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Ministerial policy dialogue: managing the natural capital of Africa for sustainable development and poverty eradication

Managing Africa's natural capital for sustainable development and poverty reduction

Note by the secretariat

I. Background

1. The purpose of the present note is to provide background information for the discussions at the fifteenth session of the African Ministerial Conference on the Environment on managing Africa's natural capital for sustainable development and poverty reduction. It outlines the contribution of natural capital to Africa's economic growth, the associated challenges, and how Africa's natural capital can contribute to the sustainable development of the region and reduce poverty. The note poses a number of questions with a view to assisting in the discussions.
2. The choice of the topic for the fifteenth session of the Conference is a reflection of Africa's recognition of the linkage between the environment and development. This recognition is reflected in, inter alia, the continent's input to the United Nations Conference on Sustainable Development (Rio+20) and the outcomes of subsequent meetings of the African Ministerial Conference on the Environment and a number of other meetings. These outcomes include the Arusha Declaration on Africa's Post Rio+20 Strategy for Sustainable Development, adopted in September 2012, and the Africa post-Rio+20 regional implementation meeting.
3. The Eighth African Development Forum and the 2014 joint annual meetings of the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development and the African Union Conference of Ministers of Economy and Finance also recognized the importance of natural capital for the achievement of Africa's development goals.
4. The Gaborone Declaration for Sustainability in Africa, adopted in May 2012, specifically referred to natural capital, with Action Statement 1 calling for integrating the value of natural capital into national accounting and corporate planning and reporting processes, policies and programmes, in agreed efforts.
5. The above-mentioned declarations and other outcomes clearly point to a broad consensus that the more sustainable use of Africa's natural capital would help to achieve sustainable development, poverty reduction and the proposed sustainable development goals while promoting peace and stability in the region.
6. A key challenge is to turn this recognition into regional and national actions that will help to harness the full potential of Africa's rich natural resource endowments and to employ the competitive advantage offered as an engine for inclusive economic growth.

* AMCEN/15/1Rev.1.

II. Africa's natural abundance

7. Africa, the world's second-largest continent holds a huge proportion of the world's natural resources, both renewable and non-renewable. According to the African Development Bank,¹ about 30 per cent of the world's mineral reserves are in Africa. The continent has 8 per cent of the world's natural gas reserves,² 12 per cent of its oil reserves, 40 per cent of its gold, and 80–90 per cent of its chromium and platinum.³ The largest cobalt, diamond, platinum and uranium reserves in the world are in Africa. In addition, Africa holds 65 per cent of the world's arable land⁴ and 10 per cent of internal renewable freshwater sources.⁵ The African fisheries sector is estimated to be worth \$24 billion.⁶ Africa is home to the second largest tropical forest in the world and to some of the highest annual rainfall in the heart of the Congo basin.

III. Natural capital and Africa's growth

A. Contribution to Africa's growth

8. Natural capital⁷ is a critical asset, especially for low-income countries, where it constitutes around 36 per cent of total wealth. Ecosystem services such as water, hydrologic regulation, soil fertility, biodiversity and climate change adaptation, underpin Africa's economic sectors, including the energy, tourism and agricultural sectors.

9. Africa's natural resources have always underpinned the continent's economy and continue to represent a significant development opportunity for its people. In 2012, natural resources accounted for 77 per cent of total exports and 42 per cent of Government revenue. More than 70 per cent⁸ of people living in sub-Saharan Africa depend on forests and woodlands for their livelihoods. Land in Africa is an economic development asset as well as a socio-cultural resource.

10. Mining, oil and gas accounted for 28 per cent of the continent's gross domestic product (GDP) in 2012. Cumulatively, it is estimated that Africa earns more than \$168 billion annually⁹ from minerals and mineral fuels.

11. As more countries in the world industrialize, the size of the middle class across the globe is also expanding, and this rising middle class is most likely to continue to lead market demand for materials, driving up global consumption and production levels as a consequence. This trend of increasing global demand witnessed since 2000 has resulted in the price of minerals doubling and that of oil tripling¹⁰ over the period to date. The price hikes have in turn incentivized suppliers to significantly increase production worldwide – for example, oil production surged by 14 per cent and iron ore production by more than 100 per cent.

12. In order to continue meeting the growing global market demand, it is estimated that \$11 trillion to \$17 trillion of new investment will be injected into mineral, oil and gas projects by 2030, an increase of some 65–150 per cent on historical levels.¹¹ This fresh flow of investment is likely to be directed to low-income countries, which represent new frontier regions for investment with the promise of higher return on investment and lower entry costs. In this context, many resource-rich African countries stand to benefit as they could become significant new investment destinations.

¹ www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-natural-resources-center-anrc/.

² Ibid.

³ www.uneca.org/sites/default/files/publications/unera_report_eng_final_web.pdf.

⁴ www.fanrpan.org/documents/d01450/caadp_newsletter_Revised_20121119.pdf.

⁵ www.unep.org/DEWA/Africa/docs/en/aeo-2/chapters/aeo-2_ch04_FRESHWATER.pdf.

⁶ www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-natural-resources-center-anrc/.

⁷ Defined by the International Institute of Sustainable Development as the land, air, water, living organisms and all formations of the Earth's biosphere that provide us with ecosystem goods and services imperative for survival and well-being. Furthermore, it is the basis for all human economic activity (www.iisd.org/natres/agriculture/capital.asp).

⁸ www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-natural-resources-center-anrc/.

⁹ <http://ecdpm.org/wp-content/uploads/BN-65-Fassi-Aggad-Financing-Agenda-2063.pdf>.

¹⁰ www.mckinsey.com/insights/sustainability/riding_the_resource_wave.

¹¹ Ibid.

B. Fisheries

13. The fisheries sector has also been a big contributor to Africa's economic growth. During the period 2000–2003, Africa's fish exports were valued at \$3 billion annually,¹² against imports of \$1.2 billion. This gave an average positive balance of \$1.8 billion per year¹³ – making the continent a net exporter of fish products.

14. More recently, it is estimated that fisheries contributed more than \$24 billion, or 1.26 per cent, of Africa's GDP in 2011¹⁴ from marine artisanal fisheries and related processing, as well as inland fisheries which contribute one third of the total catches in African countries. Aquaculture, though still developing, already produces an estimated value of around \$3 billion annually. Factoring in catches by non-African states in African waters, which represent 25 per cent of total marine catches around Africa, the fisheries sector could theoretically generate an additional \$3.3 billion per year. Currently, \$0.4 billion is generated annually from fisheries agreements between African Governments and external parties.

15. With regard to employment, in 2014 the Food and Agriculture Organization of the United Nations (FAO)¹⁵ reported that the 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. Fishers represent half of all the people engaged in the sector; 42.4 per cent are processors and 7.5 per cent work in aquaculture. In terms of gender, about 27.3 per cent of the people engaged in fisheries and aquaculture are women.

16. Timber is yet another of Africa's key natural assets. Africa holds 16.8 per cent of global forest cover.¹⁶ The forest sector contributes both to livelihoods and to the economic development of many countries. Cumulatively, forests contribute an average of 6 per cent of GDP in Africa.¹⁷ In Uganda, the sector contributes in excess of \$546.6 million through tourism, agriculture and energy. In 2012, Zambia exported timber valued at nearly \$4.5 million to China while Cameroon and Mozambique each exported timber worth around \$200 million to China in the same year. In 2008, Gabon exported timber valued at around \$430 million to China.

17. In Central and Western Africa, the forestry sector contributes more than 60 per cent of GDP through the export of timber products. In 2011, Africa as a whole exported 3.6 million m³ of natural (non-plantation) timber products to the European Union and 2.7 million m³ to China in 2011. In 2009, Africa's timber exports to China were valued at \$5.6 billion,¹⁸ while in 2012 the value of forest products exported by Africa to China was \$1.6 billion.¹⁹

18. The contribution of forestry to Africa's economy also includes non-timber forest products,²⁰ such as ecotourism, the crafts industry, the traditional medicine sector, the pharmaceutical industry and the bush meat trade.

19. In this regard, the woodcarving industry in Kenya, for example, supported more than 80,000 people with approximately 400,000 dependents, and was worth \$8.21 million in 2003. In the same year, the annual export trade in medicinal plants in South Africa was estimated to be worth around \$60 million, while in Zambia annual exports were valued at some \$4.4 million. Medicinal plants are a growing major foreign exchange earner in Cameroon, Egypt and Morocco, with respective annual earnings of \$2.9 million, \$12.4 million and \$12.8 million as at 2002.

20. Forestry in the United Republic of Tanzania is estimated to represent close to 2.3 per cent of GDP and potentially more than 4 per cent of GDP if the wider benefits are factored in. In Uganda, forests contribute an estimated 4 per cent of GDP at a value of \$136 million. In Kenya, the Lake Naivasha region produces 70 per cent of the country's cut flower exports and 20 per cent of its vegetable exports, contributing hundreds of millions of dollars to the national economy. In addition, an estimated 486,000 work opportunities in environmental rehabilitation programmes have been created in South Africa since 1995.

¹² www.fao.org/3/a-a0452e.pdf.

¹³ Ibid.

¹⁴ www.fao.org/3/a-i3917e.pdf.

¹⁵ Ibid.

¹⁶ www.unep.org/dewa/africa/docs/en/aeo-2/chapters/aeo-2_ch06_FORESTS_AND_WOODLANDS.pdf.

¹⁷ Ibid.

¹⁸ www.forest-trends.org/documents/files/doc_4569.pdf.

¹⁹ Ibid.

²⁰ www.unep.org/dewa/africa/docs/en/aeo-2/chapters/aeo-2_ch06_FORESTS_AND_WOODLANDS.pdf

21. Furthermore, 85,000 jobs have been created in South Africa through the formal conservation of protected areas in game ranching and ecotourism. Cumulatively, Africa earned about \$43.6 billion from tourism²¹ in 2012.

22. In 2013, the direct contribution to Africa's economy of tourism, including through travel and leisure activities, was \$71.6 billion or 3.6 per cent of the continent's GDP. In 2014, forecasts were at \$74.7 billion or 4.4 per cent of GDP. The sector also created 8,181,000 direct jobs in 2013 across the continent, accounting for 2.9 per cent of total employment in Africa.

C. The bottom line

23. Going forward, 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.

D. What is Africa losing in its natural capital?

24. According to the latest report²² by the High-level Panel on Illicit Financial Flows from Africa, launched on 1 February 2015 at the headquarters of the United Nations Economic Commission for Africa in Addis Ababa, current evidence shows losses to Africa of amounts significantly exceeding \$50 billion annually through illicit financial flows. The report suggests that cumulatively, over the last 50 years, Africa has lost amounts estimated to exceed \$1 trillion, a sum roughly equivalent to all of the official development assistance received by the continent during the same period. According to the report, given the continent's inadequate growth, high levels of poverty, resource needs and the changing global landscape of official development assistance, the time to stem these illicit financial flows is now.

25. The Africa Progress Panel's 2014 report, *Grain, Fish, Money: Financing Africa's Green and Blue Revolutions*, gives further credence to these huge figures. It notes that Africa's natural capital is also at the heart of illicit global trade, including illegal logging and illegal unreported and unregulated fishing, that is costing the continent in excess of \$50 billion annually,²³ or a colossal 5.7 per cent of its GDP²⁴ – an amount that exceeds Africa's spending on health – according to the report.²⁵

26. It is estimated that cumulatively, Africa lost \$1.2–\$1.3 trillion between 1980 and 2009 through illicit financial flows.²⁶ Such an amount could have covered Africa's external debt for the period four times over. An estimated 60 per cent²⁷ of illicit financial flows take the form of tax evasion and profit-shifts by corporates, while corruption and criminal activities account for approximately one third of such flows.²⁸ Specifically, commercial money, including tax evasion and trade and services mispricing through multinational companies, constitutes the largest component of illicit financial flows from Africa, followed by proceeds from criminal activities and public sector corruption. This loss undermines revenue generation and reduces the benefits from economic activities, particularly in the extractive sector. Other illicit financial flows occur as a result of unequal agreements and contracts by which resources are transferred from Africa, including poorly negotiated resource extraction contracts, investment and double taxation agreements.

27. Certain multinational companies take advantage of double-taxation treaties to shift profits from one country to another, exploiting the lowest withholding tax rates. If redirected, the illicit financial flows would go a long way in increasing domestic resource mobilization, financing the adaptation costs of climate change, achieving the proposed sustainable development goals and tackling conflicts in the region.

28. Illicit financial flows pose a threat to the stability and security of institutions and democracy, and jeopardize sustainable development and the rule of law. Many of the violent conflicts in the forest regions of Africa are tied to "lootable" commodities, such as precious metals and rough diamonds. The revenue from forestry is used by belligerents to purchase arms and other materials.

²¹ www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/September_2013_-_Africa_Tourism_Monitor.pdf.

²² www.uneca.org/sites/default/files/publications/iff_main_report_english.pdf.

²³ www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Africa_Progress_Report_2014.PDF.

²⁴ www.un.org/africarenewal/web-features/critical-link-between-resource-plunder-and-illegal-trade-wildlife.

²⁵ www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Africa_Progress_Report_2014.PDF.

²⁶ <http://newafricanmagazine.com/tackle-climate-change-illicit-financial-flows-together/>.

²⁷ Ibid.

²⁸ Ibid.

29. Unfair pricing and lack of value addition in the optimal exploitation of the entire extractives value chain, consisting of upstream, downstream and side-stream linkages, bring about significant losses to African countries. In terms of unfair pricing, it is estimated that Africa loses up to \$38.4 billion annually to trade mispricing²⁹ – losses associated with the misrepresentation of import and export values, again mainly from the extractives sector.

30. With regard to optimizing value chain benefits, while it is reported that between 2000 and 2012, mineral-exporting countries in sub-Saharan Africa experienced faster growth than the non-exporters, there were no corresponding improvements in social indicators for those countries.³⁰ They continued to suffer high levels of poverty and underdevelopment as the full potential of mineral wealth endowment remain largely untapped owing to minimal industrialization and value addition in the sector. Africa exports primary mining products thereby exposing economies to commodity price volatility and relegating employment to low-paying mining work.

31. The low contribution of manufacturing to Africa's economy – at 11 per cent of GDP – highlights the huge untapped potential of natural resource endowments in generating socio-economic growth and development in Africa. This could be addressed with the establishment of clear strategies for industrialization and value addition.

32. Expenditure on exploration activity in Africa is less than \$5 per square kilometre (investment made only in primary mining activities), in contrast with \$65 per square kilometre in Canada, Australia and countries in Latin America, where the entire production cycle is exploited by ensuring downstream linkages (first-order processing of raw commodities and manufacturing), upstream linkages (with higher-order mining service providers and suppliers of consumables) and side-stream linkages with other relevant sectors, such as infrastructure, increasing general access to energy, water, communication and logistics, among other things. The lost potential caused by the lack of expenditure per square kilometre represents a significant loss to Africa.

33. These losses represent critical resources that can be used to fund Africa's socio-economic transformation, particularly in the light of the post-2015 development agenda.

34. The United Nations reports³¹ that illegal logging costs Africa \$17 billion annually. The UNEP report, *The Environmental Crime Crisis: Threats to Sustainable Development from Illegal Exploitation and Trade in Wildlife and Forest Resources*,³² notes that in Africa, factoring in timber by-products that are traded illegally, it is estimated that the illegal charcoal trade alone involves a direct loss of revenue of \$1.9 billion annually.

35. Illegal fisheries cost sub-Saharan Africa more than \$1 billion³³ in lost revenue annually, while illegal and unregulated fishing costs West Africa up to \$1.3 billion every year.

36. In the tourism sector, elephants, one of the key tourist attractions in Africa, are under threat. Up to 90 per cent³⁴ of elephant mortality in Central Africa is caused by poaching. Currently, throughout Africa, more elephants die from poaching than from natural causes. The illegal trade in elephant products alone could cost Africa as much as \$1.9 billion annually,³⁵ without counting the environmental loss in terms of numbers of elephant individuals and the related impacts on ecosystem stability. The number of elephants killed in Africa is estimated to be in the range of 20,000–25,000 elephants annually³⁶ out of an already relatively small population of 420,000–650,000. For the forest elephant, population size has been estimated to decline by around 62 per cent between 2002 and 2011. To put the loss from tourism in perspective, while Africa earned around \$43.6 billion from tourism in 2012,³⁷ poaching and the illegal trade in wildlife earned about a quarter of that amount, an absolute figure of about \$10.9 billion. In terms of ecosystems and food security, the fact that 180 million³⁸ people rely on depleted soil to grow their food is a key reason why sub-Saharan Africa lags behind

²⁹ www.uneca.org/sites/default/files/publications/mineral_africa_development_report_eng.pdf.

³⁰ IMF (2012). *Sub-Saharan Africa: Sustaining Growth amid Global Uncertainty, Regional Economic Outlook*.

³¹ www.un.org/africarenewal/web-features/critical-link-between-resource-plunder-and-illegal-trade-wildlife.

³² www.unep.org/unea/docs/tracrimecrisis.pdf.

³³ www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Africa_Progress_Report_2014.PDF.

³⁴ www.un.org/africarenewal/web-features/critical-link-between-resource-plunder-and-illegal-trade-wildlife.

³⁵ www.unep.org/unea/docs/tracrimecrisis.pdf.

³⁶ Ibid.

³⁷ www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/September_2013_-_Africa_Tourism_Monitor.pdf.

³⁸ http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2474579.

other developing regions in meeting its food security goals. The economic loss associated with land degradation in sub-Saharan Africa is estimated at \$68 billion per year.³⁹

37. In addition, even though it was a net exporter of food before 2000 and despite its vast ecological resources – 65 per cent of global arable land,⁴⁰ 10 per cent of inland water⁴¹ resources, and only 3.5 million of a possible 240 million hectares of land⁴² suitable for wetland rice cultivation under exploitation – sub-Saharan Africa's net import bill (excluding fish) hit \$35 billion annually and imports exceed exports by 30 per cent according to the Africa Progress Panel's 2014 report.⁴³ In the light of the continent's immense potential in agriculture, this enormous import bill represents funds that could be recouped and re-channelled to other areas where it is needed, such as addressing the continent's infrastructure deficit or funding long-term climate adaptation, which is estimated to cost around \$35 billion annually by 2050⁴⁴ under a below 2°C warming scenario.

E. Pertinent issues: the questions

38. Going forward, while Africa's impressive growth, averaging 5.1 per cent over the past decade, with a projected rise to 5.5 per cent in 2015 according to the World Bank,⁴⁵ should be applauded, the fact that Africa is potentially losing in excess of \$50 billion annually from the illicit trade in the continent's natural capital and that this growth is not inclusive and may not be sustainable in the long run, should elicit questions and stimulate urgent action to reverse this trend.

39. Figure I, showing the cost of illicit outflows from Africa and other regions, and figure II, which shows the costs of illegal, unreported and unregulated fishing, are set out in the annex to the present note.

IV. Sustainable development goals and Africa

40. The year 2015 is set to be a strategic one for Africa's development as the transition from the Millennium Development Goals to the proposed sustainable development goals takes place. Three global events will underpin the environmental agenda for 2015. First, the third International Conference on Financing for Development will be held in Addis Ababa from 13 to 16 July, 2015. The conference, at which high-level political representatives, including Heads of State and Government and ministers of finance, foreign affairs and development cooperation, as well as all the relevant institutional stakeholders, non-governmental organizations and business sector entities, will gather, is expected to result in an intergovernmentally negotiated and agreed outcome, that will contribute to and support the implementation of the post-2015 development agenda, of which the proposed sustainable development goals are a critical part.

41. Second, the post-2015 development agenda, which incorporates the proposed sustainable development goals, is expected to be adopted by world leaders at the seventieth session of the United Nations General Assembly in September 2015. This will be particularly significant as it will position the proposed goals in the longer-term vision of the United Nations development agenda.

42. Third, the Conference of the Parties to the United Nations Framework Convention on Climate Change at its twenty-first session, to be held in Paris in December 2015, is expected to adopt a legally binding agreement to limit global carbon emissions beyond 2020. This is vital as it will shape the actions that African countries take as they seek to fast-track the implementation of their development agendas towards achieving the proposed sustainable development goals.

43. Africa should take advantage of this momentum as an opportunity to pitch its natural capital as the practical driver to finance the realization of the proposed sustainable development goals, and avoid the limited success that has characterized the Millennium Development Goals, as well as NEPAD and other continental development initiatives, primarily due to inadequate financing.⁴⁶

³⁹ www.ag4impact.org/reports.

⁴⁰ www.fanrpan.org/documents/d01450/caadp_newsletter_Revised_20121119.pdf.

⁴¹ www.unep.org/DEWA/Africa/docs/en/aeo-2/chapters/aeo-2_ch04_FRESHWATER.pdf.

⁴² www.africaprogresspanel.org/wp-content/uploads/2014/05/APP_Summary_AR2014_eng_6may_LR.pdf.

⁴³ Ibid.

⁴⁴ <http://unep.org/pdf/AfricaAdapatationGapreport.pdf>.

⁴⁵ www.worldbank.org/content/dam/Worldbank/document/Africa/Report/Africas-Pulse-brochure_Vol8.pdf.

⁴⁶ <http://ecdpm.org/wp-content/uploads/BN-65-Fassi-Aggad-Financing-Agenda-2063.pdf>.

A. Proposed sustainable development goals

44. The proposed sustainable development goals are as follows:
1. End poverty in all its forms everywhere.
 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
 3. Ensure healthy lives and promote well-being for all at all ages.
 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
 5. Achieve gender equality and empower all women and girls.
 6. Ensure availability and sustainable management of water and sanitation for all.
 7. Ensure access to affordable, reliable, sustainable, and modern energy for all.
 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
 10. Reduce inequality within and among countries.
 11. Make cities and human settlements inclusive, safe, resilient and sustainable.
 12. Ensure sustainable consumption and production patterns.
 13. Take urgent action to combat climate change and its impacts.
 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

B. Common African position pillars

45. The pillars of the common African position are as follows:
1. Structural economic transformation and inclusive growth.
 2. Science, technology and innovation.
 3. People-centred development.
 4. Environmental sustainability, natural resources management and disaster risk management.
 5. Peace and security.
 6. Finance and partnerships.

V. Sustainable development goals and the future Africa wants

African position building on the common African position^{47, 48, 49}

46. The common African position on the United Nations post-2015 development agenda identifies substantive issues of importance to Africa and represents a consensus on Africa's key priorities, concerns and strategies to be reflected in the outcomes of the post-2015 negotiation process. It highlights the developmental issues that the countries of the continent want prioritized in the post-2015 development agenda. It is based on a wealth of information collected and collated from national and regional stakeholders (the executive and legislative arms of Governments, the private sector, civil society organizations, youth associations, women's groups, trade unions and academia), African multilateral institutions and selected pertinent United Nations entities.

47. The overarching goals of the common African position are to eradicate poverty and ensure human development, and they are anchored in the six following pillars: (a) structural economic transformation and inclusive growth; (b) science, technology and innovation; (c) people-centred development; (d) environmental sustainability, natural resources management, and disaster risk management; (e) peace and security; and (f) finance and partnerships.

48. Specifically on natural capital, pillar 4 of the common African position – environmental sustainability, natural resources management and disaster management – captures Africa's apprehensions. African countries are concerned that the exploitation of its natural resources and biodiversity base is not fully translating into value-adding activities and inclusive growth, adequate employment opportunities and enhanced economic returns for the continent. This can be pinned down to minimal value addition of its natural capital.

49. In addition, under contemporary models, rapid industrialization and value addition is associated with negative impacts, such as environmental degradation, pollution and deforestation. The dilemma for Africa is how to pursue value addition and industrialization based on its natural capital, while ensuring the protection of its ecosystems and minimal environmental pollution, among other things. Inclusive and sustainable industrial development, which calls for sustainable consumption and production paradigms, should be the bedrock of Africa's development if it is to achieve resilient and inclusive economic growth.

50. The United Nations reports that, overall, the focus of the proposed sustainable development goals is on economic and environmental factors. Specifically, goals 8 and 15 jointly address environmental and sustainable economic development. This highlights the importance of the environment and its resources with respect to economic development, and strengthens the performance of Africa's environmental and economic concerns as captured in pillars 1 and 4 of the common African position. The common position proposes a number of measures towards ensuring Africa's natural capital sustainably contribute to socio-economic development, including improving natural resource and biodiversity management, enhancing access to safe water for all, responding effectively to climate change and addressing desertification, land degradation, soil erosion, flooding and drought.

51. Generally speaking, promoting sustainable utilization of the continent's natural resources and biodiversity, including land and water, and putting in place the capacity needed for value addition to ensure inclusive growth, enhanced labour productivity and structural transformation for the continent's economic and social transformation – in other words, inclusive and sustainable industrial development – is what African countries want.

52. According to the Chief Executive Officer of NEPAD, Mr. Ibrahim Assane Mayaki, in order to achieve its aspirations, Africa needs to rely on features that are mirrored in both the common African position and the proposed sustainable development goals,⁵⁰ including enhancing capacity development, tackling gender issues, which includes empowering the majority of small-scale women farmers to ensure food security, providing jobs and a sense of social ownership for young people, ensuring greater investment in research and technology, fostering private sector participation, including small and medium-sized enterprises in which innovation takes place.

⁴⁷ CAP articulates Africa's shared priorities in the post-2015 development agenda. It is representative of views gleaned from the different strata that constitute the African development agenda both at the national and regional levels, namely, Government, civil society organizations, non-governmental organizations, the private sector, special interest groups, African multilateral institutions and United Nations entities.

⁴⁸ www.uneca.org/sites/default/files/uploaded-documents/Macroeconomy/post2015/cap-post2015_en.pdf.

⁴⁹ <http://ea.au.int/en/content/common-african-position-cap-post-2015-development-agenda-launched>.

⁵⁰ www.un.org/africarenewal/sites/www.un.org.africarenewal/files/Africa_Renewal_December_2014_en.pdf.

53. Additional specific measures to achieve inclusive and sustainable industrial development in Africa include:

(a) Combating the depletion and degradation of Africa's natural resource base and fostering the conservation and recovery of African biodiversity, which represents an inestimable heritage, through improved control of access to the genetic resources of the continent;

(b) Ensuring that the use of the natural resources and biodiversity will financially and economically benefit the countries that possess them and ensuring the fair and equitable sharing of the benefits arising from their use with consideration for both present and future generations;

(c) Promoting value addition, pertinent research and development, and technological innovation for sustainably harnessing the continent's natural resource base and biodiversity by developing joint ventures and public-private partnerships to facilitate the establishment of industries in Africa.

54. In recognizing that climate change is one of the greatest challenges of the present time, the vulnerability of developing countries, in particular those in Africa, to the adverse impacts of climate change should be emphasized. In addition, it should be recognized that adaptation to the phenomenon represents an immediate and urgent global priority.

55. The implementation of innovative financing and resource mobilization initiatives for Africa together with the consolidation of existing partnerships is crucial. Domestic resource mobilization must be improved by ensuring financial deepening and inclusion (such as domestic savings and microfinance) and strengthening tax structures, coverage and administration, carrying out fiscal reforms, encouraging public-private partnerships, and deepening capital markets.

56. The goals of eradicating poverty and hunger, enhancing healthy, high-quality lives, ensuring inclusive growth, implementing climate change mitigation and adaptation activities and managing ecosystems in a sustainable manner all lie at the heart of the proposed sustainable development goals and align meticulously with Africa's developmental needs. Meeting the proposed sustainable development goals is therefore an imperative if Africa is to achieve sustainable growth and inclusive prosperity for its people under the cloud of a changing climate.

57. In order to achieve the proposed sustainable development goals, financing will be needed to implement African development programmes and determining how funds will be mobilized is therefore a pertinent issue.

58. Considering that official development assistance to Africa is declining,⁵¹ countries on the continent should consider the domestic mobilization of funds to leverage external support and finance their sustainable development goal programmes. A number of proposals on ways in which African States and financial institutions can finance the continent's development have been cited in a briefing note on alternative financing for the African Union's agenda 2063,⁵² including recouping the current funds that are hemorrhaging out of Africa as illicit financial flows to the tune of \$50–60 billion⁵³ annually from misuse of the continent's natural capital.

VI. Conclusion

59. By developing appropriate strategies and partnerships, Africa can look inwards to its own natural capital to ensure timely, prioritized and adequate financing for programmes aimed at achieving sustainable development.

⁵¹ www.brookings.edu/~media/Research/Files/Reports/2015/01/foresight%20africa/financing%20african%20development%20sy%20FINAL.pdf.

⁵² <http://ecdpm.org/wp-content/uploads/BN-65-Fassi-Aggad-Financing-Agenda-2063.pdf>.

⁵³ Ibid.

VII. Questions

60. The following questions are intended to elicit further discussion on this topic.
- (a) What practical steps can Africa take to mobilize internally generated finance from natural capital so as to achieve the sustainable development of the continent?
 - (b) How can Africa strategically use overseas development assistance to ensure financial resilience, sustainability and wealth creation using its natural capital?
 - (c) What strategies can Africa adopt to reverse the financial flows arising from the illicit exploitation of its natural capital?

Figure I
Africa's losses: cost of illicit outflows



Figure II
Caught in the rip tide

