



Achieving sustainable development in Africa through inclusive green growth: leveraging the industrial sector's potential

This policy brief is the fifth in a series of six briefs drawn from the fifth edition of the Sustainable Development Report on Africa, a joint publication of the Economic Commission for Africa (ECA), the Food and Agriculture Organization of the United Nations, the United Nations Environment Programme, the United Nations Industrial Development Organization and the United Nations Development Programme on the theme "achieving sustainable development in Africa through inclusive green growth". The brief highlights the role of industry in promoting inclusive green growth in the region.

Africa's natural resources endowment can propel commodity-based industrialization and economic structural transformation that could shift the sectoral composition in favour of high-productivity activities, especially manufacturing and modern services.¹ Such industrialization can be oriented to promote inclusive green growth that fosters resource use efficiency and ecosystems integrity, creates jobs, generates income and wealth, lifts millions out of poverty and improves human welfare. There is a correlation between industrialization, represented by manufacturing value added, and economic growth that increases productivity, generates income, reduces poverty and provides opportunities for social inclusion. Manufacturing value added also

brings about productive employment (more so than agriculture) and improves not only the number of jobs but also their quality in all countries.²

Africa accounted for less than a 1 per cent share of global manufacturing value added, despite the region's vast resource endowments. About 80 per cent of Africa's exports in 2011 consisted of raw materials and semi-processed goods, compared with 60 per cent for Brazil, 40 per cent for India and 14 per cent for China.³ Raw material-based commodity exports lead to a loss of much-needed productive employment, jobs, income generation and shared prosperity that can be achieved through manufacturing value added. Inclusive green growth presents a unique opportunity to bring multiple and integrated solutions to the numerous challenges facing the African industrial sector.

Potential and trends in inclusive green growth in the industrial sector

The renewed drive to accelerate the structural transformation of African economies, supported by the various industrial development frameworks and programmes, can provide the much-needed push to increase and sustain productivity, and ensure productive employment, job security, income and wealth generation, and shared prosperity. A strong manufacturing

1 ECA, 2013. Economic Report on Africa. Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation. Addis Ababa

2 United Nations Industrial Development Organization (2013). Competitive Industrial Performance Report 2012/2013. The Industrial competitiveness of nations: Looking back, forging ahead. Vienna.

3 African Development Bank, Development Centre of the Organization for Economic Cooperation and Development, United Nations Development Programme and Economic Commission for Africa (2013). African Economic Outlook 2013. Special theme: Structural transformation and natural resources.

performance usually precipitates industrialization. Although the sector currently accounts for only 13 per cent of GDP in sub-Saharan Africa, there is renewed optimism that the sector could become a major source of growth, income and employment. Since 2000, African manufactured output has nearly doubled, and the real potential of the sector to create skilled jobs and speed up technological progress was demonstrated. Over the same period, net flows of foreign direct investment totalled about US\$33 billion – almost five times the \$7 billion total of the preceding decade. In addition, a significant take-off in manufacturing exports was observed in the top African industrial exporters, i.e. South Africa, Tunisia, Morocco, Egypt, Mauritius and Algeria, with a similar pattern discernible for the rest of Africa taken together. However, certain factors still make the sector uncompetitive compared to other regions of the world.

Africa's untapped domestic market, emerging markets in the South and high commodity prices are all potential drivers of manufacturing value added and value chain development in the industrial sector. The specific manufacturing value added identified with global value chains are agribusiness and agro-processing commodities, industrial commodities and energy. The increasing valorisation of limestone for clinker production, for example, is driving subregional and regional value chain development, and supporting the building and construction industry for infrastructure development. Similarly, the aluminium metal fabrication manufacturing value added in West Africa, Central Africa and South-Eastern Africa provide lessons for strategically increasing manufacturing value chain development to contribute to inclusive green growth. Promoting agriculture and agro-industry as agri-business and manufacturing industry value chain development can greatly enhance job creation, agricultural transformation and broad-based growth on the continent.⁴ There are emerging private and public

partnerships in the agribusiness, agro-industry and services value chain development approaches delivering very successful outcomes in Africa.

Nigeria: The cassava agro-industry value chain is expected to replace 35–40 per cent of malted barley in the flour mills and 1.5 million tons of bio-ethanol, to meet Nigeria's nationally appropriate mitigation action to achieve 10 per cent renewable energy penetration in transport fuel. The downstream linkages with stable national, regional and international markets in Europe have also created stable markets and incomes for smallholder farmers. More than 1.5 million jobs have been created as a direct result of the cassava agribusiness value chain.^a

Mozambique: Cassava value chain operations are expected to provide income for some 8,000 smallholder farmers and target 20,350 beneficiary households, mostly economically active poor who are already involved in value chain production.^b SABMiller, one of the world's largest brewers, has partnered with the Dutch Agricultural Development and Trading Company and has started producing the world's first ever commercial-scale beer using cassava. The beer launched in 2011 and is brewed using 70 per cent cassava instead of imported malted barley, which is very expensive. Approximately 40,000 tonnes of raw cassava are used annually in the production of the beer, creating a sustainable source of income for over 4,500 smallholder farmers and their families.^c

^a <http://www.fao.org/3/a-i4548e.pdf>

^b <http://www.ifad.org/operations/projects/design/106/mozambique.pdf>

^c <http://www.dadtco.nl/mozambique>

However, competitiveness is the main challenge to achieving inclusive growth in agriculture and the industrial sector in general. The table below presents a breakdown of this challenge, and opportunities that could be seized to overcome the challenge and increase the chances for success.

4. ECA (2012). Regional integration: agricultural value chains to integrate and transform agriculture in West Africa. Subregional Office for West Africa.

Challenges	Opportunities
<ul style="list-style-type: none"> • Low manufacturing value added and share of global value chains in the mineral and metal industry; • Low local content, limiting downstream and upstream linkages; • Weak enforcement, compliance monitoring and promotion of national environmental legislation and sustainability frameworks; • Inadequate financing, infrastructure, technology transfer and capacity-building for manufacturing value addition and value chain development; • Inadequate and unreliable electricity generation and supply. 	<ul style="list-style-type: none"> • Adoption of policies for up-scaling and re-invigorating the industry sector; • Adoption of policies that drive innovation, technology, transfer, adaptive capacities and regional markets; • Recognition of artisanal small-scale actors, such as in mining, as significant contributors to GDP; • Integration of existing and emerging national and international sustainability frameworks; • Alignment of national industrial development policies with the frameworks of the Conference of African Ministers of Industry; • Increasing investments in the energy sector, particularly renewable sources.

Forging ahead

Most African countries have adopted industrial policies to drive innovation, technology transfer, adaptive capacities and regional markets. Green technologies should lead to clean, resource-efficient and resilient growth. Integration of existing and emerging national and international sustainability frameworks, such as for example performance standards on environment and social sustainability frameworks of the United Nations Global Compact and the implementation of the Equator Principles, are key sustainability frameworks that could facilitate the mainstreaming of inclusive green growth. In addition to enabling conditions such as a well-functioning market economy, adequate infrastructure and efficient energy systems, African Governments are enacting local content policies and legislation that explore opportunities for driving local investment, developing manufacturing value chains,

supporting the development of an advanced services sector and leveraging opportunities for innovation, including upstream, downstream and side-stream linkages. For these policies to have high impact, the following recommendations are pertinent.

Structural transformation and industrial policies and strategies should mainstream inclusive green growth. This will further expand economic growth potential and craft a low-carbon and resource-efficient development path that creates jobs, generates wealth and income, improves human welfare and reduces inequalities.

There is a need to promote value addition and increase industrial competitiveness and the share of global value chains. This calls for, among other things, development of local capacities such as skills, expertise and know-how in industrial value chains.

Countries should increase the number and diversity of local businesses securing economic benefits from government contracts. This is necessary to increase local participation, job creation and shared prosperity in the supply chain.

Artisanal and small-scale mining operations should be aligned with relevant development priorities. This will ensure that the sector provides an opportunity for inclusive green growth that benefits women, young people and marginalized communities.

Governments should subscribe to international sustainability frameworks. This will promote national initiatives aimed at building consensus and setting voluntary standards for responsible production and processing.

Governments should support research and governance mechanisms for industrial innovation and competitiveness. This will promote the adoption of technologies that create opportunities for developing green products, such as organic food and responsibly mined and processed mineral and metal commodities.

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