

MANAGING AFRICA'S NATURAL CAPITAL FOR SUSTAINABLE DEVELOPMENT AND POVERTY REDUCTION

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"Managing Africa's Natural Capital for Sustainable Development and Poverty Eradication".



The objective of this presentation is three-fold:

1. To build a common understanding of what is meant by natural capital
2. To share some examples of natural capital's contribution to the region's economy
3. To stimulate discussion on how natural capital can contribute in financing sustainable development in Africa

The collection of natural resources of a region together with its ecosystem services, viewed broadly in terms of overall economic value.

Takes into account the economic costs of pollution, waste, depletion, and environmental degradation.

- Gaborone Declaration for Sustainable Development in Africa (adopted in May 2012)
- Arusha Declaration on Africa's Post Rio+20 Strategy for SD (adopted Sept. 2012)
- The Eighth African Development Forum (2014)

A broad consensus that sustainable use of Africa's natural capital necessary to achieve sustainable development, poverty reduction and proposed SDGs while promoting peace and stability in the region.

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- World's second-largest continent
- Huge % of world's natural resources (renewable and non-renewable)
- About 30 % of the world's mineral reserves
 - 8 % of the world's natural gas reserves,
 - 12 % of its oil reserves,
 - 40 % of its gold,
 - 80–90 % of its chromium and platinum
- 65 % of world's arable land
- 10 % of internal of world's renewable fresh water sources
- Home to second largest tropical forest in the world and some of the highest annual rainfall in the Congo basin

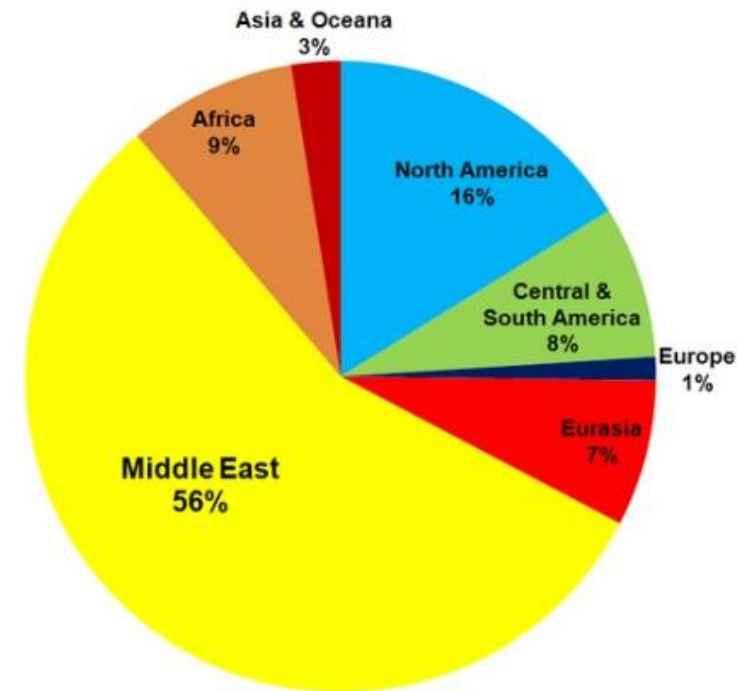
Contribution to Africa's growth

- Natural capital constitutes around 36% of total wealth of low-income countries
- In 2012, natural resources accounted for 77% of total exports and 42% of Government revenue.
- Over 70% of people living in sub-Saharan Africa depend on forests and woodlands for their livelihoods.
- Land in Africa an economic development asset as well as a socio-cultural resource

Sector: Mining, Oil and Gas

- Mining, oil and gas accounted for 28 % of the continent's GDP in 2012.
- Africa earns more than \$168 billion annually from minerals and mineral fuels
- Increasing global demand leading to price hikes and increase in production e.g. Oil and iron ore production increased by 14% and 100% respectively since year 2000
- \$11-17 trillion of new investments will be injected into mineral, oil, and gas projects by 2030 to meet the growing global demand

World Oil Reserves by Region



Data source: US Energy Information Administration from Oil and Gas Journal (2007)
Oil includes crude oil and condensate

Sector Example: Fisheries

- Estimated that fisheries contributed over \$24 billion or 1.26 % of Africa's GDP in 2011. Aquaculture, though still developing, already produces an estimated value of around \$3 billion annually
- Fisheries sector as a whole employs 12.3 million people as full-time fishers or full-time and part-time processors, representing 2.1 per cent of Africa's population between the ages of 15 and 64 years.



Sector Example: Forestry

- Africa holds 16.8 % of global forest cover
- Cumulatively, forests contribute an average of 6 % of GDP in Africa
- In Central and Western Africa, the forestry sector contributes over 60 % of GDP through the export of timber products

In 2011, Africa as a whole exported 3.6 million cubic metres of natural (non-plantation) timber products to the European Union and 2.7 million m³ to China



Sector Example: Forestry

Contribution of forestry to Africa's economy also includes non-timber forest products, such as ecotourism, the crafts industry, the traditional medicine sector, the pharmaceutical industry and the bush meat trade.

- woodcarving industry in Kenya, for example, supported over 80,000 people with approximately 400,000 dependents in 2003
- In 2003, annual export trade in medicinal plants in South Africa was estimated to be worth around \$60 million



Sector Example: Tourism

In 2013, the direct contribution of tourism to Africa's economy, including through travel and leisure activities, was \$71.6 billion or 3.6% of the continent's GDP.

In 2014, forecasts were at \$74.7 billion or 4.4% of GDP.

The sector also created about 8, 181,000 direct jobs in 2013 across the continent, accounting for 2.9% of total employment in Africa



The bottom line



Achieving long-term sustainable development and poverty alleviation in Africa is dependent on the sustainable and optimal management of the natural resource base or its natural capital.

Illicit financial flows and illegal trade in natural resources pose a threat to the stability and security of institutions and democracy, and jeopardize sustainable development and the rule of law

Illicit financial flows include:

- Tax evasion and profit-shifts by corporates
- Services mispricing
- Corruption and criminal activities (private and public sector)
- Unequal agreements and contracts (e.g. poorly negotiated resource extraction contracts, investments and double taxation agreements)

- UNECA reports that over the last 50 years, cumulative loss resulting from illicit financial flows in excess of \$1 trillion; equivalent to all Official Development Assistance over the same period
- Other studies indicate a loss of \$ 1.2 – 1.3 trillion between 1980 and 2009

Illegal global trade

- Illegal logging (estimated to cost Africa \$ 17 billion annually)
- Illegal fishing (cost to sub-Saharan Africa estimated at \$ 1 billion annually)
- Unreported and unregulated fishing (Cost to West Africa alone estimated at about \$1.3 billion annually)
- Illegal trade in wildlife (loss through elephant products alone estimated at \$ 1.9 billion annually)

If all these losses from illicit financial flows and illegal trade in natural resources were stemmed and redirected, Africa would be able to finance the achievement of its Sustainable Development Goals, meet the costs of adaptation to climate change, and tackle its conflicts

1. How can Africa generate internal financial resources from natural capital to achieve sustainable development on the continent?
2. Can Africa strategically harness Overseas Development Assistance to ensure financial resilience, sustainability and wealth creation using its natural capital?
3. What strategies can Africa adopt to stem and reverse the financial flows arising out of illicit exploitation of its natural capital?

Discussion

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Thank you!

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