

**Submission by the Republic of Mali on behalf of the African Group of
Negotiators (AGN)
on**

Africa's views on aspects related to economic diversification and transformation and just transition of the workforce and the creation of decent work and quality jobs, in the context of sustainable development, with a view to informing the in-forum discussion on possible needs for modelling tools, including capacity-building opportunities, to take place at SBI 47 and SBSTA 47 and the in-forum training workshop on the use of economic modelling tools at SBI 48 and SBSTA 48 (April–May 2018).

FCCC/SB/2017/L.2, paragraph 5

1. Response measures in relation to African socio-economic development

Across the African continent highly unequal levels of access to the economy, including access to energy, transport, water, land, technology and finance remain a major impediment to pursuing sustainable and inclusive industrialization, growth, structural transformation and diversification. In this context the negative impacts of response measures are harsh for Africa, the continent that is also most vulnerable to climate change.

Response measures arise in the context of developed countries taking actions to combat climate change and whilst such measures are implemented for climate effects and with good intentions, they can have adverse economic and social consequences for African countries. Furthermore, considering the nature of African economic integration, especially their economic (trade and investment) relations with developed economies, African economies are susceptible to the cross-border impact of response measures. Given this, the economic and social consequences of the implementation of such actual and potential response measures are a development risk and impediment for achieving poverty reduction and inclusive growth in Africa.

A distortive use of economic diversification and the developmental promise of the green economy to perpetuate false ideas that such can offset the impacts of response measures has skewed discussions on the issue in the forum on the impact of the implementation of response measures. Those wedded to this false notion and promoting this narrative in the forum's work program are making growing calls for progressive trade policies in developing countries to promote a shift to a low carbon economy as essential for meeting the universally-adopted UN Sustainable Development Goals and the Paris climate agreement. As this narrative is an assumption rather than evidenced based, it is in our view an overreach.

It is the absence of support for modelling the impacts of response measures on Africa achieving inclusive growth and development that enables such exaggerated overreaches to flourish.

2. Modelling the Impacts of Response Measures on African Development: Support for the development of (a) technical initiatives including methodologies and tools and the dissemination of models

- Economic diversification has been included as one of the work areas of the improved forum however, there remains an outstanding range of work that can be undertaken to assist non-Annex I Parties, especially full consideration of what action is necessary under the Convention to meet the specific needs and concerns of developing country Parties arising from the impact of the implementation of response measures and the implications for efforts under way to diversify their economies with the broader objective of achieving sustainable inclusive growth and economic transformation and at the same time deal with the effects of climate change. In this context modelling the mixed impacts of response measures on economic diversification and transformation efforts underway in Africa is critical to identifying potential socio-economic risks.
- It is touted that the economy of a country is vulnerable to the adverse impact of response measures if it is dependent upon the export of a narrow range of products and those products are affected by response measures taken to combat climate change. This narrow view which has so far dominated UNFCCC discussions is restrictive and limits approaches from comprehensively addressing the actual impacts of RM on economic diversification in developing countries. Such narrow or strict approaches to defining vulnerability which have prevailed in discussions so far are not technically useful and overlook the development concerns and challenges faced by Africa with respect to low income households, industrial development and competitiveness. From the perspective of Africa, economic diversification has to be considered as a broader development strategy for inclusive growth and promoting transformation. Whilst acknowledging there are differing levels of development on the African continent, which is often manipulated in discussions on vulnerability to promote divisions among African countries, Parties to the Paris Agreement on Climate Change must recognize the special circumstances and needs of African countries, in line with the relevant and previous decisions of the Conference of the Parties to the United Nations Framework Convention on Climate Change. Africa notes with high concern the distortive application of the theory of economic diversification and transformation in discussing response measures in the forum, especially the use of it by developed countries to incorrectly suggest that the African continent can adapt to the adverse impacts of response measures. This distortion overshadows the more fundamental need for the continent to adapt to climate change and address the negative impacts associated with climate change.
- As a result, so far discussions and work in the forum has been one sided. Economic diversification in the forum has been discussed from only one angle, despite repeated calls from Africa and the Africa Group for balance in the representation of views and approaches. The prevailing approach to economic diversification, is premised on assumptions yet to be validated, as it makes overreaches aimed at arguing that economic diversification reduces the adverse impacts of the implementation of developed parties' climate change mitigation policies that have cross-border effects, on developing countries. The technical paper (FCCC/TP/2016/3) was prepared utilising only this angle. Since 2000, technical work entailing actual assessments and modelling has not been done with respect to actual measures economic diversification was identified by Parties as a potentially effective means of reducing the adverse impacts of response measures.

- Africa thus calls for and will only support ongoing work in the forum that promotes a wider rethink of the economic models and their appropriateness, as African societies grapple with climate change, joblessness and growing inequalities.
- As explained in the paper (FCCC/TP/2016) on economic diversification prepared by the Secretariat “*Other than policy advice, there is not much literature on how economic diversification can be produced*”. There is no proof that economic diversification is one of the means that can be used to build resilience to the adverse impacts of climate change policies that have been implemented to mitigate climate change. This remains an assumption without evidence. Neither is it the mandate of the forum to examine this.
- It is not within the mandated scope of the UNFCCC nor the forum on response measures to evaluate national and regional economic diversification policies and prescribe what is good and bad policies. National circumstances and respective capabilities must be respected.

3. Views on modelling and capacity building

- The importance of modelling and impact assessments lies in usefulness for evaluating relationship between variables, i.e. tracing impact of specific response measures on economic diversification and transformation, sustainable development, inclusive growth and just transition in developing countries, especially Africa.
- The mandated scope of the forum is to address issues of policy concern to developing countries. As such, modelling the mixed impacts of response measures must be taken further by conducting assessments of their actual cross border impacts. This goes hand in hand with the obligation of developed countries to minimise such impacts on developing countries and enhancing cooperation under the PA with respect to the impact of RM.
- Such impact assessments are urgently needed to address shortcomings of relying solely on modelling to address actual impacts of such measures. Often some of the design features of response measures cannot be modelled. Thus suggesting that the initial impact of the measure might be muted and that the model analysis and results likely underestimating the actual impacts. It is this gap that forum ought to address as a priority issue of interest to developing countries.
- Modelling as a tool can promote knowledge building on potential mixed impacts and this is important for the continued effectiveness of the forum on RM. However, impediments (lack of data) preventing modelling need to also be addressed in the forum, especially the capacity building in developing countries to do assessments of measures that have cross border impacts. In addition, there is an urgent need to evaluate the assumptions of the models in relation to national circumstances and national and regional economic diversification priorities.
- There are different models based on differing assumptions, but the limitation of energy and economy models is that they are not designed to consider the development (national circumstances) challenges facing Africa. It has been recorded at past UNFCCC RM workshops that all models show substantial future increases for OPEC revenues, revenues will not decline rather the rate of growth in revenues may be slowed by response measures. As such, modelling discussions in relation to response measures to date in the UNFCCC have revolved primarily around the impacts for oil production and revenue. Whilst there have been modelling findings that countries with the least economic diversification would be most impacted there are been very little action taken to trace and address the actual socio-economic impacts. No substantive technical work has been done with respect to tracing and monitoring

impacts of actual measures on developing countries development prospects. The developmental impact on African countries and has not been sufficiently considered nor acknowledged.

- Whilst there has been a number of discussions in the UNFCCC on modelling the impacts of RM, replete with general claims there however, remains no commitment or dedicated approach to fund development of modelling tools, roll out access to such tools and provide training regarding modelling tools and assess the fit for purpose of existing modelling tools. Current models are unable to model response measure impacts adequately, this is because generally most models are centred around examining issues of relevance to developed countries.
- Generally, improved levels of access to relevant training is needed to assist developing countries improve data collection, modelling and interpretation.
- In pursuit of the commitment by developed countries in providing means of implementation including financial resources to assist developing countries with respect to both mitigation and adaptation actions in line with Paris outcomes, access to such resources
- Levelling the unevenness between ex ante and ex post assessments (tracing the performance of an actual measure and its cross-border impacts on developing countries). Economic diversification and transformation and just transition are key policy levers for pursuing and achieving sustainable and inclusive growth in Africa, but to date there remains little or no dynamic representation of the impacts response measures nor the damages for development and inclusive growth in developing countries.
- This gap regarding support for the development of methodologies and tools in developing countries including support for conducting impact assessments of actual measures, must be addressed.
- Whilst modelling is useful to forecast the impact of policy, it does not provide a **detailed examination of the actual welfare, terms of trade and socio-economic impacts** on individual developing countries and the regional economies they belong to especially in context of longer term objectives like economic diversification and transformation including inclusive growth. These examinations remain a gap which the forum and TEGs should address. Economic modelling is needed in the context of full consideration to what actions are necessary under the Convention to meet the specific needs and concerns of developing country Parties arising from the impact of the implementation of response measures. Economic modelling can provide accurate and objective assessment of the observed and potential economic and social consequences of response measures taken by developed country Parties on developing country Parties however, since 2000, this technical work has not been forthcoming.

4. The in-forum discussion on possible needs for modelling tools, including capacity-building opportunities

- The **absence of a dedicated process¹ and resources to promote technical work** that evaluates assessments of the impacts of the implementation of response measures, which since 2000 has not been effectively addressed. As the 2016 Qatar Workshop on Economic Diversification demonstrated through discussions and presentations of case studies, there is no evidence proving that economic diversification minimises the

¹ Explained further below.

negative cross border impacts of actual response measures. Moreover, measures taken to minimise cross border impacts on developing countries prospects for sustainable inclusive growth and economic diversification remain unevaluated. Assessments of minimisation efforts are long overdue.

- The lack of capacity and support are hurdles especially for Africa. This was evidenced during SB46 at the meeting of the TEG on Economic Diversification and Just transition which demonstrated gaps in ability, capacity and resources between Africa and other developed countries especially with respect to conducting modelling, surveys, case studies and qualitative and quantitative assessments.
- The forum has yet to deliver on introducing **robustness** in respect to understanding and evaluating international dimension of response measures. As discussions and presentation of case studies made at the SB 46 TEG confirmed most assessments and modelling focus on national impacts and not **cross border**.
- As such the in-forum discussion on modelling and capacity building must address the gaps pertaining to cross border impacts, by concluding an outcome and making a **recommendation to COP**, for a comprehensive technical assistance framework, under which developing country Parties should be provided with training, resources and technical assistance that will enable them to undertake national assessments of the impact of the implementation of response measures.
- Technical & financial support that rolls out a **technical project** implementing existing modelling tools to evaluate cross border impact carbon foot printing and labelling measures on African exports to developed country markets. Impact of such measures on the existing policy measures in place pursuing job creation, inclusive growth, industrialisation and economic diversification. Producing specific assessment on different sectors and tracing the consequences of such response measures of developed country Parties' on, inter alia, trade, investment, income, employment, economic growth rates of developing countries especially implications for achieving levels of economic diversification and transformation. Measures the negative impacts of response measures taken by developed countries on developing countries, including unilateral ones, by identifying vulnerable sectors. Based on this identify needs of developing countries, in terms of technology transfer and funding. Examination of other techniques apart from modelling, used to investigate the environmental and socio-economic implications or impacts of measures on economic diversification and transformation. Are **existing modelling and methodologies suitable to tracing impact of response measures on economic diversification, transformation and sustainable inclusive growth?**
- Support for the establishment of regional **academic research chairs**. Objective to facilitate gathering of national / regional data for modelling exercises on response measure impacts on economic diversification in Africa.
- Support for **regional capacity building programs** in use of modelling tools and development of new tools. Objective to evaluate if the specific conditions of developing countries are addressed adequately in the methodologies. Evaluate assumptions of the models in relation to addressing issues of concern to developing countries in relation to economic diversification.

5. Regional modelling projects and or studies of interest to Africa:

1. Modelling the impact of response measures on preferential trade agreements. To what extent can response measures (as frictional barriers) dull the so called developmental value of North-South PTA's? Consequently, what are the socio-economic implications for African economies and their related export exposed sectors?
2. Modelling the impact of response measures in relation to the WTO's trade facilitation agreement and LDC Services waiver agreement. Both these multilateral trade agreements have been premised on notions of promoting development however, response measures as frictional barrier was not considered in their design. Many African countries have bought into the promise of these agreements without factoring in to what extent response measures could impact the promised benefits of such agreements. Modelling the cross border impacts of response measures on developing countries in context of evaluating the inter relationship between these impacts and efforts to actualise the commercial and developmental value of these agreements for Africa.
3. Modelling the impacts of response measures on AGOA, especially the socio-economic impacts on those aspects of African economies that are dependent on AGOA preferences.
4. Modelling the impact of response measures against the value of the preferences in the EU-EPA's with Africa.
5. What implications do response measures have for regional efforts currently underway in the continent to support diversification and structural transformation and the emergence of regional value-chains? What are potential risks that the cross-border impacts of RM's pose for these efforts and how can these be minimised?