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Under the Theme:

“Green Economy to Accelerate Industrialization in North Africa”

Round table

**How can green economy contribute to the acceleration of
the industrialization in North Africa?**

Introductory Note

Overview

- The impact of green economy on economic growth and employment depends on industrial policies adopted and their consistency with the national sustainable development goals and with other sectoral and cross-cutting policies (eg. Employment, innovation, education, spatial development, trade, ...).
- Eco-friendly investments, innovation, skills improvement and adaptation, regulations and demand are the key determinants to promote green industry. However, innovation and research & development are still underdeveloped.
- While the efficient use of resources is increasingly seen as a key factor for competitiveness and sustainable development, SMEs need easier access to information on legislation, tools available to improve environmental management, and opportunities for financing innovations and green technologies.
- Green economy should enable the manufacturing industry move towards products with higher value-added and greater technological content.
- The integration of sustainable public purchasing in the public procurement rules helps promoting corporate social responsibility.
- Social issues, spatial inclusion and equity must have a greater focus in industrial policies, partnership agreements and the investment code.

Background

The transition towards green economy became clearly a strategic objective in the development policies and plans of most North African countries (eg. Algeria, Morocco, Tunisia, Egypt). It is widely recognized that green economy, energy transition, sustainable management of natural resources and the fight against climate change offer opportunities to achieve the sustainable structural transformation and meet the challenges related to increasing resource productivity, job creation and the fight against poverty and social inequality. Ecotourism, for example, allows local economic actors benefit from a significant share of tourism revenues.

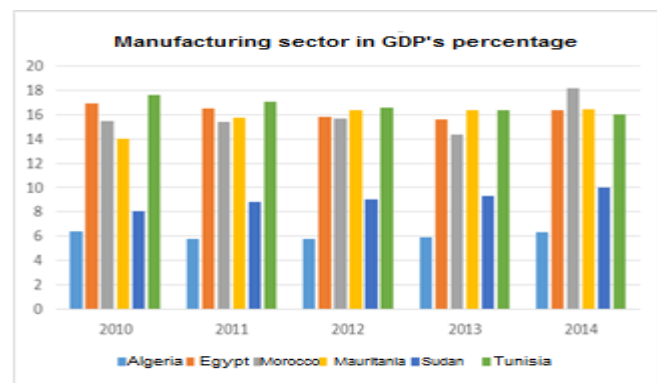
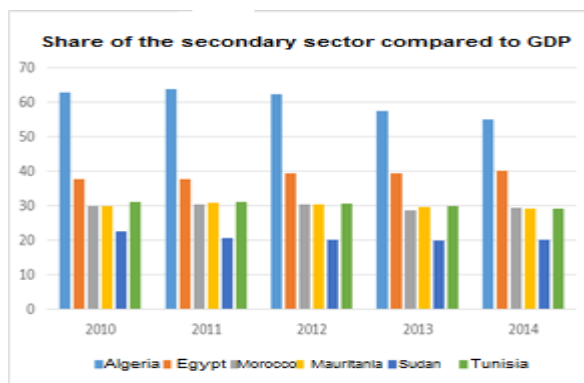
In this context, the industrial policy has to play a crucial role, to promote the upgrading of companies and improve their competitiveness through more efficient use of resources and the development of non-polluting and energy-efficient activities. It should also encourage the emergence of new green chains with high value-added, likely to contribute to sustainable jobs creation (in particular for youth and women), exports' diversification and to the improvement of living conditions of local communities.

In North Africa, several chains have a huge potential of production and export which is not sufficiently exploited. This is the case of organic agriculture, aromatic and medicinal plants (AMP), or sustainable fisheries products. Their development also contributes to local development and environment protection, while involving local people in the whole process of resource improvement and conservation.

The reformulation of the industrial policies initiated by several countries is likely to help harmonizing these policies with the new development goals. They should include: (a) environmental, climate and social issues, (b) measures to encourage building SMEs' human, technological and innovation capacities, (c) tools to redirect investments towards green industries and strengthen the public-private partnership, and finally (d) appropriate regulatory measures, including the adoption of standards in line with the global markets requirements. The challenge at stake is the ability of countries to restructure their industrial policy, mobilize stakeholders and funds needed to develop the strategic sectors of green economy, and build modern competitive and inclusive industries that are able to integrate into global industrial value chains.

Industrialization helps countries achieve high growth rates, diversify their economies and reduce their vulnerability to global external shocks. For the world's new industrialized countries, the manufacturing sector has become one of the most important economic sectors and represents a significant share of GDP, exports and employment.

In North Africa, economies are still dominated by the production and export of agricultural, mining and hydrocarbon products, which reach nearly 60% of total exports, exacerbating the vulnerability of the region to volatile prices and international demand. In all countries, the industrial sector has not changed over the last five years and the contribution of the manufacturing sub-sector to the economy remains low, as shown in the graphics below.



Sources: National Office of Statistics, Algeria (2015); CAPMAS & Ministry of Planification, Egypt (2015); HCP, Morocco; Statistics Yearbook and Annual Bank Report (2014), National Office of Statistics & Central Bank of Mauritania ; Central Bank of Sudan (2015) ; National Institute of Statistics, Tunisia (2015).

Algeria, heavily dependent on hydrocarbon exports, is penalized by the decrease of hydrocarbon prices on the global market. Tunisia and Egypt, despite a broader manufacturing base, face stagnation due to the political and social upheavals and to their high dependence on a limited number of markets, which experienced a recession in recent years. In Morocco, which has managed to diversify its production in recent years, manufacturing industrial production increased in 2014. This relates to the growing automotive industry, good performance of food processing sectors and to a lesser extent, to phosphates and derivatives. Mauritania is a country with a low level exports diversification, focused mainly on mineral resources, livestock and fisheries. The industrial sector of minerals (iron, copper and gold) represented about 77 percent of total exports in 2013.

In all the countries, the potential for manufacturing industries growth remains severely limited by the insufficient technology development capacities needed for innovation and the development of new sectors with higher value-added. Green economy, through enabling the improvement of quality and productivity, upgrading the industrial structure and diversification, can help accelerate the industrialization process and increase the contribution of the manufacturing sector to growth and job creation.

What are the strategies and practices that are implemented to build a green industry?

The industrial strategies in force in the North African countries do not set specific green economy objectives. However, these countries have developed a set of ambitious strategies and sectoral plans to enable the emergence of green industrial sectors such as renewable energy¹, waste management², exploitation of unconventional water resources (such as treatment and reuse of treated water, or desalination), organic agriculture³, aquaculture⁴ and ecotourism. Pilot programs and projects are already being implemented in these areas. They offer real opportunities in terms of job creation and innovative and competitive companies, industrial integration, technology development and expertise.

The countries are also implementing various initiatives, upgrading and clean production programs to promote the environmental performance of industries, and reduce water pollution and the sector's energy intensity. Initiatives to promote the corporate social responsibility are spreading over.

Measures adopted by big industrial companies include: recruiting environment managers, devising sustainable development charters, conducting environmental diagnosis, concluding environmental performance contracts, adopting certifications such as ISO 14001, ISO 9001 and ISO 26000, developing research programs with the universities, establishing research units/centers, or publishing reports on sustainable development.

Efforts have also been made in terms of skills development with the gradual establishment of specialized courses⁵ in universities (eg. Renewable energies, energy efficiency, water management, climate). Initiatives

¹ Noor1, the first solar plant in the Moroccan solar energy plan, inaugurated in February 2016 with a capacity of 160MW, witnessed a participation of Moroccan companies up to 25%. In 2015, Algeria put into operation 14 photovoltaic electricity plants with a capacity of 268 megawatts (MW), which allowed the creation of almost 300 jobs per plant. A unit manufacturing photovoltaic modules and mounting solar-power panels with a capacity of 41,800 photovoltaic modules/year, is currently being established in Algeria.

² Algeria, which produces annually 13 million tons of wastes, only 6% of which are recycled, has fixed the objective to raise this percentage to 50% in 2020, thanks to the gradual establishment of a waste recovery and recycling industry. A budget for industrial waste was put in place.

³ In Tunisia, 220,000 ha (2015) are dedicated to organic agriculture, a sector the exports of which generated 116 million Dinars in 2013. The objective is to reach a surface area of 1.5 million ha (2030).

⁴ Aquaculture in Egypt covers 65% of the domestic needs in fish products and generates approximately 100.000 jobs, 50% of which for youngsters. Production comes in particular from small and medium private farms.

⁵ In Algeria, the first student class of renewable energy engineers graduated in 2015.

to promote R&D⁶ and innovation are gradually developing but the overall spending on R&D remains limited (they range from 0.8% of GDP in Morocco to 0.02% of GDP in Egypt), while emerging countries such as China and South Korea invest respectively 1.98% and 7% of their GDP in research. R&D programs implemented within universities remain relatively far from the real needs of industrial companies, and the latter (except some large groups) do not usually consider innovation as a pillar of their strategy. However, this situation is changing favorably given the ambitious goals set in the new development plans to increase R&D overall funding levels, reaching 2 to 3% of GDP in 2020. In addition, Egypt and Morocco experiences show the need to set up an R&D focused program and a technology transfer strategy⁷.

In terms of funding, different instruments are used, such as dedicated funds, specific credit lines, public-private partnerships, environmental taxation, or subsidies' reform. Some countries emphasized the importance of including green activities in the Investment Code, as priority sectors, to benefit from incentive measures.

Finally, some measures are made to promote sustainable public procurement (eg: the reform of the public procurement regulations in Morocco, which integrates eligibility criteria such as the environmental performance, the development of renewable energy and energy efficiency). In Tunisia, the National Action Plan for sustainable public procurement (2012-2016) sets an objective of 50% of sustainable public procurement, of which 30% would be allocated to SMEs. The National Sustainable Development Strategy sets this objective to 80% by 2021. The sustainable public procurement policies create a demand and a market for green products.

All of these measures have led to major achievements. However, the countries need to move to the next stage of accelerating the implementation of national goals regarding green economy and the structural transformation of the productive sectors. This entails an overall consistency, as part of an integrated approach, promoting synergies between the various strategies and programs, including those related to employment, education, energy, trade and innovation.

Questions to consider:

1. How to create an enabling environment to help companies operating in industry, especially SMEs, make the most of the green economy potential?
2. What hinders the development of human capital, technology and innovation, as key elements of a successful industrial transformation in North Africa?
3. How should policymakers conceive industrial policies to address environmental challenges and commitments in the fight against climate change and the implementation of the new sustainable development goals?
4. What policy instruments can be used to increase the mobilization of domestic public and private financial resources, including the financial sector's contribution in favor of financing the green industrialization?
5. How can the countries of the region harness the potential of South-South cooperation to foster the development of green economy?

⁶ A research platform is being developed in Ouarzazate by MASEN and a Green Energy Park is to be created in Ben guérir by IRESEN.

⁷ Egypt could develop a local industry for the production of renewable energy components, such as wind turbines, thanks to a technology transfer made possible through the signature of partnerships with international suppliers (mainly Europeans).