

BRIDGES NETWORK

# BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

VOLUME 3, ISSUE 6 –JULY 2014



## Commodities and development in Africa: Is the glass half full?

### DEVELOPMENT

Making the most of the commodity boom

### NATURAL RESOURCES

Towards sustainable gold mining

### RENEWABLE ENERGY

Tackling renewable energy access challenges in Africa

### WILDLIFE TRADE

To ban or not to ban?



ICTSD  
International Centre for Trade  
and Sustainable Development

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and Analysis on Africa

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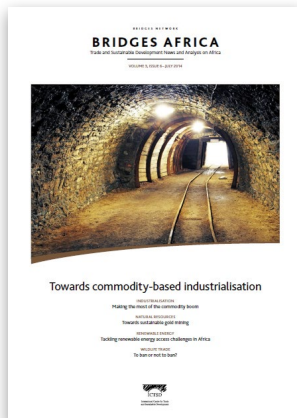
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## Commodities and development in Africa: Is the glass half full?



*Over the past twenty years, the commodities price boom has accelerated growth in many economies across Africa. Though prices plummeted in the wake of the 2008 financial crisis, a rebound in the post-crisis era has brought many countries back on to the path of sustained growth in the region. Although commodity prices are moderating, growth in Africa is still mainly commodity driven.*

*However, growth in the continent has been criticised as less inclusive with rising poverty and inequalities informing the need for policies to mainstream benefits of commodities growth into other sectors of economies. It has been found that weak and broken linkages between the commodity sector and the industrial and services sectors result in low trickle down and limited multiplier effect. Resource-rich African countries have been riding a wave of increased demand for the raw materials and commodities they export, however the continent's share of manufacturing value added – an indicator for the level of industrialisation – is still very low at around 11 percent.*

*Also with only limited job creation and poverty reduction, a mismatch between growth and general standard of living of the people has emerged in many African countries. This disintegration between the commodity sector and other sectors of the economy further widens inequalities and inhibits growth inclusivity. For a combination of economic reasons, policy failures and political factors, it is often considered that the expansion of the commodities sectors will undermine industrial development and development in general.*

*Faced with the spectre of the resource curse, the lead article of this month edition examines an industrial pathway where countries can "make the most of the commodity boom." The authors take a pioneering approach on this issue by moving away from the "half-empty" to "a half-full" perspective in order to highlight the possible linkages between the commodities sector and development. So how can benefits of the commodity sectors in Sub-Saharan Africa be successfully mainstreamed into other sectors to drive inclusive growth and sustainable development? And how can commodity wealth be translated into human development in the continent?*

*Also this month's edition sheds light on the controversial topic of legalising trade in rhino horn: Under what circumstances could this offer a sustainable conservation alternative? What are the opportunities and limitations for legal trade models to conserve endangered species?*

*As usual, we welcome your substantive feedback and contributions. Write to us at [bridgesafrica@ictsd.ch](mailto:bridgesafrica@ictsd.ch).*



## NATURAL RESOURCES

# One thing leads to another

Mike Morris, Raphael Kaplinsky, and David Kaplan

*How can Sub Saharan African countries make the most of the commodities price boom to promote sustainable development?*

In the context of the opportunities opened up by the boom in commodities prices, how can sub-Saharan Africa (SSA) ensure that the benefits are widely spread and inclusive whilst promoting sustainable development and protecting economies against the volatility of commodity prices?

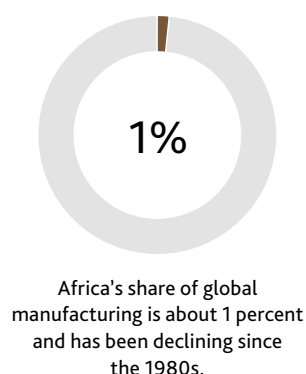
Commodity prices boomed in 2002, and despite a sharp fall in 2008 they rebounded in early 2013 and are likely to continue through 2014-2015. In fact trends indicate that prices are likely to remain robust for some years, albeit with considerable price volatility. This robust price scenario arises from a combination of rising demand from emerging powers (such as, but not only, China) and limits to low-cost supply.

The limits to low cost-supply are attributable to a combination of factors. In agricultural commodities, climate variation (as much as climate change), a shortage of water and declining productivity rates are all barriers to increased low-cost production. In minerals, oil and gas, outside of the United States (US), low-cost deposits have already been exploited, and poor infrastructure adds to the costs of extraction and export. But, sustainability also has to be understood in relation to the social licence to operate. Are benefits of resource exploitation spread widely enough to legitimise the sustained exploitation of resources? Thus, the social and economic outcomes of commodity production are not only an objective for policymakers, but also a determinant of sustainable production.

Three factors frame the development of the resource sector in Africa. First, Africa is the new frontier for commodity production. As the CEO of Glencore (the world's leading commodity-trader-producer) remarked prior to its public flotation in 2011, "Unfortunately, God put the minerals in different parts of the world. We took the nice, simple, easy stuff first from Australia, we took it from the United States, we went to South America and we dug it out of the ground there. Now we have to go to more remote [and unstable] places [in Africa]." Secondly, despite rapid economic growth (six of the ten most rapidly growing economies over the past decade have been in Africa), much of Africa's population has been excluded from the development process. The number of people living below \$1 per day increased from 224 million in 1990 to 355 million in 2008. Thirdly, Africa's industrial base, infrastructure provision and modern service sectors are weak. Africa's share of global manufacturing is about 1 percent and has been declining since the 1980s.

One key contributor in meeting the objective of linking the commodities boom to development is the promotion of linkages between the commodities sector and domestic industrial and service sectors. Traditionally, this policy agenda has tended to be confined to the development of downstream forward linkages, processing and then benefiting the commodities once they have been extracted. However, these are not the only types of linkages that can be developed. There are manifold opportunities for the development of upstream backward linkages, feeding inputs into the resource sector. Moreover, beyond the first stages of backward and forward linkages, there is also scope for the development of horizontal linkages which feed inputs into other sectors (for example, basic metal fabrication industries). While initially directly linked to the resource sector, these horizontal linkages potentially have application in other sectors.

There is a widespread belief in policy circles that these production linkages are weak and hold little potential in the future, in part because of the enclave mentality of major



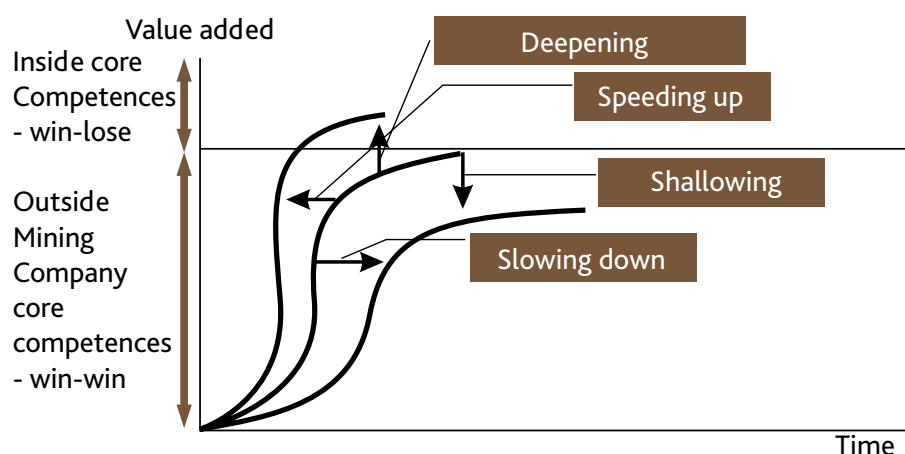
resource-producing firms. The tendency of resource-producing firms to act in isolation from the rest of the economy may have been a historical reality. But, the modern firm increasingly seeks to concentrate on its core competences and to outsource everything else to other firms. If these other firms are proximate to resource extraction and can provide low-cost and quality inputs reliably, or process commodities effectively, this is in the direct interest of the resource-extracting firm. Thus, far from the lead commodity firms obstructing local linkage development, it is now increasingly one of their primary objectives.

Not much is known about the extent and determinants of these linkages into and out of the resource sector in SSA. For this reason, a group of 15 researchers, largely of African origin, devoted 2 years to an analysis of linkage development in 8 economies—Angola, Botswana, Gabon, Ghana, Nigeria, South Africa, Tanzania and Zambia. They examined a variety of sectors, including oil pipelines, oil services, diamonds, copper, timber, gold, mining equipment, construction and infrastructure.

### Linking commodity boom to development

One of their most important findings was a surprising degree of linkage development in each of these economies, and that the market played an important role in diffusion. Lead resource companies are increasingly happy to outsource non-core activities (see Figure 1). These linkage developments include the well-developed mining equipment supply industry in South Africa, knowledge-intensive indigenously-owned supplier firms in Nigeria, undersea-pipeline fabrication in Angola and diamond cutting and polishing firms in Botswana. Although each commodity has specific production characteristics, and each economy has specific capabilities, five common factors were identified by the researchers as having a bearing on the promotion of a sustainable pattern of development in the resource sector.

**Figure 1:**  
Different trajectories of  
linkage development



The first was the growth in outsourcing by the lead commodity-producing firms. In most cases, this was spurred by their desire to focus on their core competences and, in other cases, by the promotion of corporate social responsibility (CSR) programmes. In other cases, government policies designed to promote linkages reinforced the commitment of lead commodity producers to local outsourcing.

The second factor affecting the promotion of linkages was the ownership of both the lead commodity firms and their first-tier suppliers and customers. The research uncovered no general trend to reinforce the conclusion that foreign-owned firms were more or less likely to promote linkages. But, they did find important variations in the behaviour of different nationality foreign firms (particularly Chinese firms), different types of foreign firms (for example, state-owned Chinese firms operated differently than privately owned Chinese firms), and individual firms pursuing different strategies in the same sector (this was an important factor in the Angolan oil industry).

Third, the development of linkages was influenced by the quality and availability of infrastructure. Infrastructure is a pervasive problem. The African Development Bank estimates Africa will require more than \$90 billion in investment in infrastructure per year to make up its infrastructure deficit. In some cases, the weakness of infrastructure promotes local sourcing (since imports are both expensive and face delays in reaching users). But, more often poor infrastructure proved to be an obstacle to linkage development, constraining the development of local suppliers.

Fourth, skill deficits and weaknesses in the national systems of innovation (NIS)—the educational and research establishments supporting the resource, industrial and service sectors—constrained linkage development. The skills gap was ubiquitous and a continuous concern to all firms in the commodity value chains. The constraints imposed by the NIS become more important as linkages develop and become more sophisticated.

Fifth, effective policy design and implementation has the capacity to speed up and deepen linkages into and out of the commodities sector. By the same token, however, poorly designed and delivered policy has acted to slow down and to reduce the depth of linkages to the local economy.

### **An effective policy framework is the key**

Of these five factors, perhaps the most important determining factor in the development of local linkages was found to be the policy framework. An effective policy environment clearly acts to promote linkage development. Botswana has a focused vision that guides the development of downstream linkages. By contrast, in other environments, such as Tanzania, the absence of a clear vision, the contradictory nature of individual policies and weaknesses in policy implementation all acted to hinder linkage development. There is a widespread tendency for governments to confuse linkage development with the indigenization of ownership (since not all local firms are owned by citizens).

Emerging from all the individual country studies is the need to decompose the “policy challenge” into a series of discrete steps: the development of a coherent vision; the introduction of specific policies that contain both positive incentives (carrots) and negative incentives (sticks); efforts to ensure that individual policies are “joined up” and supportive rather than being mutually exclusive; and measures to attune policies to the capabilities of the state. It is also critical for the state to have the integrity and will to implement its stated vision.

Finally, and perhaps least recognized, the policy challenge is not confronting only governments. The same problems (vision, incentives, joined up policies, capabilities and integrity and will) are evidenced in the private sector. Almost all the lead firms failed to “walk the talk” in the promotion of local linkages. This is not because management is deliberately disingenuous. It is because, for firms in all countries and all sectors, the deployment of corporate strategy is filled with pitfalls. Based on these failures in both the state and the private sectors, the researchers concluded that there is an urgent need for the state and the private sector to align their efforts in linkage development and together to focus on what is required to achieve win-win outcomes in promoting value-chain efficiency in the resource sector.

### **Conclusion**

While the commodity price boom has the potential to force SSA back into conflict and resource dependency, it also has the potential to promote more sustainable patterns of development. Neither outcome is pre-ordained; each is the consequence of how governments and lead commodity firms react to the boom. What is required to make the most of commodities in Africa is for governments and firms to act in concert.

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## NATURAL RESOURCES

## Striking gold: Partnerships for sustainable small-scale mining

Hans-Peter Egler and Thomas Hentschel

*Small-scale miners in developing countries have sought to profit from increased gold prices on international markets. But ensuring sustainable social and environmental conditions through responsible mining require concerted efforts and partnership from actors across the supply chain.*

The rising price in gold has prompted a dramatic increase in Artisanal and Small-scale Mining activities (ASM) in developing countries in the last few years. Nowadays, ASM is carried out by an estimated number of 15 million miners worldwide, indirectly provides around 100 million people with a living, and accounts for about 20 percent of global gold production. This "gold rush" has accentuated a wide range of environmental, social, and economic problems, including deforestation, mercury emissions, contamination of water, child labour, health and safety, war financed through conflict minerals as well as links to informal trade structures, and money laundering. Public and political awareness of such problems in the minerals supply chain is however growing. An increasing number of consumers want to be assured that their gold was produced in a sustainable way. Brands and retailers are looking for solutions to respond to the increasing demand for sustainably produced gold.

In the past mining production was simply delivered against payment, nowadays consumers, retailers, and industry increasingly request documented evidence of compliance with ethical and legal standards of production and traceability along the supply chain. A legislation to address these demands has been put in place in the US – the Dodd-Frank Act – and similar efforts to regulate conflict minerals trade are currently being discussed in the EU. In 2012, the Organisation for Economic Cooperation and Development (OECD) developed a multi-stakeholder process, the *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and its Supplement on Gold, which includes a special appendix for the artisanal and small-scale gold sector.

Different stakeholders of gold and jewels supply chain from the Swiss economy – the country with largest gold refining capacity which hosts about 50 percent of the world's – have founded a non-profit organisation called "Swiss Better Gold Association" (SBGA). A recent national public-private partnership between the SBGA and the Swiss State Secretariat for Economic Affairs, dubbed the Better Gold Initiative (BGI), aims to support the implementation of the OECD Due Diligence Guidance by creating a direct mine to market path for sustainably produced ASM gold.

Peru has been selected as a pilot country for BGI, implemented through the country's ministry of environment. According to estimates, some 100,000 illegal and informal miners are producing a value of around US\$2900 million of gold each year in the country, also implying a significant loss in annual tax revenue. Alarmed by this situation, the Peruvian government put in place a legal package of laws and decrees to start controlling the sector in 2012. These include, among others, the definition of illegal and informal mining, definition and timeframe for a formalisation process, mechanisms for environmental control, control of trade and use of chemicals like mercury and cyanide, and new penal laws for illegal mining related confiscation of property, money laundering, and organised crime.

### From sustainable mine to market

The BGI's overall objective is to build simple market mechanisms that honour a producer's compliance with standards on traceability, accountability, labour conditions, and environmental, social, governance, and community relations performance. Consistent

## Minamata Convention on Mercury

Agreed on 19 January 2013, this global treaty is designed to protect human health and the environment from the adverse effects of mercury. The text includes a ban on new mercury mines as well as a phase out of those already in existence, and a new international regulation of the informal sector for artisanal and small-scale gold mining.

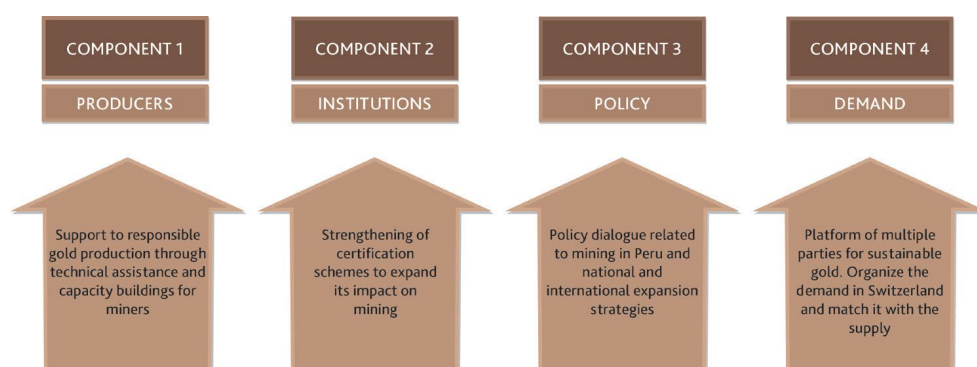
with the established objectives, an implementation strategy at a systemic level has been designed, which aims at generating a "mine to market" sustainable gold value chain. In order to accomplish this, the project is structured around four complementary components along the value chain. The BGI works to (i) strengthen the capacities of artisanal miners, in technical, organisational, environmental and social terms, (ii) facilitate the certification of responsible mining operations, (iii) collaborate with the Peruvian government to generate incentives for responsible mining, and (iv) generate the conditions to bring the Swiss demand for better gold closer to certified and strengthened producers. This takes advantage of a market opportunity and facilitates sustainable development through international trade.

### Producers and institutions

A project management unit is responsible for setting-up, organisation, and implementation of the first component through a Business Service Platform (BSP) for ASM. The BSP is the mechanism that ensures that ASM can access services that allow them to move towards formalisation and meet standards for future certification focusing primarily on aspects of technical assistance, training, audits, and certification.

Also to ensure compliance with standards the BGI is built around three certification schemes; the Fairtrade Standard and Fairmined Gold Standard, both newly revised for gold applicable to artisanal and cooperative structured mines, as well as the complementary standards of the Responsible Jewellery Council (RJC) certification system for industrialised small and medium scale miners. These certification systems assure the buyer that the gold extraction and production is carried out in a socially and environmentally responsible manner with the objective of strengthening the certification systems of the Fairtrade, Fairmined, and the Responsible Jewellery Council to broaden their impact.

**Figure 1:**  
**The Better Gold Initiative implementation strategy in Peru**



Source: The Better Gold Initiative

### Policy and demand

The objective of this component to support governments in the implementation of the new ASM legal framework, and share lessons learned from the BGI in the international arena, including extension options. With regard to the latter, feasibility evaluations are being conducted in Bolivia, Colombia, Ghana, and Mongolia. The BGI maintains a close relationship with all important stakeholders. Public policies for ASM formalisation, together with promotion and regional dialogue around the topic, and discussion in relation to mercury, namely to create a strategic plan in the context of the Minamata Mercury Convention forms part of this component.

The Swiss Better Gold Association (SBGA) is responsible for the implementation of the fourth component, which aims at strengthening the SBGA as a multi-stakeholder platform to advance sustainable development in the gold value chain. It encourages the demand for better gold among industry stakeholders, thus targeting those higher up the value chain, namely the watchmakers and jewellery brands, as well as investors. Members are committed to buying the full amount of gold produced by participating mines and reinvesting a contribution of US\$1 per gram of better gold purchased back into



a Corporate Social Responsibility (CSR) Fund, which supports social and environmental projects in ASMs that are certified or in the process of certification.

### Future benefits and lessons learned

After one year of implementation the BGI system is fully operational. A first entire BGI gold supply chain from the Peruvian SOTRAMI mine, an association of 160 miners, has been implemented. Between September 2013 and April 2014, around 150kg of gold was delivered to Switzerland through this supply chain. Reflecting on this pilot project, certain evaluations could be made regarding the future benefit miners and communities will derive from the BGI especially in Sub-Saharan Africa given that a large number of African countries have artisanal and small-scale gold mining. These include the payment of high gold prices guaranteed by Swiss refiners, as well as guaranteed purchase of miner's entire gold production. The system also facilitates the recovery of VAT which can improve governments' revenue.

Importantly, a high gold price does not generate sustainable development but in fact more mining can produce more problems, especially from an environmental and social perspective. Therefore, sustainable solutions require common efforts between producers, industry, government, civil society as well as multi-stakeholder collaboration are useful instruments in this respect. It is worth specifying that certification itself is not the objective, but rather demand for certified production has to be created and matched with production. Certification and sustainable production will be increasingly important to keep ASM in the formal supply chain, although certification must be coupled with good governance capacities in the mining regions. Certification schemes must also be integrated into national strategies, policies, and legal frameworks.

The price tag for certification and labelling can be very high, due to premium, labelling, management, and transaction costs for separate handling through the supply chain, so it is very important to find ways to control these to raise market acceptance. It is also important to include services such as transformation, logistics, transport, security, etc. The inclusion of partners with capacity to immediately scale-up finance or pre-finance is crucial, as ASM requires immediate payments.

### Conclusion

It is very important to maintain a balance between available certified supply and the existing demand. After the first positive example with SOTRAMI, the market interest and demand seemed to grow much faster than the potential certified supply, as it takes a long time for mining operations to achieve certification. BGI may have to consider re-evaluating its sourcing options. Too much focus on Fairtrade and/or Fairmined certification may not adequately fulfil better gold demand in the future. It will also be important to give attention to RJC certification for small and/or medium sized industrialised mining operations.

BGI looks to African countries to also meet the demand for responsibly produced gold. A large number of African countries have artisanal and small-scale gold mining, but not all have the necessary conditions for responsible production. Countries with a diverse gold mining sector, including a stable – as opposed to a gold rush based production – formalised and organised ASM sector, good governance and functioning institutions in the extractive sector on all levels – national, regional, local – transparent and competitive mineral and trading politics, as well as safe and peaceful environments, are some of the important conditions required for a successful future BGI intervention in African countries.



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## RENEWABLE ENERGY

# Using trade policy to address renewable energy access challenges in Africa

Hari Manoharan and Madhavan Nampoothiri

*What role can trade policy play in tackling the various challenges that prevent a large-scale deployment of renewable energy systems in Africa?*

Estimates from the International Finance Corporation (IFC) show that close to 600 million people in Africa, around 70 percent of the continent's population, did not have access to electricity as of September 2012. Various studies have clearly established the correlation between a country's GDP and its per capita energy consumption. Affluent countries have a high rate of energy consumption, while a number of poor countries in Africa, for example, have very low GDP and energy consumption.

The Human Development Index (HDI) study run by the United Nations Development Programme (UNDP) suggests that no country with annual electricity consumption below 4000 kWh per person per year has an HDI value of 0.9 or higher, and similarly, no country above 5000 kWh per person per year has a HDI value lower than 0.8. The study has been conducted in the world's 60 most populous economies, comprising 90 percent of the world's population.

In case of Africa, with the exception of few countries like South Africa, almost every country shows some correlation between per capita electricity use per year and HDI. The lack of access to energy affects the rate of development in the country resulting in adverse impacts on general health and women's health in particular, safety, education, environment, and finally results in loss of productivity. While energy access is recognized as an important component in improving the lives of the rural poor, high capital costs and the remoteness of sparsely populated habitats is a major hindrance in expanding centralised electricity grids and reducing energy poverty. On the other hand, some renewable energy sources such as solar and biomass, have the inherent advantage of being good sources of distributed energy with no need for centralisation. Critical energy access could therefore be provided without having to rely on a central grid. Solar products such as lanterns, solar home lighting solutions, and small-scale power plants are particularly suited for providing such access.

## Challenges to renewables adoption

Renewable energy adoption is hindered by various challenges. Some of these include the high upfront costs of solar, lack of access to finance, lack of familiarity with the sector by the local banks and micro financing institutions (MFIs), lack of effective after-sales and maintenance structure for the product suppliers, market spoilage through proliferation of low cost, low quality products, and lack of consumer awareness. These problems are further aggravated by an absence of robust policy and regulatory mechanisms, distorted subsidy structures for fossil-fuel sources such as kerosene, high import duties levied on renewable energy based products and components associated with their manufacture and assembly, counterintuitive taxation regimes that favour import of prefabricated products as opposed to domestic manufacturing and assembly, local content requirements, and improper standardisation and quality control measures. Both trade and non-trade related options exist to tackle these barriers.

## Non-trade related tools to address renewables barriers

As a first step, raising awareness vis-à-vis the end consumer around available choices between traditional and alternate energy, as well as the relevant financing opportunities, is critical to scale up informed decisions that catalyse the shift to clean energy sources.

## HS-codes

The World Customs Organization's internationally agreed Harmonized System (HS) framework allows customs officials to identify goods. All HS codes are standard up to the 6-digit level, which in turn include various goods classified in each country under national tariff lines (NTLs).

Awareness creation as well as policy and regulatory reforms are also required in the case of imports where customs duties and taxes are levied on renewable energy based products even though they are, by law, exempt from such duties. In certain cases such levying of duties may be due to lack of awareness or understanding by customs authorities regarding the relevant internationally agreed Harmonized System (HS) codes under which the products are to be imported.

What's more, quality assurance programmes that function through the employment of testing and certification mechanisms do not exist in various countries in Africa. Testing centres should be set up across the continent to help overcome this issue. Standardisation and product approval for sale in a territory could also be decided on a product-to-product basis rather than a blanket criterion. Policy and regulation should be formulated to encourage financing through MFIs due to high upfront costs associated with renewable energy products and low income among the potential consumers.

In addition, subsidy mechanisms in various countries in Africa are limited to provision of capital subsidy, as a percentage of total capital cost, on various products. Innovative business models such as the "pay as you go" would not benefit from an upfront subsidy since the payments under that model are spread over a period of time – the payments are made per unit of electricity consumed till the cost of the system is recovered after which the ownership is transferred to the consumer. Thus the subsidy in this case would have to be provided per unit of electricity consumed. Regulations would have to be revised to accommodate such innovative business models to help alleviate the burden on the end consumer. Finally, fossil-fuels such as kerosene are currently heavily subsidised, which can render renewable energy systems uncompetitive. The subsidy offered for these fossil-fuel systems could instead be channelled towards the development of renewable energy systems.

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*Given this scenario, it may be worth setting up a Sustainable Energy Trade Agreement (SETA) as a stand-alone initiative that could address such barriers, allowing trade policy to advance climate change mitigation efforts while also increasing sustainable energy supply.*

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### **Tackling renewables trade barriers**

Sustainable power generation is usually characterised by higher upfront equipment costs. While governments seek to bring down the costs of sustainable power through subsidies and various other fiscal incentives, they may also simultaneously try to meet other policy objectives. These objectives could include creating a manufacturing base for sustainable energy equipment and generating local jobs. While synergies are possible, it can become difficult for policymakers to balance sometimes seemingly conflicting objectives. It may be difficult, for instance, to seek sustainable power production at the lowest cost possible when power producers are facing import restrictions on technologies and equipment at the level of quality and prices they desire. These restrictive policy and regulations can also lead to trade disputes, which in turn may result in stalemates during negotiations related to climate change and sustainable development.

Given this scenario, it may be worth setting up a Sustainable Energy Trade Agreement (SETA) as a stand-alone initiative that could address such barriers, allowing trade policy to advance climate change mitigation efforts while also increasing sustainable energy supply. Such an agreement would cover all trade-relevant aspects of sustainable energy production, allowing for possible scale-ups. A SETA is also a way to bring together countries interested in addressing climate change and longer-term energy security while maintaining open markets.

### Making a SETA work for Africa

It is desirable for countries that are important traders of Sustainable Energy Access (SEA) products to identify and clearly define these products including within their national tariff lines as well as agree to arrive at a common description for these products, and ensure consistent tax treatment upon importation.

High import duties, as well as taxes levied on renewable energy products and components for assembly of sustainable energy goods, are particularly problematic where African countries are concerned. While many of the continent's economies may not be willing or ready to join a SETA immediately, they could consider voluntarily addressing high duties that hold back imports of these goods as well as simplify the duty structure for such products. Appropriate provisions for special and differentiated treatment for African countries could also be part of an eventual deal as well as enhanced provision of nontrade related technical assistance.

The importance of countries such as the US, EU, China, and India in manufacturing, exporting, importing products such as solar lighting equipment underscores the need and relevance for these countries to be part of an eventual SETA. And given the importance of addressing energy access issues for many African economies, it would be worthwhile these countries engaging either as observers or becoming involving in those provisions of a SETA that directly or indirectly affect their manufacturing, exports, or imports of SEA equipment.

The disbursal of government subsidies for consumer products such as solar lanterns or solar powered home power systems in certain countries requires that the product fulfil the local content requirement criterion. Such requirements can hold back dissemination of important equipment and restrict consumer choice. Standardisation policies as well as related capital subsidies and incentives, which may affect access to sustainable energy equipment such as solar lamps by constraining the sale of innovative or most-efficient models, should also be addressed. These should be designed in such a way that it ensures component choice based on performance rather than system design.

Trade facilitation related measures that speed up clearance of sustainable energy equipment at customs and ports could be also considered by a SETA. For instance, agreement could be reached that all SEA related goods would be subject to customs inspection and clearance in a certain number of hours or days, unless there is serious reason for an extension. An important aspect of this would be developing a classification system for relevant sustainable energy products based on clearly identifiable characteristics and the internationally agreed HS-codes, able to be easily understood by customs authorities.

Any technical cooperation or assistance mechanism that is set up by a SETA should take cognizance of measures that could help facilitate the dissemination of SEA products. For instance this article earlier pointed to a lack of awareness among customs officials regarding various tax and duty incentives eligible for SEA products as well as on relevant HS-codes under which the products are imported. This could be one of the areas where a SETA could create a fund for the training of customs authorities in countries where it may be felt necessary. Such awareness creation exercises could also include updated information on any changes to HS-codes or re-classifications agreed-upon by countries for SEA products.

Free trade is a very challenging issue for most countries trying to balance sourcing of solar components at minimised cost whilst encouraging a local manufacturing ecosystem. The latter can break down beneficial trade relations between countries. The creation of a SETA, and finding a way to include African economies, would likely help economies come together to reduce the trade tensions. Scaling up renewable energy diffusion in Africa would ensure that sustainable energy access is provided to the rural poor helping to improve their quality of lives.



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## WILDLIFE TRADE

# Legal rhino horn: A viable conservation alternative?

Michael 't Sas-Rolfes

*A variety of factors are likely to affect the conservation and economic implications of a given wildlife trade regime.*

Earlier this year the UK government hosted a high-profile conference to discuss the challenge posed by illegal wildlife trade. Forty-six heads of states converged on London, duly agreeing to an official declaration designed to showcase political will to tackle this problem.

For the most part, the declaration focuses on top-down policy approaches, flagging the following as essential actions; "eradicating the market for illegal wildlife products," "ensuring effective legal frameworks and deterrents," and strengthening law enforcement." There is also a section that addresses "sustainable livelihoods and economic development" which, if interpreted generously, might allow for some legal wildlife trade for the benefit of communities. The overall tone of the document, however, could best be characterised as prohibitionist.

The first section on market eradication is significant as the main policy thrust. It calls for measures to eradicate both demand and supply of illegal wildlife products, and encourages governments to destroy existing stockpiles of seized goods such as ivory and rhino horn. The section underscores that governments will "take measures to ensure that the private sector acts responsibly, to source legally any wildlife products used within their sectors," but does not in any way consider the possibility of any future re-establishment of legal trade in relation to threatened species, either by public or private actors. It appears, therefore, that to raise that option at this time is to swim against the tide of public opinion and policy.

This, however, is exactly what the South African government has proposed to do. Unconvinced that the global rhino horn trade ban is having the desired effect of protecting its own rhinos, and looking back on its previous highly successful rhino conservation track record underpinned by sustainable use principles, it is reassessing the trade ban policy. Scepticism over the long-term efficacy of trade bans extends beyond rhinos – there are many who wonder whether this emergent war on wildlife trade will yield similar results to the international "war on drugs" – a massive drain of public resources with highly questionable achievements.

## A complex question

But can legal trade offer a viable alternative to the existing policy thrust, and if so, under what conditions? Unfortunately this is not a simple question, nor is there a simple answer. The issue of wildlife trade policy is highly complex, and potential success is heavily reliant on a range of interdependent variables. In an attempt to better understand these, a group of International Union for the Conservation of Nature (IUCN)-affiliated experts has been working in collaboration with the International Trade Centre (ITC) to review the literature and a wide range of case studies. The study aims to draw out the factors that may determine both the economic implications and conservation achievements – or otherwise – of various wildlife trading regimes.

From the research carried out so far, it turns out that the potential of legal trade to work in favour of conservation varies greatly between species and even specific contexts within a species. Key relevant factors include species biology, available technology for harvesting

and management, as well as the nature of current formal and informal institutions. Additional factors include the extent and persistence of demand for products and the market structure of any legal trading regime. The latter is important both directly for conservation purposes as well as for securing the livelihoods of local people on whom conservation efforts often indirectly depend.

To illustrate the effect of market structure on conservation, consider the example of the two one-off ivory sales permitted by the parties to the Convention on International Trade in Endangered Species (CITES) since the 1989 African elephant trade ban. On both occasions, the structure did not especially favour a good conservation outcome because it created an effective intermediary cartel that negotiated low buying prices from ivory producers and high selling prices to retailers. Low buying prices divert funds from the producers – generally elephant conservation agencies – and high retail selling prices do not discourage illegal competition. A more ideal market structure would minimise the financial value extracted by intermediaries.

Further legal one-off ivory sales seem unlikely to take place in the foreseeable future, leaving open the question of what to do with accumulated stockpiles of both collected (legal) and confiscated (illegal) ivory. CITES does not allow confiscated ivory to be resold, although some economists argue that it would make sense to do this, and then reinvest the funds into elephant conservation.

There is now also a strong lobby to destroy all legal ivory from collected raw stocks through to worked products and antiques. Britain's Prince William is alleged to have suggested destroying the royal antique collection and the US has imposed severe federal restrictions on ownership and movement of antique ivory products in a new commercial ivory ban.

The thinking behind these measures is that they would send out a strong message to the consumer market and discourage any further ivory purchases. This message, however, could be interpreted differently if demand for ivory persists. Ivory could be perceived as an increasingly scarce and precious item, driving up black market prices and the incentive to poach more elephants. Supply restriction measures should follow proof of successful demand reduction, not precede it.

There have been similar calls to destroy legally held stockpiles of rhino horn. Unlike ivory, rhino horn is consumed for purported medicinal purposes, thereby requiring ongoing replenishment. Current prices for the product are already extraordinarily high; there is a risk that stockpile destructions would further concentrate market power in the hands of criminals, increasing the profitability of illegal trade and dooming wild rhinos to extinction. And given that rhino horn is a relatively fast-growing renewable resource that can be safely and regularly harvested off live animals, the potential for successfully competing with the illegal market is far greater than that for ivory.

The political obstacles to establishing a controlled and certified legal trade in rhino horn are significant and it remains to be seen whether South Africa will gain any traction with this idea. Nonetheless, there is a definite need for further good research into this and other related trade policy issues.

To date the arguments presented both for and against such legal trading regimes have tended to be overly simplistic and polemic in nature. Arguments in favour of legal trade are not always fully formed or well understood. Arguments against it rely on some dubious propositions. Legal wildlife trade can only work for conservation under some very specific and clear conditions. Our challenge is to ascertain to what extent those conditions can feasibly be met.



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*This article first appeared in the Biores*

## WILDLIFE TRADE

# To ban or not to ban: Assessing the scope for the legal trade in wildlife

Alexander Kasterine

*Bans on the trade in wildlife may do more harm than good. Regulated trade provides sectors space to improve sustainability and animal welfare practices and increase benefits for rural communities.*

The illegal trade in plants and animals is driving many species around the world to the verge of extinction. Iconic animal species are being poached at record rates, precious timbers are being looted from forests, and endangered plants are being overharvested. Due to their endangered status, species like the rhino, tiger, elephant, cheetah, chimpanzee as well as precious timbers like rosewood and mahogany have been subject to trade prohibitions for several decades. The bans are implemented largely through the Convention on the International Trade in Endangered Species of Fauna and Flora (CITES) and supplemented through EU and US trade measures.

The widely covered London Conference on Illegal Wildlife Trade convened in February saw 46 countries and 11 UN agencies sign a declaration setting out a three-pronged approach to protect wildlife. It called for actions to increase enforcement, reduce demand for wildlife products, and foster the sustainable use of wildlife. This article looks into why certain trade bans could undermine conservation goals, the opportunities and limitations for legal trade models to conserve species, and how aid for trade can support sustainable use of wildlife.

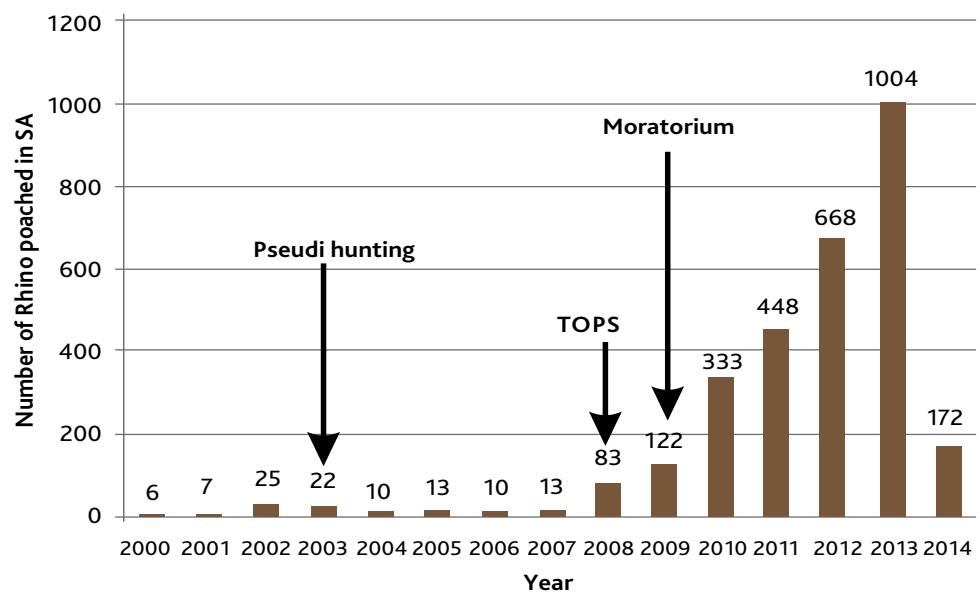
## Trade bans can increase incentives to poach

Prohibition of trade restricts supply and thus drives up price. The impact on price will be particularly marked if demand for the product is price inelastic, i.e. a rise in price has little impact on the quantity demanded. For example, demand for rhino horn is price inelastic as it is regarded as a highly aspirational and elitist product in Asia. A trade ban also restricts competition, further driving up price. By way of analogy, economist Thomas Schelling observed that the United States' prohibition of alcohol in the 1920s gave criminals "the same kind of protection that a tariff gives to a domestic monopoly." As the demand for alcohol increased, prohibition guaranteed "the absence of competition from people who are unwilling to be criminal, and an advantage to those whose skill is evading the law."

As prices escalate, the financial incentive to poach rises along with it. As a result, as Pierre Rivilan argues in *Nature*, bans make these commodities more valuable. For example, the price of rhino horn on Korean markets increased by more than 400 percent within two years of their CITES uplisting in 1977, which in turn coincided with a sharp increase in poaching of black rhinos and in illegal trade in rhino horn. This could feasibly be explained by speculators panic buying in order to build stockpiles.

Trophy hunting and sale of horn domestically continued in South Africa. From the mid-1990s until 2007, reported poaching levels remained negligible. In 2003, Vietnamese traders visited South Africa posing as hunters, a practice termed "pseudo hunting". Once it became clear to the authorities that their intention was solely to acquire horn, the government introduced various trade restrictions including permitting – Threatened or Protected Species legislation (TOPS) – and a moratorium on domestic sale of horn. Figure 1 illustrates how rhino poaching levels have risen sharply since the introduction of these trade restrictions. In view of the failure these trade restrictions to stop the poaching of rhino, the South African government is now preparing a proposal to CITES to legalise the international trade.

**Figure 1. Rhino poaching numbers spike after moratorium**



Source: 'tSas Rolfes 2014

### High prices, high corruption

The resulting wealth accrued by criminal gangs gives them the means to corrupt authorities tasked with protecting wildlife. The growing disparity in wealth between the range states in Africa and consumer countries in Asia could also undermine enforcement efforts in the future. For example, in Kenya, Ian Craig of the Northern Rangelands Trust describes how wildlife rangers are offered large sums to aid poachers. One ranger in his conservation project last year was offered US\$5000 to help poachers find rhinos. The ranger earns US\$200 a month. Further up the "value chain", Craig reports that there are around 30 brokers for illegal wildlife products in Kenya. They manage the movement of product in-country, facing minimal personal risk relative to the returns; around 5-10 percent of the end value. A handful of exporters then move the products across international borders, again with little risk given payments made for political protection, and receive around 60-70 percent of the end value.

There are numerous allegations that corruption is undermining judicial and enforcement systems in range states. In April 2013, six senior officials of the Kenya Wildlife Service were suspended on suspicion of involvement in poaching. The US non-profit Born Free recently "listed" Tanzania among seven "corrupt governments" in Africa that support elephant poaching. An EIA/Global Witness report accused the previous government of Madagascar (2009 -2013) of involvement in the illegal felling and sale of its precious rosewood. Importing countries appear complicit too. Diplomats from Viet Nam and North Korea have allegedly been implicated in trafficking.

### Fighting an uphill battle

The overall value of contraband fauna and flora trade is huge, roughly estimated to be worth over US\$130billion per year. Last year, a US Presidential Executive Order expresses concern over how the trade is "contributing to the illegal economy, fuelling instability, and undermining security." Some profits earned from illegal wildlife trade are reportedly funding terror groups. In 2012, The Elephant Action League (EAL) estimated that "up to 40 percent" of Al-Shabaab's activities are funded by the illegal ivory trade. Prohibition of crops used for drugs has had the same unintended consequences. The Economist reports on UN estimates that Al-Qaeda has earned over US\$100 million from black market opium trade in Afghanistan in 2011 and 2012.

The enrichment of criminals over time means the prospects for "winning the war" against their activities are diminished. Despite the recent deployment of drones across Kenya to protect wildlife, the poachers increasingly have more resources than the enforcement agents. This is evident as rangers are outgunned by poachers who according to the US Congressional



## CITES

Convention on the International Trade in Endangered Species of Fauna and Flora entered into force on 1 July 1975 and currently lists over 35,000 species on its databases, protecting these through trade measures, species management plans and enforcement actions.

Research Service are equipped with "night vision goggles, military-grade weapons, and helicopters." As in most wars, it is the foot soldiers who suffer disproportionately. According to the charity Thin Green Line, poachers in Africa kill some 1000 park rangers each year.

### The scope for a legal wildlife trade

Legal trade, however, is no magic bullet. Loopholes and abuses can plague legal trade systems too. Unscrupulous traders find ways to circumvent CITES rules by mis-declaring the species or number of specimens in a consignment. There are concerns over the lack of governance in issuing permits to trade wildlife. The European Commission advised its member states in 2013 to refuse imports of python skins with captive breeding permits from the Lao People's Democratic Republic over doubts that any captive breeding actually takes place in the country. The CITES Secretariat requested its Parties in April 2014 to reject export permits for listed species from the Democratic Republic of the Congo due to reports that a large number of fake permits had been issued.

Nevertheless, the advantage of placing a species in CITES' Appendix II is that, despite these abuses, criminal organisations have to compete with legal businesses. For reasons outlined above, this reduces their profits and incentives to circumvent the system. It also raises legitimate tax revenue, which can be used for conservation and enforcement. Local communities that harvest wildlife also benefit financially and thus have a stake in a given wildlife species' conservation. Under a trade ban, these communities have no stake, but instead are unwittingly given an economic incentive to poach.

There are key factors that determine whether a legal trade can work well or not. The International Trade Centre (ITC) and the International Union for the Conservation of Nature (IUCN) are currently preparing a framework with a list of these factors. Among the most important include the biological characteristics of a species, including how fast it reproduces; technological factors, is harvest lethal or non-lethal; and institutions, is security of land tenure and ownership in place or is it an open access resource? Institutions are important. Open access land policies mean that local people have no incentive to protect species. Instead, as with the African elephant in the 1980s, the resource is mined resulting in a "tragedy of the commons" that can only be remedied by assigning strong property rights over the resource to local people.

The much-cited success story of trade in the Appendix II CITES listed species is the vicuña, a South American camelid that resembles a small llama. In the mid-1970s the animal was close to extinction from hunting for its wool. In response, the Peruvian government gave local communities the right to shear and market the animal's wool. Now local herders protect the animals and earn money from the sale of their wool. As a result the country's vicuña population has grown from 5000 animals to more than 200,000 today.

If we apply the aforementioned framework to the vicuña, it is easy to see why the population recovered. The species is resilient, its harvest is non-lethal, and the communities have secure property rights over its use. Concerns remain about the distribution of benefits between poor communities and traders, but the trade is clearly successful in conservation terms. Later in 2014, ITC will publish a study that examines the value chain for vicuña and the remaining rural livelihood and conservation challenges.

### Building transparency and traceability

A legal trade, if well managed and in complement with proper law enforcement, also gives industry the opportunity to invest in the value chain. A mix of national regulation, conservation planning, certification, and corporate social responsibility provide the tools with which regulators, conservationists, and business can improve sustainable sourcing and economic benefits for rural communities managing wildlife resources. Trade bans do not allow any scope for such initiatives.

An essential first step to improving the performance of legal market is greater transparency. Greater transparency enables consumers to be more aware the challenges for achieving sustainability in wildlife value chains. The work of TRAFFIC, the UN

Environment Programme's World Conservation Monitoring Centre, and many non-profit organisations is important in this respect. In 2012, ITC published a study on the python skin trade, intended to fill the information gap on how the supply chain for the South-East Asian species works. The findings highlighted abuses of the permitting systems and expressed concerns over lack of animal welfare and sustainability in the value chain. Kering, the holding group for luxury brands like Gucci and Puma responded by forming a public-private-partnership (PPP) with ITC and IUCN. Over three years, the Python Conservation Partnership (PCP) is carrying out research and training on traceability techniques, captive breeding, and improved animal welfare. As part of the PCP ITC will measure the income benefits for rural communities in Viet Nam ranching python for commercial trade.

### **Aid for trade for sustainable use and livelihoods**

In addition to PPP approaches, there are numerous examples of aid projects funded by USAID, the European Union, and other agencies linking communities to buyers of legally traded animal and plant products. A common objective of these projects is to strengthen sustainability of sourcing, as well as to improve the trade links and economic position of suppliers, namely the communities managing the resource. ITC has been active in this sector over the last 10 years with support from Denmark. In Zambia, for example, ITC worked with a small to medium sized enterprise (SME) to train 500 women smallholders in the sustainable cultivation of devil's claw, a tuber used in the European natural medicine industry as an anti-inflammatory. The training resulted in a more sustainable harvest of the crop as opposed to previous practices of destructive extraction. ITC is also undertaking a study to evaluate the biodiversity impacts and economic benefits for rural households in the Andes of quinoa exports, another "superfood" endemic to the region. This will increase transparency in the supply chain and enable better design of pro-poor conservation policies.

### **South Africa's bid to legalise rhino trade**

South Africa is proposing legalisation of the trade in rhino horn. The proposal is set to be a landmark case over whether trade bans or legal trade models should be used to protect an iconic, and now a very fragile, wild species. Member states will vote on the proposal at the next Conference of Parties due to be hosted in South Africa in 2016. The rationale for the South Africa proposal – yet to be formally made – is that legalisation will remove control of the trade from criminals. Flooding the market with rhino horn will reduce prices and thus incentives to poach. The industry argues that rhinos reproduce horn eight times in the course of its life and can be sustainably harvested using ethical animal welfare practices. The rhino is farmed on private land over which landowners have secure property rights, meaning they have an incentive to invest in breeding, animal health and welfare, and conservation. The US, EU Member States, and Kenya are predicted to oppose the proposal on the grounds that a legal trade cannot be policed and legalisation could "stimulate" demand.

To support this CITES process ITC is preparing a consultation paper<sup>①</sup> on the proposal. ITC and CITES signed a Letter of Agreement in 2014 to share expertise on sustainable livelihood issues in the trade in wildlife. The paper outlines the key issues in the debate and proposes further research and consultation to reduce uncertainties about the outcome of legalisation. The paper proposes further research around market structure, the nature of Asian demand, supply potential and costs, and the economic impact in terms of jobs created under legalisation.

Legalisation is perceived by its opponents – and some supporters – as a risk. Risk is a function of uncertainty and thus there is a pressing need for more research and dialogue. If the research is well executed and South Africa consults widely, the voting parties at the CITES COP in 2016 will be in a better position to make an informed decision on the following important question; is the risk of rhino extinction higher under a continued trade ban or under a legalised trade?



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*The views expressed in this article are those of the author and do not necessarily represent the views of, and should not be attributed to, the International Trade Centre. Join the conversation by following Alex on Twitter @alexkasterine.*

① This will be available for comment on the ITC website from July 2014.

## POST 2015 DEVELOPMENT AGENDA

## African Union, EU outline priorities for Post-2015 development agenda

*The African Union Commission and the European Union each released their respective priorities for the post-2015 development agenda last month.*

The African Union Commission and the European Union each released their respective priorities for the post-2015 development agenda last week, shortly after the circulation of a "zero draft" that would serve as a potential launching point for negotiating a set of Sustainable Development Goals (SDGs).

The Sustainable Development Goals would replace the current Millennium Development Goals (MDGs) when they expire next year, and are part of a broader initiative aimed at establishing a "post-2015 development agenda."

### African position highlights consensus

The release of the Common African Position (CAP) came during a 3 June meeting of the African Union Commission, held in Addis Ababa, Ethiopia. The document is a direct result of the work undertaken by a High Level Committee (HLC) set up by the African Union a year ago, and is meant to encapsulate the continent's key priorities as it participates in the post-2015 negotiations.

The HLC process involved several consultative and technical meetings, in which officials reviewed a list of priorities developed by institutions across the continent with the goal of reaching consensus on a proper post-MDG framework.

The resulting CAP "reflects the aspirations of the African people," said Liberian President Ellen Johnson Sirleaf, who chaired the High Level Committee.

Carlos Lopes, who serves as the Economic Commission for Africa's (ECA) Executive Secretary, similarly hailed the CAP as "a concrete step towards mainstream[ing] all the key issues at the global level but with an African perspective addressing all the Sustainable Development Goals."

"We therefore commit ourselves to speak with one voice and to act in unity to ensure that Africa's voice is heard and is fully integrated into the global development agenda," the consensus document says.

### Scaling up the transformative agenda

The document groups Africa's development priorities into "six pillars." These include structural economic transformation and inclusive growth; science, technology and innovation; people-centred development; environmental sustainability, natural resources and disaster management; peace and security; and finance and partnerships.

"The overarching goals of CAP are to eradicate poverty and ensure human development, which are anchored in the six pillars," said Anthony Maruping, Commissioner of Economic Affairs of the African Union Commission, who presented the document.

African countries have pledged to strengthen their productive capacities in order to foster industrialisation. They also aim to promote the processing of primary commodities by developing value chains across sectors, together with beneficiation policies, especially in the extractive sectors of their economies. Beneficiation refers to the treatment of raw materials, such as mineral ore, to improve their properties for further processing.

The CAP also calls for the modernisation of the agricultural sector, together with the enhancement of agricultural productivity, in order to ensure food self-sufficiency. Furthermore, the document emphasises the role of services and infrastructure development in facilitating economic transformation.

The current Millennium Development Goals have come under criticism by some experts, who claim that these placed a disproportionate focus on the social sector and took too much of a quantitative – as opposed to qualitative – approach to development.

This new common position therefore centres on value addition and proper use of resources, rather than the socially-oriented planning of past development models, said Ibrahim Mayaki, head of the New Partnership for Africa's Development (NEPAD), in comments reported by Sierra Express Media.

NEPAD serves as the development arm of the African Union.

In the next phase of its work, the HLC will begin negotiations with other regions of the world as well as the continent's development partners to ensure Africa's vision is included in the post-2015 global development agenda.

### **EU bets on sustainable development to tackle poverty**

Separate to the CAP launch, the European Commission issued its own proposal last week outlining its development aspirations for the new SDGs.

According to the Brussels document, eradicating poverty and achieving sustainable development are fundamentally interrelated. The communication features "poverty", "inequality," and "food security" as the first three priority areas in a total of 17, and indicates the Commission's plan to cluster them based on interlinkages.

The communication also highlights the role of trade liberalisation for poverty eradication and sustainable development.

"We encourage our partners, notably developed and advanced developing economies, to provide Duty Free and Quota Free (DFQF) and market access for products originating from LDCs as well," the document says.

The European Commission also refers to the value of universality, while acknowledging the need to take "into account different national contexts capacities and levels of development." Such differentiated treatment, it said, requires a consideration of each country's respective starting points and capacities, and the need to ensure achievability, ownership, and measurability.

Brussels also says that the post-2015 framework should ensure a "rights-based approach" to promote sustainable development by ensuring "justice, equality and equity, good governance, democracy and the rule of law, peaceful societies and freedom from violence."

Finally, the communication stresses the EU's commitment to a strengthened global partnership, highlighting the 28-nation bloc's role as one of "the driving forces behind mobilising action internally and worldwide."

The Commission document will next be discussed by the Council of Ministers and the European Parliament. The result of these discussions, EU officials say, will serve to guide the bloc's position in the UN negotiations.

The creation of the SDGs is a central part of the framing of the post-2015 development agenda, which will be negotiated by UN member states until September 2015.

### **ICTSD reporting**

"EC Adopts Communication on SDGs," IISD, 2 June 2014; "As it plans its own future, Africa engages with the world," SIERRA EXPRESS MEDIA, 2 June 2014; "Millennium Development Goals and post-2015 Development Agenda," ECOSOC, 2014.



## CLIMATE CHANGE

## UN group reviews sustainable development goals “zero draft”

*The UN working group charged with formulating a proposed set of sustainable development goals (SDGs) met recently for its penultimate session in New York, with delegates for the first time considering a “zero draft” that will serve as a basis for the group’s recommendations due out this summer.*

The 21-page zero draft under review contains 17 suggested goals and 212 associated targets, and was circulated by UN working group co-chairs at the beginning of June. The Open Working Group on Sustainable Development Goals (OWG) – as the UN group is formally known – had previously based its discussions on a series of working documents, building on the results of a 12-month “stock-taking” phase that ended in February.

Although the latest meeting initially opened in formal mode, participants took up the co-chair’s suggestion to revert to an informal manner for the remainder of the week in order to facilitate detailed discussion on draft goals 7-17, continuing the approach taken during inter-sessional consultations held from 9-11 June. Those meetings saw detailed discussion on draft goals 1-6.

The plan to develop a set of SDGs was a key result of the UN Conference on Sustainable Development (Rio+20), held in June 2012 in Rio de Janeiro, Brazil. UN member states later opted to use a constituency-based system of representation for the OWG, meaning that countries share seats and also sit in five regional groupings.

The group’s SDG recommendations will be considered later this year by the UN General Assembly (UNGA), as part of a broader process to outline a post-2015 development agenda, which will replace the current Millennium Development Goals (MDG) when they expire next year.

At the end of the first day of meetings, the group’s co-chairs circulated an unofficial revised list of goals based on conversations from the previous week’s informal sessions. In the list, they proposed whittling the 17 draft goals down to 15 by merging those involving poverty and inequality, as well as combining climate change with sustainable production and consumption.

Both suggestions reportedly proved controversial, sources say. Climate change issues in particular have emerged as among the trickier “21st century” topics to include in the SDG framework. Given that the Rio+20 mandate requires an integration between economic, social, and environmental dimensions of development, its inclusion is seen as critical by many countries and civil society observers.

While there was ongoing support last week in various quarters for a stand-alone climate change goal, delegates were concerned to ensure that this objective not pre-judge or rely on time-specific outcomes from the ongoing international climate negotiations under the UN Framework Convention on Climate Change (UNFCCC).

The UNFCCC negotiations are geared toward sealing a global climate deal by December 2015 and questions remain as to how the two processes will eventually interact.

The co-chairs have also indicated that where targets are removed from the framework, they may be included in an annex to the OWG’s final report, which suggests they could still feature in the UNGA’s deliberations.

In the zero draft released at the beginning of June, the co-chairs put forward a compromise structure for the means to achieve the various development goals and targets. Means of implementation (MoI) was suggested as the final goal, "strengthen and enhance the means of implementation and global partnership for sustainable development."

That goal's subsections then outline 46 target options for each of the previous goals.

Trade-related targets were put forward as options to realise several of the proposed SDGs. These included, among others, ending hunger and improving food security by implementing measures to curb excessive food price volatility; aiding oceanic conservation through elimination of harmful fisheries subsidies; and promoting inclusive, sustainable economic growth through an open, rules-based, non-discriminatory, and equitable multilateral trading system.

Discussion last week in these areas largely supported the inclusion of many of these targets. Several countries suggested adding references to the rules of the international trading system, in order to ensure that the targets contained within the framework – for example around economic incentives – did not distort trade.

MoI has historically proved to be a contentious issue in multilateral discussions of this type and has consistently flared up as a challenging topic in the OWG. A number of countries have indicated they are unwilling to agree on the substance of the goals without commitments as to how they will be realised.

Questions of structure and sequencing regarding MoI targets were reiterated during this latest meeting, with participants debating how and when to classify and place different kinds of MoI. There was some support for the idea of identifying targets for goal-specific implementation actions under the relevant goals, while clustering MoI targets that would support the achievement of the entire framework under a separate "global partnership" goal.

Those that opposed this idea, however, argued that the approach risked conflating "what" should be achieved with "how" it is to be achieved. Even more contentious was the issue of whether the OWG should proceed to identify MoI commitments, particularly around finance, in its draft framework, or wait until the related financing discussions are completed.

Parallel to the work undertaken on the SDGs, countries are engaged in discussion around the various sources and effective use of sustainable development financing through an Intergovernmental Committee of Experts on Sustainable Development Financing. While the two processes are linked, it remains to be seen how the latter will feed into the crafting of the new goals.

Convergence reportedly exists within the Committee that an open, well-regulated multilateral trading system, improved market access, and a conclusion of the WTO's Doha Round talks are essential for achieving sustainable development. In its deliberations, the Committee has also considered the changing landscape of trade, such as how global value chains affect financial planning.

The Committee will hold its final meeting in August and thereafter produce a draft report on financing in the post-2015 agenda for consideration by the UNGA.

The OWG now has one remaining round to pull together a balanced, integrated, and universal set of proposed SDGs. The group will meet again formally on 14-18 July, with informal sessions taking place on 9-11 July. The co-chairs have indicated they will provide a "tweaked" version of the zero draft by 30 June. This is slated to include fewer targets and will reportedly better reflect the balance of views in the group.

#### ICTSD reporting

"Summary of the Twelfth Session of the UN General Assembly Open Working Group on Sustainable Development Goals," ENB, IISD Reporting Services, 12 May 2014.

# The newsroom

Be sure to visit [ictsd.org/news/bridgesafrica](http://ictsd.org/news/bridgesafrica) regularly for breaking African trade and development news.

## East African countries to fight illegal logging

Representatives from Kenya, Uganda and Tanzania announced their intention to work together, along with INTERPOL and UN agencies, to combat illegal timber trade. The initiative is a cross border project intended to reduce emissions from deforestation and forest degradation (REDD+).

Earlier in June, a report presented by INTERPOL and the United Nations Environment Programme (UNEP) stressed that environmental crimes such as poaching, illegal wildlife trade and illegal logging deprives developing economies of billions of dollars.

For example, according to the new report, one terrorist group operating in East Africa is estimated to make between \$38 and \$56 million per year from the illegal trade in charcoal.

## African Union and SADC discuss intra-regional trade

A SADC consultative meeting on the Continental Free Trade Area and Intra regional trade took place on 30-31 May in Gaborone, Botswana. Participants from the African Union Commission, the SADC Secretariat and the United Nations Economic Commission for Africa (UNECA) gathered to discuss intra-regional plans in the context of the Continental FTA (CFTA) currently underway.

In her opening remark Fatima Haram Acyl, Commissioner for Trade and Industry, highlighted that "there is a consensus on functional regional FTAs which provides a strong basis for the implementation of the Continental Free Trade Area, it is for this reason that we see a lot of value in supporting the implementation of SADC FTA and in the tripartite initiative of COMESA-EAC-SADC to establish FTA by 2014".

The CFTA would evolve from the proposed 26-country Tripartite FTA and other regional FTA processes, upon their expected completion in 2014.

## IMF warns against poverty in Africa

African finance ministers and central bank governors, together with the International Monetary Fund (IMF), agreed last week to ramp up their joint efforts to tackle poverty in order to sustain – and advance – the continent's strong economic performance over the past two decades.

However, they cautioned, various policy challenges remain unresolved as the region works toward achieving sustained growth and development.

Over two-thirds of sub-Saharan African countries have experienced over a decade of uninterrupted growth. However, poverty remains stuck at "unacceptably" high levels, with over 45 percent of households remaining impoverished, IMF Managing Director Christine Lagarde warned at a high-level conference held in Maputo, Mozambique in June.

## UN climate talks shift to negotiating mode

The latest round of UN climate talks saw countries move into negotiating mode on some of the substantive details that will need to be hammered out over the next 18 months in order to successfully deliver a global climate deal by end-2015.

Meeting from 4-15 June in Bonn, Germany for their annual mid-year session, delegates to the UN Framework Convention on Climate Change (UNFCCC) made progress on defining the scope of national contributions, which would serve as the building blocks of a new multilateral agreement on climate change.

The idea of national contributions, or "intended nationally determined contributions" (INDCs), emerged after a protracted 38-hour negotiating session at the end of last year's annual Conference of the Parties (COP) held in Warsaw, Poland.

# Publications and resources



## **Post-2015 Development Agenda Briefing Series – ICTSD – June 2014**

The Open Working Group on Sustainable Development Goals was established by the United Nations General Assembly to provide recommendations for a set of Sustainable Development Goals (SDGs) as part of the Post-2015 Development Agenda. ICTSD's Post-2015 Development Agenda Briefing Series, based on submissions to the Open Working Group, summarises research on the role of trade in meeting sustainable development objectives, including addressing the challenges of climate change and sustainable fisheries, and through Aid for Trade. <http://bit.ly/TJfclS>



## **Food Security and WTO Domestic Support Disciplines post-Bali—ICTSD—June 2014**

Please replace with: Trade ministers in Bali agreed an interim solution to the problem of food security and WTO domestic support disciplines, but also committed to begin discussions on a "permanent solution" once the ministerial conference ended. This paper seeks to help negotiators and policy-makers in their journey down this road, by providing a careful overview of the background to the discussions in this area, discussing the interim agreement in Bali, and by reviewing options that members could consider as they examine how best to craft a permanent solution to the problem that members face in this area. <http://bit.ly/1sB3w4J>



## **Public Stockholding for Food Security Purposes: Scenarios and Options for a Permanent Solution—ICTSD—June 2014**

This paper, by Raul Montemayor, explores how various scenarios could affect the measurement of domestic support under WTO rules. The simulations suggest that a strict application of current rules could lead most of the developing countries examined in the study to breach current ceilings, but that more commodities in more countries would fall within existing limits if this support were assessed and calculated differently. <http://bit.ly/1m9gBIW>



## **Agricultural Export Restrictions, Food Security and the WTO—ICTSD—June 2014**

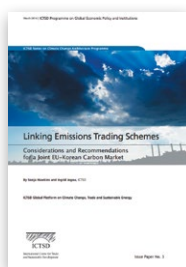
Export restrictions can exacerbate the negative effects on food insecurity when an unexpected, rapid increase in food staple prices occurs. This short information note examines six possible options for a WTO agreement on export restrictions, with a view to ensuring that agricultural export restrictions do not inadvertently exacerbate the effect of price shocks on vulnerable consumers in low-income, food-deficit countries. <http://bit.ly/1nZuf5Q>



## **The 2014 Agricultural Act: U.S. Farm Policy in the context of the 1994 Marrakesh Agreement and the Doha Round—ICTSD—June 2014**

This paper by Vincent H. Smith analyses the domestic support programmes of the new US Agricultural Act in the light of current WTO rules and the on-going Doha Round negotiations. The paper finds that the new programs are unlikely to prevent the US from complying with current WTO commitments, but could make it more difficult for Washington to agree to future reductions in agricultural domestic support ceilings in a new WTO agreement. <http://bit.ly/T4lxqn>





### Linking Emissions Trading Schemes: Considerations and Recommendations for a Joint EU-Korean Carbon Market — ICTSD — March 2014

This paper analyses the case for a link between the EU ETS and the upcoming South Korean ETS. The authors, Sonja Hawkins and Ingrid Jegou, placed the linkage debate in the larger context of international cooperation on climate change. <http://bit.ly/1nEeO1l>



### The Shale Gas Revolution — ICTSD — March 2014

This paper, authored by Thomas L. Brewer, a senior fellow of ICTSD, sheds light on these complex issues and calls on governments, industry and international agencies to evaluate the full effects of shale gas on the environment and climate change to determine how it can best fit into a sustainable development agenda. <http://bit.ly/1lEdvLC>



### Evaluating Aid for Trade on the Ground: Lessons from Bangladesh — ICTSD — December 2013

This study assesses the effectiveness and impact of AfT in Bangladesh. By doing so, it also tries to identify the reasons of the decline in disbursements which is quite uncommon among other least developed countries. The study argues that the results of AfT are somewhat mixed for Bangladesh. More important, the study shows that the lack of efficient administrative mechanisms, limited human capacity, political instability, and stringent donor requirements are major reasons for low absorption capacity. <http://bit.ly/1euCkvo>



### International Trade and Access to Sustainable Energy Issues and Lessons from Country Experiences — ICTSD — December 2013

This paper explores, among other things, how some trade-related barriers could be addressed within the context of a sustainable energy trade agreement for a positive impact on expanding access to sustainable energy. <http://bit.ly/1dXYJwy>



### List of Environmental Goods: An Overview — ICTSD — December 2013

This paper briefly examines the early history behind the development of formal lists of environmental goods including the OECD's illustrative list and APEC's Early Voluntary Sector Liberalization (EVSL) lists and the purposes for which they were developed. <http://bit.ly/1dXYTEn>

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