

GREENING AFRICA'S INDUSTRIALIZATION

PART I

Adam Elhiraika
Director,
Macroeconomic Policy Division, ECA

Sunday 3 April 2016



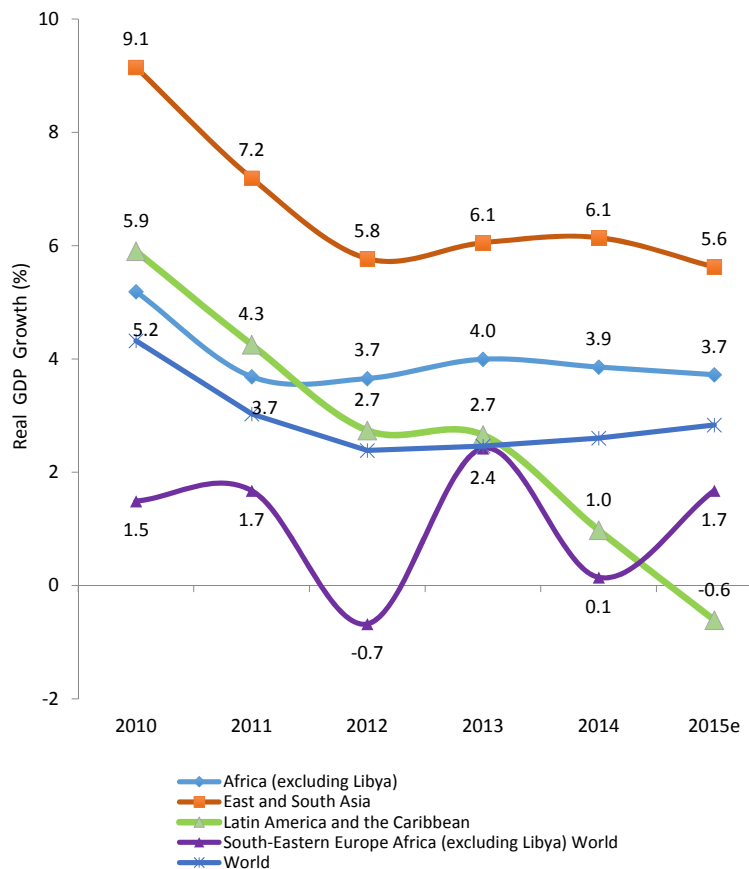


Key policy messages

- Africa continues to grow despite strong global headwinds, thanks to improvement in economic governance among other factors.
- Growth drivers are slowly diversifying but value addition is limited.
- Mixed progress in social development with high poverty rates, increasing inequality and employment largely informal.
- Positive growth outlook despite internal and external risks; countercyclical policies needed to maintain growth momentum.
- Agenda 2063/2030, Paris Agreement on Climate Change, the Addis Ababa Action Agenda on F4D among other present an integrated Framework for Africa's Structural Transformation and Green industrialization
- Africa, has a unique opportunity to leapfrogging to a green growth & industrial development pathway



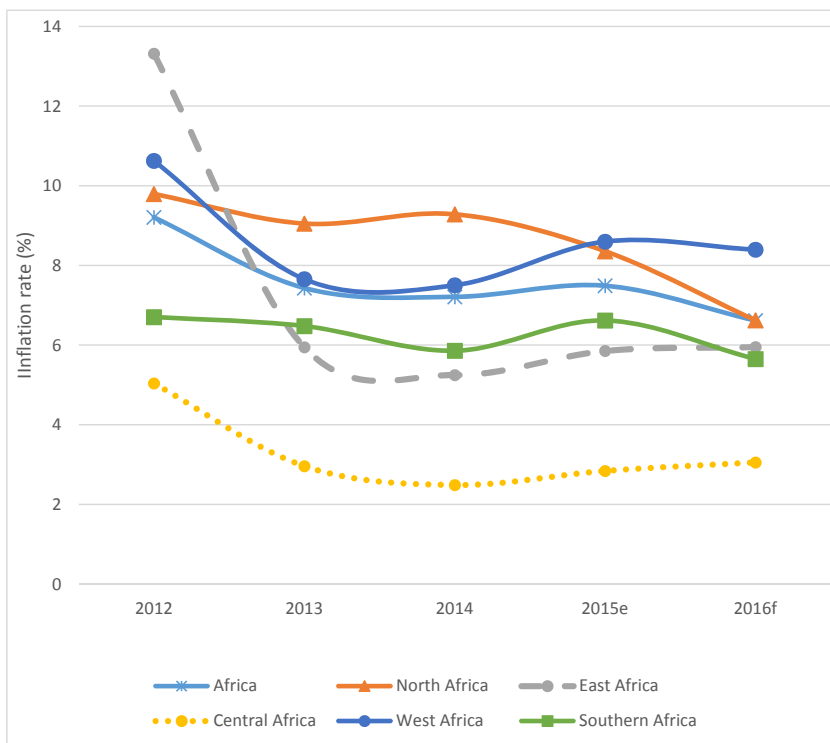
Growth declined moderately in 2015 as was the case with the overall global economy



- Private consumption continued to be the main driver of growth;
- Fiscal and current account deficits widened in 2015
- Oil importers experienced growth uptick in 2015
- Total exports declined while intra-African trade increased;



Inflation rose amid falling commodity prices and declining reserves



- **Mainly due to:**
 - Currency devaluations
 - Strong US dollar and high food prices;
- **Inflationary pressures led to tightening of monetary conditions in Africa.**
- **International reserves dropped due and debt burden increased.**
- **Monetary tightening in the US & Europe might lead to FDI diversion to developed economies**
- **But FDI flows remained stable thanks to recovery in North Africa & improved business conditions on the continent.**



Africa making steady progress towards social outcomes

- **Poverty rates have dropped, though at a slow pace, and inequality is high and increasing in many countries;**
- **Notable progress in achieving universal primary education and reducing under-5 mortality which declined by 55.6 % by 2012 (target 67% by 2015);**
- **Improved gender parity in primary education, but still below the 0.93 benchmark in secondary and tertiary education;**
- **Unemployment marginally declined but employment remains mostly informal;**
- **Africa is the fastest urbanizing region globally, growing at 4.5% per year, with more than 50% expected to live in urban areas by 2035.**



Medium-term growth prospects, risks & uncertainties

- Africa's growth is expected to increase 4.3% in 2016 & 4.4% in 2017;
- However, internal & external risks remain, including:
 - Weak global economic recovery & the slowdown in China;
 - Low commodity prices and currency depreciation;
 - Tightening of monetary policy in the US and the EU;
 - Weather related shocks & security concerns in some countries.
- Hence the repeated call for industrialization & structural transformation



Global and continental development frameworks emphasize the need for green industrialization

- **Both Agenda 2030 and Agenda 2063 provide supportive policy environments for green industrialization initiatives and sustainable development in Africa;**
- **Despite having the lowest rates of emission, Africa is highly vulnerable to environmental and climatic hazards;**
 - **Both Agendas need to be integrated into national development planning frameworks.**
 - **The continued dependence on natural resources and fossil fuels will expose the country to enormous environmental challenges.**



Green industrialization and the sustainable development agenda

- **Africa, as a late industrializer has a unique opportunity to avoid the pitfalls of costly environmental fall-outs, by leapfrogging to a green industrial development pathway;**
- **The process will be aided by recent development frameworks such the AAAA that facilitate access to resources, encompassing climate financing, curb illicit financial flows and enhance domestic resource mobilization;**
- **Policy makers must take full advantage of the commitments, and investments in green infrastructure will be vital for successful green industrialization.**
- **Hence the theme of ERA 2016 “Greening Africa’s industrialization”.**



Thank you for your kind attention!

www.uneca.org