformation in Burkina Faso.* Addis Ababa.

_____ (2016d). *Inclusive Green Economy Policies and Structural Transformation in Mozambique.* Addis Ababa.

_____ (2016e). *Integrated Assessment Methodologies and Tools for Inclusive Green Economy Analysis in Africa.* Addis Ababa.

_____ (2017). *Macroeconomic policy frameworks for an inclusive green economy in Africa.* Addis Ababa.

Economic Commission for Africa and African Union Commission (2011). Proceedings of the fourth Joint Annual Meetings of the African Union Conference of Ministers of the Economy and Finance and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development. Addis Ababa, 29 March 2011.

Economic Commission for Africa and United Nations Environment Programme (2011). *A Green Economy in the Context of Sustainable Development and Poverty Eradication: What are the Implications for Africa?* Addis Ababa.

_____ (2017). *Enabling measures for an inclusive green economy in Africa.* Addis Ababa.

Economic Commission for Latin America and the Caribbean (2010). A Green Economy: Introduction to the Debate and Implications for Latin America and the Caribbean. Discussion paper for Day 1 of the Meeting of Government-Designated Experts of Latin America and the Caribbean Preparatory to the United Nations Conference on Sustainable Development (UNCSD): a green economy in the context of sustainable development and poverty eradication and the institutional framework for sustainable development. 15 and 16 December 2010.

European Commission (2014). Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries. Issue Paper for consultations on the proposed Commission Communication. Brussels.

Food and Agriculture Organization of the United Nations (2016). *State of the World's Forests and Agriculture – Land-use challenges and opportunities*.

Gaye, Isatou, and others (2015) Inclusive Green Economy and Structural Transformation in Africa. Brief for GSDR 2015. Addis Ababa: Economic Commission for Africa.

German Agency for International Cooperation (2015). *Benefits of a Green Economy Transformation in Sub-Saharan Africa*. Bonn, Germany: Federal Ministry for Economic Cooperation and Development.

Government of Rwanda (2011). *Green Growth and Climate Resilience, National Strategy for Climate Change and Low Carbon Development*. Kigali.

Green Economy Coalition (2016). *The Green Economy Barometer 2016*. https://www.greeneconomycoalition.org+/news-analysis/report-green-economy-barometer-2016.

Green Growth Best Practice (2014a). *Green Growth in Practice: Lessons from country experiences*. Brussels: European Climate Foundation, and Climate and Development Knowledge Network.

_____ (2014b). Synthesis of Key Findings. Global Green Growth Institute, European Climate Foundation, and Climate and Development Knowledge Network.

Hudson, David, and Heather Marquette1 (2015). Mind the gaps: What's missing in political economy analysis and why it matters. A governance practitioner's notebook: alternative ideas and approaches. Paris: Organization for Economic Co-operation and Development.

Hultman, Nathan, Katherine Sierra, and Allison Shapiro (2012). Innovation and Technology for Green Growth. The 2012 Brookings Blum Roundtable Policy Briefs, pp. 31-40.

Humphries, Karen E. (2013). A political ecology of community-based forest and wildlife management in Tanzania: politics, power and governance. Doctoral thesis submitted to the University of Cambridge, United Kingdom.

International Energy Agency (2014). *Africa Energy Outlook – A focus on energy prospects in Sub-Saharan Africa: World Energy Outlook Special Report*. Paris.

International Finance Corporation (2012). Africa: The Power of the Private Sector. *Telling Our Story*, vol. 6, No. 4 (May 2012). Washington, D.C.

Jeffrey, Karen, and Charles Seaford (2014). *Report on Definitions of the Green Economy and progress towards it: Deliverable 2.1*. Network for Green Economy Indicators. Available at https://netgreen-project.eu/sites/default/files/NETGREEN%20Deliverable%202.1%20with%20Annexes.pdf.

Kaur, Nanki, and others (2016). Financing inclusive investment in low carbon climate resilient development: the national climate finance landscape in Ethiopia and Rwanda. London: International Institute for Environment and Development.

Kenya, Ministry of Environment, Water and Natural Resources (2015). *Kenya green economy strategy and implementation plan (GESIP)*. Available at www.environment.go.ke/wp-content/uploads/2015/05/Kenya-Green-Economy-Strategy-and-Implementation-Plan-GESIP-.pdf.

Levidow, Les (2014). What green economy? Diverse agendas, their tensions and potential futures. Innovation Knowledge Development, Working Papers, No. 73. The Open University.

McMillan, Margaret S., and Kenneth Harttgen (2014). What is driving the 'African growth miracle'? NBER Working Paper Series, Working Paper, No. 20077. United States: National Bureau of Economic Research.

Mozambique, Ministry of Agriculture (2013). *National Agriculture Investment Plan 2014–2018*. Maputo.

Overseas Development Institute (2016). OECD Yearbook 2016. London.

Partnership for Action on Green Economy (2017). *Green Economy Inventory for South Africa: An Overview*. Pretoria, South Africa.

Pimentel, David, and others (2004). Water Resources: Agricultural and Environmental Issues. *BioScience*, vol. 54, No. 10, pp. 909-918.

Rodrik, Dani (2014). An African Growth Miracle? NBER Working Paper Series, Working Paper, No. 20188. National Bureau of Economic Research.

Samans, Richard (2013). *Green Growth and the Post-2015 Development Agenda*. An issue paper for the United Nations High-Level Panel of Eminent Persons. Available at http://gggi.org/wp-content/uploads/2013/01/Green+Growth+and+the+Post-2015+Development+ Agenda.pdf.

Schmitz, Hubert, and Ian Scoones (2015). Accelerating Sustainability: Why Political Economy Matters. Evidence Report No 152: Policy Anticipation, Response and Evaluation.

Switch-Africa Green (web page). Project description. Available at https://www.switchafricagreen.org/index.php?option=com_content&view=article&id=206&Itemid=1292&lang=en.

Sy, Amadou (2016). *Africa: Financing Adaptation and Mitigation in the World's most vulnerable region*. Washington, D.C.: Africa Growth Initiative, Brookings Institution.

Timmer, Peter C., and others (2012). *Patterns of growth and structural transformation in Africa.*

Trends and lessons for future development strategies. Dakar: International Food Policy Research Institute, West and Central Africa Office Thematic Research Note.

Thomas, Alun, and Juan P. Treviño (2013). Resource Dependence and Fiscal Effort in Sub-Saharan Africa. IMF Working Paper, No. WP/13/188. Washington, D.C.: International Monetary Fund.

United Nations (2012). *The future we want* (resolution 66/288 adopted by the General Assembly on 27 July 2012. Addis Ababa.

_____ (2015). *Transforming our world: The 2030 Agenda for Sustainable Development*. Addis Ababa.

United Nations Conference on Sustainable Development (2012). The Future We Want – Outcome Document. p.14. Addis Ababa.

United Nations Development Programme (2017). *Institutional and Coordination Mechanisms: Guidance Note on Facilitating Integration and Coherence for SDG Implementation*. New York.

United Nations Development Programme, Department of Economic and Social Affairs and United Nations Environment Programme (2015). *Towards green and inclusive prosperity – building green economies that deliver on poverty reduction*. New York.

United Nations Educational, Scientific and Cultural Organization (2015). *UNESCO Science Report: Towards 2030*. Paris.

United Nations Environment Programme (2010). *Driving a Green Economy Through Public Finance and Fiscal Policy Reform*. Geneva.

_____ (2011). *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication – A Synthesis for Policymakers*. Available at www.unep.org/greeneconomy. P2.

_____ (2017). *The Green Economy Progress Measurement Framework Application: Evaluating National Progress Towards Poverty Eradication and Shared Prosperity Within Planetary Boundaries*. Partnership for Action on Green Economy (PAGE).

United Nations Framework Convention on Climate Change (2010). *Cancun Agreements. Green Climate Fund*. Bonn, Germany.

United Nations Research Institute for Social Development (2012). *Social Dimensions of Green Economy and Sustainable Development*. UNRISD Research and Policy Brief 12. Geneva.

United Nations System Task Team on the Post-2015 United Nations Development Agenda (2013). Working Group on Sustainable Development Financing. *Chapter 3: Challenges in raising private sector resources for financing sustainable development*. New York.

Van de Sand, Isabel (2012). Payments for ecosystem services in the context of adaptation to climate change. *Ecology and Society*, vol. 17, No. 1 (March), p. 11.

Wapner, Paul (2011). Civil society and the emergent green economy. *Review of Policy Research*, vol. 28, No. 5, pp. 525-530.

World Bank (2008). The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations.

_____ (2012). Africa's Pulse: An analysis of issues shaping Africa's economic future. October 2012, volume 6. Washington, D.C.

_____ (2017). Africa's Pulse: An analysis of issues shaping Africa's economic future. October 2017, volume 16. Washington, D.C.

World Economic Forum (2012). *Partnerships for Triggering Private Finance at Scale*. Geneva.

World Economic and Social Survey (2011). *National Policies for Green Development*. New York: United Nations.

The World Bank (2017). *World Development Indicators 2017*. Washington, D.C.