Selected Current and Emerging Development Issues in Africa in 2010

CHAPTER 3

THIS CHAPTER DISCUSSES selected current and emerging development challenges facing Africa in 2010, focusing on international trade, financing for development and the green economy. In trade, Africa experienced huge falls in 2009, largely parallel with that of global trade. There were signs of recovery in 2010 but they were slow and uncertain. Looking more closely into the micro structure of Africa's trade, trade in services demonstrated stronger resistance against external global shocks, in sharp contrast to vulnerable merchandise trade. Swiftly growing cooperation between Africa and the main emerging economies also helped offset some of the trade impact due to decreased global demand. These signs reflect the potential that international trade holds for Africa.

Apart from the significant drop in export income, the continent also experienced lower investment and growth rates as well as shrinking remittance and FDI flows in 2010. Thus, in financing development, governments and their development partners have an even more urgent need to proactively pursue implementation of the Monterrey Consensus of 2002. For domestic resource mobilization, policies aimed at expanding the tax base, improving tax legislation and administration, and transforming the tax structure appear compelling. Improving the domestic financial infrastructure is also a long-standing challenge that requires the combined efforts of the state and private sector.

In mobilizing external finance for Africa's development, given the shrinking of foreign inflows in the recent past, the issue of securing a greater voice for Africa in the global economic governance structures appears inevitable. This is particularly urgent in international negotiations on debt relief and reform of the international financial architecture. Further, African States need a clearer strategy for mobilizing FDI and ODA to the right sectors for development.

The environmental challenges confronting Africa currently and in the long run appear fundamental. Agriculture, tourism and fisheries, which are among the largest sources of employment on the continent, have become vulnerable to climate change and other environmental risks. Africa's lack of energy security and self-sustainability are also a great impediment to sustainable development. Renewable energy generation, despite its significant potential, shows a dearth of development. All these challenges require Africa to make a transformation to the "green economy",

Some critical current and emerging development challenges in Africa in 2010 include international trade, financing for development and the green economy.

which enables economic growth and human development without exposing future generations to significant environmental risks and ecological scarcities, while creating new opportunities for green growth and employment creation. The involvement of the state in green-market promotion, regulation and investment is crucial for this ultimate development objective.

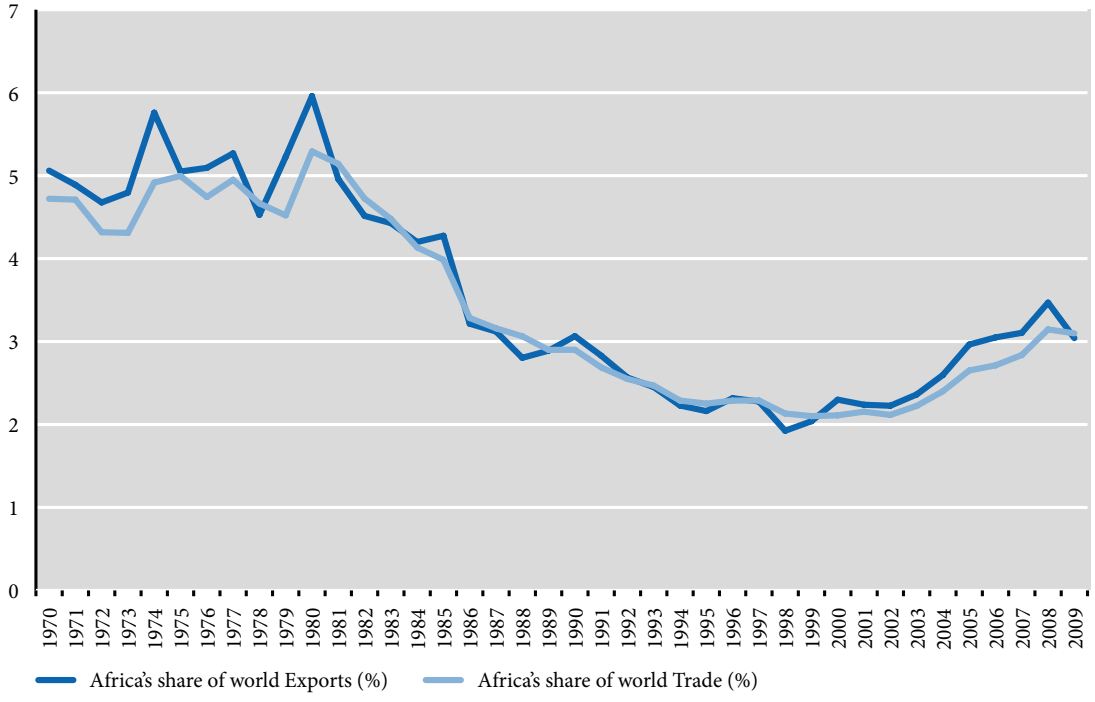
3.1 Developments in international trade in 2010

Africa's trade performance

THE TOTAL VALUE of global merchandise trade fell by 22.7 per cent in 2009, the largest contraction since the Second World War. In Africa, the decline was marginally larger at 23.9 per cent, explaining the fall in the continent's share in global trade to 3.1 per cent (figure 3.1). Though rising commodity prices improved Africa's share in world exports over the past decade, the global economic downturn depressed international demand and, subsequently, commodity prices, knocking its share in world exports back to 2006 levels.

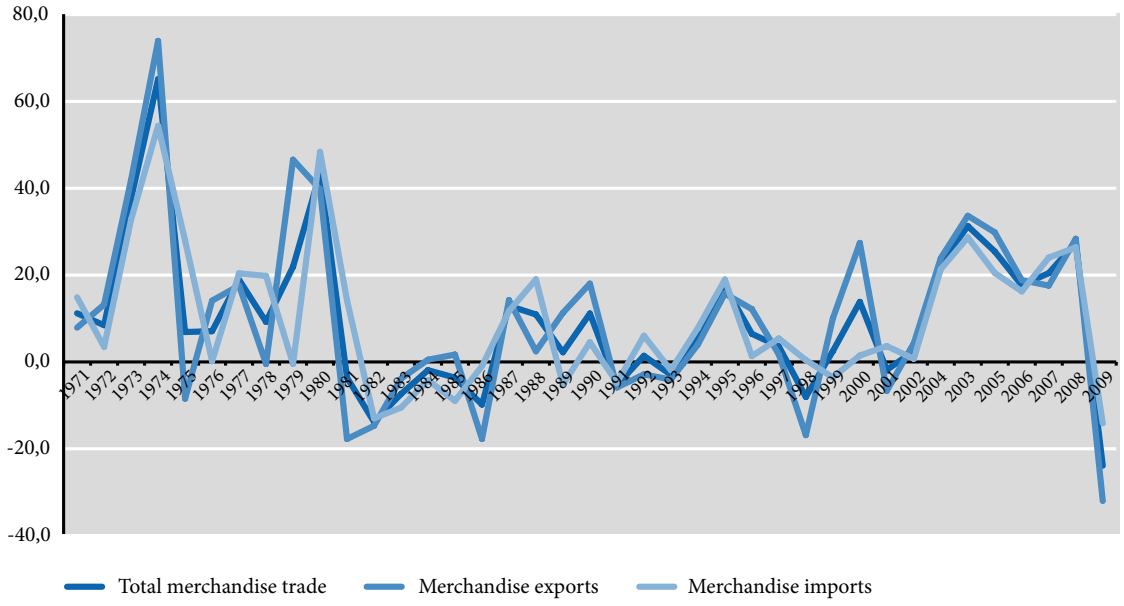
Reductions in exports account for a disproportionate share of the aggregate contraction in African trade. However, the rate of export contraction (32 per cent) exceeded that of imports (14 per cent—figure 3.2), leading to a deficit in the merchandise trade position, with imports ($399 billion) exceeding exports by $20 billion. While some exporters of agricultural products actually benefited from more favourable terms of trade, the aggregate picture shows falling prices affecting trade values, particularly with respect to commodity exporters and, albeit to a lesser extent, export volumes. For example, the exports of Africa's oil exporters plummeted by 40 per cent in 2009 relative to a 17 per cent decrease for non-oil exporters. The overall export contraction of 32 per cent shown in figure 3.2 is only 5.6 per cent in terms of volume.

Figure 3.1
Africa's share in world merchandise trade (%)



Source: *WTO Statistics Database, 2010 – 16/8/2010.*

Figure 3.2
Africa's merchandise trade growth rates (%)



Source: *WTO Statistics Database, 2010 – date accessed: 16/8/2010.*

Reduced demand in the US (accentuated by depreciation of the US dollar) and the EU squeezed export volumes, underlining the advantages of diversifying export markets. Half of African exports go to US and European markets, a share declining steadily from 60 per cent at the turn of the century. China and India, in contrast, enjoy a growing share of Africa's exports, at 11.2 per cent and 4.4 per cent, respectively. The proportion of exports destined to African countries leapt from 9 per cent in 2008 to more than 11 per cent in 2009 as Africa capitalized on falling demand elsewhere.

Over the past decade, the African regional economic communities have also witnessed growing trade within themselves. Trade within the Common Market for East and Southern Africa (COMESA), for example, has grown five-fold since the launch of its free trade area (FTA) in October 2000. Although trade within these communities remains small as a proportion of total trade, it is hoped that the recent tripartite agreement among COMESA, EAC and the Southern African Development Community (SADC) can accelerate its growth. This is likely to be boosted by the decision made in November 2010 by the African ministers of trade to fast-track the process towards an Africa-wide FTA.

Africa's share in services trade

Africa's trade in commercial services has expanded rapidly, faster than that experienced globally since 2002. In 2009, although world trade in commercial services contracted by 12.4 per cent, the corresponding figure for Africa was 11.2 per cent, taking its share above 3 per cent of the global figure for the first time (figure 3.3). Furthermore, given the different rates of contraction between merchandise and services trade, the latter is now valued at more than a quarter of the former.

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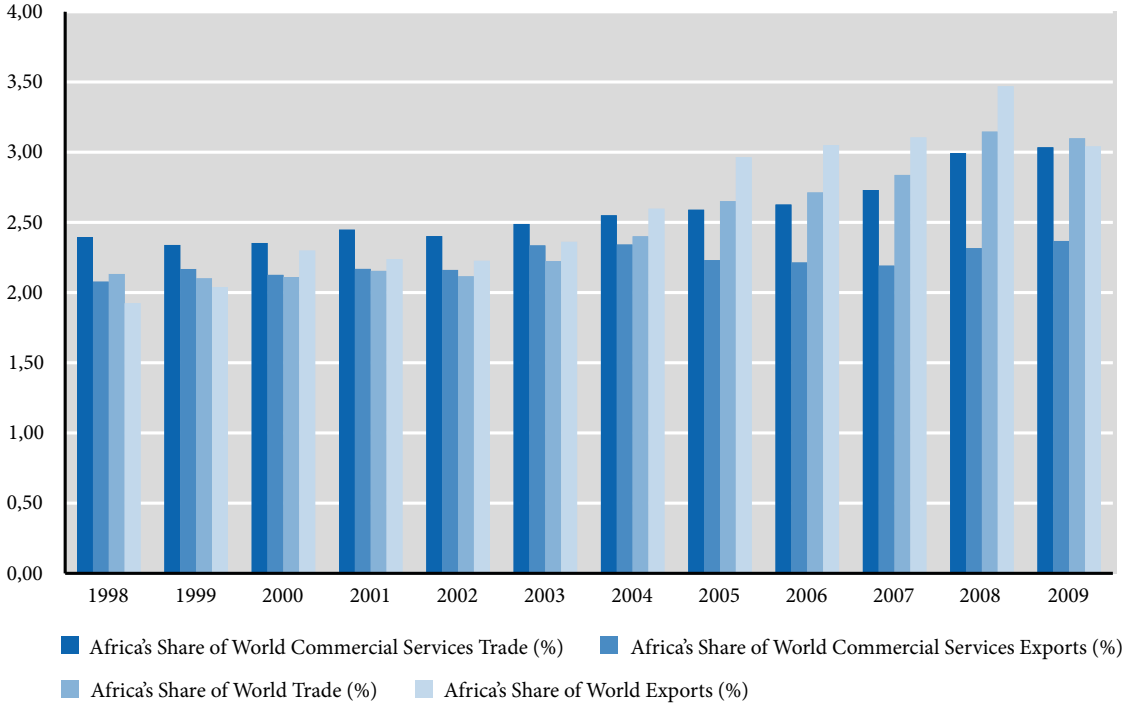
Figure 3.3
Africa's share of world trade in services (%)



Source: *WTO Statistics Database, 2010 – date accessed: 16/8/2010.*

Travel accounts for more than half of Africa's commercial services exports (figure 3.4), and enjoys a healthy trade surplus. Contrasting the strong export performance of travel services with the sensitivity of Africa's merchandise trade to commodity prices demonstrates the benefits of a diversified export portfolio, to provide insulation from commodity trade volatility. Increasing commitment by the regional economic communities to labour mobility is expected to further stimulate growth in trade in commercial services within these communities (UNECA, AfDB and AUC, 2010a).

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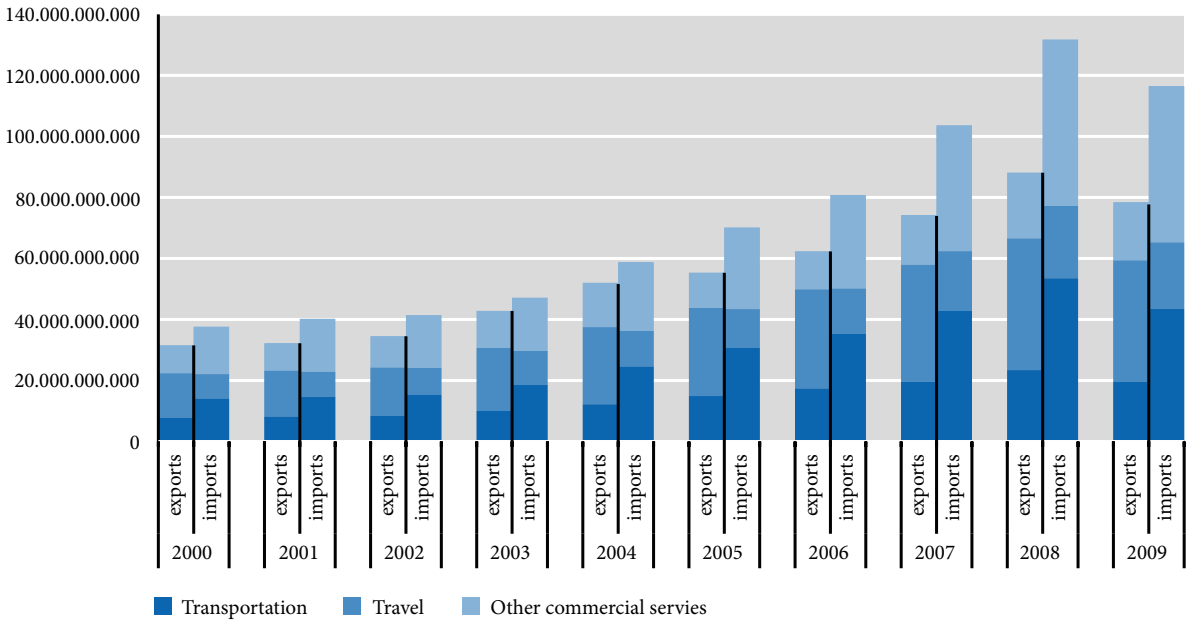
Figure 3.4

Africa's commercial services trade by category



Source: *WTO Statistics Database, 2010 – date accessed: 22/9/2010.*

WTO negotiations in 2010: Addressing the development aspects of the Doha Round

The *Economic Report on Africa 2009 (UNECA and AUC, 2009)* noted a lack of progress in the Doha Round of trade negotiations. Attempts to reactivate discussions on the substantive issues have led to a leaner negotiating agenda than the original work programme of 2001, when the round was launched.

The Doha Round was expected to be completed by December 2005 but, since 2008, discussions have focused on procedural rather than substantive issues. Consequently, in 2010, negotiations barely progressed beyond informal meetings focusing on the "cocktail approach", which caused postponement of cross-sectoral negotiations based on the schedules of commitments. Nevertheless, the year saw some highlights such as the "banana deal", progress on the cotton trade and non-tariff barriers negotiations, and notable engagement of the African Group.[1]

This virtual halt to the negotiations begs the questions: what development gains are being foregone and what may realistically be achieved, especially given the fact that no "early harvest" will be possible for least-developed countries (LDCs)?[2] In particular, how is the Doha Round addressing development concerns? Even more important is the question of what Africa may forgo if the Doha Round does not close with a "single undertaking"? If policy space is not sufficiently reflected in the negotiations' final outcome—through appropriate flexibilities, special and differential treatment and deep market access

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commitments—the discretion of African WTO members to address structural economic transformation and industrialization objectives on their trade agenda may be severely compromised.

Developments in the Economic Partnership Agreements negotiations in 2010

As with the WTO negotiations, little progress was made on Economic Partnership Agreement (EPA) negotiations in 2010. Discussions were held across all the EPA configurations but negotiations appeared stuck on the same contentious issues of the previous year.[3] Concerning market access, no development-friendly rules of origin that allow for cumulation beyond those countries that are signatory to the interim EPAs have been negotiated. This is affecting even the LDCs, because non-signatory LDCs do not qualify for the cumulation provisions. The development component of EPAs also remains contentious as the EU refuses to commit additional funds beyond the European Development Fund. The EPA Development Programme of the Economic Community of West African States, for instance, has attracted less than the amounts required for the implementation of the EPAs.

As with the multilateral trade negotiations, how these contentious issues are addressed in the final agreement will influence the viability of a developmental state[4] in Africa that seeks to use strategic trade policies. For example, if export taxes are prohibited under the EPAs, African countries may have greater policy space to address the revenue and value-added concerns lying at the heart of their fiscal and industrial policy objectives. Equally, a narrow or strict definition of "substantially all trade" and "most favoured nation" may preclude the enactment of future trade agreements with third parties that could help structural transformation through converged government policies targeting export-led growth.

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In the above light, hopes of agreeing on comprehensive EPAs in the near future are dissipating, three years after the original deadline. Moreover, EPAs as currently crafted may even stall the COMESA-EAC-SADC tripartite efforts for a single FTA. Further, EPA provisions might retard the planned acceleration of an African FTA as agreed by the African ministers of trade in late 2010.

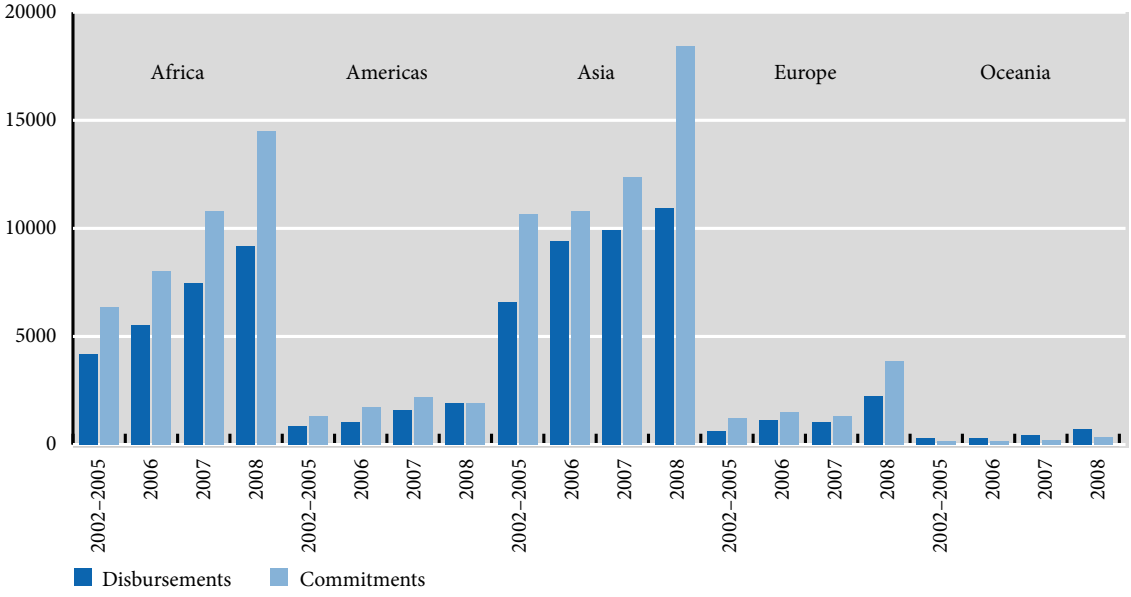
Given these challenges and concerns, African countries have indicated through an EPA Position Paper (African Union, 2010b) that they are only willing to consider the viability of an EPA deal that offers the following alternatives: deferring and sequencing EPAs to regional integration processes; postponing EPA negotiations until after WTO negotiations on GATT Article XXIV are concluded; instead of EPAs, extending the Everything But Arms (EBA) regime to all African countries; improving the EU Generalized System of Preferences; or discontinuing EPAs and focusing on regional integration and South–South cooperation.

Aid for Trade initiative in Africa: Opportunities and challenges beyond 2010

Aid for Trade data show a 62 per cent increase in total 2008 Aid for Trade commitments than the 2002–2005 base period, with total commitments standing at $41 billion globally. Disbursements grew less rapidly than commitments, but in each subregion disbursements in 2008 exceeded the commitments made by donors in 2006, that is, donors were delivering on their commitments. Asia and Africa were the main recipient regions, attracting 45 per cent and 35 per cent of commitments (figure 3.5).

Figure 3.5

Aid for Trade commitments and disbursements by region, current US$ (million)



Source: *OECD Creditor Reporting System, 2010 – date accessed: 9/9/2010.*

By sector, African Aid for Trade arrangements broadly conform to the global pattern, with more than 70 per cent of commitments directed to infrastructure and 26 per cent (of which three-quarters is in agriculture-related projects) to productive capacity-building; the remainder is committed to trade policy and regulation (figure 3.6).

Sub-Saharan Africa had a disproportionate share of increased Aid for Trade commitments in 2007, but the increases in 2008 were mainly to countries north of the Sahara, with economic infrastructure again dominating. Of the top 20 recipients of Aid for Trade globally, nine were African. These 20 nations accounted for more than 70 per cent of total flows, indicating that some are better than others in attracting Aid for Trade, as corroborated by the vast disparities in commitments seen among African countries.

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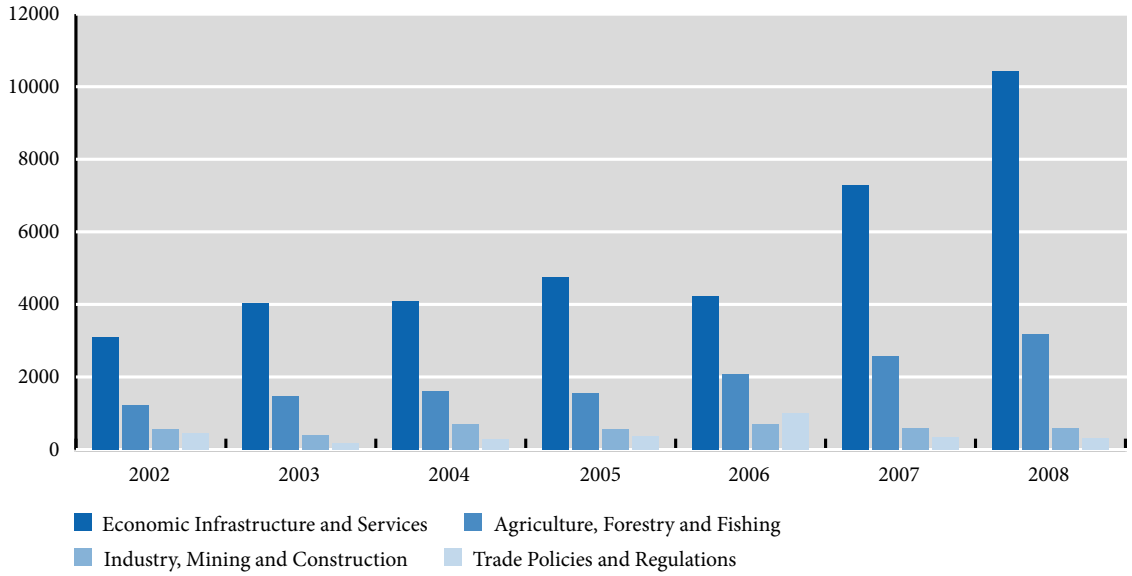
Figure 3.6
Aid for Trade to Africa by broad category, current US$ (million)



Source: *OECD Creditor Reporting System, 2010 – date accessed: 9/9/2010.*

The Enhanced Integrated Framework represents one channel through which LDCs can redress such disparities. Its diagnostic trade integration study allows LDCs to identify key needs for trade-related assistance and capacity building, including trade infrastructure, supply and productive capacity. As of November 2010, 23 African nations had completed studies, in line with benefits from donor disbursement to the Enhanced Integrated Framework in excess of $100 million.

Trade preferences and South–South cooperation

The African Growth and Opportunity Act [5]

Ten years after its enactment in 2000, the African Growth and Opportunity Act (AGOA) has proved able to foster US–Africa trade. African exports to the US increased from $23 billion in 2000 to $81 billion in 2008. Even non-oil exports increased 230 per cent by 2008, despite exclusion of key African exports such as sugar, peanuts, dairy and tobacco. FDI and employment have increased, with over 300,000 new jobs created in Africa in the first nine years.

Uncertainty about the future of AGOA has kept the required investments at bay, making it challenging to consolidate gains.

Nonetheless, the benefits of AGOA have been unevenly distributed, and although AGOA has been extended to 2015, this time is insufficient for Africa to raise its productive capacity. Uncertainty about the future of AGOA has kept the required investments at bay, making it challenging to consolidate gains. Since the goal of AGOA is to promote lasting growth and development, it should be extended. A longer period would give investors the time to recoup returns on investments and thereby take full advantage of gains.

Other challenges faced by AGOA beneficiaries include: accommodation of increased competition since the

elimination in 2005 of the Multi-Fibre Arrangement (MFA), which opened up the textile sector to market forces; the inability to diversify trade in agricultural products, which account for less than 1 per cent of AGOA exports, partly due to the quotas on sugar, peanuts, dairy and tobacco; and the failure of AGOA beneficiaries to take a regional approach, so that removal of African countries from the beneficiary list would create ripple effects on other regional trading partners. Use of AGOA is also hampered by infrastructure deficiencies, poor public institutions and lack of competition among service providers in beneficiary countries. In addition, the AGOA framework lacks mechanisms for promoting innovative ideas for public–private partnerships (PPPs) for infrastructure investment, improved operating efficiency and logistics market reforms, especially transport regulation.

In conclusion, although AGOA has had a positive impact on Africa–US trade relations over the past decade, there is room for improvement. AGOA should be revised to ensure more inclusiveness, accessibility and permanence, so that the benefits can extend beyond a few countries and products. It also needs to re-orientate FDI away from textiles and apparel and the oil sector toward agriculture, by assisting beneficiaries to comply with standards and sanitary and phytosanitary measures and to eliminate supply-side constraints. Targeted export diversification should also be part of this exercise.

Chinese–African Relations [6]

Chinese–African relations have three distinct channels of cooperation: trade, investment and aid. Still, these three elements are often interrelated and affect each other, reflecting either complementary or competitive relations (or both). For example, a major part of Chinese resource-seeking FDI in infrastructure has an aid component (minerals and oil to be exported to China).[7] This calls for a careful balance between the risks of resource depletion and greater FDI. Policies targeting sustainable development and linking industrial activities with the local economy will contribute to this.

Another example of complementary/competitive relations is Chinese retail FDI through local presence and commercialization of Chinese products. The retail sector is critical to developing an economy, as the platform for expansion into other domestic and foreign markets. In some countries, this has translated into a preference for Chinese manufactured and food products, crowding out local and regional products and resulting in a skewed trade balance in China's favour. Clear rules that favour regional diversification and value chain creation and that safeguard any preference erosion among African countries could help maximize the benefits of Chinese–African trade relations.

Financial services are also becoming an important part of FDI, partly due to market seeking and learning–seeking. For example, China has become South Africa's largest trading partner. Though only 4.2 per cent of Chinese FDI goes to South Africa, it has increased 17-fold in recent years. The country is benefiting from complementarities, because Chinese financial firms have large markets and capital but lack world-class skills in financial markets, which South Africa has. South African financial firms gain in their capital base from Chinese investment, enabling them to expand not only into Africa, but also globally, into Argentina and Russia, for example.

A major challenge of this South–South cooperation is to ensure that as trade and FDI come from China, Africa should strengthen their backward linkages to its economies. Also, particularly as Chinese aid flows, though still quite small, have been increasing considerably in recent years, it should request aid more aggressively by formulating projects that satisfy specific needs. It also needs to place further emphasis on building local capacity, so that its countries can consolidate the sustainable development process and impact. Finally, Africa's economic space—a common market—could replicate Chinese market conditions. When taken as a common market, win-win trade opportunities between these two markets could

Chinese–African relations have three distinct channels of cooperation, namely: trade, investment and aid.

be identified. The viability of such opportunities greatly depends on the lead that African States take in envisioning their developmental role and their engagement in promoting this role in their dialogue with China, as well as in WTO and EPA negotiations with traditional partners.

3.2 Financing for development

MOBILIZING DOMESTIC AND external finance is critical to Africa's investment needs. In recent years, substantial progress has been made in debt relief and access to international resources, though much less in domestic resource mobilization, foreign aid and international trade. The global crisis threatened to reverse earlier advances, as African countries experienced weaker export revenues, lower investment and growth rates, and shrinking remittance and FDI flows.

Accordingly, there is an urgent need for African governments and their regional and international development partners to play a more proactive role in implementing the Monterrey Consensus recommendations on financing for development. In this context, priority areas for African countries include (a) strengthening the institutional framework including development of financial markets and micro-credit institutions; (b) stepping up technical support and training to strengthen national capacity in the area of resource mobilization and trade development; (c) increasing Africa's voice and representation in global financial and economic governance as well as seeking to harmonize and to bring national, regional and international efforts and initiatives together to ensure policy coherence.

Mobilizing domestic resources

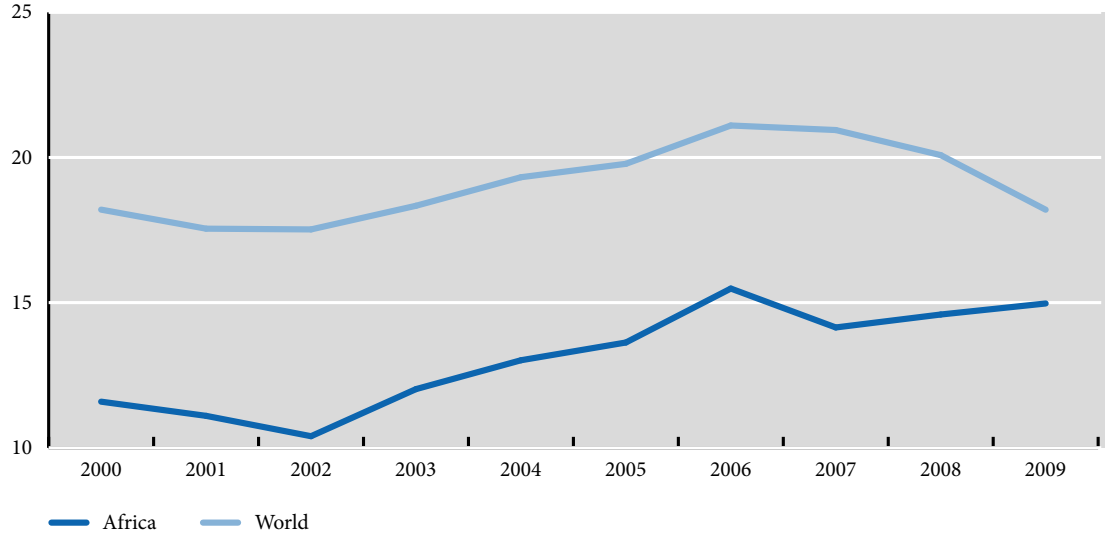
The issue of enhancing domestic resource mobilization attracted the attention of African policymakers long before the Monterrey Consensus. This is mainly because eventual dependence on domestic financial resources will help to achieve and sustain high growth rates, in addition to giving African countries greater policy space and ownership of their developmental agenda.

Nevertheless, the continent is still far from meeting its investment needs from domestic resources, though many countries, e.g. Ghana and Tanzania, have made notable progress in this direction since the Monterrey Consensus. The main challenges to domestic resource mobilization remain the low levels of income, demographic factors and weak institutional capacity. Moreover, the recent global economic crisis had severe adverse impacts on the already low levels of domestic resource mobilization. For instance, gross domestic savings in sub-Saharan Africa declined from 16.7 per cent of GDP in 2008 to 16.4 per cent in 2009 (figure 3.7). However, it is expected to increase to 17.4 per cent of GDP in 2010. Overall, domestic savings remain low in sub-Saharan Africa.

The main challenges to domestic resource mobilization remain the low levels of income, demographic factors and weak institutional capacity.

Government revenues also suffered a large contraction from 33 per cent of GDP in 2008 to 26.8 per cent in 2009, increasing slightly to 27.9 per cent of GDP in 2010 in line with the global and regional recovery.

Figure 3.7
Domestic savings (% of GDP)



Source: *World Bank National Accounts data, 2010; OECD National Accounts data, 2010.*

African countries have made both short- and long-term attempts to boost domestic resource mobilization through taxation, which is the main domestic financial resource for most of them. However, their attempts have been hampered by low taxable capacity, which depends on economic factors such as per capita income, trade levels, and the shares of agriculture and mining in the economy.

Countries that have already reached the limit of their taxable capacity have little short-run policy space for increasing tax revenue. A better strategy for them would be to focus on dealing with structural problems of tax policy and administration that cause economic distortion and inefficiency. Countries with inadequate tax efforts, however, may need to pay more attention to enhancing tax revenue and structural streamlining.

A fundamental tax difficulty in Africa is the trilemma between the demand for higher tax revenue to finance development; the unwillingness of those with political power and economic ability to pay additional tax; and the rest who have no assets to be taxed and who resist paying taxes. Under this pressure, African countries tend to "enforce easy taxes, particularly trade taxes, and impose high taxes on the formal sector or both" (Aryeetey, 2009). In many countries, 'a high tax burden is imposed on a limited number of taxpayers, and on medium-sized firms which already bear disproportionately high share of taxes' (Gauthier and Reinikka, 2006). One example of distortion is the unusually heavy tax burden on the agriculture sector.

Over-complexity in the tax structure, alongside ambiguity in tax regulation and administration, are other key problems with tax systems in many African countries. These factors often lead to considerable discretionary powers for tax enforcers, which in turn create opportunity for corruption. They do not result only in a lower tax collection

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FDI in Africa remains largely concentrated in the extractive industries and more effort needs to be made to attract increased FDI in other sectors.

Mobilizing foreign capital

The significance of international capital flows, especially FDI, as a source of investment and growth in Africa is well recognized. Given the budget constraints and low levels of domestic savings facing most African governments and the need to bring in technology and skills, FDI is likely to remain a strategically important source of financing. Migrants' remittances to Africa are also set to become important in private financing flows.

FDI inflows to Africa declined from $72 billion in 2008 to $58.6 billion in 2009. To Southern Africa, for instance, FDI inflows decreased from about 3.5 per cent of GDP to about 2.1 per cent over this period, although Central Africa saw an increase from 16.9 per cent of GDP to 17.7 per cent (table 3.1). The decline was equivalent to 0.34 per cent of GDP for Africa as a whole.

Table 3.1
Foreign direct investment flows (% of GDP)

	2006	2007	2008	2009
East Africa	3.21	4.63	3.62	3.15
Central Africa	14.34	15.84	16.93	17.66
North Africa	5.45	4.94	3.87	3.13
Southern Africa	0.20	2.28	3.45	2.12
West Africa	7.37	3.80	3.50	3.59
Africa	**6.11**	**6.30**	**6.27**	**5.93**

Source: *UnctadStat, 2010.*

outcome but also reduce the willingness of domestic investors, who would otherwise expand the tax base.

Potential policy measures include broadening the effective tax base by eliminating economic distortions and encouraging investment; streamlining tax policy and tax administration procedures to reduce compliance costs; encouraging formality; rationalizing the rate structure; and providing incentive schemes to improve tax collection. Tax reforms should be country specific and policy design should be based on a "comprehensive analysis of the country's revenue potential, revenue performance, and political readiness" (Aryeetey, 2009).

FDI in Africa is largely concentrated in the extractive industries. This is what drives the impressive performance of countries such as Algeria, Chad, Equatorial Guinea, Nigeria and Sudan. But the level of FDI in the sector is particularly sensitive to changes in oil and mineral prices. Future developments in FDI flows therefore depend largely on commodity prices.

While Africa has generally benefited from FDI inflows, concerns remain over the distribution of benefits between the origin and host economy. African countries should therefore adopt a selective approach in accepting FDI to ensure coherence between boosting FDI and pursuing their national development strategies. Africa needs to make greater effort to attract investments that are linked to the rest of the economy, generate employment, transfer knowledge and build local capacity.

Remittances also constitute a major contributor to financing for development in Africa. Their worldwide level has jumped during the last decade and is at present amongst the three top financial flows to developing countries, alongside FDI and ODA. However, job losses due to the global economic crisis and more difficult working conditions for migrants in destination countries have altered the trend. Recent estimates indicate a fall in total remittance inflows to Africa, from $41.1 billion in 2008 to $38.5 billion in 2009.[8] As with FDI, remittances are unevenly distributed across Africa. Six countries (Algeria, Egypt, Morocco, Nigeria, Sudan and Tunisia) accounted for more than 75 per cent of the continent's remittances.

International trade and official development assistance

Trade is both the main engine of Africa's growth and the key channel through which it suffered most from the global economic slowdown (as highlighted above). Many countries experienced a sharp decline in export revenue due to both lower volumes and prices in 2009, resulting from the fall in demand from major trading partners, protectionist measures and the drying up of trade finance. Further, whereas export earnings rebounded strongly in 2010, owing to increased commodity demand and prices, current account deficits widened for many non-oil exporting African countries, especially African LDCs. ODA has remained a critically important source of finance for this group of countries.

Indeed, for some African countries—in particular LDCs, landlocked countries and small islands—ODA is the most important financial inflow and is therefore crucial for achieving the MDGs. ODA should be seen as complementary to (and a lever for) other sources of development finance.

Progress was made in scaling up aid to Africa before the crisis with a doubling of flows from 2002 to 2006 (table 3.2). In 2007, ODA flows fell, mainly because of a reduction of debt-relief initiatives from their peak in 2006. The latest data show a continued increase in nominal aid flows to Africa, with the 2009 figure at a historical high of $47.6 billion, despite the global crisis. This reflects the multi-year nature of ODA planning and the continued commitment of many donor countries to assist African countries even when they encounter difficult economic conditions at home.

Table 3.2

Overseas development assistance, 2002–2009 ($ billion)

	2002	2003	2004	2005	2006	2007	2008	2009
Developing countries, total	61.7	71.0	79.8	108.4	106.5	106.8	126.7	127 527
Africa, total	21.3	27.3	29.9	35.7	44.0	39.3	43.9	47.6

Source: *Data extracted from OECDStat, 2010.*

Indeed, while the economic downturn has raised legitimate concerns over the ability of donor countries to maintain their commitments on aid, to date only a few countries have decreased their previous commitments. Whether current pressure on the budget of advanced economies will reduce aid flows is still uncertain and remains a concern.

External debt and debt relief

Africa's external debt fell before the global crisis due to the effect of the debt relieve initiatives, but began to increase since 2009 both in absolute terms and relative to GDP. Regionally, sub-Saharan Africa's external debt has been increasing in recent years despite the international community's debt-relief initiatives. North Africa has a lower level (table 3.3).

Africa's external debt fell before the global crisis due to the effect of the debt relieve initiatives, but began to increase since 2009.

Table 3.3

Africa's external debt, 2005–2010

Country group	Subject descriptor	2005	2006	2007	2008	2009	2010
Africa	Total, $ billion	290.96	252.93	283.32	286.82	300.58	324.70
Africa: Sub-Sahara		241.26	213.12	240.24	243.49	256.16	278.45
North Africa		49.70	39.81	43.09	43.33	44.43	46.24
Africa	Total, % of GDP	34.74	26.32	25.60	22.37	25.37	24.91
Africa: Sub-Sahara		37.34	28.51	27.92	24.52	27.85	27.61
North Africa		25.97	18.64	17.50	14.97	16.76	15.67
Africa	Total, % of exports	92.71	68.54	64.79	53.36	80.34	73.78
Africa: Sub-Sahara		104.14	77.74	73.54	61.27	91.86	84.56
North Africa		81.29	59.35	56.04	45.44	68.82	62.99
Africa	Total debt service, $ billion	66.06	87.71	59.66	64.93	59.33	62.89
Africa: Sub-Sahara		48.51	62.56	46.41	50.77	45.15	49.07
North Africa		17.55	25.15	13.25	14.16	14.17	13.81
Africa	Total debt service, % of exports	21.05	23.77	13.64	12.08	15.86	14.29
Africa: Sub-Sahara		20.94	22.82	14.21	12.78	16.19	14.90
North Africa		21.16	24.72	13.08	11.38	15.52	13.68
Africa	Total debt service, interest % of exports	4.90	3.71	2.90	2.69	4.19	3.72
Africa: Sub-Sahara		3.97	2.60	2.45	2.21	3.49	3.21
North Africa		5.84	4.81	3.35	3.16	4.89	4.22
Africa	Total debt service, interest % of GDP	6.05	7.70	4.24	3.94	3.68	3.57
Africa: Sub-Sahara		6.09	7.41	4.46	4.23	3.85	3.82
North Africa		6.02	7.99	4.03	3.65	3.52	3.32

Source: IMF, World Economic Outlook Database, October 2010.

Note: Estimates for 2010.

Debt sustainability in Africa has generally improved in the last decade, but total external debt is still high relative to GDP and exports.

Debt sustainability in Africa has generally improved in the last decade. The overall debt-to-export ratio dropped from 182.9 per cent in 2001 to around 53.4 per cent in 2008, though it jumped to 80.3 per cent in 2009 partly as a result of the economic crisis. During the same period, the overall debt-service-to-export ratio also dropped from 27.7 per cent in 2001 to 12.1 per cent in 2008, and is projected to hover around this trend in 2010 and 2011 to about 14.3 per cent.

Major reasons for this improvement in debt sustainability are the debt-relief initiatives. Of the 40 countries globally eligible (or potentially eligible) for assistance under the heavily indebted poor countries initiative, 33 of them are in Africa.

Global financial and economic governance

Coherence of the international financial and trading systems—through a governance system that reflects modern realities—is critical in financing for the development framework (chapter 1). Africa is poorly represented in the international organizations, such as the IMF, World Bank, WTO, and the Bank for International Settlements, that make decisions with serious consequences for the region.

Some positive signs can be seen with the number of recent governance reforms undertaken by the World Bank, the most important of which is the reaffirmation of its Development Committee to an increase of at least 3 per cent of voting power for developing and transition countries in the International Bank for Reconstruction and Development (IBRD), in addition to the 1.46 per cent increase under the first phase of this important adjustment, to the benefit of under-represented countries. With this 3 per cent increase, developing and transition economies will have 47 per cent of the votes.

In his address to the Annual Meeting of October 2010, World Bank President Robert Zoellick proposed an even split between developed and developing countries, implying a shift of at least 6 per cent of the votes. He also promised to continue pushing ahead with voice reform and changes in the voting power in the International Development Association (IDA) and the International Finance Corporation (IFC).

The IMF has initiated a process designed to realign the voting power of members to enhance its legitimacy. Clearly the IMF institutional framework—through which members actually exercise their voting powers— requires reform, considering the significant global economic changes that have taken place in the more than six decades since the IMF was set up. The question is when would this reform be undertaken?

The G-20's November 2010 Seoul Declaration called for reforms by January 2013 "aimed at enhancing the voice and representation of emerging markets and developing countries, including the poorest". The declaration called on finance ministers and central bank governors "to continue to pursue all outstanding governance reform issues at the World Bank and the IMF".

Given the continent's diverse socio-economic realities, it might not be sufficient for South Africa to be the only African country in the G-20. The best approach is to give African countries a chance to speak for themselves; hence the necessity for redesign of the global financial architecture to address these concerns (chapter 1) and for Africa to have increased representation on the boards of both IMF and the World Bank.

3.3 A green economy: Implications for Africa's development

OVER THE LAST couple of years, the concept of a green economy has surfaced in policy discourse and became one of the two themes of the United Nations Conference on Sustainable Development taking place in 2012. The concept was taken up against the backdrop of recent food, fuel, climate change–related and economic crises, from which African countries were not immune.

These crises have again brought to the fore questions about the sustainability of current models of economic development, and have triggered new thinking on the need for transforming economic systems into green economies to enhance sustainability and improve economic outcomes. Key questions arise as to what a green economy entails, what opportunities and challenges may exist for African countries, and how countries can achieve a "green economic transformation."

Such policy debate is also taking shape in Africa. African ministers of finance, economic planning, and environment recognized at the 2009 African Ministerial Conference on Financing Development the importance of placing the environment at the centre stage in Africa's development process (UNECA, 2009). In June 2010, the 13th Session of

the African Ministerial Conference on the Environment adopted the Bamako Declaration, which stressed the need to "take advantage of the opportunities provided by a growth and development trajectory that embraces the green economy model" (UNEP, 2010d). Delegates to the Seventh African Development Forum in October 2010 called on 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" (UNECA, AfDB and AUC, 2010b).

Given the natural-resource dependence of most African economies and their desire to industrialize, a pathway to a green economy (tentatively defined in box 3.1) may be analysed through action on three fronts: capitalizing on Africa's natural capital, embarking on green industrialization and creating enabling policies and institutions.

Box 3.1 Defining the green economy

A green economy may be defined as an economy that aims to improve human welfare and social equity, and concurrently reduce environmental risk and ecological scarcities. At its simplest, a green economy can be characterized by low carbon use, resource efficiency and social inclusion. It is driven by public and private investments that contribute to reducing carbon emissions and pollution, enhancing energy and resource efficiency, and preventing the loss of biodiversity and ecosystem services. Such investments are driven or supported by national policy reforms and international policy and market infrastructure.

Capitalizing on natural capital

The continent's governments need to recognize the economic importance of natural capital in wealth creation, employment, livelihoods and poverty reduction. Africa's natural resources support its social and economic systems. Natural capital assets, both renewable and non-renewable, are estimated to account for 24 per cent of total non-human wealth in sub-Saharan Africa (World Bank, 2006). They comprise sub-soil assets (39 per cent), cropland (36 per cent), timber resources (9 per cent), pastureland (8 per cent), non-timber forest (5 per cent) and protected areas (3 per cent). Some studies have underscored the large gains that could be achieved by expanding investments to enhance natural capital (such as Millennium Ecosystem Assessment, 2005; Economics of Ecosystems and Biodiversity, 2010).

Achieving a sustainable transition in agriculture

Agriculture is of particular relevance to a green economic transformation in Africa owing to its importance in sustaining livelihoods, reducing poverty, and contributing to economic growth and development. Croplands that provide employment to 64 per cent of Africa's active population and contribute on average 34 per cent of GDP (World Bank, 2008) are essential. The food crisis of 2008 underscored the urgent need to improve food and nutrition security worldwide. It also pointed to the importance of moving towards fully sustainable models of agricultural production and away from those that cause environmental damage (UN, 2008).

Enhancing natural capital in agriculture entails new approaches to production that reduce externalities such as water pollution and soil erosion, maximize the use of organic inputs and deliver high productivity and better incomes for farmers. The current characteristics of African agricultural production systems lean towards what could be a model for sustainable farming in the future. Small-scale ecological farming systems, limited use of chemical fertilizers and pesticides, and labour-intensive production systems could provide a basis for a green transformation of African agriculture.

Although more research is required to better understand the potential for such models, country experiences in Africa suggest that sustainable forms of agriculture—including low-tillage farming, organic fertilizers and natural pesticides, and re-use of farm water—are not only yielding environmental gains but also important financial benefits.

Through institutional support and improved access to finance, Uganda, for example, the African country with the largest area of land organically farmed, increased the number of certified organic producers from 45,000 in 2004 to 206,803 in 2008. The country's revenues from the export of certified organic agricultural products increased from $3.7 million in 2003/04 to $22.8 million in 2007/08 (UNEP, 2010b). Programmes supported by FAO on integrated production and pesticides management in the West African Sahel show that farmers have succeeded in cutting the use of toxic pesticides, increasing yields and incomes and diversifying farming systems.

Data from Mali and Senegal reveal a 90 per cent reduction in the use of chemical pesticides among farmers one to two years after training. In Mali, a survey conducted in 65 villages of cotton farmers showed a 400 per cent increase in the use of organic material such as compost and manure, substances that can reverse the decline in soil fertility. For 80 vegetable farmers in Senegal, crop net value increased by 61 per cent in two years, while a 92 per cent reduction in the use of conventional pesticides resulted in high cost-savings and income (FAO, 2009).

Exploiting the potential in biodiversity-based industries

Biodiversity-based industries can make a major contribution to expanding output by enhancing natural capital. The direct benefits from biodiversity are already significant in several African countries, particularly forest- and tourism-related industries. Forestry contributes 6 per cent of GDP in Africa on average, and up to 13 per cent in tropical African countries (Gumbo, 2010). Forest resources are important export commodities, with timber products alone accounting for 60 per cent of export earnings for Gabon and about 50 per cent for the Central African Republic (Gumbo, 2010). In Eastern and Southern Africa, the average annual forest income is about 22 per cent of household income (Vedeld et al., 2004). Well-managed biodiversity and knowing how to use its vital supporting functions can therefore yield real economic benefits for Africa and knock-on effects on poverty.

Tourism, which relies primarily on the continent's natural and cultural wealth, directly and indirectly contributes an estimated 8.3 per cent to GDP and 5.9 per cent to employment in Africa (World Travel and Tourism Council, 2009). In the Great Lakes area, about $20 million is generated annually from tourism based on gorilla viewing and other activities (Gumbo, 2010). As discussed above, travel represents a key component of Africa's trade in services, accounting for more than half of Africa's commercial services exports.

Governments are increasingly recognizing the importance of sustaining and possibly enhancing the natural and cultural assets from which new income, employment and growth opportunities are arising. Translating such recognition into action requires new investments in protected areas, reforestation efforts, and rehabilitation of valuable ecosystems. In Kenya, for example, resource valuation efforts that indicated a value to the economy of the Mau forest complex—including tourism, hydropower, agriculture and the tea industry—of possibly as much as $1.5 billion a year (Nellemann and Corcoran, 2010), triggered a multi-million shilling restoration initiative to reverse the trend of decades of deforestation.

Embarking on green industrialization

Africa's early stage of industrialization may offer avenues for industrial development supported by clean technologies that offer greater energy efficiency in using the continent's massive clean energy potential. Although the technological and financial requirements of green industrialization are considerable, opportunities for "leapfrogging" may exist.

Enhancing energy efficiency

Despite an early stage of industrialization and relatively low levels of energy consumption and carbon emission in many African economies, high energy, material and carbon intensities are common. Energy- and carbon-intensive industrialization would not only add undue costs to the

Policies aimed at increasing energy efficiency are often the easiest and cheapest means to achieve greater energy security.

economies, but also lock countries into inefficient modes of production that could undermine future competitiveness. Policies aimed at increasing energy efficiency are often the easiest and cheapest means to achieve greater energy security, particularly in countries with diminishing marginal reserve capacity in the electricity generation, where short-term, demand-side management is often quicker and cheaper than investing in new energy supply capacity. Such policies include targets for reducing energy consumption, flexible financing mechanisms, energy labelling, performance standards, and awareness-raising campaigns among potential investors and consumers.

Technologies such as efficient lights offer significant potential to cut back energy consumption. Nigeria, for example, could lower its electricity consumption by over 15 per cent this way, while reducing carbon dioxide emissions (from fuel combustion) by close to 5 per cent. South Africa could save $280 million a year and remove CO2 emissions equal to 625,000 cars annually by following a similar path.[9]

Within industry, the use of outdated technology, smaller plants and deficient operating practices point to a large potential for improving efficiency in the production and use of energy. Industrial policies geared towards leapfrogging and modern, adapted, technologies could contribute to green industrialization. The experience in electricity-intensive industry, such as aluminium smelting, demonstrates the possibilities for efficiency gains. African aluminium smelters use on average 14,337 kilowatt-hours per ton (kWh/t) of aluminium produced, compared with 15,613 kWh/t in North America, or a world average of 15,268 kWh/t. Africa was found to have the most efficient smelters in the world, with production facilities that have the latest technologies in the field (IEA, 2007).

Increased energy and resource efficiency also helps reduce the carbon intensity, that is, the amount of carbon dioxide emitted for each unit of economic output. Since 1990, carbon intensity has decreased all over the world, and African countries have experienced declining carbon intensity on an almost continuous basis since 1995 (WRI, 2010). However, African carbon intensities remain high by world standards. Although in absolute terms Africa emits a small part of global carbon emissions, greater efficiency would enable African countries to generate new revenue from potential carbon trading and improve their competitiveness in a world that is increasingly moving towards low carbon intensities.

International technological cooperation, as through National Cleaner Production Centres, the Clean Development Mechanism (CDM) or private sector investment, could play a crucial role in moving to a low-carbon world. The CDM allows emission-reduction projects in developing countries to earn Certified Emission Reduction (CER) credits, each equivalent to one ton of CO2. These CERs can be traded and sold and be used by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Since April 2005, Africa has seen large increases in new CDM projects every month and in accumulated projects. However, the continent still only hosts 3 per cent of the world's total CDM projects. According to the CDM, this provides an opportunity for sub-Saharan Africa to develop 3,227 CDM projects, including 361 programmes of activities, which could reduce approximately 9.8 billion tons of greenhouse gas emissions (Timilsina et al., 2009).

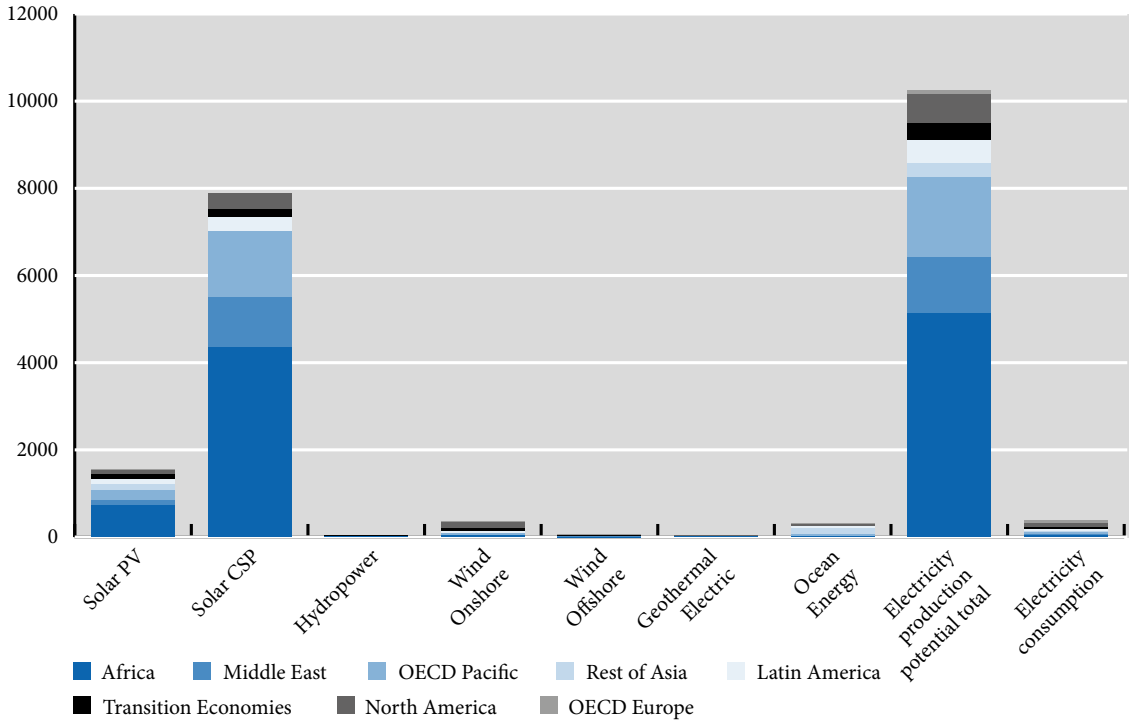
Studies on the potential for transfer of clean technology through the CDM indicate that the rate of technology transfer through CDM projects is significantly higher than the average for several host countries, including Kenya and South Africa (Seres, 2008; Haites et al., 2006). They also reveal that technology transfer does not appear to be closely related to country size or per capita GDP, but a host country can influence the extent of technology transfer involved in its CDM projects through the criteria it establishes for approving such projects.

Harnessing clean energy potential

Limited access to energy or "energy poverty" is one of the greatest challenges to achieving the MDGs in Africa. African firms lose an estimated 5 per cent of their sales due to power outages, a figure that rises to 20 per cent for informal firms unable to afford backup generation. The aggregate economic costs of power shortages are 1–2 per cent of GDP (Foster and Briceño-Garmendia, 2010). Yet Africa has the world's largest technical potential for renewable energy power generation, through its vast solar, biomass and wind resources (figure 3.8). Realizing this potential would drive economic growth, with significant job creation and environmental gains.

Figure 3.8

Technical potential for renewable energy power generation and electricity markets by 2050 (exajoules a year)



Source: *REN21, Figures from Renewable Energy Potentials 2008.*

The barriers to expanding the supply of renewable energy are often the same across countries—principally a lack of financial subsidies or incentives and limited access to appropriate technologies. To encourage large and sustained private investment in Africa's renewable energy resources, a combination of R&D-push and demand-pull measures are needed. Examples from studies conducted by the Global Network on Energy for Sustainable Development (GNESD) show that it is desirable for governments to establish dedicated and authorized agencies responsible for promoting, initiating and financing renewable energy projects and programmes (GNESD 2006). Clear, set government targets are fundamental for giving confidence to private investors seeking to develop such projects.

For example, governments around the world have adopted regulations on prices of renewable energy, including renewable energy feed-in tariffs. By guaranteeing the purchase of electricity from renewable energy sources at a predetermined price that is sufficiently attractive to stimulate new investment, feed-in tariffs are an effective policy instrument to stimulate investment in renewable energy generation. Feed-in tariffs have been implemented

with impressive results in Kenya and Mauritius, and have stimulated interest in renewable energy development in South Africa, the United Republic of Tanzania and Uganda (AFREPREN/FWD, 2009).

Triggered by these and other market instruments, several multi-million renewable energy projects are under way across Africa. They range from a $490 million, 200 megawatt wind project in the Gulf of El Zayt in Egypt, to projects in East Africa's Rift Valley in Kenya as well as in Eritrea, Ethiopia, the United Republic of Tanzania, and Uganda. The Geothermal Energy Association noted in 2010 that 11 African countries were working to produce geothermal power (REN21, 2010). In relative terms, however, investments in clean energy remain negligible in Africa (SEFI, 2010), pointing to the need to enhance the capacity of institutions and people and to significantly leverage increased financing.

Creating enabling policies and institutions

A green economic transformation will require enabling policies and institutions, which entail a critical role for the state, through public investment; fiscal policies; regulations; government procurement; market creation at national, regional and international levels; and active participation of non-state actors.

At the height of the global economic crisis and during its aftermath, governments in the advanced industrialized countries—and pillars of the global market economy—intervened in their economies in an unprecedented manner, recognizing that market principles must go hand in hand with effective regulation and strong global institutions. In intervening, they recognized the need to not only restore growth and jobs, but also accelerate the transition to a green economy (G-20, 2009). The main areas targeted by the green stimulus packages were infrastructure, in particular railways and electricity grids; water and waste; energy efficiency; renewable energies and low-carbon vehicles.

In Africa, governments have stressed the importance of seizing opportunities provided by a growth and development model that embraces the green economy and the need to articulate conditions that will encourage greater public and private investment in green sectors.

But beyond these immediate responses to the economic crisis, governments increasingly recognize that free markets by themselves cannot deliver appropriate solutions to a number of societal goals and that they, in developed and developing countries alike, need to play a greater role in charting economic and social progress, both through public investment and through appropriate incentives and regulations. Several countries expanded their fiscal stimulus into broader and longer-term programmes to promote a low-carbon economy, and to reduce ecological scarcities and social vulnerability. Other countries, such as the Republic of Korea, developed full-fledged, medium-term plans to achieve green growth (UNEP, 2010c).

In Africa, governments have stressed the importance of seizing opportunities provided by a growth and development model that embraces the green economy and the need to articulate conditions that will encourage greater public and private investment in green sectors. Increasing government "good" subsidies for clean technologies and practices (while gradually eliminating "bad" subsidies supporting polluting industries), as well as strengthening regulatory reform, are all examples of the tools that governments can use to assist in the transition to a green economy. The central role of the state in this should

preclude neither effective partnership with the private sector nor active civil society participation (Uyigue et al., 2008).

Encouraging green private investment and ensuring markets are open for clean products

To promote a green economy, governments need to play a more effective role in two main areas: encouraging green private investment through increased public spending on environment-friendly goods and services; and introducing policies that expand demand for clean products (besides regulations that promote standards and labels). Government expenditure on goods and services (such as building schools, hospitals and airports), rail and road infrastructure, even furniture and energy for offices should be geared towards incentives to boost domestic investment in environmentally preferred and equitably accessed goods and services. This way, governments can help to leverage domestic and international private resources.

In China, for example, a government-led policy of directly encouraging local wind turbine manufacturing, through joint ventures, technology transfers and use of locally made wind turbines, contributed to expanding the industry. The renewable energy sector of China as a whole generated output worth $17 billion and employed an estimated 1.5 million people at the end of 2009 (UNEP, 2010a). It was estimated that every CNY 100 billion of public green investment in China would lead to an increase in household consumption of CNY 60 billion, and to CNY 1 billion in additional tax revenue ($14 billion, $8.6 billion and $143 million), with 600,000 new jobs created.

Trade is a powerful connector between production and consumption to drive a transition to a green economy. A wide range of sustainable products and technologies are accessible through national, regional and international trade, making it critical for governments to ensure that markets are open for consumers to access such goods and technologies. Several African countries have showed competitive capabilities in areas such as sustainable agriculture, forestry, and bio-energy and environmental goods and services (Gueye, Sell and Strachan, 2009). This could open new opportunities to serve domestic, regional and international markets, given that 80 per cent of the world's organic agricultural producers are in Africa, Asia and Latin America (UNEP, 2009). (The global market for organic foods and drinks, for example, reached $50 billion in 2007.)

Government regulations and standards will provide the overall policy framework to encourage a transition to a green economy.

Accelerating and strengthening regional integration can enable African countries to create large markets for intra-African trade and provide incentives for investments to develop a local manufacturing base and spur trade for clean products and technologies. Internationally, African countries could benefit from greater engagement in areas that present potential trade interests in environmental goods and services under the Doha Round.

Government regulations and standards will provide the overall policy framework to encourage a transition to a green economy. A clear, predictable and stable policy environment can create the confidence required to stimulate private investment, as seen in feed-in tariffs earlier.

Standards and labels are likely to play an increasingly important role in stimulating sustainable forms of production and consumption, distribution and transport. A proactive engagement of government, industry and consumers would enable African countries to fully participate in shaping the norms for environmentally sound goods and services.

Reforming harmful policies and strengthening institutions and processes

Harmful government subsidies can induce unsustainable patterns of consumption and production—not only in rich, but also developing countries. When they are not properly designed, they can result in a high cost to the economy and society without necessarily achieving the desired policy objectives, including serving the poor. A

If green investments and growth are to become effective and promoted on a wide scale, the investment barriers must be identified and tackled.

few African countries have attempted, with varying degrees of success, to reform some categories of subsidies, such as fossil fuel subsidies, having realized that targeted groups were not always benefiting from them. For example, in 2005, the Government of Ghana initiated reforms to reduce petroleum subsidies after realizing that they were going predominantly to higher-income groups. It also eliminated primary and junior-secondary school fees, and made extra funds available for primary health care and rural electrification programmes (IMF, 2008).

If green investments and growth are to become effective and promoted on a wide scale, barriers to them must be identified and tackled. Such constraints are prevalent in some African economies with poor governance regimes and weak institutional structures. New institutional forms that draw on participation, community-based local knowledge and collective forms of decision-making could spur wide support for a green economic transformation. For participation in green economic activities to become effective and transformative, it needs to be promoted as a form of active citizenship, alongside accountability (Mohan, 2007). The outcomes of participatory processes then have to be transformed into policies that are feasible to implement, so that public participation can be meaningful (Resnick and Birner, 2010).

3.4 Conclusions

AFRICA'S TRADE PERFORMANCE remains below potential. The need to continue diversifying production and exports persists. Diversification requires improvement of competitiveness by tackling supply-side constraints as well as improving infrastructure and productive capacities, among other things.

The onus remains on developed countries to show leadership towards rapidly concluding the Doha Round. This will not only give to Africa market-access opportunities but, if the flexibilities that the continent is seeking are granted as part of the development package, its nascent gains from diversification could be consolidated. The role of the state would be to reflect these negotiation outcomes in countries' trade policies and regulations, linking them with economic transformation objectives that target growth, industrialization, employment and poverty reduction.

African countries have demonstrated the political will to realize the full benefits of regional integration. An acceleration of harmonization efforts, such as the tripartite COMESA-EAC-SADC agreement or, better still, fast-tracking the Africa-wide FTA, could enhance the benefits already being realized through regional integration.

To mobilize domestic resources for development, African governments should make greater efforts to strengthen their administrative and legislative tax frameworks, enhance the emergence of equitable and efficient tax systems and administration, tackle corruption, simplify tax laws and codes, and build tax administrative capacity. Governments should aim at transforming the tax structure, that is, close exemptions and loopholes, widen the tax base, and consider introducing property taxes. Also, improving domestic savings rates requires development of the domestic financial sector.

Concerns remain over the distribution of benefits from international financial resource inflows, between the origin and host economy; hence governments need to ensure coherence between increasing FDI inflows and pursuing development goals.

Africa needs to increase its voice in international economic governance and play its part in reforming the global financial architecture. While the recent reforms undertaken by the international financial institutions are quite encouraging, they and others need to take further steps to eliminate Africa's marginalization. In the G-20, for example—the premier global economic policy forum—South Africa is the continent's only representative.

Africa's future economic and development strategies should be based on a green economy model.

Africa's future economic and development strategies should be based on a green economy model. This will help ensure that accelerating economic growth and making the structural transformation to achieve the MDGs and other social development goals remain consistent with environmental sustainability. Decision-makers and other stakeholders are beginning to comprehend that past models of development have not achieved the promises of sustainable growth and development, and have inflicted severe harm on the environment.

There are many opportunities for the continent to achieve an economic transformation that can build on its vast resource potential, fast-track a green industrialization and contribute to employment creation and poverty reduction. Such a transformation, however, requires a repositioning of the state in setting the course of social and economic progress through a reconfiguration of public investment, as well as adoption of regulations, standards and incentives that can motivate the private sector and civil society within the green economy model.

When the world embarked on the preparatory process for the United Nations Conference on Sustainable Development in 2012, one of the two themes of the conference focused on green economy in the context of sustainable development and poverty eradication. This was a historic opportunity for African countries, individually and collectively, to bring sustainability to centre stage and articulate a new path towards sustainable development, with a new approach to the role of the state in this process of green economic transformation.

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Notes

1 For a synopsis on these negotiations, see AEO, 2010, box 3.1; ICTSD, 2009, 2010; and Anania, 2010.

2 The trade ministerial negotiations under WTO follow the principle of a "single undertaking," meaning, once negotiations on all the aspects have been concluded, countries are able to adopt and implement them. In other words, though some negotiation aspects have been successfully concluded, nothing can be done until agreement is also reached on the stickier issues. The "early harvest" was proposed as a means to enable LDCs to start benefiting from progress in liberalization, in recognition of the fact that the 'Single Undertaking' would take longer than expected. See ICTSD,2010.

3 Including the development dimension of the EPAs, with definitions of "substantially all trade" and "most favoured nation", export taxes, regional integration, quantitative restrictions, special agricultural safeguards, a rendezvous clause and rules of origin.

4 Defined in chapter 5.

5 This subsection borrows heavily from Páez, Karingi, Kimenyi and Paulos, 2010.

6 See AERC, 2010 for detailed information on country studies focusing on Africa-China relations.

7 This has been the case of Angola and Sudan. Similar considerations apply to other resource-endowed countries such as the Republic of Congo (timber) and Zambia (minerals).

8 Figures obtained from UNCTADstat.unctad.org. Date accessed 8/02/2011.

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