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Chapter 15

Future Prospects of Africa—The Final Development Frontier and a Global Common

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When the Emerging Markets Forum published *Africa Reset: A New Way Forward*[1] in 2017, the book presented two scenarios: a continuation of prevailing trends or convergence with the rest of the world in terms of per capita income. Convergence would require an 'average per capita GDP growth of 3.5 per cent or more starting in 2017' (Ahlers and Kohli 2017). Up until the end of 2019, only a few countries south of the Sahara were on the convergence path (Ethiopia, Ghana, Mozambique, Rwanda, Sierra Leone and Tanzania). Many more remained mired on the less hopeful trend. Overall, the countries south of the Sahara (SSA) were plotting an uneasy middle path between the two scenarios, while the long-term trends that have hampered SSA's transformation continued to prevail as the COVID-19 pandemic struck.

This chapter will take a comprehensive look at Africa and its prospects in a changing world. Part I briefly reviews the status of Africa (north and south of the Sahara) before the pandemic, highlighting the progress made and factors that have contributed to the continent's relative improvement over a period of about twenty-five years. It also discusses the persistent challenges on the path to transformation. Part II assesses the pandemic's impact on Africa—from macroeconomic shocks to consequences for the social sectors and poverty. Part III outlines Africa's long-term economic prospects under three scenarios (basic/central, strong policies, and poor policies) and identifies four interconnected threats that should be the focus of public policies (climate change, very rapid population growth, deteriorating security in several regions, and heightened geo-political tensions). For the continent to achieve the African Union's vision of Africa 2063 and take its rightful place in the world as a major source of global demand, stability and peace, Africa's leadership must be bolder, govern better, and deliver results. In addition, the current mostly asymmetric cooperation between Africa and its traditional partners in the West (many of them former colonizers) must evolve to become a balanced and mutually beneficial partnership, enhanced by a faster deepening of cooperation across the Global South (South–South cooperation).

Part I. Africa Before the Pandemic: A Quick Stocktaking[2]

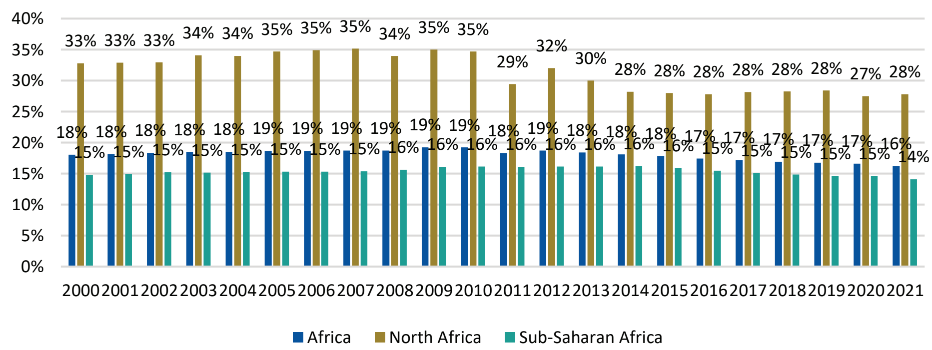
Africa is the world's second largest continent, home to a rapidly growing population of 1.2 billion in 2020 that is the youngest in the world with a median age of 19.7 years and 40 per cent of the population is fifteen years and younger. Of the continent's fifty-four countries, sixteen are landlocked, and all vary in population size from the largest, Nigeria, with 206 million inhabitants, to the smallest, Seychelles, with 99,000. The people of Africa speak between 1,250 and 2,100 native languages

1. The book was focussed on Sub-Saharan Africa (SSA).
2. A more detailed version of this chapter will be available online at www.emergingmarketsforum.org

(Heine 2000), with strong allegiances to their nation and pride in their ethnic and cultural heritage. While it is important to keep such diversity in mind with regard to Africa, some broad similarities exist, mostly in the inability of many, if not most, African countries in SSA to radically transform their economies and to converge with the rest of the emerging and developing world.

Since independence, the story of Africa's economic development is one of broad swings largely linked to commodity price cycles between periods of rapid growth (the 1960s and the 1970s) and periods of stalled progress (the 1980s and the first half of the 1990s), with a return to more hopeful prospects since the mid-1990s. Overall, however, with a GDP per capita of about US$2,000 (constant 2018 prices), Africa continues to trail the emerging and developing world, with significant differences between the countries north and south of the Sahara (Figure 15.1). The countries of North Africa have more diversified economies and stronger links with advanced economies, especially the European Union and the United States. They can constitute a bridge between the two sides of the Sahara, facilitate SSA's reach into richer markets and provide a source of experience and dynamism, especially under the Africa Continental Free Trade Area.

Figure 15.1: Real GDP per capita as per cent of world per GDP (in 2018 prices)



Source: Centennial Group 2021

Many Factors Have Contributed to Africa's Relative Improvement over the Last Twenty-five Years

Since the mid-1990s, the countries of Africa have, with some notable exceptions, expanded at a robust average (4.5 per cent in terms of GDP for SSA till 2015). They improved and stabilized their policy environment, diversified their sources of development finance and participated more fully in the global economy. The results have been a reduction in the rate of poverty in SSA from 54 per cent of the population in 1990 to 41 per cent in 2015, even though the poverty headcount has increased from 278 to 413 million due to rapid demographic growth (Beegle and Christiaensen 2019).[3]

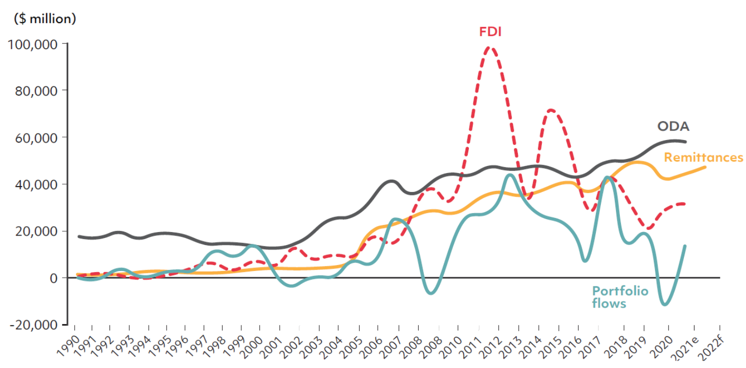
- Policies have improved. When comparing the World Bank Country Performance and Institutions assessments for SSA with that of the world and East Asia and Pacific (EAP)

3. Note that the numbers apply to Sub-Saharan Africa. Poverty is most acute in rural areas and the Sahelian zone.

—the most dynamic region, the broad performance trends of Africa have followed the rest of the world (with Africa doing better than EAP on structural policies in 2018 and 2019 and consistently on social inclusion/equity) but with the biggest performance gap vis à vis EAP in public sector management and institutions.

- More domestic resources for the economy. Domestically, governments in Africa raise taxes equivalent to 16 per cent of the GDP, a figure that has been increasing steadily since 2010. The inclusion of natural resource revenue raises that figure to 18 per cent, which is still short of the levels needed to meet development needs and requires additional efforts on domestic resource mobilization. To finance the economy, African banks are now generally well-capitalized, liquid, solvent and resilient to liquidity and credit risk. While micro- and large enterprises have good access to credit, there is still a lack of proper long-term finance for small and medium enterprises. Credit to the private sector varies across the continent with Western and Central Africa trailing behind Eastern, Southern, and North Africa. Overall, across Africa, credit remains well below the levels in OECD countries or in East Asia. In some sectors, such as banking, telecommunications, mining, construction, air transport and agribusiness, large African firms have emerged and expanded beyond their countries of origin and are also participating increasingly in global value chains. They are concentrated in South Africa, Nigeria, Kenya, Morocco and Egypt (Abreha et al. 2020).
- More external sources of finance. After roughly three decades (1960–95) of relying mostly on official assistance (ODA), Africa, especially SSA, has diversified its sources of external finance. Today, the combination of public private partnerships, FDI, sovereign borrowings and remittances from the diaspora dwarfs official development assistance (Figure 15.2). The overall volume of external financing remains, however, well below Africa's needs. FDI has grown but remains relatively small by global standards. The more diversified economies, as well as those doing better regarding reforms, are the main destinations. In 2019, while extractive industries attracted 36 per cent of the total volume of investment, the largest number of projects were in telecommunications, media, technology, consumer products and transport and automotive (EY 2019).

Figure 15.2: External resource flows to Sub-Saharan Africa 1990–2022



Source: Ratha et al. 2020

- The growing role of China. Over the period 2016–20, China was the largest source of FDI with a total of US$70.6 billion compared to US$23.8 billion from the UAE, 23.7 billion from the US, US$19.5 billion from France and US$16.3 billion from the UK (EY 2021). China, the world's largest bilateral creditor, holds at least 21 per cent of African debt with around 30 per cent of 2021 debt service being payments to China (Acker et al. 2021). In addition to economic and social infrastructure throughout the continent, China has invested in low-skill manufacturing in Ethiopia.
- Renewed interest from North African countries. North African countries (Morocco, Algeria, Tunisia and Egypt)[4] are showing an increasing interest in SSA for a variety of reasons: geopolitics, economics, security and migration. Another incentive to look south was the lack of progress in regional integration across the countries of the Maghreb due to the continuing tension between Algeria and Morocco that paralyzes the Arab Maghreb Union. Between 2003 and 2017, Moroccan FDI in Africa totalled roughly US$10 billion, making up around 60 per cent of the country's overseas investment. By 2017, Morocco had become the leading African investor in West Africa and was second only to South Africa in being the largest African investor across the continent. Tunisia starts from a low base: in 2018, only 3.1 per cent of Tunisian exports went to SSA, representing little increase from a share of 2.8 per cent just ten years earlier (Berthaud 2019, 6). Long focussed on the Middle East, Egypt is taking a fresh look at Africa. The shift reflects the changing nature of the security risks that Egypt faces with the spread of jihadist groups across North Africa and the Sahel, and continued turmoil in Libya and Sudan. Most significantly, Ethiopia's decision in 2011 to begin building the Grand Ethiopian Renaissance Dam (GERD) on the Blue Nile, close to its border with Sudan threatened Egypt with the disruption of the water supply, on which it overwhelmingly depends.[5]
- Sovereign borrowing on private markets. Except for South Africa and the Seychelles, SSA countries had not issued sovereign bonds in international capital markets until 2007. As of July 2021, this financial instrument has reached US$136 billion with twenty-one SSA countries now holding one or more outstanding Eurobonds. The pandemic has so far not slowed demand. In 2021 alone, African sovereigns issued US$11.8 billion worth of Eurobonds. While some of this US$11.8 billion was issued by Egypt ($3.75 billion issuance), most of it was issued by SSA economies. These borrowings remain necessary at least in the medium-term, given the time needed to improve domestic resource mobilization further and to broaden the tax base in the face of pressing development needs. However, they need to be made carefully and prudently, as they are often more expensive and create more difficulty for their inclusion in debt reduction initiatives, if and when needed. The tightening of monetary policy in rich countries to mitigate inflationary pressures creates additional risks for servicing this kind of debt.
- Remittances. Migration out of Africa is significant (40 million Africans left their countries of origin in 2019) and the African diaspora has become an important source of external finance. The flow of remittances has grown steadily from about US$50 billion in 2010 to an estimated US$90 billion in 2021, after a smaller than expected dip in 2020 because

4. Since the fall of Muammar Gaddafi, Libya has been focussed on its internal problems even though the country's troubles have played a major role in the security issues affecting its southern neighbours, particularly in the Sahel.
5. This section draws from Dworkin (2020).

of the COVID-19 pandemic. These flows help meet basic needs and smoothen household consumption and welfare, often for the most disadvantaged groups.

- The decreasing importance of ODA. After long being the main source of external financing for SSA, ODA is playing a lesser role, with many countries often seeking other sources that limit transaction costs and sometimes, conditionality. ODA remains, however, important for the poorest countries, where it continues to represent a significant proportion of GNI (7.5 per cent of GNI in Burkina Faso, 6.3 per cent in Chad, and 11.1 per cent in Niger compared to 3.2 per cent in Kenya, 1.4 per cent in Ghana, and 2.1 per cent in Côte d'Ivoire) (World Bank 2021b).

Significant Challenges Remain for a True African Transformation

Despite the progress outlined above, true economic transformation and convergence with the rest of the world will require addressing the long-standing structural constraints that continue to limit Africa's prospects. The principal constraints are well known and include deficient economic infrastructure, a poorly educated workforce, low productivity, continued dependency on primary commodities, limited intracontinental trade, growing debt distress, lack of dynamism of the largest economies and weak governance. These issues have been thoroughly analysed in the literature, thus only the most salient points are mentioned here.

- Deficient economic infrastructure. The AfDB Infrastructure Development Index provides a composite assessment of four main infrastructure clusters—road transport, electricity, information and communication technology and water and sanitation. It shows great disparities among the continent's sub-regions, with Central Africa trailing, and small improvements over the period 2016–18.
- Access to electricity. Progress has been made but significant gaps still exist both in overall access to electricity and between urban and rural areas. In 2019, 46.8 per cent of the population in SSA had access to electricity, but only 28.1 per cent in rural areas. In addition to supply deficiencies, there are also demand impediments, as many poorer

Table 15.1: Africa Infrastructure Index evolution 2016–18 (100 is maximum)

Rank	Subregion	2016	Rank	Subregion	2017	Rank	Subregion	2018
1	North Africa	71.63	1	North Africa	71.62	1	North Africa	72.96
2	Southern Africa	33.47	2	Southern Africa	34.97	2	Southern Africa	35.46
3	West Africa	18/92	3	West Africa	19.76	3	West Africa	20.47
4	East Africa	13.52	4	East Africa	14.00	4	East Africa	14.60
5	Central Africa	10.69	5	Central Africa	10.78	5	Central Africa	11.04
	Africa	27.12		Africa	27.75		Africa	28.44

Source: African Development Bank

households cannot afford the still high costs. Further reforms are needed to improve the efficiency of utility companies.

- Access to Internet. About 25 per cent of SSA's population had access to Internet in 2019, half of the global rate. The average hides considerable differences between

North and Sub-Saharan countries and among different income groups. Although mobile phones are widely available, only a small proportion provides access to the Internet. In addition to limited access, the cost of Internet services remains unaffordable for many, often due to lack of competition among providers. Massive investments in connectivity are needed as well as the right supportive policies (e.g. sufficient market competition, better entrepreneurial and worker human capital and better physical infrastructure).

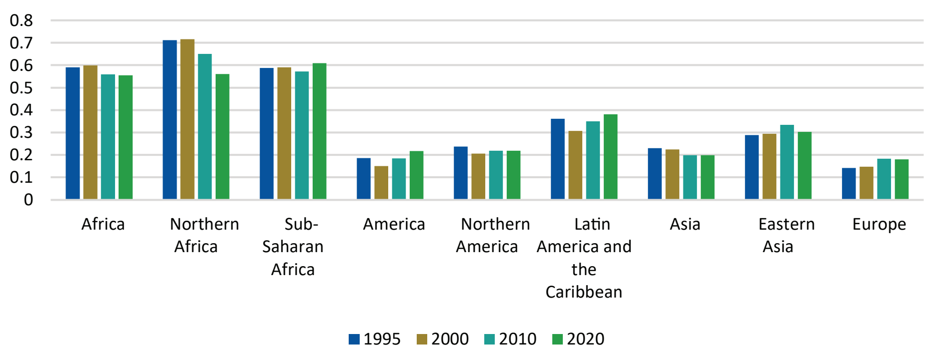
- Reducing learning poverty and improving human capital. African countries have made significant progress in enrolling children in primary school since the late 1990s and met the quantitative SDG goal of universal primary education enrolment. This achievement came at the expense of quality. Recent figures (2019) estimate the rate of learning poverty in SSA at 87 per cent (Azevedo 2020)[6] resulting from poor early childhood development, the challenge of language of instruction in early grades, the high proportion of untrained teachers (around 60 per cent in SSA), the inadequacy of teaching materials and the lack of relevant curricula. Less progress has been made for secondary school enrolment, especially for girls. The demand for higher education has been increasing faster than funding capacity. Most public universities and colleges are currently understaffed, underfinanced and in poor operating condition. Many of the students who go on to complete secondary and tertiary education face another challenge—the mismatch between the skills they acquire and the needs of the economy. The education challenge is made even more urgent by the rapid demographic growth and the need to provide skills that will allow the large cohort of youth entering the workforce to find jobs.
- Can digital technologies help? The rapid development of mobile telephones and its impact on financial and other services has shown the potential impact of digital technologies. A small but increasing proportion of youth have become entrepreneurs using digital technologies to create new ways of delivering services, the most successful to date being in fintech, with a positive impact on financial inclusion and the reliability of social transfers (M-PESA in Kenya is a well-known example). If governments and businesses can correctly harness digital technologies by proper policies and investments, the World Bank foresees the possibility of cost reductions and productivity increases in various activities (e.g. small-scale agriculture, the informal sector, in addition to industry, commerce, and services) using innovative digital applications (Choi, Dutz and Usman 2020). Real as it is, the promise of digital technology must, however, be tempered by the situation that continues to prevail in many countries in terms of both access and connectivity.
- Low productivity. In Chapter 13, Hasan Tuluy and Laura Shelton show the relationship between adequate infrastructure, good human capital and productivity. They note that in SSA, during the period 1980–2010, low savings and investment rates, poor quality of human capital, and the relatively small size of individual economies hindered productivity growth. Commodity reliant SSA countries witnessed periods of rapid growth spurred by expansion of oil, metal and mineral investments and exports, but with limited backward linkages to the rest of their economies. The relative growth of services where

6. The World Bank and UNESCO have introduced the concept of learning poverty to mean children being unable to read and understand a simple text by age ten.

considerable productivity gains can be expected, particularly from innovations in digital technology and e-services, could lead to increases in productivity on the continent and help accelerate growth.

- Lack of economic diversification. While many Asian countries managed to diversify their exports during the last decades, export diversification stagnated or declined in SSA (Figure 15.3). Several Asian countries, such as Indonesia, Malaysia, Thailand and Vietnam, which started from a level of export diversification that was close to Africa's, managed to diversify their export base significantly. African oil-producing and mineral-rich countries suffered from a declining export base. Examples in Africa of successful export diversification include Mauritius and Morocco. Periods of high commodity prices have too often led to complacent policies rather than to the transformation of natural capital into human and produced capital.
- Limited intracontinental trade and fragmented markets. The volume of trade among the countries of the continent represents 17.8 per cent of its total trade, with North Africa having the lowest at 5.4 per cent. This figure, which compares poorly to Europe and Asia, is the result of many factors, including the importance of export of primary

Figure 15.3: Export diversification by region



Note: The diversification index is computed by measuring the absolute deviation of the trade structure of a country from world structure. A value closer to 1 indicates greater divergence from the world pattern.
Source: UNCTADSTAT 2021

commodities to the rest of the world by a minority of countries (e.g. oil from Nigeria and Angola); the weight of trade outside Africa, of the largest economies (e.g. Egypt with market access to the EU or South Africa for historical reasons); and the fact that official trade statistics do not account for the large informal cross-border trade (Mold and Chowdury 2021). Greater intracontinental trade is, however, widely viewed as a potential contributor to both diversification and accelerated growth. Regional trading groups have been established over the years to facilitate regional integration and facilitate the movement of goods and people (Tuluy 2017), but their impact has been limited. Some examples exist of privileging trade corridors to facilitate investment and trade across countries (the Maputo Development Corridor that links Eswatini and the landlocked regions of South Africa to the port of Maputo in Mozambique, shows the promises and challenges of this approach).

To boost intracontinental trade, the leaders of Africa agreed in 2018 to create the African Continental Free Trade Area (AfCFTA). As of the end of 2021, after twenty-two countries had ratified the agreement, the AfCFTA came into force. The pact connects 1.3 billion people across fifty-four countries with a combined GDP valued at US$3.4 trillion, with significant upward potential for economic and social development, provided proper policies are put in place, especially for trade facilitation and behind-the-border issues (World Bank 2020c).

- Debt Sustainability. SSA's debt is estimated to have risen by 6.3 per cent of the GDP in 2020 to 57.8 per cent because of declining economic activity and fiscal measures to mitigate the effects of the pandemic. External debt rose by nearly 5 per cent of GDP to 27.8 per cent in 2020, with an expected decrease to 26.7 per cent in 2021 (IMF 2021b). These factors raise concerns about debt sustainability in the region. The thirty-eight African countries eligible for DSSI owed US$25 billion in 2021 repayments (Acker et al. 2021), and thirty-one of those have requested DSSI relief.
- Poor dynamism of the largest economies of SSA (Angola, Ethiopia, DRC, Nigeria, and South Africa). Apart from Ethiopia, before the recent conflict, the largest and better-endowed countries in SSA that could have a positive impact on their sub-regions have not performed well over the last five years with low or negative per capita GDP growth, and all have suffered further from the economic consequences of the COVID-19 pandemic.
- Improving governance and fighting corruption. The Mo Ibrahim Foundation's 2020 *Ibrahim Index of African Governance* report notes that after continuous improvement over the past decade, the overall governance score fell in 2019. While the indices on economic opportunity and human development are showing improvement over the decade (with a slight deterioration in human development in 2018), security and rule of law have deteriorated, and participation, rights and inclusion have declined even more. Corruption remains a major concern in Africa, damaging the availability of resources for development, the trust of citizens in their government, and access to affordable public services by the poor (UNCTAD 2020). Significant funds that could be devoted to economic and social development are leaving the continent in the form of illicit flows that include pure theft of public resources, tax avoidance, or tax evasion. First calculated by the Mbeki commission in 2015, illicit flows have been estimated at US$88.6 billion in 2020, an amount equivalent to half of the estimated SDG financing gap (UNCTAD 2020),[7] and close to the diaspora's remittances. Illicit flows involve not only the exporting countries but also the service providers in the recipient countries (law, accounting, banking, real estate, art dealers, etc.) that allow these funds to be dissimulated and profitably invested, as evidenced recently by disclosures of the Panama papers and others (Vogl 2021). Tax policy has also allowed large corporations (especially, but not exclusively, in extractive industries) to lawfully shift profits or avoid taxes through leonine clauses in often opaque concession contracts. Initiatives for greater transparency (for example, the Extractive Industries Transparency Initiative) and tax reforms are underway

7. UNCTAD (2020) includes a full analysis of the definition of illicit flows and the legal issues it entails.

under the aegis of the OECD, to reduce budget base erosion and profit shifting (BEPS). The recent agreement for a minimum tax for multinational corporations is also promising, provided it is implemented as intended.

Part II. The Pandemic's Impact on Africa

A Quick Institutional, Organizational Response to Health

The COVID-19 pandemic is having a profound and potentially lasting impact on Africa. Based on the continent's experience of previous viral epidemics (HIV/AIDS and Ebola), the African Union (AU) reacted quickly on the institutional front. The African Centre for Disease Control (ACDC) prepared the Africa Joint Continental Strategy for the COVID-19 outbreak, which was adopted by the AU. ACDC created the Africa Task Force for Novel Coronavirus, and WHO named six global special envoys to advocate for Africa around the world. At the onset of the pandemic, the poor state of Africa's health infrastructure, especially SSA, created concerns for a rapid and devastating spread of the virus. While the pandemic left a significant toll, it did not reach the feared levels for reasons that are still to be fully analysed.

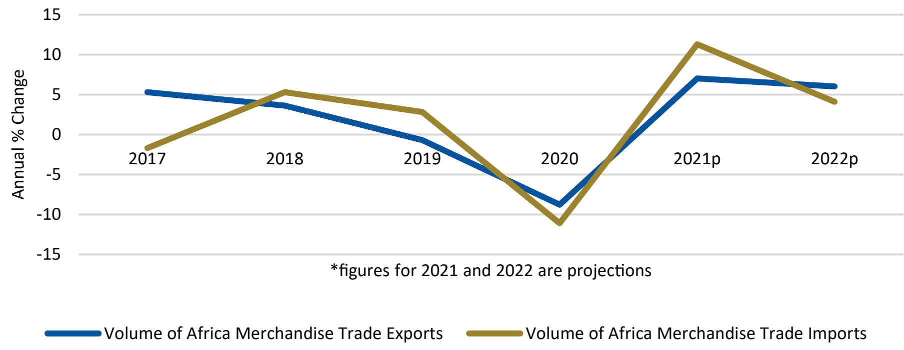
Mobilization for fighting the pandemic accelerated the creation of the Africa Medicine Agency, a project with a long gestation period. The treaty creating the agency was signed in 2019 and came into force in November 2021. Once vaccines were available, the AU created the African Vaccine Acquisition Task Team (AVATT) to ensure the availability of vaccines for the continent.

Macroeconomic and Growth Impact

Africa experienced its first recession in decades, with negative GDP growth of 2.1 per cent, in 2020. Tourism-dependent economies in SSA faced permanent income losses up to 15 per cent of the GDP. Initial lockdowns and containment measures affected transport, retail trade and other services, and hampered activity in the large informal sectors of the African economies and the livelihood of large swathes of their population. Outside of the service sectors, the pandemic has less severely impacted capital-intensive extractive sectors in the region (IMF 2021a). Economic contraction reflected major declines in consumption and investment, caused by considerable consumer and investor uncertainty, lockdowns and containment measures and disruptions in supply chains (domestic and external), which affected manufacturing and other activities. Commodity prices have now surpassed pre-pandemic levels in SSA, although continued low oil production in SSA has caused the oil prices to 'remain buoyant' (IMF 2021a), expected to return to pre-pandemic levels towards the end of 2022 (World Bank Group 2021a). Tourism-based economies are likely to continue to face difficulties, given an expected slow normalization of cross-border travel.

Further, the region has experienced declines in exports due to lower oil and non-oil commodity prices as well as lower volumes caused by the synchronized fall of the global economy and associated drop of global trade (estimated at 8.5 per cent). The WTO annual report, published in November 2021, noted that it 'expects the volume of world merchandise trade to increase by 10.8 per cent in 2021 and by 4.7 per cent in 2022' (WTO 2021).

Figure 15.4: Volume merchandise trade in Africa



Source: WTO 2021

Globally, the pandemic's impact on jobs is greater than initially expected, with disproportionate impacts on women, youth and the poor. SSA had a 7 per cent decrease in working hours in 2020.

COVID-19 had a severe impact on FDI in Africa. FDI declined by 16 per cent in 2020, to US$40 billion. The decline in Africa, which is higher than that of the developing country average, came on top of an existing stagnant trend, with FDI on the continent having remained almost unchanged in 2019 compared to 2018. Egypt remained the largest recipient, and while Morocco saw no significant drop in FDI, FDI to South Africa was cut in half. Greenfield project announcements, an indication of investor sentiment and future FDI trends, dropped by 62 per cent to US$29 billion, while international project finance, especially relevant for large infrastructure projects, plummeted by 74 per cent to US$32 billion. An expected rise in demand for commodities, new opportunities due to global value chain (GVC) restructuring, the approval of key projects, and the impending finalization of the African Continental Free Trade Area (AfCFTA) agreement's Sustainable Investment Protocol, could lead to investment picking up greater momentum by 2022 (UNCTAD 2021).

With the COVID-19 shock, African central banks were forced to loosen the often-strict limits on credit to governments and grant macroprudential regulatory reliefs to ease liquidity constraints within the financial sector. To a large extent, these supportive policies, together with stringent supervision and regulation, ensured that the banking sector remained sound and well-capitalized with strong growth in total assets, investments and deposits. Despite the challenging economic issues posed by the pandemic, profitability in the African banking sector has remained strong.

The macroprudential policy measures and regulatory relief measures implemented by African central banks to mitigate the economic effects of the pandemic helped most governments weather the storm. However, the expected boost to private sector credit growth has been sluggish, amid relatively sticky lending rates in the banking sector. Across the continent, these rates have remained very high and have constrained the private sector credit expansion that was expected from the regulatory relief. Annual growth in private sector credit was about 10 per cent or less in end-2021, lower than in previous years.

Around half of the public debt in SSA is due to domestic commercial borrowing sources, which have shorter maturities and higher interest cost (IMF 2021a). One study conducted by the Brookings Institution found that domestic sovereign debt has increased because of limited access to international capital markets (Heitzig, Ordu and Senbet 2021). They found that 'the value of outstanding domestic bonds more than doubled from 2019 to 2020 ($34 billion to US$73 billion), the value of Eurobonds declined over this period ($47 billion to US$45 billion)'.

In addition, inflation has trended up in 2021, with rates creeping above the medium-term target band of most African central banks, due to both supply (food prices) and demand (petroleum price pressures) shocks. To prevent the potential risk of worsening inflation expectations and undermining the price stability objective of the central banks, monetary policy committees have raised interest rates, which limit even more drastically, access to credit by the private sector.

Rating agencies have reacted with harshness and pessimism to Africa's negative growth performance in 2020; in just the first year of the COVID-19 pandemic, eighteen of the thirty-two African countries rated by at least one of the 'big three' agencies (Fitch Ratings, Moody's, and S&P Global Ratings) suffered a downgrade. These rating changes exacerbated the fears and the immediate crisis of higher debt payments and other macroeconomic challenges (low growth, fiscal revenue and weak governance) and will make access to international capital markets more difficult and more expensive at a time when debt distress is already high.

The post-COVID-19 widening of Africa's sovereign bond spread after years of successful bond issues reflects investor sentiments and their assessment of the continent's fiscal risks—they perceive the fiscal and balance of payments deficits in some countries as unsustainable, and doubt that bold and decisive measures from governments will be effective in re-anchoring fiscal consolidation and stabilizing public debt. Investors' assessment of government budgets also suggests doubts about the ability of governments to increase in domestic revenue. In some countries, the widening spread triggered investor sell-offs and created a large financing gap, which put pressure on some local currencies.

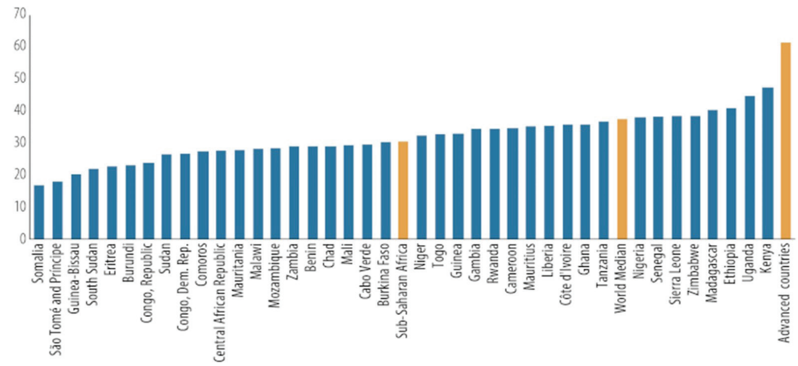
Market access countries have the burden to demonstrate the viability of their post-COVID-19 policy frameworks to avoid the unravelling of their development finance strategies and the erosion of the macroeconomic gains made over the past decade. This calls for more than new economic and financial decisions; a new social contract is required to set and manage common aspirations between the government, the private sector and civil society. It is also an important condition for boosting the economic recovery.

The Impact on People

The pandemic had a major impact on people, especially in SSA, where health systems are weak, social safety nets fragile and human capital low. The countries north of the Sahara fared better.

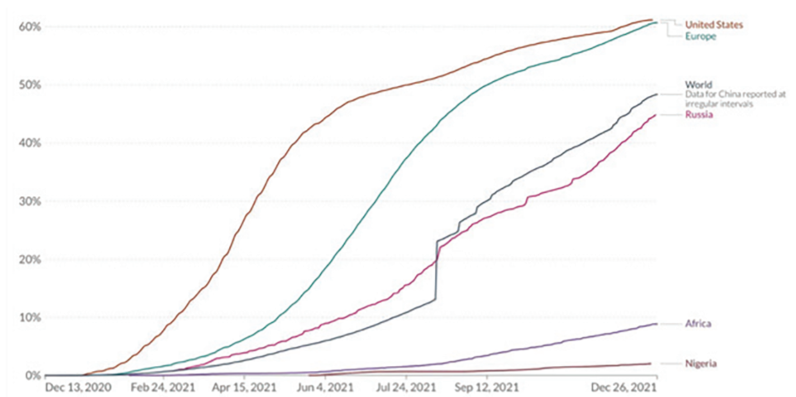
- *Weak health systems in Sub-Saharan countries.* Africa's poorest countries entered the COVID-19 pandemic with significant vulnerabilities in the management of a health emergency, reflected in low health coverage, inadequate government spending on health, and elevated out-of-pocket health payments by citizens. Overall, countries in SSA have severe weaknesses in their ability to prevent, detect and respond to health emergencies. They also display severe gaps in healthcare systems, such as health care capacity in clinics and hospitals, medical personnel deployment, access to health care and infection-control practices (Figure 15.5).

Figure 15.5: Global Health Security Index, 2019



Source: NTI and the Johns Hopkins Center for Health Security 2021

Figure 15.6: Share of population fully vaccinated against COVID-19



Source: Our world in data 2022

Weak health systems are also limiting testing for the COVID-19 and hampering efforts to address the pandemic while attending to other serious diseases, such as AIDS, TB and malaria. In its 2021 Results Reports, the Global Fund to Fight HIV, TB and malaria wrote '. . . over the last year [2021], the impact of the COVID-19 pandemic has been devastating. For the first time in the Global Fund's history, key HIV, TB, and malaria program results declined. To regain this lost ground and end HIV, TB, and malaria, we must also fight COVID-19-and we must urgently reinforce the systems for health needed to defeat today's pandemics and prepare for tomorrow's' (The Global Fund 2021).

As of the beginning of January 2022, 14.14 per cent of the population was partially vaccinated, 9.47 per cent was fully vaccinated, and 0.35 per cent had received a booster dose (Africa CDC 2021). The African continent imports 99 per cent of the vaccines its populations use. The dangers of this have magnified during the pandemic, as forces outside the continent left its countries without adequate supplies of lifesaving COVID-19 vaccines. The promises of the international community to provide vaccines to the developing world through COVAX have fallen short with G20 countries keeping the vaccines for their own populations and pharmaceutical companies fighting to stop the decentralization of manufacturing that could have been made possible with modifications of intellectual property rules, despite WHO's efforts to move the issue forward. By November 2021, only 399 million doses of vaccine had been shipped to Africa out of the 1.8 billion promised,[8] and by January 2022, the financing gap for the Access to COVID-19 Tools (ACT) Accelerator was US$23.4 billion.

Africa CDC launched the Partnerships for African Vaccine Manufacturing in April 2021, which has a long-term vision of building up the vaccine manufacturing capacity across the continent so that by 2040, 60 per cent of all vaccines used on the continent are produced within African nations—with interim goals of 10 per cent by 2025 and 30 per cent by 2030. Algeria, Egypt, Morocco, Rwanda, Senegal and South Africa have either signed agreements or memoranda of understanding for COVID-19 vaccine manufacturing or begun production. Côte d'Ivoire, Ghana, Kenya and Nigeria have also expressed interest in vaccine manufacturing (Jerving and Ravelo 2022).

- *A further weakening of education*. Prior to the pandemic, most SSA countries were unlikely to reach universal basic education by 2030 for the reasons explained above. The impact of the pandemic could delay this by years. The closing of schools added to the already difficult situation in the education sector with an estimated 32 million out of school because of the pandemic in Eastern and Southern Africa alone, compounding an already dire situation. This means that at least one-third of SSA's youth will be illiterate in the 2030s and that two in five children would be born to illiterate mothers. Less than one-third of adults have completed primary education. The pandemic's long-term negative impacts in delaying education progress include setbacks in improving the status of women, equity and labour productivity. This will impede much-needed progress in accelerating SSA's very slow demographic transition and economic transformation, reinforcing the rapid growth in youth unemployment. Given that SSA's share of the global population aged fifteen to twenty-four is projected to increase from 18 per cent in 2020 to 30 per cent in 2050—a more than 80 per cent increase for SSA compared to a decline by 5 per cent for the rest of the world—this will have wide-ranging global implications, including for global labour force growth and migration.
- *Increased poverty.* Despite having some of the highest inequality rates in the world, SSA had recorded a gradual decline in inequality, specifically in the GINI index, since the 1980s, owing to improved macroeconomic performance and reforms, the impact of debt reductions under the HIPC and MDRI initiatives, and the commodity boom (see Chapter 7 on inequality). However, using poverty as a proxy indicator, the pandemic has most likely increased inequality in Africa. In terms of poverty, low-income countries, particularly those in Africa, are likely to be most negatively impacted by the pandemic through 2030. By 2040, the impact is likely to be lessened; however, poverty rates are

8. Data from the Mo Ibrahim Foundation based on Duke Global Health Information Center Update 12 November 2021.

still considerably higher compared to a no-COVID-19 scenario. The Centennial Group Model estimates that, compared to the pre-COVID-19 baseline, the pandemic pushed some 40 million people in Africa into extreme poverty in 2020 under the threshold of US$1.90 a day and over 50 million under the US$3.10 a day threshold (Centennial Group 2021). Children and women were the most severely affected, and weak safety nets compounded the negative impact of the pandemic.

Part III. Long-term Perspectives: Africa in a Post-COVID-19 World

A new world order is emerging that will define the twenty-first century. The economic order and the global institutions that had dominated the last seven decades are now under stress. In many advanced countries, people left behind by globalization are losing trust in their leaders and turning to populism, leading to more inward-looking and divisive policies. The COVID-19 pandemic has bolstered these trends. Tensions between the US and China, the two leading world economies, are reshaping alignments and alliances. The European Union, the third largest economic bloc, is undergoing an existential moment. These massive shifts, whose final shape is still unclear, will force other nations to make difficult choices. Amid such profound changes, Africa must be proactive and exert agency to define its role and place in the emerging new order and safeguard its long-term strategic interests while sharing its culture and wisdom with the world.

Africa must do so in a way that will help the continent meet the challenges of a true economic transformation. Over the next four decades, Africa's population will double, and the continent will remain the youngest part of the world. Providing jobs to cohorts of young people will require rapid, broad-based and sustainable growth, based on good domestic policies and strategic alliances that reflect changing geopolitical realities.

The most concerned actors are obviously the Africans themselves; government, private actors and civil society need to build trust (domestically and internationally), implement reforms, and mobilize large resources (nationally and globally) in ways that are commensurate with the challenge of sustainable and equitable growth. The challenges are huge and will require bold, long-term actions, where Africa has a strong voice in the concert of nations and controls its future, and where partners make significant contributions in mutually responsible ways that are consistent with Africa's own vision. Celebrating the fiftieth anniversary of the creation of the Organization for African Unity (OAU), African leaders adopted:

> 'Agenda 2063 to refocus and reprioritize Africa's agenda from the struggle against apartheid and the attainment of political independence for the continent, which had been the focus of the OAU; and instead to prioritize inclusive social and economic development, continental and regional integration, democratic governance and peace and security amongst other issues aimed at repositioning Africa to becoming a dominant player in the global arena' (African Union 2021).

Long-term Projections

The Centennial Group's Global Growth Model for Africa through 2060[9] projects the continent's GDP under various scenarios. This is a long-term model, and therefore its results and projections

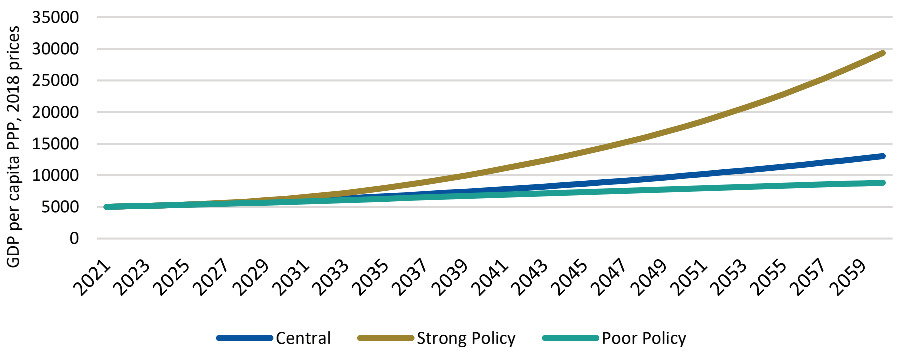
9. The medium- and long-term projections are based on the October 2021 IMF WEO.

are stylized; they are not intended to predict the future exactly but rather to provide a context for policymaking and reform (Kohli, Szyf and Arnold 2012), see Chapter 4 for more information on the model. For this study, three scenarios were prepared:

- Under the 'central' scenario, the global productivity frontier (the United States economy) improves at an average annual rate somewhat below 1 per cent (similar to its historical average). The scenario assumes that only the advanced economies (AEs) that have performed well in the past twenty years will continue to move at the same pace as the United States and similarly that the emerging markets and developing economies (EMDEs) that have a record of successful convergence in the past will continue to converge as well.
- The 'strong policy' scenario assumes that the global productivity frontier improves at a faster rate than under the central scenario. In all other aspects besides the increased productivity frontier growth, the advanced economies' performance remains broadly the same, but policy performance of EMDEs improves significantly.
- The 'poor-policies' scenario assumes that many EMDEs fall into the middle-income trap because of their inability to maintain a reasonable policy regime and the global productivity growth rate slows to only 0.6 per cent per year.

Some of the above results may be a surprise, particularly that Africa's share of EMDEs is greater in the poor policies scenario than in the central one. This can be explained by the relative movement of the policies of various country groupings compared to the central scenario. Poor policies reduce the performance of EMDEs compared to the central scenario more than Africa's, where policies are already comparatively weak. The policies performance (up or down) of AEs does not vary much across the scenarios. Good policies have a comparatively greater impact on Africa than on EMDEs and AEs, given the greater distance from the policy frontier of Africa's central scenario policies. This illustrates, if need be, the importance for Africa to improve its policy environment and increase total factor productivity, or at the very least, to maintain the current performance.

Figure 15.7: Africa GDP per capita



Source: Centennial Group 2021

Table 15.2: Africa GDP PPP per capita in 2060 compared to others (per cent)

	Poor policies	Central	Good policies
Africa as per cent world	34.8	31.8	48.3
Africa as per cent EMDE	47.9	38.4	55.2
Africa as per cent AE	11.3	13.8	24.8

Source: Centennial Group 2021

To reach the good policies scenario, significant progress must be made on the structural obstacles analysed above. In particular, productivity must be improved through a combination of factors that require adequate policies: improved human capital (education and health, with an emphasis on gender equity), green and resilient infrastructure, renewed focus on the rural economy, more conducive and stable business climate and improved governance. Fostering the use of digital technology and accelerating regional integration are key to achieving progress. Highlighted below are some ways in which African leaders and elites can move forward, based on lessons from successful EMDEs.

Four Interconnected Threats

As an additional set of challenges, four interconnected threats must be kept in mind and managed by all stakeholders within and outside the continent, and their implications factored into the design of policies and projects.

1. Adapting to climate change

   Africa is the most vulnerable continent to cimate change impacts under all climate scenarios above 1.5˚C. Despite having contributed the least to global warming and having the lowest emissions, Africa faces exponential collateral damage, posing systemic risks to its economies, infrastructure investments, water and food systems, public health, agriculture, and livelihoods, threatening to undo its modest development gains and slip to higher levels of extreme poverty. Seven of the ten countries that are most vulnerable to climate change are in Africa (AfDB n.d.).

   SSA has 95 per cent of rain-fed agriculture globally (AfDB n.d.). The large share of agriculture in GDP and employment adds to vulnerability, as do other weather-sensitive activities, such as herding and fishing, leading to income losses and increased food insecurity. Warming temperatures are slashing crop yields. WMO projects a reduction in yields of 13 per cent in West and Central Africa, 11 per cent in North Africa and 8 per cent in East and Southern Africa (Fick 2020). In drought-prone areas including the Sahel, the number of undernourished people has jumped by 45 per cent since 2012. Climate change is compounding problems such as conflict that drive growing hunger. In the Horn of Africa, below-average rainfall in 2018 and 2019 led to the worst cereal harvest in Somalia since records began in 1995, and to crop failures in neighbouring Kenya. Floods followed. Somalia, Kenya, Ethiopia and Tanzania recorded at least double their average seasonal rainfall in late 2019. The rain helped crops grow but also fuelled the locusts that have devoured hundreds of thousands of hectares of land in those countries. Warmer and wetter weather is also more suitable for insects that transmit dengue fever, malaria and yellow fever. More severe weather events and rising sea levels threaten an already inadequate infrastructure.

Climate change will add to migration with up to 86 million Africans migrating within their own countries by 2050, according to the World Bank (2021b). The data on countries in West Africa and the Lake Victoria Basin show that climate migration hot spots could emerge as early as 2030, and highlight that without concrete climate and development action, West Africa could see as many as 32 million people forced to move within their own countries by 2050. In Lake Victoria Basin countries, the number could reach a high of 38.5 million (World Bank Group 2021b).

Proper policies of adaptation and investment in sustainable and resilient infrastructure can turn the climate crisis into an opportunity, especially given the gap in infrastructure that can be filled with climate-friendly and resilient investments using the latest technologies. The climate financing needs for Africa are huge, estimated at over US$7.8 billion per year. In 2009, the international community committed to provide US$100 billion yearly to EMDEs by 2020 for climate change activities. This commitment has fallen short by about US$20 billion.

2. A young and rapidly growing population, struggling to find sustainable employment and livelihoods

   Africa is and will remain the continent with the youngest and fastest growing population with a median age of 19.7 years. As of 2021, around 40 per cent of the population is aged fifteen years and younger, compared to a global average of 26 per cent. The demographic challenge is primordial and difficult to address for social, cultural and religious reasons, especially in the countries with the fastest demographic growth where fundamentalism is tying the hands of policymakers. In addition, Africa shows unique characteristics compared to other regions that have achieved their demographic dividend; the youth share of the working age population is expected to decline slowly. The world's ten highest fertility countries are now in Africa, and these countries, which have not even started the transition, will keep the regional fertility averages and youth shares up at least until 2050 (Fox 2019).[10] Combined with the improvement in life expectancy and weak safety nets, this reduces the prospects for poverty reduction.

   A large proportion (52.6 per cent in 2020) of the population lives in rural areas, where the lack of employment is leading to massive rural-urban migration. Productivity in agriculture is limited, inter alia, by the lack of irrigation (only 5.4 per cent of agricultural land is irrigated) in a largely arid region with uncertain rainfall (made even more so by climate change), poor storage facilities and access to markets, low use of fertilizers and tractors. As noted by Kevin Cleaver in Chapter 10, Africa's food production will not keep up with demographic growth, making large numbers of people subject to food insecurity. Young people are not interested in agriculture as it is still practiced with primitive technology and is back-breaking work, and educated youth are not prepared for farming. Youth interest in digital technology may, however, lead them over time to create applications that would modernize agriculture, increase its productivity and renew their interest in the sector.[11]

10. The fertility decline in SSA was two children in 35 years, from its maximum of 6.9 children per woman in 1975–80 to 4.7 children in 2015–20. At present trends, the fertility transition might take at least sixty years in many SSA countries in May and Guengant (2020), which provides a fascinating analysis of long-term demographic trends in SSA and their impact on emergence.

11. For a full and rich discussion of African agriculture, see ACET (2017) and Chapter 10 of this book.

Although Africa has the lowest unemployment rate globally on paper (ILO 2020) among youth aged fifteen to twenty-four (10.6 per cent in 2021), most of Africa's youth work informally, and many are underemployed or remain in poverty despite working, due to low wages and the lack of a social safety net. The African Development Bank estimates that 10 million to 12 million youth enter the workforce in Africa each year, but only 3 million formal jobs are created annually. AfDB estimates that in 2015, one-third of Africa's then 420 million young people between fifteen and thirty-five years old were unemployed, another third were vulnerably employed, and only one in six was in wage employment (AfDB 2016).

The relatively small number of youths coming of age who find employment in formal activities, often in the public sector, is largely due to the mismatch between the skills they acquired during their education (for those who completed secondary or tertiary education) and the skills required by private employers. Unemployed youth are an easy prey for jihadist recruiters in the Sahel or drug and arms traffickers (see below).

For many young Africans, migration offers a last recourse solution to their employment problem. Dramatic stories of migrants drowning or parked in camps at the doors of Europe make headlines. However, the 2019 IOM report on Africa migration shows that most of the migrants in Africa move between African countries (Adepoju, Fumagalli, and Nyabola 2020). In 2019, according to the IOM, 53 per cent of the 40 million African migrants moved within Africa with Europe being the second most common destination (26 per cent). Within Africa, 30 per cent of the migrants go to Eastern Africa, 28 per cent to Western Africa, 14 per cent to Middle Africa, and 11 per cent to North Africa. Economic migration combined with population movements due to climate change exacerbate social tensions in the receiving countries both within and outside the continent.

3. Keeping peace and ensuring security

In his book, *Africanistan: Development or Jihad*, Serge Michailof (2018) sent a dire warning about Africa: 'The continent is, in fact a powder keg. The powder is demographics. And the detonator is unemployment.' There were 168 million people living in internal displacement because of conflict and violence in Africa as the end of 2018, the highest recorded figure for the continent and about 40 per cent of the world's total (iDMC 2019). In 2020 and 2021, eighteen of the thirty-nine countries on the list of Fragile and Conflict-affected States were in Africa.

The civil war in Côte d'Ivoire (2020–11), the jihadist attacks in Mali that started in 2011 and have since led to the weakening of the Malian state and multiple coups, the ability of Boko Haram and various jihadist groups to defy the armies of many countries—these are a threat not only to the Sahelian countries (the impact on Burkina Faso and Niger is already severe) but also to the northern regions of the coastal countries of the Gulf of Guinea and the countries themselves. Continuing unrest in the Kivu region of DRC, persistent instability in South Sudan and at the borders between Chad and Libya and Chad and Sudan, the long-standing threat of the Lord's Resistance army in Uganda and Kenya, the civil war in Ethiopia, uncertainty in Guinea cast a shadow on development prospects, to name a few hot spots. The Early Warning Project (2021) Statistical Risk assessment shows that seventeen of the thirty highest risks countries are in Africa.

Security threats deter investors (foreign and domestic), and addressing them requires government to divert scarce domestic resources from economic development. Insecurity also creates environments where illegal activities can proliferate, and offers unemployed young people avenues for gaining status and livelihoods not offered by their societies. Sadly, owning a Kalashnikov in many parts of the Sahel offers a better livelihood and more social status than having graduated from a poor education system. While international assessments and conferences reaffirm that there can be no development without security, few, if any, resources are devoted by the international community to help strengthen the institutions in charge of ensuring justice, peace and security, and a gap persists between humanitarian and development assistance that must be bridged. To make progress, many issues would have to be solved, especially for multilateral organizations, but solutions can and must be found to allow financial and technical assistance to the security sector. Serge Michailof (2018) offers avenues that can be explored, underlining that the cost/benefit ratio in some Sahelian countries would be quite favourable, not only to the countries themselves but in the longer term to Europe as well.

4. Navigating geo-political tensions

   Long-term observers of Africa remember the negative consequences of the Cold War on the continent, with the competing superpowers of the time (USA and USSR) intent on keeping countries in their camp, regardless of their governance or economic performance, with the Zaire of Mobutu or the Ethiopia of the Derg as tragic examples of the consequences on development outcomes.

   After the Fall of the Berlin Wall, the US interest in Africa waned only to be revived during the 'War on Terror' and the spread of Islamic extremism in Africa (Combined Joint Task Force to the Horn of Africa, Pan Sahel Initiative, setting up the Africa Command in 2007, etc.), but African countries had few partners, except their traditional ones in the West and the multilateral institutions they controlled.[12]

   Today, China has become the main trading partner of Africa and is investing heavily into the Belt and Road initiative. The Eighth Meeting of the Forum on China–Africa Cooperation was held in Dakar at the end of 2021, with the Chinese president making significant promises on vaccines and investment in poverty reduction and green development. China is also expanding its soft power though training of African elites and military cooperation.

   Russia has recently signed military agreements with Nigeria and Ethiopia and is involved in conflicts in Libya, Mali and CAR (Smith 2021). As France reduced its military presence in Mali, Russian advisers and mercenaries came to assist. The first Russia–Africa Summit was held in 2019, with the Russian President offering to engage in competition for cooperation with Africa. Turkish drones were key in helping government forces during the recent Ethiopian conflict. In addition to financial and military cooperation, these new partners are selling their models of governance, which has appeal to many autocrats in the region.

12. This section draws from Hisham Aidi (2021).

While having more numerous and new partners is increasing the freedom of negotiation of African governments and increasing their leverage with their traditional development partners, the dangers of choosing a camp and reproducing the results of the Cold War must be kept in mind by Africans and be avoided.

African Policymakers and Elites Must Lead

Notwithstanding the setbacks and potential new difficulties caused by the COVID-19 pandemic and the challenges of its lingering effects, the time is right for African countries to assert themselves on the global economic scene. After the shock of the pandemic, international trade, which is the main engine of growth for the continent, is back to its positive, long-term trend, largely the result of the strong recovery in global demand due to subsiding pandemic restrictions, economic stimulus packages adopted in advanced economies, and increases in commodity prices.[13]

Moreover, the emergence of several large middle-income countries (most notably, China, Indonesia, Vietnam, etc.) as new growth centres offers an unprecedented opportunity to all developing economies with income levels currently below theirs—including those in Africa. By becoming important contributors to global demand, emerging economies, such as China, are also major potential importers of African goods and services—and thus, new potential markets for the continent. And because these countries have recorded dynamic growth and climbed the industrial ladder, they are on the verge of 'graduating' from low-skilled manufacturing jobs. They must keep moving up the value chain and relocate many of their existing labour-intensive manufacturing industries to countries where wage differentials are large enough to ensure competitiveness in global production networks. The 'graduation' of these large middle-income countries from certain types of manufacturing will free up an estimated 85 million jobs (Lin 2012) and open market niches, and new possibilities for industrialization and employment creation to African countries, where manufacturing jobs are currently estimated to be less than 20 million in total.

To seize these potential growth and employment benefits, African countries must strengthen macroeconomic management and improve productivity and external competitiveness. They should also focus on private sector development, industrialization (including in cultural and creative industries) and employment-creation in modern services.

Maintaining a sound and predictable macroeconomic framework—including exchange rate policies ensuring external competitiveness—is essential, and much has been written on the topic that need not be repeated here. The same is true of economic infrastructure. Actions must also be taken to provide new dynamism to the economy and especially the private sector. These include the revamping of national and regional development finance institutions; skills development for employment generation; and the creation of special economic zones and industrial parks (enclaves of excellence) to boost competitive industries. All of them require the implementation of effective programs for stronger governance.

- Development banks. Well-functioning development banks help countries meet two objectives simultaneously. They provide much-needed long-term financing to

13. UNCTAD (2020) estimates the value of world imports and exports of goods at US$28 trillion for 2021—an increase of 23 per cent in 2020 and 11 per cent compared to pre-COVID-19 levels. But trade's overall strong performance masks that the recovery has been uneven across countries and sectors.

economies, contributing to expanding and modernizing infrastructure, and they maintain sustainable fiscal balance. Reinforcing such banks' financial and economic role would not require African governments to substantially increase their borrowing. Rejuvenating public investment and development banks would stimulate confidence by supporting large-scale, regional investment projects and programmes that create employment opportunities. But those investments would be made by the private sector or by some local governments, with the necessary funding borrowed or raised by the investment and development banks—not by governments.[14]

Revitalizing these financial institutions would go a long way toward addressing the short-term market failures in private capital markets that prevent poor economies from getting funding for their development projects. By making long-term finance available for sound investment, investment and development banks could support new export industries that reduce dependence on foreign borrowing to finance foreign products. Governments could use them to secure special credit lines and to provide incentives to commercial banks to offer in turn more favourable borrowing terms to firms in potentially competitive industries and sectors. This would also open new possibilities for the development of new products and services by commercial banks (including insurance facilities against exchange rate risks).

Although development and public investment banks have a poor track record across the developing world, it must be noted that these failures could again be traced to the blind pursuit of capital-intensive (modernization) projects that were not economically viable in the first place or were poorly managed and not upgraded to reflect changes in the economy's endowment structure.

Learning from past failures and successes, the new development finance institutions would borrow on the capital markets to finance economically viable projects in potentially competitive industries and sectors. They would offer partial or full guarantee of repayment of bonds issued by investment projects by bearing the risk and therefore reducing substantially the cost of funding. Newly revamped development finance institutions working with a rigorous, professional and transparent operational framework would also issue their own long-term bonds with a modest premium over US T-bills to raise money and finance large-scale projects directly. Good institutional and governance strategies would allow development and public investment banks to fund major infrastructure projects while consistently avoiding losses and maintaining a very low delinquency rate.

- Skills development and employment creation. Skill mismatches are prevalent and costly features of African labour markets. Yet, in industries where there is demand for skilled labour, investors also often point to skill shortages, weak human capital, and rigid labour laws as constraints to firm performance. Meanwhile, governments devote increasingly larger amounts of the countries' meagre resources to finance public schools, colleges, and universities. Families also use their savings to support their youth and ensure that they receive good education and training.

14. The 2021–25 Strategic plan of BOAD 'Le Plan Djoliba' offers an illustration of this approach.

There is a need to complement improvements in the education curricula in academic institutions with better-targeted skill and capacity development programmes to directly respond to the market demand for labour. To carry out this broader and more practical agenda, African countries should support private-sector-led skills enhancement zones, where governments collaborate with firms, academic institutions and non-governmental organizations on the design and implementation of medium- and long-term workforce development plans for selected industries with strong competitive potential (mainly agroindustry, light manufacturing and tourism). They are public-private centres where (mostly) young people are exposed to a wide set of skills across sectors, connected to industrial clusters and prepared for entrepreneurship.

The main goal of these skills enhancement zones should be to develop practical skills and implement programmes to quickly build the workforce needed in all the critical segments of the value chains of the country's competitive industries. Their strategies should be tailored to build human capital in specific groups:

- For existing workers, the focus could be to address shortfalls in skill-specific technical areas, and to provide pathways into agro-industry, manufacturing, and services.
- For new labour force entrants, the focus could be to improve the effectiveness of high school-to-work pathways—the type of basic assembly work in many light manufacturing activities that only requires high school-educated workers. By expanding pre-employment and prevocational places, the strategy would provide firms with work-ready new entrants and help them face less difficulty in attracting new entrants.
- For women, whose contribution to effective poverty reduction strategies in developing countries has been shown empirically, specific tasks and a more flexible and positive work environment should be created to attract them in large numbers into labour-intensive industries.
- For the many unemployed youth in rural areas where modern agriculture and light manufacturing industries can emerge, the skill enhancement zones would provide opportunities for training and employment.

African countries should also use these centres to refocus their vocational training on industries in which their economies have clear or latent comparative advantage. The launch of vocational institutions is generally a major step in the drive to produce skilled workers in high demand in booming industries. But such vocational institutions are often costly and depend on donor funding, which can be volatile. Training could be provided both on the job (especially for agriculture/agribusiness, light manufacturing, and tourism) and in training schools. With the provision of knowledge and skills linked to acquiring the necessary job experience, trainees would learn to cope with the job's constantly changing demands and to acquire precious 'soft' skills.

- Building enclaves of excellence. All African countries will need time to successfully undertake all the reforms necessary to make their business environments, infrastructure quality, governance institutions and regulations and national systems for delivering public policies that meet the standards of Singapore or Switzerland, while maintaining social peace. Time is also a requirement to address the capacity deficit and to solve the issues making the business environment unattractive. Today's top-performing economies in the World Bank Doing Business rankings did not get there overnight. Yet, time is of the essence for developing country political leaders.

Under such circumstances, the more pertinent strategy for growth and job creation is to devote the country's limited financial and administrative resources to the implementation of reforms in policy and geographic areas, where visible 'quick wins' can be achieved. Observable positive results in the creation of labour-intensive industries would also open up the political and policy space to gradually implement even the most difficult reforms.

Special economic zones (SEZs) are the most effective institutions for generating decent employment in potentially competitive industries (while taking the often extensive time necessary to identify and address the truly binding constraints to an improved business climate), especially industrial parks (IPs), and other closely related institutions, such as special agro-processing zones (SAPZs). They can be used effectively to gradually address many difficult economy-wide constraints on job creation.

SEZs and IPs provide special policy incentives and infrastructure in a circumscribed geographic location to firms that can attract foreign direct investment, create jobs, develop and diversify exports (even when economy-wide business environment problems and protective barriers are not yet resolved), increase foreign exchange earnings and serve as 'experimental laboratories' for new pricing, financial or labour policies. SEZs and IPs are more likely to produce increasing returns (economics of agglomeration), arising from localizing industries. These increasing returns, mainly in the form of localized external economies, allow for large-scale production.

A large-scale shift has occurred in global commerce which has not yet been integrated into economic thinking, development policies and private business operations. OECD research shows that tariff reductions and market access have become much less relevant for economic growth than was the case a generation ago. Trade is no longer about manufacturing a product in one country and selling it elsewhere but cooperating across boundaries and time zones to minimize production costs and maximize market coverage. Policymakers should spend less time talking about market access, although that remains important—especially for African agricultural exports—and more on developing well-targeted infrastructure that can connect developing economies to global value chains.

Effective programs for stronger governance. Africa has a long way to go on governance, and efforts at improving it must be sustained. With an average score of 33 out of 100 in the 2021 Transparency International Corruption Perception Index, SSA shows no significant improvement.

Weak and ineffective leadership has had devastating consequences. In Mali, poor governance and corruption have hampered the government's ability to deal with the jihadist rebellion, reducing the state's presence and authority in large parts of the country (The Economist 2021b). The entire sub-region is now under threat. Ineffective governments and leaders are also contributing to insecurity in many parts of the continent: Central African Republic, Eritrea, Somalia, South Sudan, the East of DRC and Nigeria, to name some. Improving governance will require the implementation of three types of measures:

1. *Improve public expenditures management and revenue mobilization*
    - Implement a robust program for systematic, strict and independent public expenditure reviews (perhaps financed by a trust fund) to better target public investment and bring current expenditures in line with structural revenues.
    - Establish an independent National Budget Committee (whose members would be a small number of independent and well-respected experts) to review draft budget bills before they are submitted to Parliaments and issue advice to the government on the quality of the budget.
    - Increase domestic revenue mobilization, by shifting from commodity taxation and towards more neutral, broad-based value-added or sales taxes and personal income tax.
2. *Improve transparency*
    - Improve transparency in budget management, including commitment by governments to release in real-time, all data on old and new debt from all sources. This will require efforts to standardize data-gathering practices, develop data collection systems, address data gaps, notably in the accounting of SOE-related liabilities and consolidate government accounts, across regional levels, agencies, ministries and institutions.
    - Strengthen auditing and oversight systems through independent fiscal commissions.
    - Release systematically, all auditing reports with trigger mechanisms for monitoring of further action.
    - Strengthen an independent and professional judiciary system.
3. Foster civil society participation and the role of civil society organizations (CSO)
    - Consult and involve CSOs in the budgetary process, building on the lessons on the example of the International Budget Partnership, and in policy reforms.
    - Involve CSOs in the design of projects affecting their constituencies.
    - Allow third party monitoring by CSO of governments commitments and flow of funds to increase accountability.

- Projecting Africa's image: The potential of cultural and creative industries. Africa has strong comparative advantage in cultural and creative industries (CCI)—defined broadly as the creation, industrial reproduction and mass distribution of cultural goods and services, and the use of new technologies to produce and trade valuable works of imagination. CCIs include art, crafts, visual and audio-visuals, design, digital fabrication, new media, performing arts and publishing.

  Africa's CCIs were growing at a rapid pace before the COVID-19 pandemic. For instance, the market for African visual arts, which includes paintings, sculpture and photography, had become a vibrant global business and a highly debated source of meaning, and former colonial European countries, such as Germany, the Netherlands, France and Belgium, returned looted art to their former colonies, acknowledging their high economic and symbolic value.

  Film and television production have been recognized as a major contributor to economic growth in Egypt, Nigeria, South Africa, Kenya, Ghana, Morocco or Côte d'Ivoire. The sector creates and supports employment for millions of people in Africa directly (in front of and behind the camera) but also indirectly (through the many related industries and services emerging around it), while generating a valuable global export. Leading fashion designers have inspired a new generation whose works attract some of the world's most influential entertainment figures and international investors during fashion weeks and various global flagship events. Game development from small but effective studios are on the rise across Africa and enhance technological competitiveness. Top game developers and digital animation professionals have emerged in Nigeria, Kenya and South Africa.

Together, these sub-sectors of CCIs could eventually hold a sizeable share of the global market and contribute substantially not only to export earnings but to more inclusive development and to changing Africa's image in the rest of the world.

The World Must Support Africa's Efforts: A Call for Symmetrical Cooperation[15]

Africa will have over 2 billion people in 2060 and, unless significant progress is made along the lines outlined in the preceding parts, long-term projections show that its share of the world GDP will still be the lowest in the world and, even more so, when looking at per capita GDP. Africans, aware of the disparities, will try to improve their lot. They can do so by being more demanding of their leaders and holding them accountable within existing rules, but they can also lose hope and join extremist groups (religious or other), engage in other forms of lawlessness to make a living, or migrate. Lack of hope can lead to desperate remedies. In addition, unless growth is green, it will exacerbate the climate challenge and accelerate the movement of people. For these reasons, the rest of the world ought to look to Africa as a global public good which, without proper cooperation, could turn into a global public bad.

But the nature of cooperation must continue to evolve with a more symmetrical form of cooperation between Africa and its traditional partners in the West (many of them former colonizers) and a faster deepening of the cooperation across the Global South (South–South cooperation). For too long, priorities and initiatives about Africa have originated outside the continent with Africans being asked to 'own' these initiatives to benefit from assistance in an asymmetrical form of cooperation laden with historical connotations. Progress has been made toward a more equal partnership, but much remains to be achieved to reach a truly symmetrical cooperation, where the contributions of each side are equally heard and valued.

Earlier, this report described the growing links between the two sides of the Sahara and the competition in Africa between traditional and new partners. Lessons can be drawn from these developments. Many groups are also rethinking the way in which development is done: the Doing Development Differently network argues for more adaptable approaches; others are rethinking the very concept of development, given the growing similarities in the problems faced by different countries formerly neatly split between developed and developing. No consensus has emerged yet, but these developments show the need for a rethinking of the very meaning of development and cooperation. The interconnectedness of the world economy, even if it is being rethought somewhat after the pandemic, and the global impact of climate change,

15. While the term may appear redundant, the intent is to signal the need for and importance of a more balanced power relationship between African countries and their partners, to overcome the lasting historical legacy of colonialism and its modern mutations.

make such reassessment even more urgent. Africa has a keen interest and a key role to play in making it happen.