Africa Growth Initiative
at BROOKINGS

FORESIGHT AFRICA

TOP PRIORITIES FOR
THE CONTINENT IN 2024

EDITOR
Aloysius Uche Ordu

ASSOCIATE EDITOR
Nicole Ntungire

AUTHORS
Lemma Senbet
Adedoyin Salami
Kamau Thugge
Vera Esperança Dos Santos Daves De Sousa
Louis Kasekende
Fabio Comelli
Antonio David
Luc Eyraud
Peter Kovacs
Jimena Montoya
Arthur Sode
Raymond Gilpin
Daouda Sembene
Daniel Cash
Jacob Assa
Aloysius Uche Ordu
Amit Jain
Ali Zafar
Una Osili
Vera Songwe
Yemi Osinbajo
Tedros Adhanom-Ghebreyesus
Paul Muthaura
Oliver Glanvile
Tas Anvaripour
Kerllen Costa
Abraão Vicente
Ahmadou Aly Mbaye
Angela Pashayan
Ede Ijjasz-Vasquez
Jamal Saghir
Morgan Richmond
Ada Osakwe
Seyi Kumapayi
Kasirim Nwuke
Adenike Adeyemi
Zouera Youssoufou
Zakari Momodu
Lesly Goh
Nataliya Langburd Wright
Sabrina Dorman
Addisu Lashitew
Tanner Methvin
Annika Surmeier
Zuzana Brixiova Schwidrowski
Zoubir Benhanmouche
Andrew Mold
Francis Mangeni
Hippolyte Fofack
Alan Hirsch
Stephen Karingi
Jason Mccormack
Witney Schneidman
Landry Signé
Haroon Bhorat
Paula Ingabire
Mark Schoeman
Kingsley Obiora
Francis Annan
Chinasa Okolo
Wanjira Mathai
Maxime Houinato
Sope Williams-Elegbe
Leora Klapper
Belinda Archibong
Afua Osei
Susan Opok
Joseph Asunka
E. Gyimah-Boadi
John Mbaku
Danielle Resnick
J. Peter Pham
Joseph Siegle
Ebenezer Obadare
Vanda Felbab-Brown
Greg Mills

AGI TEAM
Sakinatou Djantchiemo
Alexandria Cordero
Chris Heitzig

DESIGN
Blossom.it

ACKNOWLEDGMENTS
The Brookings Institution is a nonprofit organization devoted to independent research and policy solutions. Its mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations for policymakers and the public. The conclusions and recommendations of any Brookings publication are solely those of its author(s), and do not reflect the views of the Institution, its management, or its other scholars. Brookings gratefully acknowledges the program support provided by the Bill & Melinda Gates Foundation. Brookings recognizes that the value it provides is in its commitment to quality, independence, and impact. Activities supported by its donors reflect this commitment.

WITH SPECIAL THANKS
Isabella (Izzy) Taylor
Jeannine Ajello
Esther Lee Rosen

WITH SPECIAL THANKS TO OUR PEER-REVIEWERS
Andrew Mold
Caren Grown
Danielle Resnick
Ede Ijjasz
Landry Signé
Lemma Senbet

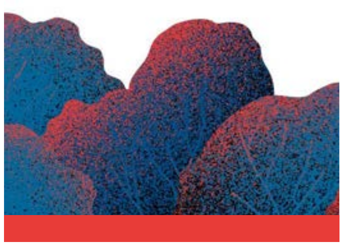
Africa Growth Initiative
at BROOKINGS

FORESIGHT AFRICA

TOP PRIORITIES FOR
THE CONTINENT IN 2024

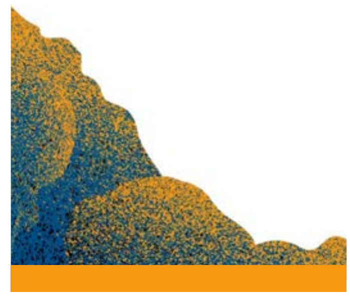
Table of contents

1



2

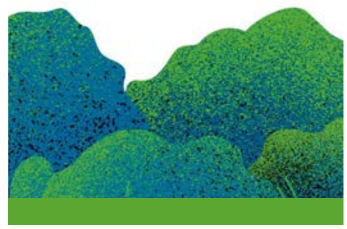
3



4

5

6



7

Letter from the director

ALOYSIUS UCHE ORDU

Senior Fellow and Director, Africa Growth Initiative, Global Economy and Development program, Brookings Institution

@aloysiusordu

The Africa Growth Initiative at Brookings celebrated its 15th anniversary in 2023. This milestone was an opportunity to reflect on our journey and to appreciate the support of our funders and other partners. Our primary goal remains to inform policy for better development outcomes in Africa. This year, in response to the rapidly changing global and regional environment, we have chosen to focus on five thematic areas: development financing, climate change, digital economy, entrepreneurship, and trade and regional integration. Underscoring these pillars are three cross-cutting themes: governance, gender, and youth. In line with our strategic direction, this edition of *Foresight Africa* covers the thematic areas indicated.

2023 was remarkably difficult. Most African countries faced multiple synchronized headwinds, including record high inflation, severe currency depreciations, and heavy debt burdens. Zambia, in debt distress in recent years agreed to a debt restructuring deal under the G20's Common Framework. The deal unraveled because it did not offer adequate debt relief, and was at odds with the comparability of treatment principle whereby no creditor should receive more favorable treatment than others. This outcome exposed the problem at the heart of the Common Framework: Comparability of treatment is difficult as the multilateral development banks, the private sector, and bilateral lenders each have their own rules. Evidently, it is discouraging for Ghana, Ethiopia, and other debt-distressed countries that sought to use Zambia as a model for debt restructuring. The clear and present danger is that burgeoning external debt will curtail growth and adversely affect job creation at a time of high unemployment.

Given the confluence of economic and political headwinds, some African countries will face difficulties in settling their external financial obligations in the year ahead. Despite these challenges, there are reasons to be cautiously optimistic. For instance, the Economist Intelligence Unit's "Africa outlook 2024" forecasts that "Africa will be the world's second fastest-growing region with 12 of the 20 fastest-growing economies in 2024." Driven by the services sector, the East African Community countries – Ethiopia, Kenya, Uganda, Rwanda, Tanzania, and the DRC -- will record growth rates in the range of 5% to 6%, which is above the continental average of 3.2%.

Despite the turbulence in our increasingly fracturing world (the unresolved Russian-Ukraine war and the Israel-Hamas war), I am heartened that many sons and daughters of Africa responded positively to our request for contributions to *Foresight Africa*. In this edition, you will find essays and viewpoints from Africans in positions of trust and responsibility in multilateral and regional organizations; from policymakers, finance ministers, and central bank governors; from private sector leaders, heads of foundations, and civil society organizations; from youths; and from scholars in think tanks and academia, among others. I am also delighted that this year's edition includes contributions by senior policy makers from Lusophone Africa (Angola and Cape Verde), further emphasizing AGI's quest to include all of Africa's language groupings. This edition also includes a contribution from Singapore, reflecting on lessons from East Asia for Africa during these challenging times. I am grateful to each one of our authors for their commitment and unflinching support to AGI.

As with past editions, this year's cover design incorporates features that embody the narrative within. This year's cover emphasizes the existential threat of climate change as a dominant theme. The artwork exemplifies Africa's position at the epicenter of the climate challenge: A continent that contributes the least to the crisis, serves as both the "lungs" of the world (the Congo, the Okavango, and other river basins), and as a repository of critical minerals vital for the global energy transition. Yet, Africa bears the brunt of devastating climate impacts as evidenced by the havoc wreaked by drought in the Horn of Africa, cyclones in northern Mozambique, and floods in parts of the continent.

Thus, I open this year's edition on a cautiously optimistic note. In **Chapter 1, development financing for recovery and growth**, our authors share policy options to address the economic challenges facing the continent. Now more than ever, it is vital for policymakers to pay attention to mobilizing domestic resources, to strengthening financial systems, and to ensuring that development funds—whether borrowed or raised through taxes—are used strictly for the purposes intended. These measures are critical especially as policymakers will face future, expensive, and likely devastating shocks due to the climate crisis.

As indicated, Africa is severely impacted by extreme weather events and yet, Africa receives the least amount of global financing to address this difficult collective action problem. With 2023 - the hottest year on record - dominated by multiple global convenings (the Nairobi Summit, UNGA and COP28), our authors tackle the existential **climate change crisis in Chapter 2**, highlighting the inequities and the urgent need for increased financial commitments to address the climate crisis.

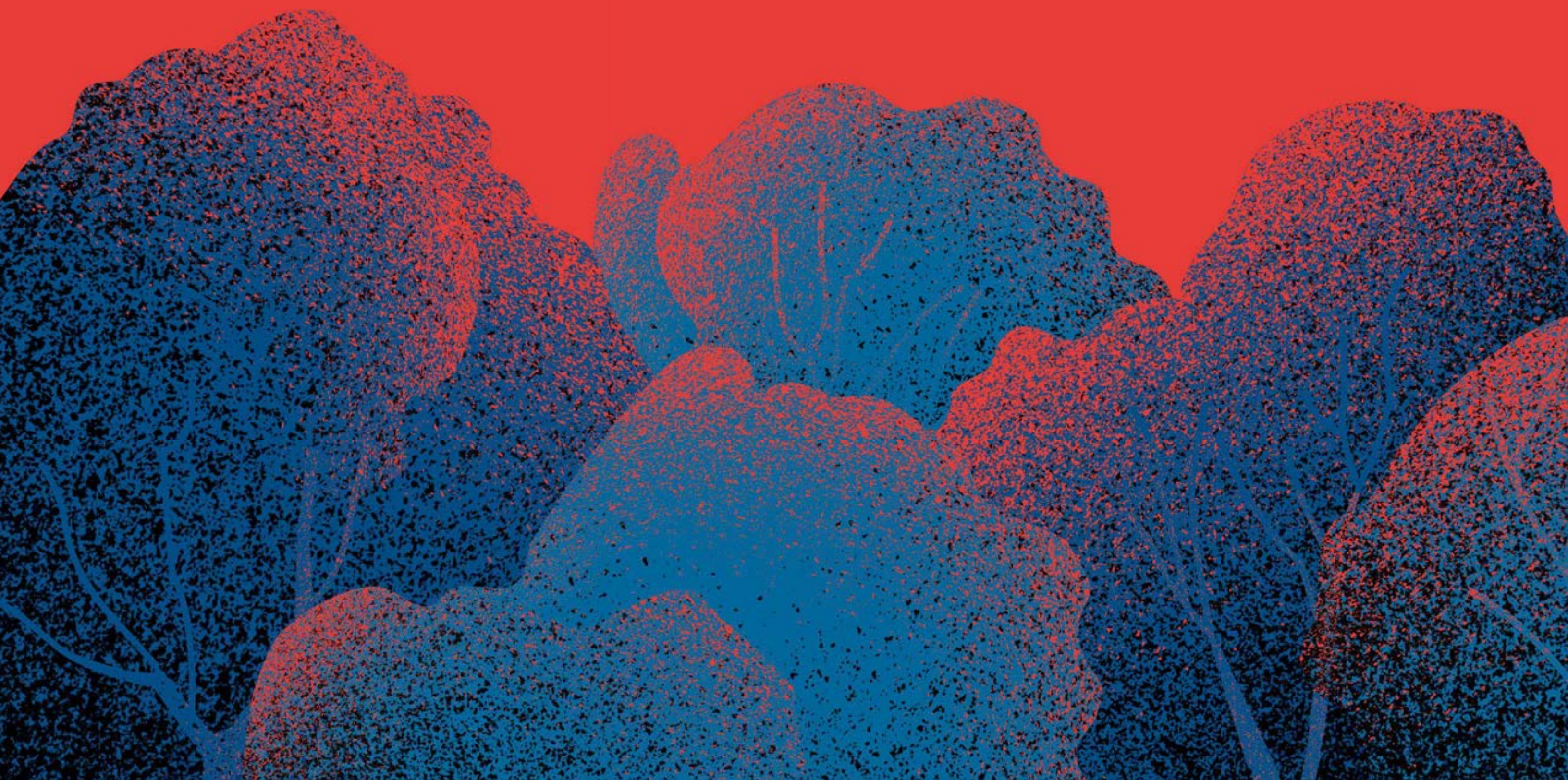
Another challenge that policymakers are grappling with is how to generate more jobs for Africa's burgeoning youth demographic in an increasingly competitive global environment. From sustainability focused start-ups to MSMEs and family-owned businesses, **African entrepreneurs** have taken on the myriad challenges facing the continent to build a more sustainable and economically prosperous future. Thus, **Chapter 3** is dedicated to the entrepreneurs and small businesses that are responsible for most job creation on the continent. Our authors focus on the inclusive and supportive policies needed to foster these ventures and to sustain the high-growth potential of African entrepreneurship.

Although entrepreneurs have been instrumental to economic growth, it is noteworthy that far greater opportunities abound through the African Continental Free Trade Area Agreement (AfCFTA). Thus, in **Chapter 4**, our authors explore the status of **economic integration and trade,** and the policy actions which member states, entrepreneurs, and other stakeholders can take to accelerate the implementation of this landmark agreement. Also explored here are the prospects for US-Africa trade and investment relations in view of AGOA's imminent expiration in 2025.

A key tool for addressing the numerous challenges outlined here is technology, which has accelerated the digitization of services, commerce, and education, and other aspects of life on the continent. Indeed, many countries have developed national digital economy policies to foster innovation and entrepreneurship for job creation and poverty reduction. Thus, in **Chapter 5**, our authors examine policy options to unlock the **digital economy** potential necessary for competitiveness and inclusive growth. Fostering an inclusive ecosystem means creating the opportunities and the infrastructure to support all workers and entrepreneurs. In this vein, we dedicate **Chapter 6 to the women and girls** across the continent who, despite setbacks, continue to create and transform the landscape. However, distrust of the government gained some traction in 2023 as evident in the coups across West and Central Africa. We close this year's edition of *Foresight Africa* in **Chapter 7**, **on governance**, by focusing on those trends and how African leaders can regain the trust of their citizens and encourage a shift back toward democratization.

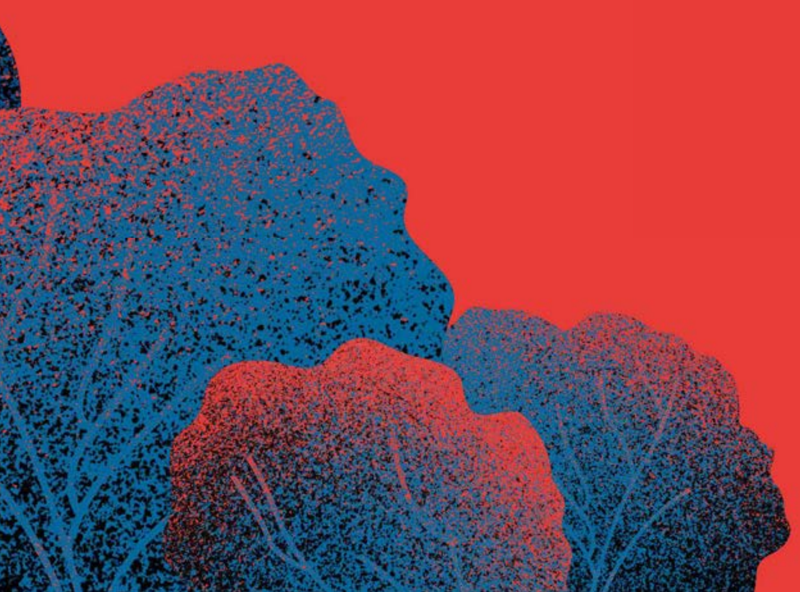
With this and every edition of *Foresight Africa*, we aim to capture the top priorities for the region in the coming year, offering recommendations for enhanced economic and political resilience. In doing so, we hope that *Foresight Africa 2024* will promote dialogue on the pressing issues facing our continent. We also hope that such ideas will contribute to sound policies and strategies for better development outcomes.

1 DEVELOPMENT FINANCING



ESSAY

VIEWPOINT



Perspectives on African sustainable development finance

LEMMA SENBET

Dean's Chaired Professor, University of Maryland, College Park
@LSenbet

Over the years, African economies have undergone frequent turbulence—both economically and politically. Despite this tortured path, numerous countries have sustained growth over two decades with positive outcomes on livelihoods, including substantial poverty alleviation. Far from accidental, these outcomes are the result of genuine economic and financial sector reforms. The region has likewise witnessed an entrepreneurial spirit among the young and, home-grown innovations, such as M-Pesa, fueling growth of mobile banking around the globe.

Africa's integration into global financial markets has a dark side, however. African countries have witnessed a rapid buildup of debt, obligations that the pandemic amplified. The Russian-Ukrainian war further exacerbated the debt situation with the attendant rising costs. Africa's inflated debt levels and debt servicing costs would not have been such a big deal if all this borrowing had made a dent in the development financing gap. Recent estimates suggest it has not. According to UN data, the development financing required to achieve the Sustainable Development Goals runs close to USD $3.3 – $4.5 trillion per year, with the lion's share of the financing gap facing developing economies.[1] For Africa, the infrastructure requirements, including support of its climate change adaptation and mitigation, is estimated to cost between USD $68 and $108 billion per year.[2]

Therefore, urgent action is needed to adapt global financial networks to foster a robust, sustainable flow of development finance into Africa. Responsibility for shaping financial networks can be broadly shared among international actors and Africa's own domestic policies with home-grown solutions.

The role of the international community

In the short run, African economies can benefit from more efficient debt resolution and restructuring systems. At the global level, the G20 is already at the forefront of global coordination for the resolution of sovereign debt crises. It spearheaded the Common Framework for Debt Treatment in debt restructurings and resolution. While the Common Framework has faced many obstacles to becoming operational at scale, debt restructurings in Chad and Zambia offer hope for what is possible. Restructuring USD $6.3 billion of Zambia's debt offers particular hope, as it resulted in a net present value reduction of outstanding debt.

Responsibility for shaping financial networks can be broadly shared among international actors and Africa's own domestic policies with home-grown solutions.

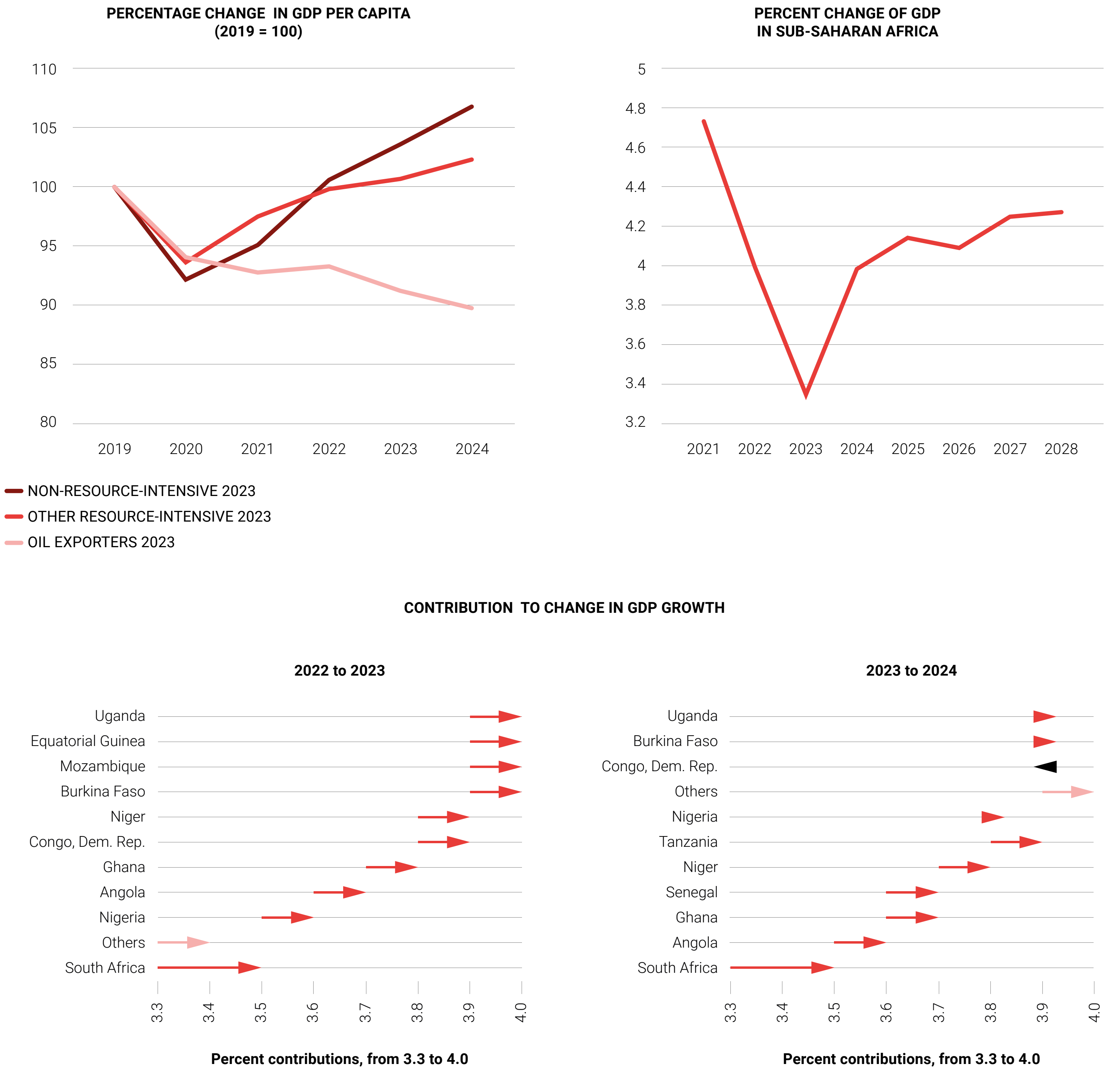
1 UN Sustainable Development Group. 2023. "Financing and Funding: The Way Forward." https://unsdg.un.org/2030-agenda/financing.

2 AFDB. 2022. "Africa Investment Forum: African investors asked to mobilize more for infrastructure in Africa." https://www.afdb.org/en/news-and-events/press-releases/africa-investment-forum-african-investors-asked-mobilize-more-infrastructure-africa-56051.

FIGURE 1

POST-PANDEMIC ECONOMIC RECOVERY ACROSS SUB-SAHARAN AFRICA DIVERGES AMONG COUNTRY GROUPS

The economic recovery after the COVID-19 pandemic differed across country groups in Sub-Saharan Africa, showing a sharper incline for non-resource-intensive economies, while oil exporters faced declining growth rates.



Countries are classified as:
Other resource-intensive: Botswana; Burkina Faso; Central African Republic; Congo, Democratic Republic of the; Eritrea; Ghana; Guinea; Liberia; Mali; Namibia; Niger; Sierra Leone; South Africa; Tanzania; Zambia; Zimbabwe.
Non-resource-intensive countries: Benin; Burundi; Cabo Verde; Comoros; Côte d'Ivoire; Eswatini; Ethiopia; Gambia, The; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Togo; Uganda.
Oil exporters: Angola; Cameroon; Chad; Congo, Republic of; Equatorial Guinea; Gabon; Nigeria; South Sudan.
Source: IMF. 2023. World Economic Outlook database, April 2023.

Overall, the development financing gap remains large and cannot be bridged by traditional sources of finance alone; it will require unlocking private capital at scale.

While developed countries have the potential to be a considerable source of direct financing for development, the volume of financial pledges has greatly exceeded financial commitments in this regard. A glaring example is climate funding. During COP15 in 2009, there was a bold agreement to provide climate funding of USD $100 billion annually by 2020. By 2020, an estimated USD $80 billion of the USD $100 billion had been met annually. It is encouraging, though, that the delivery gap in climate funding pledges received prominent attention at the Paris Summit with President Macron confidently announcing that the pledge gap in the delivery of USD $100 billion (per annum) would be bridged by the end of 2023.

Overall, the development financing gap remains large and cannot be bridged by traditional sources of finance alone; it will require unlocking private capital at scale. Currently, private capital is not flowing at the speed and scale commensurate with the huge development financing gap. Among the barriers is the dearth of bankable deal flows in Africa. As a result, unlocking private capital cannot be done without the enabler of the public sector. The role of the public sector is crucial in providing de-risking vehicles to incentivize the private sector. In view of global economic uncertainty and shocks, de-risking vehicles can incentivize the private sector to take on large-scale, risky projects.

Thus, an enabling environment is needed in Africa for innovative green financing through the development of a pipeline of bankable and investable projects. Regional initiatives, including AfCFTA, working in tandem with global institutions (e.g., the G20), can serve as facilitators of collective action continentally to secure development of bankable projects and private capital flows to these projects. In particular, the G20, with the AU as its new member, can use its considerable convening power to bring a consortium of investment fund providers to the table. Finally, this is an opportune time to accelerate financial sector development that is fit for purpose to unlock private capital at scale.

The role of African internal policies: The way forward

When accessing global initiatives, African countries should take proactive measures and home-grown solutions to bridge the financing gap and build capacity for financial resilience. Here are some measures for priority attention in 2024.

Accelerate domestic resource mobilization: Accelerating domestic resource mobilization (DRM) through speedy reforms of tax systems is urgent. At 16.5% of GDP, sub-Saharan Africa has a low tax revenue to GDP ratio vis a vis peer low-income countries outside the region.[3] DRM can be greatly enhanced through improved audits and compliance, mitigation of leakages, and expanding the tax base.

3 T20 Indonesia. 2022 "Resolving debt crises in developing countries: How can the G20 contribute to operationalising the common framework?" *Task Force 7. International Finance and Economic Recovery.* https://www.t20indonesia.org/wp-content/uploads/2022/10/TF7_Resolving-Debt-Crisis-in-Developing-Countries.pdf

Promote green revolution: Africa should be part of a climate solution and lead its own green revolution. Climate action includes exploiting its abundant endowment of green minerals and potential for renewable energy, minimizing dependence on carbon-heavy industrialization, and leapfrogging into a new global economy characterized by resilience and inclusivity. This should be supported by an enabling environment for home-grown climate finance solutions and start-ups.

Promote financial innovation and inclusion: Although African financial systems have recently grown both in quantity and depth, finance has not been inclusive in the region. This underscores the fact that financial system development is necessary but not sufficient for financial inclusion. Financial inclusion empowers the agents of inclusivity of development—youth, women, small farmers, SMEs—as they are among the most financially excluded in society. Africa is innovating in this regard. We have witnessed home-grown innovations which have received global attention, with Kenya at the center of this remarkable movement. Although the mobile money revolution spearheaded in Kenya is well known, less attention is given to an exciting banking sector innovation lead by Equity Bank. The Bank is a pioneering commercial bank that innovated a banking service strategy targeting low-income customers and traditionally underserved territories in Kenya. In our comprehensive study of Equity Bank we show strong evidence that an innovative banking business model focusing on the provision of financial services to population segments that are typically neglected by traditional banks can generate sustainable profits with social inclusion.[4]

Unlock financial entrepreneurship and fintech: African countries have huge unbanked and underserved populations—an opportunity for the rise of home-grown financial entrepreneurs. Financial entrepreneurship can be unlocked through fintech start-ups enabled by the digital revolution. The advent of fintechs in Africa is a relatively new and remarkable development. Fintech startups in Africa are mobilizing mass market access to a menu of financial services—savings, credit, insurance, and other digital financial services. In 2022, African fintech startups secured USD $1.45 billion in funding, a 39.3% increase from 2021.[5] It is also noteworthy that the fintech movement is venturing into the intersection of climate and finance with startups providing services in sustainable banking, climate insurance, impact investing, and ESG reporting. Strengthening fintech requires developing an enabling policy environment involving financial regulators and inclusive digitization.

4 Allen, F., et. al. 2020. "Improving Access to Banking: Evidence from Kenya." *Review of Finance, Volume 25, Issue 2, March 2021.*

5 Disrupt Africa. 2022. "The African Tech Startups Funding Report." https://disrupt-africa.com/wp-content/uploads/2023/02/The-African-Tech-Startups-Funding-Report-2022.pdf

Integrate and consolidate the disparate capital markets: Except for South Africa, financial systems in Africa are still thin and malfunctional, as evidenced by the stock exchanges around the continent. These exchanges are largely characterized by low capitalization and low trading activity, relative to peer low-income countries outside Africa. It is crucial that these markets be consolidated through regional cooperation and initiatives involving harmonization of trading laws and accounting standards and promoting convertibility of currencies such as the Abidjan-based Bourse régionale des valeurs mobiliéres and the proposed Africa Exchanges Linkage Project (AELP). A potential game-changer for the financial integration movement in the continent, the AELP was launched in November 2022 by the African Securities Exchanges Association in partnership with the African Development Bank and other stakeholders to facilitate cross-border trading and investment within African capital markets. Along with capital market integration initiatives, the region is witnessing the rise of Pan-African banks, many of which are domiciled in South Africa, Nigeria, Kenya, Morocco, and Togo.

Introduce digital financial regulation that is fit for purpose: African financial regulatory systems must catch up with the rapid pace of innovation and dynamism in financial systems. At the outset, it should be recognized that optimal regulation is an enabler, and not a stifler. The provision of inclusive financial services can be impeded by ill-designed regulatory systems. In particular, excessively tight financial regulation of entry and licensing requirements of mobile network operators can discourage them from using their networks to provide inclusive access to payments services by mobile phone subscribers. Financial regulatory policies should also resist the temptation of protecting vested interests against new entrants that provide innovative technology driven services.

Develop talented financial manpower: Finance and financial innovation have become increasingly complex and dynamic. As African financial systems develop and integrate into the global financial economy, there should be a commensurate development of talented financial power with capacity to manage and control risk. The financial capacity development strategy should include talent to regulate. At a basic level, African financial regulators need to develop a deeper understanding of how banks and other financial institutions take and manage risk. There is a potential for partnership here. African financial regulatory institutions and financial institutions can partner with local and international knowledge institutions to produce financial manpower and regulatory force that matches sophisticated and complex financial systems characterized by digitization and financial innovation.

Managing global economic headwinds: Lessons from Nigeria's policy responses

ADEDOYIN SALAMI

CEO, KAINOS Edge Consulting Ltd & Adjunct Faculty, Lagos Business School, Pan Atlantic University

Factors external to Nigeria have long been important influences on policy-making and economic outcomes. Export revenues, diaspora transfers, foreign direct, and portfolio investments provide the principal channels through which global impulses are transmitted to Nigeria's economy. As in many countries, a series of global events in recent years—ranging from the global financial crisis (2007-2009) through the COVID-19 pandemic and the more recent war in Ukraine—have left negative marks on the economy in Nigeria.

Macroeconomic stability is defined by the trio of economic conditions: output growth, at least, faster than the increase in population; the stability of prices—keeping devaluation and inflation below levels that adversely affect the economy; and adequate liquidity—positive current and capital account balances, growing foreign reserves, and a deep domestic financial system. Based on these, the economy in Nigeria has become increasingly illiquid, unstable, and stagnant since 2013/14. In other words, the impact of recent global headwinds has been to worsen both illiquidity and instability, rather being the cause. While the ongoing war in Ukraine created problems for Nigeria, however, as other nations, domestic policy responses were more detrimental.

The impact of recent global headwinds has been to worsen both illiquidity and instability, rather being the cause. While the ongoing war in Ukraine created problems for Nigeria, however, as other nations, domestic policy responses were more detrimental.

Two examples of poor policy choices come to mind—excessive growth in deficit financing and monetary repression. The sharp devaluation and rise in inflation—in my view, the largest contributory factors to economic instability—are largely the result of excessive money supply growth as the federal government aggressively borrowed from the Central Bank of Nigeria. Furthermore, the attempt to sterilize the effect of liquidity growth by imposing high reserve requirements on banks and administratively "defending" the external value of the Nigerian naira distorted financial markets, leading to negative inflation-adjusted yields and the erosion of confidence in the economy.

Removal of the subsidy on petrol was, from many perspectives, unavoidable. The Buhari Administration had been borrowing to maintain a subsidy regime which, being opaque and extending to fuel consumers beyond Nigeria, had long become unsustainable. Similarly, unification of exchange rates was inevitable as the market for foreign exchange had become a caricature—a badly distorted avenue for rent-seeking. The new administration had no choice but to introduce these policies.

In my view and notwithstanding being Chief Economic Adviser to President Muhammadu Buhari in the final eighteen months of the administration, the failure of domestic policymaking to understand markets and their imperatives is the standout lesson.

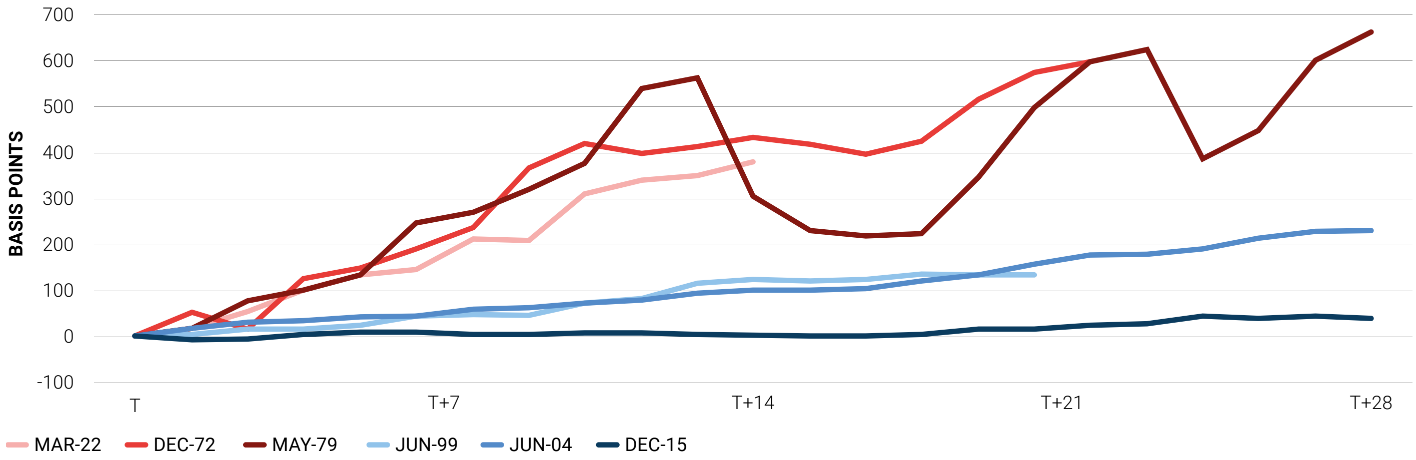
The argument of inevitability listed above is not to ignore the biting cost of reform—exacerbating an already bad cost of living crisis. It is important to note that these reforms have been long overdue and the delay in instituting them raised the associated adjustment costs and limited the room for maneuver.

In my view and notwithstanding being Chief Economic Adviser to President Muhammadu Buhari in the final eighteen months of the administration, the failure of domestic policymaking to understand markets and their imperatives is the standout lesson. Beyond this, the importance of taking advantage of opportunities when they present themselves cannot be ignored. In 2020, the opportunity to exit fuel subsidy, as crude oil prices collapsed to historic lows, was inexplicably spurned. While external headwinds for 2024 are already becoming clear, the primary challenge for economic policymaking in Nigeria will be to achieve stabilization of the economy; continue to implement meaningful reform—design, engagement with stakeholders, cost-efficient execution, and timely monitoring and review; and ensure that the cost of adjustment is borne by those most able while protecting the vulnerable.

FIGURE 2

G7 POLICY RATE VARIATION IN RESPONSE TO GLOBAL ECONOMIC CONDITIONS

Compared to past economic crises, interest rates on global reserve currencies increased rapidly in 2022 to curb inflation. In this sense, the monetary policy of G7 governments mirrors that of the 1970s in response to oil price shocks. Monetary policy since the 1970s has tended to rely on more gradual changes to interest rates in favor of economic stability. The rapid escalation of policy rates since the COVID-19 pandemic will remain a defining factor of the global economy for the rest of the decade.



Note: The short-term policy rate is weighted by nominal gross domestic product in current US dollars. "t" is the month before the US policy rate increases. The cycle ends when the G7-weighted policy rate peaks. Judgement was used to define "double-peak" cycles. The March 2022 cycle was extended using market-implied interest rate expectations from March 2023 onward, observed on February 21, 2023. G7 = Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

Source: World Bank. 2023. Africa's Pulse, April 2023. World Bank Group

Forging ahead: Challenges, opportunities, and lessons from Kenya's experience

KAMAU THUGGE

Governor of the Central Bank of Kenya
@cbkkenya

African economies have recently confronted multiple global and domestic shocks. These include the COVID-19 pandemic, the war in Ukraine, the prolonged drought that affected the horn of Africa, and high global inflation. Global inflation rose from 3.2% in 2020 to 8.7% in 2022[6], leading to aggressive monetary policy tightening in advanced economies. Over the same period, sub-Saharan Africa (SSA)'s inflation increased from an average of 10.1% to 14.5%[7]. In addition, the risks emerging from climate change are growing. Africa remains heavily exposed to the adverse effects of climate change despite contributing the least to global warming, and the continent is already feeling the weight of extreme weather phenomena, especially droughts and floods.

Despite the headwinds, the Kenyan economy has demonstrated remarkable resilience. The economy recovered from the devasting impact of the COVID-19 pandemic to grow by 7.6% in 2021. In 2022, the economy registered a respectable growth of 4.8%, overcoming the adverse impact of the global supply chain disruptions that arose from the war in Ukraine, and the poor weather conditions that led to a severe contraction of the agriculture sector. The economy grew by 5.6% in the first three quarters of 2023[8] and is expected to continue strengthening in 2024, supported by a rebound in agriculture following improved weather conditions, a resilient services sector, and government initiatives across key priority sectors.

The economy grew by 5.6% in the first three quarters of 2023 and is expected to continue strengthening in 2024, supported by a rebound in agriculture following improved weather conditions, a resilient services sector, and government initiatives across key priority sectors.

On the other hand, Kenya's inflation remained elevated in the second half of 2022 and first half of 2023, largely due to supply side constraints. Headline inflation rose from 5.1% in February 2022 to a peak of 9.6% in October 2022, mainly on account of higher food and fuel prices. Food inflation increased substantially from 8.7% to 15.8% due to drought conditions that adversely affected local food production, as well as higher international food prices triggered by the war in Ukraine. Following these sustained inflationary pressures, the Central Bank of Kenya (CBK) raised the policy rate (Central Bank Rate) cumulatively by 350 basis points from 7.0% to 10.5% over the period May 2022 through June 2023. This helped to anchor inflation expectations and mitigate second order spillover effects from the high food and energy prices. The monetary policy actions were complemented with government measures, such as zero-rating of import duties on select key food items and subsidizing fertilizer. These measures, combined with increased food production following improved weather conditions from March 2023, helped to ease inflationary pressures. Consequently,

6 IMF. 2022. "Near-Term Resilience, Persistent Challenges". International Monetary Fund.

7 Economist intelligence. 2022. "Inflation in Africa will ebb slowly in 2023".

8 Quarterly GDP Report, Third Quarter 2023, KNBS. Fourth Quarter 2023 GDP Report yet to be released.

Kenya has made great strides in advancing financial inclusion and distinguished itself as a leading regional hub for financial innovation. Access to formal financial services has expanded from 26.7% of the adult population in 2006 to 83.7% by 2021, largely driven by mobile-based financial services and mobile banking.

headline inflation returned to the inflation target band of 5 ± 2.5% in July 2023 and has since remained within the band. To further mitigate against inflationary pressures and the weakening of the domestic currency, the CBK increased the policy rate by 200 basis points in December 2023. In addition, the CBK has embraced a forward-looking monetary policy framework[9] and continues to implement reforms aimed at improving monetary policy transmission and effectiveness.

Kenya has made great strides in advancing financial inclusion and distinguished itself as a leading regional hub for financial innovation. Access to formal financial services has expanded from 26.7% of the adult population in 2006 to 83.7% by 2021, largely driven by mobile-based financial services and mobile banking. Kenya has the largest and most diversified banking sector in the region, with an asset base of KSh 7.413 trillion (USD $61 billion) as of end of September 2023, and a branch network of over 1,500 branches across the country. Despite the challenging global and domestic economic environment, the sector has remained buoyant, stable, and resilient. Kenyan banks have expanded their outreach in the East African Community region and beyond, thereby promoting regional trade and investments.

Although climate change remains a significant risk, it is embedded with opportunities for greening finance and investing in green growth. These include financing of climate-smart agriculture, renewable energy, and sustainable infrastructure. CBK is committed to greening the financial sector in line with best practices. In this regard, the CBK issued guidelines on climate-related risk management to the banking sector in October 2021 to facilitate the entrenchment of climate risk management in the operational framework and business models of commercial banks. The government of Kenya continues to champion sustainable solutions to climate change, including the recent hosting of the inaugural Africa Climate Summit.

As we look ahead towards 2024, significant challenges remain. The uncertainty within the global environment remains a risk factor for emerging market economies, including Kenya. Although global inflation has generally eased, the impact of rapid monetary policy tightening in advanced economies has resulted in a sharp tightening of global financial conditions, reflected in the prevailing high yields on sovereign bonds and depreciation of domestic currencies against the US dollar and other major currencies. These factors have exacerbated debt sustainability challenges in SSA amid tight budgetary constraints and pose a significant risk to inflation. Given the limited fiscal space, expenditures toward social sectors, public investment, and safety nets for poor and vulnerable groups have become highly constrained. Additionally, inclusive and sustainably higher growth is needed to effectively address widespread unemployment, particularly among the youth.

9 CBK. 2021. Modernization of the Monetary Policy Framework and Operations. The Central Bank of Kenya.

Several lessons can be gleaned from Kenya's policy responses to the multiple challenges faced in recent times. First, policy responses should be timely, targeted, and well-coordinated, with involvement of all key stakeholders including the government, central bank and financial sector players. **Second**, a robust monetary policy communication strategy serves to anchor market expectations and prevent excessive market volatility. This has improved the public understanding of monetary policy decisions, anchored market expectations, and prevented undue market dislocations[10]. **Third,** policies aimed at addressing supply-side constraints, combating climate change challenges, increasing employment, poverty reduction, and promoting food security are vital to resolve the structural challenges that monetary policy alone cannot address. **Finally**, there is need to enhance efficiency and financial inclusion through increased digitization. The CBK continues to be at the forefront in promoting and leveraging digital technology to improve efficiency and access to financial services. For instance, the recently upgraded Central Securities Depository infrastructure, *DhowCSD*, is a major step in enhancing efficiency in investment in government securities and transforming Kenya's financial markets[11].

10 The Governor, who also serves as the chair of the MPC, holds a post MPC press briefing that is livestreamed on all CBK social media platforms. The Committee meets with commercial bank and private sector CEOs to apprise them on the monetary policy decision.

11 CBK Press Release. 2023. "H.E. President William Ruto Launches DhowCSD". The Central Bank of Kenya. September 11, 2023.

Angola: Navigating turbulent times and building resilience for future shocks

VERA ESPERANÇA DOS SANTOS DAVES DE SOUSA

Minister of Finance, Angola
@vera_daves

In the face of economic headwinds, Angola finds itself at a moment of striving for inclusive growth and sustainable development, after critical global events impacted the country´s efforts to grow.

Angola's economic landscape has been significantly affected by a confluence of factors, including external shocks on the oil price drop in 2014, driving the country into a 5-year economic recession since 2016, and the enduring effects of the COVID-19 pandemic from 2020 in such a way that the economy just started recovering gradually in 2021 with a growth rate of 1.2% of GDP.[12] These headwinds disrupted the nation's economic trajectory and also cast shadows on the inflation trajectory: The inflation rate reached 27% in December 2021, year-on-year, and subsequently fell to 16.5% in December 2023, year-on-year.[13] The Government successfully implemented an extended financing program with IMF's support that allowed macroeconomic stability to be restored; several structural reforms were also implemented leading to a stronger and more inclusive growth.

As African Finance Ministers grapple with the task of formulating policies, they face a delicate balance between addressing immediate challenges and building resilience for future shocks. In times of uncertainty, the Government of Angola has been implementing measures to fight the adverse scenario with fiscal measures to increase the fiscal space and to actively manage the public debt, strengthening the independence of the central bank, the exchange rate regime, and the social protection system as well as a reserve to fight food insecurity and reconversion of informal economy.

On the fiscal policies, the Government implemented several measures to improve and rationalize public expenditures, including limiting the purchase of nonessential goods and services, suspension of selected nonessential capital expenditures, adopting fuel subsidies reforms, and initiating a privatization program. To relieve the impact of these measures on the most vulnerable people, there were tax exemptions of value-added tax (VAT) and customs duties on goods imported under humanitarian aid and donations, VAT credit for imported capital goods and raw materials for producing essential consumption goods, and delayed payment option for social security contributions. Additionally, on the debt management side, the ratio of debt-to-GDP were elevated reaching higher than 120% at end of 2020, mostly due to

12 National Bank of Angola. Price Statistics and National Accounts. National Accounts statistics. https://www.bna.ao/#/pt/estatisticas/consultar-dados/estatisticas-preco-contas-nacionais/contas-nacionais.

13 National Bank of Angola. Price Statistics and National Accounts. National Consumer Price Index. https://www.bna.ao/#/pt/estatisticas/consultar-dados/estatisticas-preco-contas-nacionais/detalhe/1.

The choices made in these turbulent times will not only determine the immediate fate of nations but will also shape the resilience of economies to future shocks, highlighting the essential role of strategic policymaking in charting a course towards a more sustainable and inclusive future.

significant currency depreciation. Currently, due to subdued growth, fiscal prudence and conservative financing policy, debt-to-GDP ratio is on a declining path, although some macroeconomic risks persist.

Furthermore, the country introduced better mechanisms to offset the impact of future shocks, such as Adaptive Social Protection. The Government of Angola has been implementing a money transfer (Kwenda Program), under the National Strengthening Social Protection Program of USD 420 million, of which USD 320 million is financed by the World Bank. To date, over a million families are registered in the Kwenda program and most families have already received direct money transfer from Kwenda.[14] The Government is also taking measures to create conditions to reduce vulnerabilities of individuals and communities to shocks such natural disaster, economic downturns and health crises.

The government has been strongly focused on increasing the country's productive capacity with the main objective of strengthening food security and has been implementing several measures to support and boost the private sector, especially focusing on the value chain of the food sector and agriculture. For 2024, the focus of the growth strategy is on food security; the 2024 state budget includes a package of policy measures to support economic growth through private investment.

In conclusion, as Angola confronts the repercussions of economic headwinds, the pursuit of inclusive growth and sustainable development stands at a critical juncture. The choices made in these turbulent times will not only determine the immediate fate of nations but will also shape the resilience of economies to future shocks, highlighting the essential role of strategic policymaking in charting a course towards a more sustainable and inclusive future.

14 The World Bank. 2023. "Strengthening the National Protection System Project (Cash Transfer)." https://documents1.worldbank.org/curated/en/099051523121012762/pdf/P16977904e900c0d80b32404a8ee9fbdeb6.pdf.

Building macroeconomic and financial management capacity for resilience and growth

LOUIS KASEKENDE

Executive Director, Macroeconomics and Financial Management, Institute of Eastern & Southern Africa

@mefmiorg

Sub-Saharan Africa (SSA) has been hit by a multitude of shocks over the decade or so. In the recent past, the region has had to grapple with the significant build-up of macroeconomic imbalances in the wake of the COVID-19 pandemic and the Russia-Ukraine war. Fiscal positions have deteriorated, while surging import bills and higher debt burdens have heightened financing needs. The limited options to meet the governments' financing needs is increasingly a challenge owing to the rapid tightening of global financial conditions, shrinking foreign exchange reserves in some countries, and reduced donor support, among others. Median public debt increased by about 30 percentage points, from 28.8% of GDP to 59.1 percent, from 2012 to 2022 in the SSA region, increasing concerns about debt sustainability.[15] As at end August 2023, eight countries were in debt distress while 12 are at high risk of debt distress.[16]The cost of living remains high relative to GDP across the SSA region, partly owing to the effects of the rise in global food and energy prices in 2022. Annual food inflation has remained above 20% in several SSA economies (Ethiopia, Ghana, Rwanda), and in double digits in over 60% of the countries.[17] Furthermore, the effects of climate change, characterized by prolonged droughts and devastating floods as well as political instability in some countries, have compounded the unrelenting economic challenges.

The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)'s capacity-building interventions for 2024 in response to the vulnerabilities will be in line with its Phase VI Strategic Plan.[18] The Institute will support countries to strengthen their debt management through building requisite capacity in debt negotiation, debt strategy formulation, debt sustainability analysis, and institutional and legal reforms. Key to informing accurate debt policy formulation will be to ensure the availability of comprehensive debt databases in member countries through supporting the transition to new computer-based debt management information systems. The experience of Zambia in debt restructuring through the G20 common framework provides critical peer to peer learning and knowledge exchange for our membership and will inform interventions by MEFMI in support to countries. The interventions

15 IMF. 2023. Regional Economic Outlook: Sub-Saharan Africa: Light on the Horizon?, October 2023. International Monetary Fund.

16 IMF. 2023. List of LIC DSAs for PRG T-Eligible Countries, August 31, 2023. https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

17 World Bank. 2023. Global Economic Prospects, June 2023.Washington, DC: World Bank. http://hdl.handle.net/10986/39846.

18 Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). March 2022. Phase IV Strategic Plan: 2022-2026. https://mefmi.org/wp-content/uploads/2022/04/Phase-VI-Strategic-Plan-revised-22-March-2022-final.pdf.

MEFMI will support countries on aspects of fintech and digital financial services, including regulation, risk aspects, and legal frameworks as well as consumer protection issues.

will include facilitating training and awareness on alternative sustainable funding models, including climate financing.

In the past few years, MEFMI countries have faced challenges of appropriately responding to the evolving shocks while at the same time limiting consequences to macroeconomic and financial stability. The Institute will focus on enhancing skills of key officials in central banks and ministries of finance to make informed choices of frameworks and instruments that address emerging issues and support macroeconomic stability. MEFMI will build capacity in the countries on compilation and dissemination of monetary and financial statistics, as well as external sector statistics, which are prerequisite for effective monetary policy formulation. Technical assistance will also be provided to member countries to build models which will forecast the future course of inflation, taking into consideration the likely impact of shocks on the output gap. In addition, MEFMI intends to continue supporting work on incorporating gender-responsive budgeting in the macroeconomic frameworks.

The Institute will ensure that member countries leverage on the emerging ICT options. The proliferation of fintech companies and digital financial services and products across the globe, has caused disruptions in the financial sector. MEFMI will support countries on aspects of fintech and digital financial services, including regulation, risk aspects, and legal frameworks as well as consumer protection issues.

Since the COVID-19 pandemic, heightened volatility has plagued the financial markets, leading to negative asset valuations, reduction in the foreign exchange reserves, and weakening of domestic currencies. MEFMI will train officials on the use of derivatives to manage financial risk and fixed income strategies to diversify and grow foreign exchange reserves and to assist in meeting the respective countries' debt and foreign exchange obligations. MEFMI has developed an Internal Credit Risk Analysis Tool which is available for use by member countries to monitor credit risk of bond issuers to augment the credit analysis function amid the current volatile global environment. In all the programs to be implemented, MEFMI has prioritized the inclusion of climate change perspectives in its programming to align with the emergent issue that will shape fiscal and monetary policy going forward.

Navigating fiscal challenges in sub-Saharan Africa: Resilient strategies and credible anchors in turbulent waters*

FABIO COMELLI

Senior Economist, African Department, International Monetary Fund (IMF)

ANTONIO DAVID

Deputy Division Chief, African Department, IMF

LUC EYRAUD

Division Chief (Regional Studies) and Botswana Mission Chief, African Department, IMF

PETER KOVACS

Economist, European Commission

JIMENA MONTOYA

Senior Economist, Central Reserve Bank of Peru

ARTHUR SODE

Economist, African Department, IMF

Public debt in sub-Saharan Africa has risen to levels not seen in decades, reaching almost 60% of GDP by the end of 2022. Repaying this debt has also become much costlier. The region's ratio of interest payments to revenue, a key metric to assess debt servicing capacity and predict the risk of a fiscal crisis, has more than doubled since the early 2010s and is now close to four times the ratio in advanced economies, according to the IMF's World Economic Outlook database. As of 2022, more than half of the low-income countries in sub-Saharan Africa were assessed by the International Monetary Fund (IMF) to be at high risk or already in debt distress.

In a recent paper, we discuss in detail policies needed to reverse these worrisome trends and preserve the sustainability of public finances, while also achieving the region's development goals.[19] In our view, one of the fundamental weaknesses that plagues the conduct of fiscal policy in Africa is the absence of clear medium-term strategy and an excessive focus on short-term fiscal deficit goals without a clear vision of where the debt trajectory should go. This weakness, which we describe in the paper as a "lack of anchoring," has resulted in frequent breaches of fiscal rules and ever-increasing public debt levels.

A more strategic approach to fiscal policy would be preferable by setting explicit debt targets that integrate key policy trade-offs between debt sustainability and development objectives. The paper suggests a novel methodology to estimate country-specific medium-term debt anchors, which ensures that debt service costs remain manageable. According to this methodology, the median debt anchor for sub-Saharan Africa is about 55% of GDP; slightly more than half of the countries were above their anchor at the end of 2022.

The analysis also shows that most countries in the region will need to reduce their fiscal deficits in the coming years. For a typical country, the amount of adjustment is estimated at about 2% to 3% of GDP, which seems feasible given historical experience. In the past, sub-Saharan African countries have been able to improve their primary balance by 1% of GDP a year over two to three years.

* The views expressed here are those of the author and should not be attributed to the IMF, its Executive Board, or its management.

19 Comelli, Fabio et al. 2023. "Navigating Fiscal Challenges in Sub-Saharan Africa." International Monetary Fund.

Sub-Saharan African countries tend to rely excessively on expenditure cuts to reduce their fiscal deficits. Although this may be warranted in some circumstances, revenue measures, like eliminating tax exemptions or digitalizing filing and payment systems, should play a greater role.

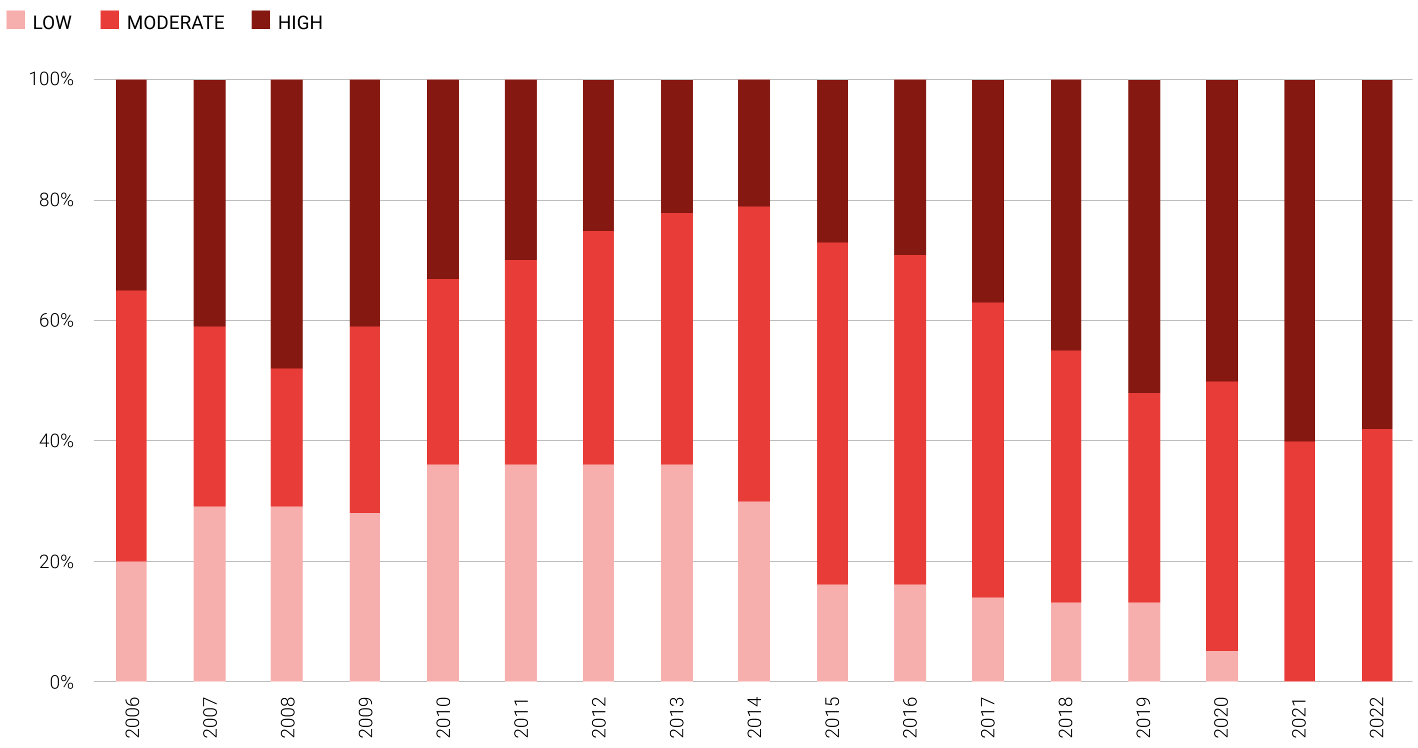
But not all countries face the same challenge. According to our estimates, about a quarter of the region's economies still have some fiscal space and can use it to maintain and even increase vital investments in human and physical capital. In contrast, a few countries have very large adjustment needs; for them, it is unlikely that fiscal consolidation alone will be enough to ensure fiscal sustainability. It may need to be complemented by debt reprofiling or restructuring.

Regarding the composition of adjustment, sub-Saharan African countries tend to rely excessively on expenditure cuts to reduce their fiscal deficits. Although this may be warranted in some circumstances, revenue measures, like eliminating tax exemptions or digitalizing filing and payment systems, should play a greater role. While difficult to achieve, large and rapid increases in revenue have been observed in some countries like Rwanda, Senegal, and Uganda, which relied on a mix of revenue administration and tax policy measures.

FIGURE 3

ALL LOW-INCOME COUNTRIES INCLUDED IN THE IMF'S LIC DSF ARE IN MODERATE OR HIGH DEBT DISTRESS

According to the World Bank and IMF debt sustainability framework (DSF), nearly four in ten low-income African countries were at low risk of external debt distress in 2013. As of 2021, all low-income African countries were in moderate or high risk. Policy actions are needed to raise domestic revenues in view of the elevated debt levels.



Note: The number of countries varies by year.

Source: World Bank. 2023. Africa's Pulse, April 2023. World Bank Group.

Making Africa's credit ratings more objective

RAYMOND GILPIN

Chief Economist and Head of Strategy, Regional Bureau of Africa, United Nations Development Programme (UNDP)
@raymondgilpin

DAOUDA SEMBENE

Chief Executive Officer, AFRICATALYST
@DaoudaSembene

DANIEL CASH

Associate Professor, Aston University in the UK

JACOB ASSA

Senior Economist and Strategic Advisor, UNDP Regional Bureau of Africa

ALOYSIUS UCHE ORDU

Senior Fellow and Director, Africa Growth Initiative, Global Economy and Development, Brookings Institution
@aloysiusordu

In recent decades, the financing for development landscape has changed dramatically, with aid flows declining relative to investment and borrowing on capital markets. This makes the cost of borrowing critical. African countries face some of the highest borrowing costs in the world for sovereign debt, partly due to low credit ratings. Only two African economies are currently rated at investment-grade levels, implying high interest rates and low borrowing volumes for the continent.

In contrast with previous analysis of the reasons for low credit ratings for Africa, a recent UNDP report focuses on the lack of sufficient hard data on African economies and the resulting subjective components included by global rating agencies in assessing the risk of lending to Africa. Compared to credit-scores based solely on macroeconomic and financial indicators, ratings by agencies sometimes overrate, sometimes underrate, and often contradict each other for the same country. In many cases, the ratings analysts of global agencies do not even visit the country in question.

This means that, even without any systemic bias, the sovereign credit ratings of African countries often deviate from what the (limited) data would otherwise suggest. The UNDP analysis quantifies both the financial and development costs of such credit-ratings idiosyncrasies, which reduces the resources available to achieve the Sustainable Development Goals (SDGs).

In purely monetary terms, subjectivity in credit ratings costs African countries (for which data was available) over $24 billion in excess interest and more than $46 billion in forgone lending,[20] over the life of various bonds (in both domestic and foreign currencies). This estimate of $75 billion loss is greater than the entire Official Development Assistance (ODA) to Africa in 2021 ($30 billion), more than twice the cost of reducing malaria by 90% (US$34 billion), and six times greater than the cost of vaccinating 70% of Africans (US$12.5 billion) to achieve herd immunity to COVID-19.

Reducing the cost of borrowing for Africa

What can be done to reduce the subjectivity of Africa's credit ratings, and thus reduce its borrowing cost and increase the funds available for its development?

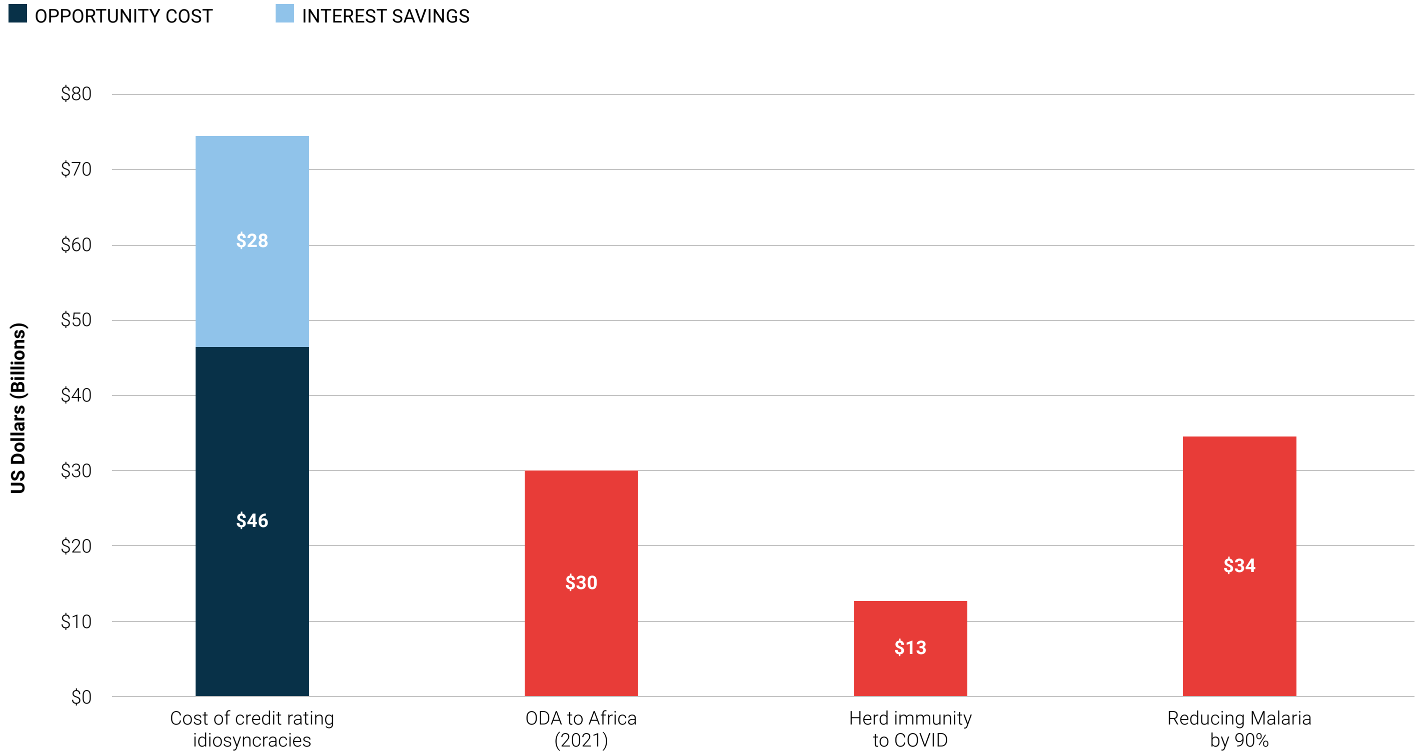
On the part of global credit agencies, there is a need for more transparency regarding their ratings process and what portion of it is subjective. UNDP, Brookings Institution, Africatalyst, and the African Union's African Peer Review Mechanism (APRM) can

20 UNDP, Regional Bureau for Africa. 2023. Reducing the Cost of Finance for Africa. The United Nations Development Programme.

FIGURE 4

SUBJECTIVITY IN CREDIT RATINGS IS EXTREMELY COSTLY FOR AFRICAN COUNTRIES

A recent UNDP report found that African economies lose $46 billion in potential investment and an additional $28 billion in interest payments due to subjectivity in credit ratings. These exceed the amount of ODA flows to Africa in 2021.



Source: UNDP. 2023. "Reducing the cost of finance for Africa: The Role of Sovereign Credit Ratings." Regional Bureau of Africa: April 2023.

open a conversation with the three leading agencies on this, as well as on the need for them to take a closer look at African countries, with more in-country presence.

In this context, several African credit rating agencies already operate on the continent and need to be involved in this conversation given their greater familiarity with the regional and country context of African economies and financial markets.

For African governments, there is a need to strengthen the amount and quality of data they submit to rating agencies, as well as their capacity to engage with these agencies more robustly. In response, a UNDP project was launched in the fourth quarter of 2023, which aims to deploy high-level experts and former ratings analysts to work with African government during the ratings process.

Battling global headwinds: Three lessons for Africa from East Asia

AMIT JAIN

Director, NTU-SBF Centre for African Studies, Nanyang Business School, Nanyang Technological University

@Amit_Jain_World

The economic growth forecast for Africa over the next two years is no more than 4% per annum.[21] For a continent whose population, one-third of whom lives on less than U.S. $2.15 a day, is itself growing at more than 2.5% per annum, that is not such good news.[22,23] It means less revenues for governments and even less money in the pockets of everyday citizens whose incomes have been eroded by inflation. Africa faces multiple challenges as it looks to 2024. Here are three lessons it can take from East Asia as it braces for the headwinds ahead.

A well-regulated deep financial market is like a well-lubricated combustion engine. It may not be perfect, but once it fires up it can get capital from where it is available to where it is required without much friction.

First, reduce reliance on external sources of finance and mobilize domestic capital. A stronger U.S. dollar and high interest rates makes servicing debt much more difficult. It would be unwise to keep borrowing from international creditors: Africa needs to tap on its own pool of wealth. Start with the U.S. $2.3 trillion worth of investment funds, pension funds, and sovereign wealth funds that are locked overseas.[24] These could be ploughed back home if the capital market was deeper. South Korea financed its own industrialization by channeling much of its domestic retirement savings into national champions such as Samsung and Hyundai. It could do that because there was a well-regulated functional capital market to facilitate such transactions. One of the key factors why industrialization in Africa has remained stagnant is the underdeveloped state of its capital markets. It is perhaps the best available means to channel domestic private savings into productive sectors of the economy. Capital market is a catalyst for capital formation. It makes it possible to pool small savings into bigger investments. The wider the participation of citizens in the capital markets, the lesser is the need for the state to rely on foreign borrowings for development. The ability to borrow through financial markets is viewed by investors as a sign of competitiveness. The success of the African Exchanges Linkage Project—a pan-African experiment aimed at unifying seven regional stock markets—could, therefore, be transformative. A well-regulated deep financial market is like a well-lubricated combustion engine. It may not be perfect, but once it fires up it can get capital from where it is available to where it is required without much friction. If the Pan-African Payment and Settlement System, which enables near-instant cross-border payments in local currency is a success it will not only remove an important impediment to intra-African trade but could also end African trade dependency on hard currencies like the U.S. dollar and third-party banks in the U.S. or Europe.

21 IMF. 2023. "World Economic Outlook: Navigating Global Differences." https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023.

22 IMF. 2023. "Africa: Special Issue, October 2023. In Pursuit of Stronger Growth and Resilience." https://www.elibrary.imf.org/display/book/9798400254772/9798400254772.xml#:~:text=In%20the%20near%20term%2C%20there,is%20too%20early%20to%20celebrate.

23 The Economist. 2020. "Africa's population will double by 2050." https://www.economist.com/special-report/2020/03/26/africas-population-will-double-by-2050.

24 AFDB. 2023. "Mobilising capital for Africa's prosperity: Second Annual Meeting of Africa Sovereign Investors Forum highlights importance of strategic partnerships."

Second, build public grain reserves and incentivize farmers to produce more staple indigenous crops by subsidizing seeds and fertilizers, delivering extension services, and guaranteeing minimum price support for their output. Food security can neither be left to the whims of the market nor the dictates of the state.

Second, build public grain reserves and incentivize farmers to produce more staple indigenous crops by subsidizing seeds and fertilizers, delivering extension services, and guaranteeing minimum price support for their output. Food security can neither be left to the whims of the market nor the dictates of the state. Look at China: Having suffered the worst man-made famine in living memory, Beijing is so paranoid about food security that it now keeps enough rice and wheat in reserves to feed its 1.4 billion citizens for more than 18 months.[25] China's grain import dependence is no more than 19% of its requirement, while those of meat and dairy products are at 9% and 30% respectively.[26] IMF estimates suggest 158 million Africans are acutely food insecure. That is nearly 13% of its population.[27] African governments, on average spend less than 5% of their annual national budget on agriculture.[28] In 2003, the African Union called for African governments to at least double their public expenditure and allocate at least 10% of their annual budget to the agriculture sector. [29] Africa will also need to build strategic grain reserves if it is to counter harvest failures that will inevitably occur more frequently as the climate changes.

Third, industrialize at warp speed. Manufacturing is a time-tested path to economic transformation. When East Asia first plugged itself into the global manufacturing value chain, it did so at the bottom of the ladder, producing cheap toys, footwear, and garments. But as incomes grew, so did wages and those very same manufacturing jobs moved to South and South-East Asia where labor costs were far more competitive. Although manufacturing labor costs in Africa are still higher than those in South Asia, the gap appears to be closing.[30] With a few exceptions, African economies are dominated by low-productivity services sectors. According to the World Bank, the services sector constitutes almost 47% of economic activity in sub-Saharan Africa by value.[31] But these are typically low-productivity services that have done little to improve per capita incomes. No other sector can convert unskilled informal labor into a productive formal labor faster than manufacturing. 60% of African imports consist of manufactured goods by value.[32] If some of these goods are manufactured locally, then Africa will be able to keep a greater proportion of that value at home and create new jobs. As manufacturing ramps up, so will the demand for higher-value services. Nonetheless, Africa must position itself differently. China used wage arbitrage to industrialize at a time when labor was still a key factor cost in manufacturing. But robotics and AI may soon wipe out any wage cost advantage for industrial latecomers. As supply chains shift and global trade fragments along geopolitical lines, Africa has a short window of opportunity to industrialize.

25 Tang, Frank and Orange Wang. South China Morning Post (SCMP). 2022. "'China didn't hoard grains': stockpiling to ensure domestic food security has global implications." https://www.scmp.com/economy/china-economy/article/3173619/china-didnt-hoard-grains-stockpiling-ensure-domestic-food.

26 Ibid.

27 IMF. 2023. "Africa: Special Issue, October 2023. In Pursuit of Stronger Growth and Resilience."

28 McKinsey & Company. 2010. "Africa's path to growth: Sector by Sector." McKinsey Quarterly. https://www.mckinsey.com/featured-insights/middle-east-and-africa/africas-path-to-growth-sector-by-sector.

29 AU. 2003. "Agricultural Development."

30 Kelhofer, Kyle. 2023. Africa Singapore Business Forum.

31 World Bank. 2022. Services, value added (% of GDP) – Sub-Saharan Africa data.

32 Cilliers, Jakkie. 2021. ISS: African Futures. "The Future of Africa: Challenges and Opportunities."

Options for resolving Ethiopia's debt

ALI ZAFAR

Economic Advisor and Head of Development Policy Research Hub, UNDP
@zafarglobal

Ethiopia is one of the most important economies in East Africa and is Africa's second most populous country. While having a strong annual GDP growth rate between 2000 and 2020, it has suffered from the combined effects of economic shocks in recent years—the COVID-19 Pandemic, the Northern Ethiopia war, recurring droughts, and the Ukraine crisis.[33] These shocks have jeopardized its macroeconomic stability and adversely impacted its human development. In 2023, real GDP growth has reduced, and inflation averaged more than 30%.[34, 35]

Adverse shocks have led to a worsening of its twin current account and fiscal deficits. In 2023, the country imported more than USD 17.7 billion of goods and exported close to USD 3.6 billion, and there is compressed fiscal space. A large portion of the budget has been going to debt servicing and defense, eclipsing social expenditure. The stock of Ethiopia's public debt (domestic and external) at the end of December 2022 reached USD 59.3 billion equivalent, or close to 50% of GDP.[36] Since the debt/GDP metric is a necessary but insufficient measure in terms of assessing debt vulnerability, another metric—debt servicing costs—has been quite high, with the debt service to export ratio at about 22% and with at least USD 7 billion due from 2023-2025, including a USD 1 billion Eurobond principal payment in December 2024.[37] The country has been classified by the IMF at a high risk of debt distress.

In early 2021, Ethiopia, applied to the Common Framework (CF) for debt relief and became one of the four African countries to request a debt treatment, together with Ghana, Zambia, and Chad. The delay in the CF has been palpable. In December 2023, Ethiopia became the latest African country to default on its external debt as it indicated to bondholders it has been unable to make a USD 33 million coupon repayment on its USD 1 billion Eurobond for a combination of liquidity constraints and strategic considerations.

33 IMF. The Federal Democratic Republic of Ethiopia: Country data.

34 Ibid.

35 Ethiopian Statistical Service. 2023. Consumer price index data.

36 UNDP. 2023. "Quarterly Economic Profile: Ethiopia." https://www.undp.org/sites/g/files/zskgke326/files/2023-07/Quarterly%20economic%20profile_FINAL_July%202023.pdf.

37 UNDP. 2023. "From Debt to Development: What are Ethiopia's Choices?" UNDP Working Paper Series 3. https://www.undp.org/sites/g/files/zskgke326/files/2023-04/UNDP%20-%20Shock%20Document%20-%20Working%20Paper%20Series%203%20-%20Final%20April%2013 2023.pdf.

A second option is to provide debt relief that would reduce the total volume of debt service payments between 2024 and 2033 by 20%. It implies debt haircuts on outstanding debt. This option provides a smoother path to debt and fiscal sustainability and more finance for climate adaptation, but it would require creditor appetite, which has been reluctant.

Ethiopia has multiple ways to address shortfalls. On the one hand, Ethiopia has its own responsibilities for domestic resource mobilization that can be achieved through a widening tax base, improving tax efficiency, better public finance management, and mitigation of corruption. On the other hand, there are several debt relief and restructuring options and policy tools, each with their own advantages and implementation barriers, that Ethiopia can use to create extra fiscal room for post-conflict spending (including social protection and climate resilience), implementation of reforms, and restoration of peace.

Several options can be envisaged. The first option is to have a CF debt reprofiling involving maturity extension, where there is equitable burden sharing between China, the bilateral lenders, and the private creditors, together with an IMF program. The idea is to cap debt service payment at a ceiling of USD 1.75 billion per year with a payment extension until 2033.[38] This option requires government commitment to a stable macroeconomic framework and spending aligned with SDG goals. However, this reform might not get the full support of creditors as it could be perceived as slow. Also, a realistic debt sustainability assessment might indicate that Ethiopia has a solvency problem rather than a liquidity challenge. A second option is to provide debt relief that would reduce the total volume of debt service payments between 2024 and 2033 by 20%.[39] It implies debt haircuts on outstanding debt. This option provides a smoother path to debt and fiscal sustainability and more finance for climate adaptation, but it would require creditor appetite, which has been reluctant. A third option would be to have debt swaps involving debt exchange, in local currency, to finance development projects, but this requires government commitment, donor support, and rigorous monitoring. A final option would be to restructure its Eurobond, but there will be technical hurdles, difficulty enforcing comparability of treatment between creditors, and the need to find the right formula for Eurobond payments at a time of global escalating borrowing costs. In sum, Ethiopia has multiple options to handle its debt challenges.

38 Ibid.

39 Ibid.

Enabling African philanthropy

UNA OSILI

Professor of Economics and Philanthropic Studies, Indiana University
@UOsili

The growing recognition of African talent, creativity, and resources has led to a renewed focus on the evolving landscape of African philanthropy **at home and abroad.**

For the last two decades, the role of African philanthropists in driving change on the continent has gained attention. Moreover, the growth of digital platforms has given visibility to informal philanthropy and mutual aid networks.[40] African funders and philanthropists include Afrobeats musician *Wiz Kid* as well as the Mo Ibrahim Foundation, the Tony Elumelu Foundation and the Higher Life Foundation, among others. Studies have also documented the importance of indigenous African organizations working on education, climate change, gender equity, health, and other causes.[41]

The data from the GPT suggests an alternative narrative on Africa that departs from division, strife, and scarcity. Instead, philanthropy offers a hopeful vision of Africa's future that builds on its talents and resources. Africa's most significant resource is its human capital, which includes the African diaspora living outside the continent.

The recent 2023 Global Philanthropy Tracker (GPT) examines formal philanthropic outflows of 47 countries around the globe and shows how African philanthropic flows can be harnessed within the larger context of remittances, official development assistance, and private capital investment.[42] **Five African countries: Kenya, Nigeria, South Africa, Tanzania, and Uganda—tracked USD 38 million in philanthropic outflows**. These countries dispersed nearly USD 7 billion in remittances, highlighting that remittances and diaspora populations play a vital role in cross-border financial flows.

The data from the GPT suggests an alternative narrative on Africa that departs from division, strife, and scarcity. Instead, philanthropy offers a hopeful vision of Africa's future that builds on its talents and resources. Africa's most significant resource is its human capital, which includes the African diaspora living outside the continent.

One critical question is how to maximize the power of philanthropy for Africa's development. What strategies can policymakers employ to support African philanthropists at home and abroad?

40 Indiana University: Lilly Family School of Philanthropy. 2023. "Digital for Good: A Global Study on Emerging Ways of Giving." https://globalindices.iupui.edu/additional-research/digital-for-good/index.html.

41 Moyo, Bhekinkosi, Mzukisi Qobo, and Nomfundo Ngwenya. 2023. "African Philanthropy: Philanthropic Responses to Covid-19 and Development Goals in Africa."

42 Indiana University: Lilly Family School of Philanthropy. 2023. Global Philanthropy Tracker. https://globalindices.iupui.edu/tracker/index.html.

The "2022 Global Philanthropy Environment Index: Africa Edition" explores how the climate for philanthropy is evolving in 13 African countries across six factors. Only six of the 13 countries had an overall favorable environment for philanthropy: Ethiopia, Ghana, Kenya, Morocco, Senegal, and South Africa.[43] For philanthropy to continue to grow, governments and civil society leaders must support policies that build on the strengths of Africa's traditions of generosity. These policies may include:

1. Supporting tax incentives, matching grants, and other joint initiatives that can serve as catalysts for African donors;

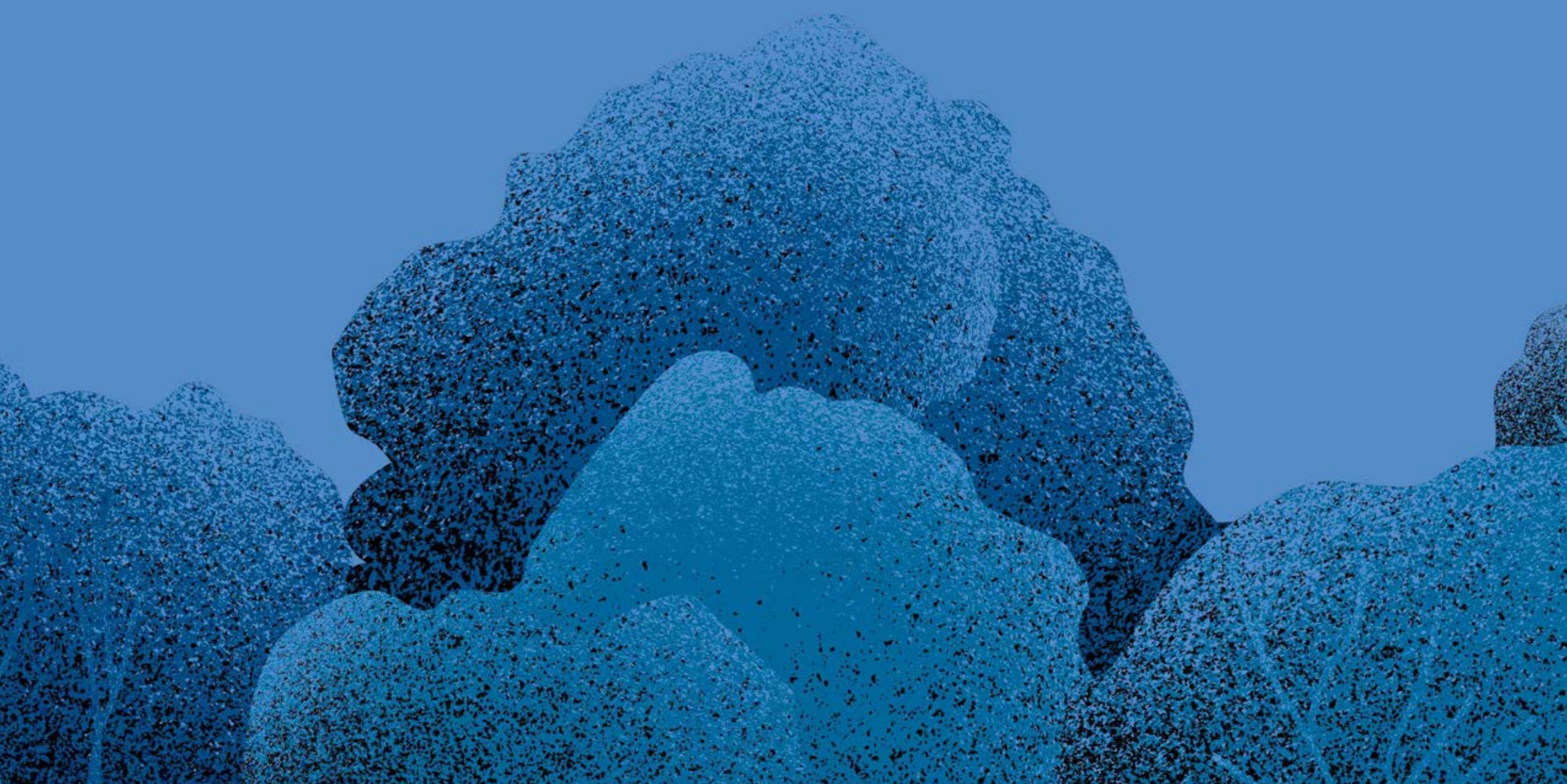
2. Reducing barriers to cross-border flows, as less restrictive regulations combined with more stable economic conditions can spur diaspora engagement;

3. Finally, encouraging the growth of an innovative philanthropic ecosystem is also vital. New approaches to philanthropy, such as crowdfunding, mobile giving, impact investing, and venture philanthropy are unique opportunities to engage the African diaspora.

The future will depend on harnessing the resources and talents of the African continent at home and abroad while supporting philanthropy and collaborative approaches.

43 Indiana University Lilly Family School of Philanthropy. 2023. 2022 Global Philanthropy Environment Index: Africa Edition. https://scholarworks.iupui.edu/server/api/core/bitstreams/9274b917-2684-474f-b5b7-09aea49fd98c/content.

2 CLIMATE CHANGE



ESSAY

VIEWPOINT

The climate crisis: A generational opportunity for Africa

VERA SONGWE

Nonresident Senior Fellow, Global Economy and Development, Brookings Institution
@SongweVera

The climate crisis is intensifying, extreme events have become the new normal. The fight against climate must not, however, slide into a long, low-intensity crisis. It is a daunting but not insurmountable challenge. Well-executed and at scale, winning the climate battle is synonymous to winning the battle against poverty. It is in this sense that the battle for our planet is also a battle for the prosperity of all its people.

Each year the destruction to the planet is harsher than the last. In 2021 atmospheric levels of greenhouse gases reached new highs.* The increase in CO_2 from 2020 to 2021 was higher than the average annual growth rate over the last decade. Similarly, the annual increase in methane from 2020 to 2021 was the largest annual increase on record. The year 2022 was either the fifth or the sixth warmest year on record according to six data sets.[1]

Africa is ground zero of the climate crisis. Over the past 60 years, Africa has recorded a warming trend that has generally been more rapid than the global average, according to the Intergovernmental Panel on Climate Change.[2]

The impact on lives and livelihoods is devastating. Over 110 million people in 2022 were impacted by the climate crisis in Africa.[3] Food inflation reached its highest levels in three decades at on average 30%, compounded by the war in Ukraine.[4]

It is estimated that nearly 282 million people in Africa (about 20% of the population) are undernourished, and suffer from food insecurity on the continent.[5] Droughts and flood are worsening agriculture productivity and increasing Africa's dependence on food imports, worsening the current account balance, and displacing productive investments.

Improvements in livelihoods are correlated with climate events and policies. The response to the climate crisis in Africa broadly calls for a three-pronged approach: Mitigation, adaptation, and nature.

* The latest year for which consolidated global figures are available.

1 World Meteorological Organization. "State of the Global Climate 2022." WMO-No. 1316. https://library.wmo.int/viewer/66214/download?file=Statement_2022.pdf&type=pdf&navigator=1.

2 The Intergovernmental Panel on Climate Change (IPCC). 2021. "Regional fact sheet – Africa." Working Group 1 –The Physical Science Basis contribution to Sixth Assessment Report. https://www.ipcc.ch/report/ar6/wg1/downloads/factsheets/IPCC_AR6_WGI_Regional_Fact_Sheet_Africa.pdf.

3 World Meteorological Organization (WMO). 2023. "State of the Climate in Africa 2022." WMO-No. 1330. https://library.wmo.int/records/item/67761-state-of-the-climate-in-africa-2022.

4 Food and Agriculture Organization of the United Nations (FAO). FAO Food Price Index. https://www.fao.org/worldfoodsituation/FoodPricesIndex/en/.

5 FAO, AUC, EXA and WFP. 2023. "Africa – Regional Overview of Food Security and Nutrition 2023: Statistics and trends." https://www.fao.org/africa/news/detail-news/en/c/1672786/.

Despite its low emissions levels and favorable initial endowments, Africa must engage on all three fronts. With its increasing population, urbanization, and industrialization, emissions are set to increase in the medium term, but they can be managed and steered toward a progressive transition which delivers growth while protecting our planet.

The paradox of Africa: Africa is energy-access poor, it is renewable energy rich but a large part of its energy comes from coal and other fossil fuels. Of the 1.2 gigatons (Gt) of carbon dioxide emitted in 2020 in Africa, 40% came from fossil fuel-based electricity and heat generation, a quarter from transport and another 17% from productive uses. Closing the energy access gap will require an estimated annual investment of over $25 billion up to 2030.[6]

In 2022, African countries lost close to $9 billion as a result of loss and damage suffered and spend over 5-15% of their GDP per capita building it back. The loss and damage costs in Africa due to climate change are projected to reach at least USD 290 billion (in a 2 °C warming scenario).[7,8]

Africa's carbon sinks help to slow the speed of global warming and provide a global public good to the planet. A recent study shows that African Tropical forests hold more carbon than previously believed and together sequester more carbon than any other forests in the world.[9] 26% of land in Africa is classified as forest.[10]

Illegal logging, poor agriculture, and cooking practices are responsible for the destruction of these vital forests.

Transitioning to a more inclusive green industrial growth agenda offers Africa the best opportunity to accelerate its growth, provide jobs, transform its economies, and build thriving, prosperous societies. Transitioning to the climate economy consistently delivers a higher growth trajectory for African countries. Studies by Vivid Economics, Oxford University, and UNECA for South Africa, DRC, and Egypt in collaboration with the authorities highlight this growth potential.[11,12,13] The Automotive Masterplan in South Africa could double employment from 120,000 to 240,000 and increase

6 International Energy Agency (IEA). "Africa Energy Outlook 2022." World Energy Outlook Special Report. https://iea.blob.core.windows.net/assets/220b2862-33a6-47bd-81e9-00e586f4d384/AfricaEnergyOutlook2022.pdf.

7 Zero Carbon Analytics. 2023. "Loss and damage funding in Africa will be back on the table at COP28." https://zerocarbon-analytics.org/archives/justice/keeping-loss-and-damage-alive-in-africa.

8 World Meteorological Organization (WMO). 2023. "State of the Climate in Africa 2022." WMO-No. 1330.

9 Cuni-Sanchez, A., Sullivan, M.J.P., Platts, P.J. et al. High aboveground carbon stock of African tropical montane forests. Nature 596, 536–542 (2021). https://doi.org/10.1038/s41586-021-03728-4.

10 FAO. 2021. "Africa Open D.E.A.L.: Open Data for Environment, Agriculture and Land & Africa's Great Green Wall." https://www.fao.org/3/cb5896en/cb5896en.pdf.

11 O'Callaghan, Brian, Julia Bird, and Em Murdock. 2021. "A Prosperous Green Recovery for South Africa." Oxford University Recovery Project, SSEE and Vivid Economics in partnership with the United Nations Economic Commission for Africa.

12 O'Callaghan, Brian, Julia Bird, and Em Murdock. 2021. "Green Economic Growth for the Democratic Republic of Congo." Oxford University Recovery Project, SSEE and Vivid Economics in partnership with the United Nations Economic Commission for Africa.

13 O'Callaghan, Brian, et. al. 2021. "Green Economic Recovery for the Arab Republic of Egypt: Could green investment accelerate the COVID-19 recovery while at the same time making progress on climate change?" Oxford University Recovery Project, SSEE and Vivid Economics in partnership with the United Nations Economic Commission for Africa.

domestic vehicle production to 1% of global output, of which 20% will be EVs by 2030. These results are similar for Egypt, Senegal, Kenya, and DRC.[14]

Closing the policy and finance gap

African economies can deliver comprehensive economic programs by designing country-led green, sustainable growth strategies. However, for these policies to be successful they need the right policy environment and adequate financing from both domestic and external sources.

The response to the climate crisis must be global, swift, and at scale. The world needs USD 2.4 trillion per year by 2030, of which USD 1 trillion per year must come from external finance for emerging markets and developing countries (EMDCs) other than China to credibly tackle the climate change challenge.[15] With the polycrisis from 2020-2023, countries have used up all the fiscal space available to undertake development and investment activity. Increasing debt burdens are also weighing heavily on countries.

Despite increasing costs, financing for climate to Africa is shrinking. It will cost between USD 2.8-3 trillion between 2020 and 2030 to implement Africa's nationally defined contributions (NDCs). However, total annual climate finance flows in Africa for 2020, domestic and international, were only USD 30 billion, or 12% of the amount needed.[16]

Climate finance on the continent must be additional, affordable and wealth-creating.

The main financing for climate action will come from three sources: domestic resources, the Multilateral Development Banks and bilateral resources, and the private sector—capital markets, institutional investors.

The main financing for climate action will come from three sources: domestic resources, the Multilateral Development Banks and bilateral resources, and the private sector—capital markets, institutional investors.[17] Philanthropy is increasingly becoming an important source of resources.

National governments will continue to fund over half the costs of climate investments. While tax to GDP has increased over the last decade in Africa, the 15.6% average should increase to around 30% to provide governments with the fiscal space required to undertake climate investments at scale.[18] There are two ways this can be done. First, phasing out fossil fuel consumption subsidies and second, the rapid development of a market-based, transparent, high-integrity carbon emissions voluntary or compliance trading system. According to studies from the UN Economic Commission for Africa,

14 Ibid.

15 Independent High-Level Expert Group on Climate Finance. 2022. "Finance for climate action: Scaling up investment for climate and development." https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf.

16 Guzman, Sandra, et. al. 2022. "The State of Climate Finance in Africa: Climate Finance Needs of African Countries." Climate Policy Initiative. https://www.climatepolicyinitiative.org/wp-content/uploads/2022/06/Climate-Finance-Needs-of-African-Countries-1.pdf.

17 Songwe, Vera. 2023. "Financing Our Survival." Project Syndicate.

18 OECD. 2023. "Revenue Statistics in Africa 2023." https://www.oecd.org/tax/tax-policy/brochure-revenue-statistics-africa.pdf.

Africa could raise approximately USD 6 billion in revenue by 2030 and over USD 120 billion by 2050 from carbon markets alone.[19] Initiatives like this and the great green wall could raise resources to fund nature protection activities.

The international financial system deploys annually about USD 100 billion in addition to some USD 30 billion deployed by the international development association (IDA).[20] These resources are grossly inadequate to deal with the triple challenges of fighting poverty, building a sustainable planet, and increasing prosperity for all. The IEG report has called for a tripling of the resources made available to the MDBs to about USD 390 billion.[21] It does not suffice to capitalize the MDBs; they also need to reform to become bolder and better, working more together as a system and, where possible, pulling resources for greater scale and impact. These include using their guarantees more effectively to provide credit enhancements to attract the private sector. Public resources would be fundamental to close funding gaps on loss and damage, for example, and dedicated agencies like the Green Climate Fund will remain important funding agencies for Africa. However, to restore trust in the system, these institutions must be adequately funded. The Bridgetown Initiative and the Nairobi Declaration all propose new and innovative ways of using concessional financing. High debt to GDP levels is crowding out much needed investments in climate. Implementing debt for nature swaps could help countries access additional financing.

The IMF's USD 40 billion Resilience and Sustainability Trust is another important source of financing which provides long-term concessional financing. The provision of additional on-lending of Special Drawing Rights could augment the fund to USD 100 billion. Developing countries are calling for additional liquidity in the form of a new issuance of "climate" SDRs to help provide the liquidity needed to address the biggest challenge of our time. Regional Development Banks should become active recipients of SDRs.

The private sector, institutional investors, equity investors, domestic and foreign, would provide the bulk of the financing needed for mitigation and adaptation projects with a satisfactory risk adjusted rate of return. 66% of Africa's climate finance needs are mitigation needs where there is more private sector appetite.[22] African pension and sovereign wealth funds are increasingly investing in climate projects. The Glasgow Financial Alliance for Net Zero is supporting the Senegal Just Energy Transition Plan. Increasingly philanthropy capital is supporting project preparation and development for example the Global Energy Alliance for People and Planet.

The climate challenge ahead for Africa is immense, however, with the right policy environment, adequate financing and country programs that deliver green industrialization as a core part of the solution, success is possible. Africa can and must do more to support the global ambition to end climate change while delivering prosperity for its citizens.

19 Climate Champions. 2022. "Africa Carbon Markets Initiative launched to dramatically expand Africa's participation in voluntary carbon market." https://climatechampions.unfccc.int/africa-carbon-markets-initiative/.

20 The Independent Experts Group. 2023. "Strengthening Multilateral Development Banks: The Triple Agenda."

21 Ibid.

22 Kone, Tiangoue. UNDP. 2023. "For Africa to meet its climate goals, finance is essential."

Africa: Navigating the energy transition

YEMI OSINBAJO

Immediate Past Vice President of the Federal Republic of Nigeria
@ProfOsinbajo

Africa is faced with not one, but two existential challenges. There is climate change itself, warming up the continent faster than any other region of the world. And despite emitting the least to global emissions, Africa remains the most vulnerable to the worst of its ravages. Then there is the added challenge of energy poverty and lack of access, and its implications for the survival of Africa's 1.4 billion people, 580 million of whom have no access to energy.[23] More than 150 million Africans have access to unreliable energy and nearly 1 billion have no access to clean cooking, leading to 600,000 avoidable deaths per year.[24]

For Africa, the energy transition is therefore not merely about reaching net zero by a target date, but about securing a decent existence and sustainable livelihoods for the fastest growing population on earth.

For Africa, the energy transition is therefore not merely about reaching net zero by a target date, but about securing a decent existence and sustainable livelihoods for the fastest growing population on earth. However, were Africa to grow to middle to high income status on the same carbon intensive pathway that wealthier countries have gone, she will add at least 9.4 gigatons of CO_2 emissions annually until 2050,[25] making global net zero ambitions impossible to achieve. But this conundrum disguises a real opportunity: An opportunity for Africa to grow to middle income status and beyond while solving humanity's biggest existential threat, climate change. The opportunity lies in climate positive growth. African countries can decarbonize the world, halt, and eventually undo climate damage—and generate inclusive economic growth, jobs, and livelihoods. With the world's largest untapped renewable energy potential, youngest and fastest growing workforce, and 30% of the world's critical minerals, Africa is uniquely positioned to lead on green global manufacturing and supply chains and remove carbon from the air. The abundance and low seasonality of Africa's renewable energy position it to reliably provide considerably cheaper renewable base load to continuously power industrial production. Providing the same renewable base load from Kenya would cost half as much as from Spain, one of Europe's best renewable power locations, and 20% less from Nigeria.[26] In fact, by aggressively deploying its renewable energy resources, Africa can provide energy to all Africans—600 million of whom currently lack access to energy and 150 million of whom have unreliable access to energy—at a 30% lower cost and with over 90% lower emissions per kWh, compared to the current stated policy.

Furthermore, significant cost efficiencies can be achieved by establishing green value chains to process critical raw materials on the continent. A BloombergNEF study on the production of battery precursors found that manufacturing in the lithium and

23 International Energy Agency. 2023. "SDG7: Data and Projections".

24 Fiona Lambe, Marie Jürisoo, Hannah Wanjiru, and Jacqueline Senyagwa. 2015. "Bringing clean, safe, affordable cooking energy to households across Africa: an agenda for action." Stockholm Environment Institute.

25 Climate Action Platform Africa (CAP-A).2023. "Towards sustainable global prosperity - Climate Positive Growth". Nairobi, Kenya: Climate Action Platform Africa.

26 Ibid.

cobalt rich Democratic Republic of the Congo (DRC) is three times cheaper than in the U.S., Poland, and China.[27] In addition, manufacturing in DRC would expand value chain opportunities to other African countries, as the process would require manganese from Zambia, Tanzania, Gabon, and South Africa to contribute to its production capacity. Using green hydrogen to process raw materials such as iron ore (nearly 80 tons produced annually) into green steel locally would also lower global emission rates by 110 million tons a year and supply global car manufacturers.[28]

In fact, African countries are already inserting themselves firmly in value chains by imposing restrictions on the export of critical raw minerals. Excluding North Africa, over 42% of African countries[29] now have these restrictions, including Zimbabwe (with Africa's largest lithium reserves), Namibia, and Nigeria. Mining companies are establishing local processing plants in response, creating more job opportunities for Africa's young and growing workforce. It is critical that these establishments are accompanied by local laws ensuring the transfer of relevant skills and protection of worker rights.

Realizing such opportunities and powering local value chains with renewable energy could transform Africa from a source of raw materials to a bustling green industrial hub. For example, if Africa processed the bauxite mines (24% of global bauxite production) to aluminium with renewable energy before exporting it, we could save 335 million tons of CO2 emissions per year (1 percent of global emissions), create 280,000 jobs, and generate $37 billion of additional revenue for the continent[30].

In September 2023, the African Union adopted the Nairobi Declaration at the inaugural Africa Climate Summit. The Declaration states:

> *Africa possesses both the potential and the ambition to be a vital component of the global solution to climate change. […] Our continent has the fundamentals to spearhead a climate compatible pathway as a thriving, cost-competitive industrial hub with the capacity to support other regions in achieving their net zero ambitions.*[31]

The Declaration then commits to pursue a climate positive development path, listing a series of concrete commitments and focus areas. Structurally, there are four key elements for implementation of Africa's climate positive growth ambition. Two of these are primarily the responsibility of African countries, while the other two elements require global collaboration. The Nairobi Declaration includes these as African commitments: African countries must focus economic development plans on climate positive growth and develop and implement supporting legislation and regulation.

27 Bloomberg New Energy Finance. 2021. "The Cost of Producing Battery Precursors in the DRC".

28 Climate Action Platform Africa (CAP-A).2023. "Towards sustainable global prosperity - Climate Positive Growth". Nairobi, Kenya: Climate Action Platform Africa.

29 Nosmot Gbadamosi. 2022. "Zimbabwe's 'White Gold'". Foreign Policy.

30 Ibid.

31 African Union.2023. "The African Leaders Nairobi Declaration on Climate Change and Call to Action". Nairobi: African Union.

The two requirements for global collaboration are appropriate and sufficient finance and investment and fair and equitable market access. Africa brings ambition and commitment, underpinned by action and achievement. Yet it cannot do this alone. Collective global action is required to mobilize the necessary capital to invest. The second area of global collaboration is the need for market access to ensure that production happens where it makes the most climate and economic sense. This has implications for trade and industrial policy—both in African countries to stimulate investment, and globally, to allow Africa to meet global demand efficiently.

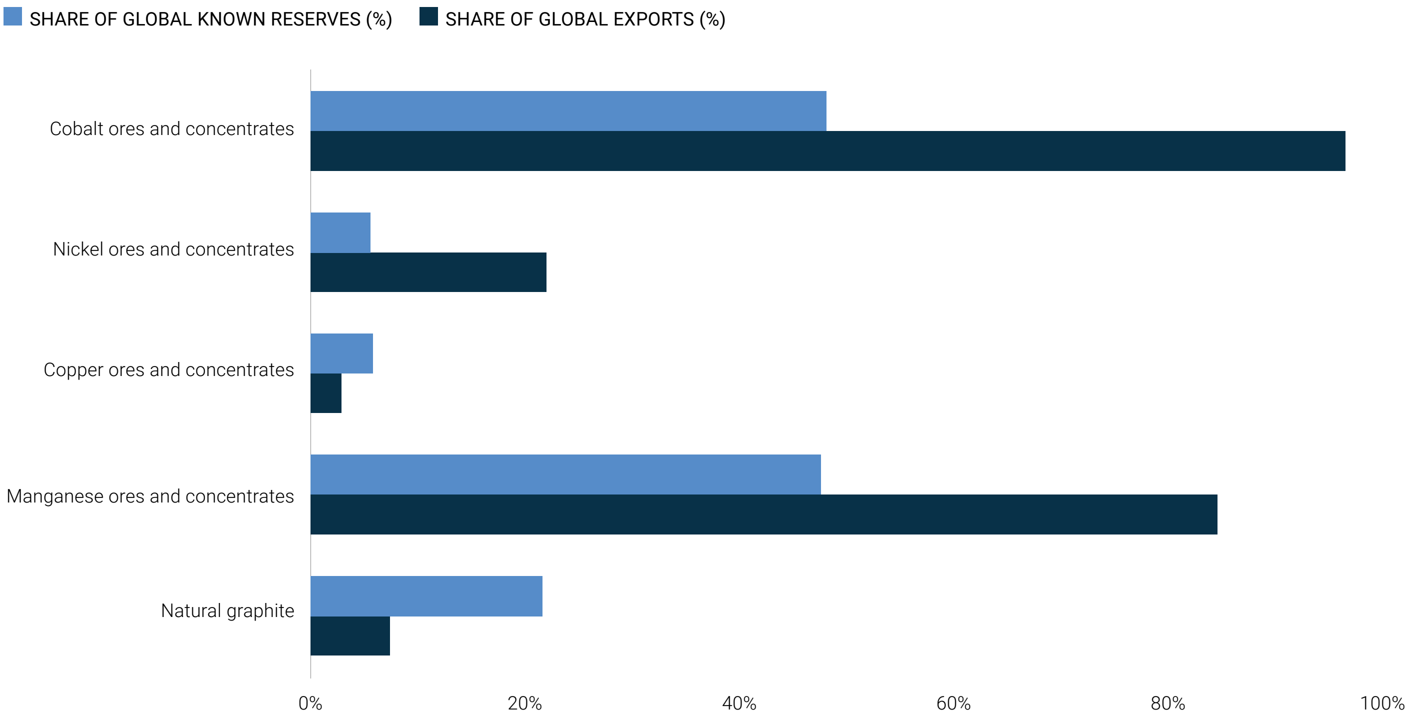
What is different about the climate positive growth paradigm is its scale and scope. It is about rethinking the global allocation of economic activities and investment, building on Africa's intrinsic value as one of the most cost-competitive locations for climate action.

With Africa's climate competitiveness, we can provide solutions to achieve net zero emissions globally, grow our economies, and create jobs.

FIGURE 5

AFRICA'S CRITICAL RESERVES AND EXPORTS

Africa plays an important role in the global supply chain of minerals critical to renewable and clean energy technologies. However, in terms of actual known reserves, Africa holds a comparatively smaller share, indicating its higher reliance on immediate extraction and production rather than sustainable management of these minerals.



Source: United Nations Conference on Trade and Development (UNCTAD). 2023. Economic Development in Africa Report 2023. United States Geological Survey.

Needs and opportunities for addressing the nexus of climate change and public health in Africa

TEDROS ADHANOM-GHEBREYESUS

Director General, World Health Organization (WHO)
@DrTedros

More than half of the public health events reported in Africa during the first two decades of the 21st century are identified as climate-related health emergencies, according to a recent analysis by the WHO. This already worrying trend is accelerating. There were 25% more climate-related events recorded between 2011 and 2021[32] when compared with the previous decade.

The population of Africa is projected to almost double to 2.5 billion by 2050, and along with increasing urbanization, that will mean more people living in areas exposed to hazards such as extreme heat waves and floods. Unless adaptation measures are implemented, the toll of deaths, injuries, and illness due to climate disasters will continue to increase rapidly.

Under the umbrella of the historic 2008 Libreville Declaration on health and environment, the WHO supports countries to cope with the impacts of climate and environmental change on health systems, while networks such as Clim-Health Africa support multisectoral work and capacity building for climate-related health emergencies in Africa.

Following COP26 in Glasgow in 2021, with support from the U.K., Egypt, and the United Arab Emirates, the WHO launched the Alliance for Transformative Action on Climate and Health (ATACH). So far, 75 countries have committed to ATACH, 29 of them from Africa—allowing them to learn quickly from each other and from partners and to accelerate assessments, planning, and implementation to build climate-resilient and sustainable low-carbon health systems.

In many respects, African countries are ahead of the curve in climate adaptation. For example, the WHO is supporting Mozambique to connect climate information to health surveillance and planning to guide a faster and more effective early warning and response system to health risks from cyclones to malaria transmission. We are also working with Somalia to power essential health equipment in rural health clinics with cheap, clean, and reliable electricity from solar panels—leapfrogging the need for connection to an electrical grid. These interventions save lives now, provide resilience from climate change, and offer a vision of a greener and healthier continent.

32 WHO Africa. 2022. "Africa faces rising climate-linked health emergencies".

Climate change is having increasingly disastrous effects on human health and well-being, especially in Africa, and protecting and promoting health is a powerful argument for climate action. Ultimately, the climate crisis is a health crisis.

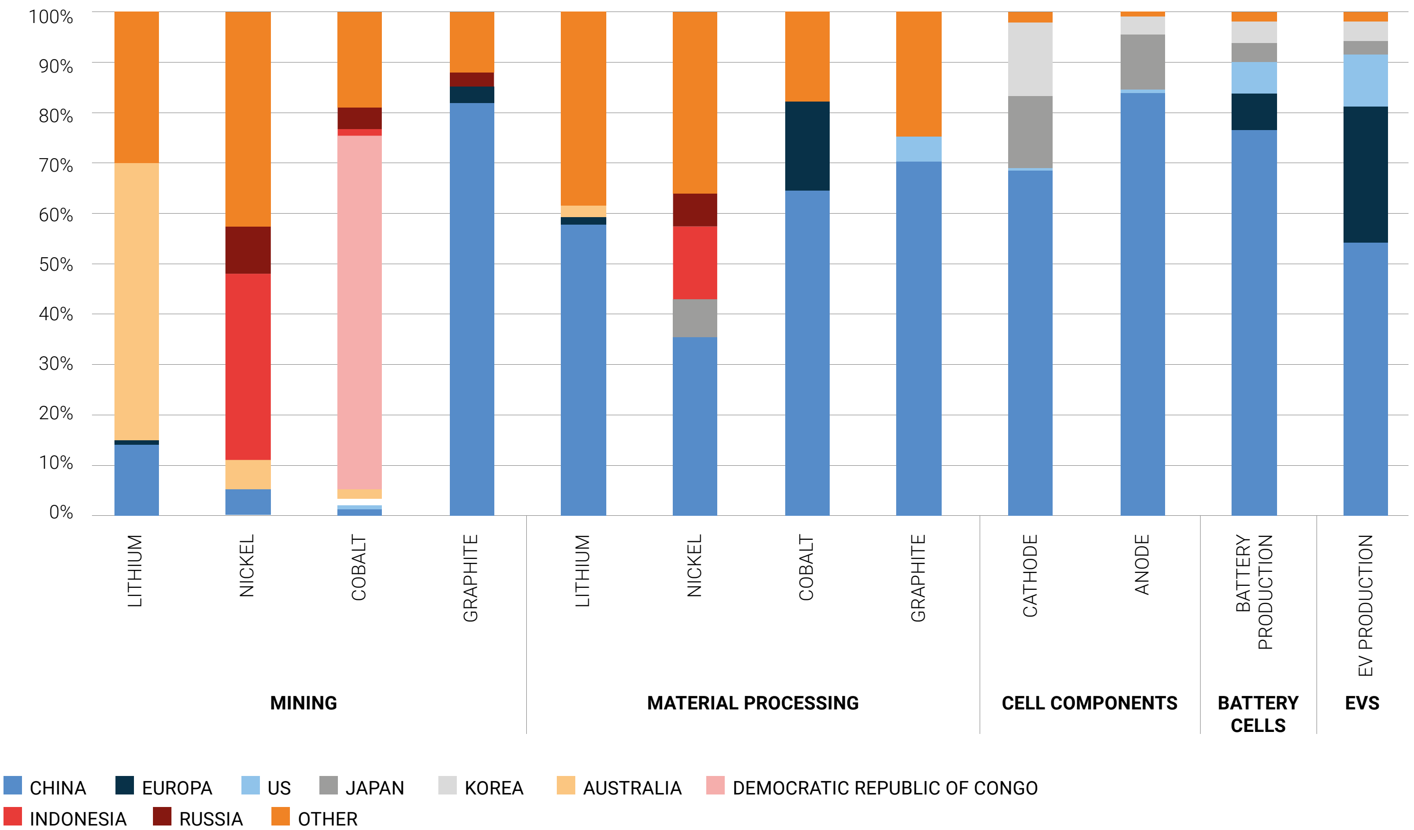
The WHO welcomes the leadership of the United Arab Emirates in dedicating an entire day of COP28 to health. This is a critical opportunity for driving system transformation, strengthening support on adaptation and resilience, and financing climate and health, specifically for the African continent, which is one of the most-affected regions while a minimal contributor of greenhouse gas emissions.

To promote the human right to health and a healthy environment, the global health community is calling for health to be explicitly integrated into United Nations Framework Convention on Climate Change negotiation texts and outcomes. Climate change is having increasingly disastrous effects on human health and well-being, especially in Africa, and protecting and promoting health is a powerful argument for climate action. Ultimately, the climate crisis is a health crisis.

FIGURE 6

CHINA CONTROLS THE MAJORITY OF THE DOWNSTREAM EV BATTERY SUPPLY CHAIN

China dominates the mining and manufacturing processes vital for EV production. Africa also holds substantial reserves of critical minerals (lithium, manganese, and platinum). The DRC holds a substantial stake in cobalt mining. Clearly, Africa has a key role to play in the global transition to EVs.



Note: Geographical breakdown refers to the country where the production occurs. Mining is based on production data. Material processing is based on refining production capacity data. Cell component production is based on cathode and anode material production capacity data. Battery cell production is based on battery cell production capacity data. EV production is based on EV production data. Although Indonesia produces around 40% of total nickel, little of this is currently used in the EV battery supply chain. The largest Class 1 battery-grade nickel producers are Russia, Canada, and Australia.

Source: IEA. 2022. Global EV Outlook 2022. International Energy Agency

Scaling impact and opportunities in Africa through the leverage of carbon markets

PAUL MUTHAURA

CEO, Africa Carbon Markets Initiative

OLIVER GLANVILE

Manager, African Carbon Markets Initiative, Global Energy Alliance for People and Planet

Africa is uniquely positioned to tackle climate change while improving livelihoods and protecting biodiversity. For one, its abundance of cost-effective clean energy allows for the "prioritizing [of] energy-intense industries to trigger a virtuous circle of renewable energy deployment and economic activity [including] shifting the primary processing of Africa's raw material exports to the continent."[33] Transforming energy generation and usage patterns on the continent will reduce emissions, transform health outcomes, improve energy access, and create better livelihoods.

Launched at COP27, the Africa Carbon Markets Initiative (ACMI) was formed to help shape and harness the potential of carbon markets in Africa. We have an objective to drive a dramatic increase in the production of African carbon credits while ensuring that carbon credit revenues are transparent, equitable, and create good jobs.

Credit projects can create jobs, increase climate resilience, and build capacity in the local communities and within emerging economies. Done right, carbon credits present a fresh economic opportunity and offer an important tool for working towards the USD 250 billion fresh investment needed in Africa's natural environment and agriculture by 2030 to align with the Paris Agreement[34]. Reinforcing the importance of integrity in the carbon market proposition in Africa is central to the mission of ACMI, as without integrity, the increasing demand for credits will pass Africa by.

A core part of ACMI's support entails working with governments to help them operationalize a conducive environment to, among other priorities, drive private sector investment into carbon projects—whether in clean cooking, reforestation, conservation, distributed renewable energy, or engineered removals. ACMI is actively working with a number of countries including Kenya, Mozambique, Rwanda, Malawi, Ghana, and Nigeria to deliver this support. These are the first movers in a pipeline of a total of 20 countries that have sought the assistance of ACMI.

Carbon credits must, however, inspire the confidence of all participants in this marketplace as a key tool in reducing emissions and financing removals.

Carbon credits must, however, inspire the confidence of all participants in this marketplace as a key tool in reducing emissions and financing removals. Buyers have to be able to trust what they're buying while using credits in a way that drive genuine emissions reductions. There have been a number of critiques in the media regarding these topics. At ACMI, we believe only through an increased focus on integrity and transparency will this market scale and benefit communities on

33 Africa Union. 2023. The Africa Leaders Nairobi Declaration on Climate Change and Call to Action.

34 Africa.com. 2023. Carbon Credits from Africa: A Transformative Force for Good.

the ground. ACMI is working in close partnership with both the Integrity Council for Voluntary Carbon Markets (ICVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI) to promote end-to-end integrity. The ACMI Showcase is subject to a clear set of integrity principles to underpin supplier inclusion, including compulsory verification using standards recognized by the International Carbon Reduction and Offset Alliance that are also compliant with ICVCM's Core Carbon Principles. These integrity principles also extend to covering any intermediaries and buyers ACMI engages with. Training programs for carbon project auditors on the continent will also be run, helping develop expertise that's appropriate and effective in African contexts, supporting a high-integrity supply.

In complement, ACMI is working with different financial sector players to create de-risking solutions to bring early-stage investments into carbon projects. It is only through increases in early-stage investment that the current environment of a multiplicity of single small-project players will be surpassed.

ACMI continues to work with partners to create new methodologies; to scale local capacity to verify, measure, and validate projects; and to build capacities of indigenous peoples and local communities to transparently leverage and benefit from carbon finance. This capacity building and empowerment are intended to improve efficiency, promote integrity, and unlock revenue as Africa delivers on its full potential to meaningfully contribute to solving the climate crisis.

Championing green energy in Africa: A strategy for quick wins

TAS ANVARIPOUR

CEO, Themis Energy
@tasanvaripour59

Among green sources, hydropower is the only type of energy with potential base load generation that is readily available throughout most of Africa.

With the 2050 net zero deadline approaching, the world is in full gear for a 25-year push to increase the green energy footprint. However, green energy is not a universal panacea that will cure all illnesses. This truth is particularly pertinent in Africa where governments are confronted with an ever-increasing tension between the quest for universal electrification of their populations and ambitions for a green energy revolution.

Africa's burgeoning manufacturing centers, sprawling schools, and growing hospitals need resilient electric generation and networks. That demand will not be met with solar panels and wind farms alone. Yet, the road to success must remain green, and it involves leveraging one of Africa's most precious natural resource endowments: hydropower.

Among green sources, hydropower is the only type of energy with potential base load generation that is readily available throughout most of Africa. It represents 17% of power generation in the continent, while only 11% of Africa's hydro potential has been exploited.[35] Additionally, hydropower remains attractive for national interests of many countries due to its strategic role in energy security and cost for megawatts (MW).

However, the business-as-usual approach to hydropower development—focusing only on greenfield projects, many of which remain unbankable or lack proper government support—has proven ineffective. A paradigm shift towards quick wins that can lead to substantial progress is required.

Africa has 38.5GW of installed hydropower capacity, 14.7 gigawatts (GW) of which are more than 20 years old and urgently require refurbishment.[36,37] Despite the dim state of this critical infrastructure, there is good news on the horizon. Estimations demonstrate that with an approximately $7 billion investment, aged hydropower plants can be upgraded swiftly.[38] No other project in Africa can provide a large activation of GW capacity in such a short time and at such a low, competitive cost. These refurbishing projects, scattered across Africa, have a clear path forward since they are not entangled in the array of red tape of concession agreements, land expropriation, or permit issues. Their construction timelines are a fraction of greenfield projects. These initiatives simply require political will and investment support.

35 PWC. 2021. Africa Energy Review 2021.

36 UNCTAD. 2023. "Commodities at a glance: Special issue on access to energy in sub-Saharan Africa."

37 IHA. 2023. "Africa's hydropower modernization opportunities."

38 Sustainable Energy fund for Africa (SEFA). 2023. "Africa Hydropower Modernisation Programme."

As social demands increase across the continent for stronger climate-friendly energy solutions, governments in the region will gradually recognize that upgrading their existing hydro capacity is the smartest bet.

As a cheap source of energy, hydropower lowers nationwide energy costs, allowing domestic industries to become more competitive, create new jobs, and expand production capacity. Furthermore, the capacity of refurbished plants could be substantially enhanced through the implementation of hybrid solutions such as adding floating solar panels in reservoirs which prevent evaporation. Additionally, hydro reservoirs can become useful tools for water preservation and help regulate its use. At a macro level, upgrading hydro infrastructure unlocks a cascade of economic benefits.

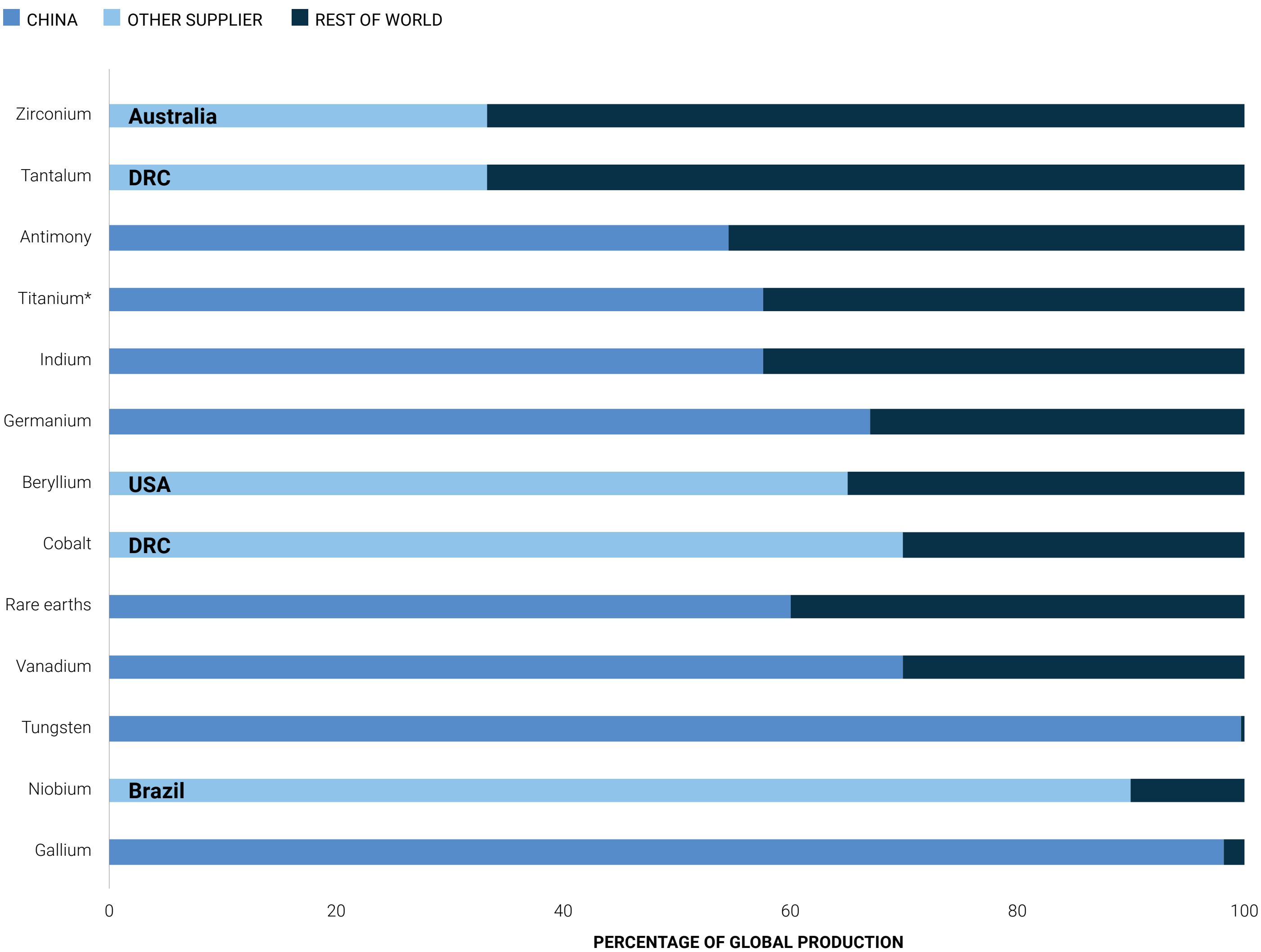
As social demands increase across the continent for stronger climate-friendly energy solutions, governments in the region will gradually recognize that upgrading their existing hydro capacity is the smartest bet.

A greener and more energy-resilient Africa is dependent on quick wins in the renewable energy space and on teams that can materialize these objectives. At Themis, we identified seven hydropower plants totaling 450MW requiring refurbishment and has taken two of these to the pilot stage. At Themis, we are confident that the way forward for a greener and more energy-resilient Africa passes through championing quick wins in the renewable energy space, and Themis has already placed its bet on this promising future as one of its anchor strategies.

FIGURE 7

CHINA LEADS PRODUCTION OF MINERALS VITAL FOR SECURITY AND DEFENSE

China dominates the production of minerals critical for security and defense. Reducing the risk of global dependency would require leveraging other sources — DRC, Brazil, Australia.



Note: * Sponge metal.
Source: The Economist. 2023. China controls the supply of crucial war minerals, October 16, 2023. United States Geological Survey.

Why we can't overlook people in addressing climate change

KERLLEN COSTA

Country Director, National Geographic Okavango Wilderness Project (NGOWP) in Angola
@intotheokavango

As an old king from the floodplains of the Kwando River in Angola used to say, "A landscape without people is just a landscape. But a landscape with people, has history and soul."

Much of the African continent's natural environment is largely undisrupted for a variety of reasons—including about five centuries of a disrupting colonization process, independence conflicts, and political instability, among others. And while it might seem counterintuitive, one of the most important reasons it remains undisrupted is because of people—and their unique traditions, beliefs, and cultural connections to their own environment and natural heritage.

It is well known that Africa has been the least polluting continent over the past hundred years. The African continent possesses some of the largest and least disrupted ecological regions and natural landscapes in the world. Few places have nearly untouched mosaics of biomes and such vast landscapes with still thriving naturally occurring biodiversity and natural monuments and resources.

And while the developed world has contributed the most to the global climate crisis, the Mother Continent has been acting as the counterweight—nurturing our natural resources, our ecosystems, and our *people*, who are equipped with creative solutions.

The African population's usage of natural resources and their intrinsic relationship with the natural elements should be considered an example of sustainability at its best. For example, Africa has five of the most important naturally occuring "water towers" of the world—in Ethiopia, Angola, Lesotho, the Lufilian Arc, and the Albertine Rift—elevated surfaces that store large quantities of water. And thanks to local communities, these water towers are largely intact—up until now, at least. In the Angolan Highlands Water Tower (AHWT), we find ourselves in a unique and delicate position.

Water is now becoming the most valued resource in the world. An average of 423 cubic kilometers of rainfall falls over the AHWT each year—which amounts to nearly 170 million Olympic-size swimming pools. This water provides food and water security and sustains the livelihoods of millions of people in seven countries—Namibia, Botswana, Zambia, Zimbabwe, Mozambique, the DRC, and the Congo. It also feeds some of our continent's most iconic wildlife and ecosystems, including the Okavango Delta, which is home to the largest remaining population of elephants on the planet. While this may seem like an infinite amount of water, we must manage this resource carefully. Angola—like many emerging African economies—faces rapid population growth, which could strain our water resources.

Recent research from the National Geographic Okavango Wilderness Project (NGOWP) has defined the boundaries of the AHWT within academic science for the first time, a much-needed step toward formal protection. NGOWP's data shows that we could better manage our water resources. It also finds the AHWT is surrounded by peatlands covering an initial estimate of 1,634 kilometers squared (around 600 miles).[39] Located across Africa's largest miombo forest, these peatlands sequester millions of tons of carbon every year and contribute to climate resilience, which has a positive impact on economic growth.[40]

But that research only builds on what the local communities in the area have known for millennia.

This is a familiar narrative: More and more, scientific research and understanding has been building on traditional knowledge that has been passed from generation to generation for thousands of years. Long before academic scientists were introduced to these landscapes, rural communities in Africa have been acting as Guardians of their own environments—with their own beliefs, traditions, myths, and unique understanding of natural processes and cycles. From our experience, the key is valuing both Africa's natural and *cultural* richness and heritage.

The future of conservation is one in which local economies, nature, and people—the soul of these landscapes—can flourish. We can all contribute to the African continent becoming a pillar of this paradigm shift and an exemplar for development in its true sense. It is time to give back to Africa what it has limitlessly given to the rest of the world, as the Mother it is.

Instead of creating new systems of protection, which are often based on concepts and ideals from a Western worldview, I urge leaders to work within *existing* systems of protection helmed by local communities. The global community can adopt and adapt these intricate and holistic systems that are part of our roots in a way that elevates them and positions local communities as the stewards of their own lands, of their own futures. We must also move away from protection and conservation done in a way that separates people from their ancestral lands and denies them access to their own natural resources and landscapes. These neocolonial approaches to conservation will only exacerbate and aggravate tensions due to scarcity of resources and result in further local conflicts, diverting people from thinking and focusing on the way forward.

The future of conservation is one in which local economies, nature, and people—the soul of these landscapes—can flourish. We can all contribute to the African continent becoming a pillar of this paradigm shift and an exemplar for development in its true sense. It is time to give back to Africa what it has limitlessly given to the rest of the world, as the Mother it is.

39 Lourenco, Mauro, Jennifer M. Fitchett and Stephan Woodborne. 2022. "Angolan highlands peatlands: Extent, age and growth dynamics." Science of The Total Environment. https://www.sciencedirect.com/science/article/abs/pii/S0048969721073915.

40 Truscott, Ryan. 2022. "Protecting the peatlands and wood-lands in Angola's 'source of life.' Mongabay.

Blue is the new green: The perspective of a small island nation

ABRAÃO VICENTE

Minister of Culture and Creative Industries and Minister of the Sea, Cape Verde

Climate change is real for us in Cabo Verde, a large oceanic state but a small archipelagic country. We can see this reality in the rise of sea levels, coastal erosion, and infrastructure damage. It affects our tourism economy and the livelihoods of our population across the country, but also in the specific communities of Maio, Boa Vista, and Sal islands that are more impacted by coastal erosion. The availability of water resources is being affected by changes in precipitation patterns and increased evaporation due to higher temperatures. Droughts are affecting agriculture, food security, and water supply.

Climate change is also affecting coastal ecosystems, fishery, and tourism activities in ways that are real today. Satellite observations already indicate a reduction in net primary productivity linked to reduced ecosystem biodiversity and the abundance of larger marine organisms, such as pelagic and demersal fishes. Of particular concern are the results of the EcoOcean model that suggest a large negative effect of climate change on large pelagics, which constitute 80% of Cabo Verde exports.[41] Other indicators show a significant shift in the stock population of small pelagic fish, a decrease in tuna species, and a reduction in coastal lobsters.[42]

For us, "Blue is the New Green." Our climate actions must be based on the sustainable and resilient management of Cabo Verde's blue economy and the recognition of the interconnectedness of the many climate change challenges we face.

The fishing and tourism facilities and infrastructure of Cabo Verde (harbors, landing sites, and fish markets) were not designed for a changing climate and a rising sea level. They are all highly vulnerable.

Cabo Verde is strongly committed to the global climate change agenda, fully embracing the transition to a green, secure, efficient, and sustainable economy. But we are an island nation. For us, "Blue is the New Green." Our climate actions must be based on the sustainable and resilient management of Cabo Verde's blue economy and the recognition of the interconnectedness of the many climate change challenges we face.

For example, in the water sector, Cabo Verde has improved water access, implemented desalination projects, invested in water storage, and enhanced the efficiency of irrigation systems.

41 -20% under RCP 2.6 and -40% under RCP 8.5. Data to be published.

42 Cabo Verde. 2021. "2020 Update to the first Nationally Determined Contribution (NDC)." https://unfccc.int/sites/default/files/NDC/2022-06/Cabo%20Verde_NDC%20Update%202021.pdf.

Our energy strategy is based on ensuring universal access and energy security for all, relying on renewable energy sources. Our ambitious goals are to exceed 50% of electricity production from renewable sources by 2030, and almost 100% by 2040, and to have all vehicles powered by electric motors by 2050.[43] This transition will enhance our energy security by reducing the reliance on imported expensive fossil fuels. In Cabo Verde, wind and solar power are more cost-effective than fossil fuels. However, we need easier access to concessional financing, knowledge transfer, and technology to achieve these ambitious goals.

In addition, as an island nation, Cabo Verde has unique options to leverage “blue carbon” opportunities based on sustainable management of blue economy resources, preserving ecosystems, and capturing carbon. The country has some pilot projects to map areas with sea grasses or carbon hotspots and assess the effectiveness of coastal and marine ecosystems in capturing and storing carbon.[44] These studies will help to implement community-based seagrass bed conservation efforts. They will also bring robust data, crucial for effective blue carbon programs.

By integrating these opportunities into Cabo Verde’s blue economy strategy, the nation can not only preserve its unique ecosystems but also contribute to global efforts in climate change mitigation and sustainable development. However, it is important to emphasize that the implementation of these strategies requires significant investments and cooperation between the government, civil society, and international partners.

I believe that Africa can assist Europe and the world in addressing all their major challenges, both current and future. It is time to view our continent not as a risk factor but as a great opportunity for the world. This opportunity can be achieved by working together on research, knowledge and technology transfer, and access to investment.

43 Ibid.

44 Ibid.

Climate change and food security in the Sahel

AHMADOU ALY MBAYE

Nonresident Senior Fellow, Global Economy and Development, Brookings Institution
@AhmadouAlyMbaye

FAMA GUEYE

Economist, University Cheik Anta Diop (UCAP)

The African Sahel, which is considered a "climate hotspot," experiences unparalleled rises in temperature, high precipitations variability, and more intense and frequent weather extreme events than the rest of the world.[45, 46] Between the 1961-1990 and 1991-2022 subperiods, the level of warming in the Sahel has increased by 0.1°C, from +0.2 °C to 0.3 °C, which is above the global average increase.[47] In addition, it is estimated that about 110 million Africans were directly affected by climate change in 2022, out of which, there were more than 5,000 fatalities (48% caused by drought and 43% caused by flooding).[48] During the monsoon season, Sahelian countries experience extreme flooding. Unsurprisingly, these events and trends have many adverse consequences on levels of growth, poverty, and food security, which are all predicted to further deteriorate in the near and longer term.

According to several estimates, the African Sahel includes countries in the world where food insecurity is the most severe. For more than 10 years, acute food insecurity has been reaching its highest level in Africa. In 2023, about 45,000 people suffered catastrophic levels of hunger in the Sahel, including 42,000 in Burkina Faso and 2,500 in Mali.[49] Projected annual food imports by African countries are expected to increase by a factor of three, from US $ 35 billion to US $ 110 billion by 2025.[50] This general trend is confirmed by the Global Food Security Index, where Sahelian countries are lagging behind in the ranking: Burkina Faso is (89th), Niger (97th), Chad (103rd), and Nigeria (107th), out of 113 countries included in the ranking.

Considering the many diverse and often intertwined causes of food insecurity, it would not be true to consider climate change as the only driving factor. Clearly other factors, including, high population growth, structurally weak production systems, price distortions, the recent COVID-19 pandemic, and geopolitical turmoil such as the Russia-Ukraine war, all played a role in recent food crises.[51] Notwithstanding, the leading role climate change has played in the longer term is supported by a

45 Omotoso, Abeeb Babatunde, et al. 2023. "Climate change and variability in sub-Saharan Africa: A systematic review of trends and impacts on agriculture." Journal of Cleaner Production.

46 Maino, M. R., & Emrullahu, D. 2022. Climate change in Sub-Saharan Africa fragile states: evidence from panel estimations. International Monetary Fund.

47 World Meteorological Organisation (WMO). 2023. Africa suffers disproportionately from climate change. Press Release Number: 04092023.

48 WMO. 2022. The State of the Climate in Africa.

49 World Food Programme. 2023. Food insecurity and malnutrition in West and Central Africa at 10-year high as crisis spreads to coastal countries. https://www.wfp.org/news/food-insecurity-and-malnutrition-west-and-central-africa-10-year-high-crisis-spreads-coastal#:~:text=DAKAR%20%E2%80%93%20Acute%20food%20insecurity%20is,Faso%20and%20Mali%20where%20humanitarian.

50 WMO. 2023. "Africa suffers disproportionately from climate change."

51 Food Security Information Network & Global Network Against Food Crises. 2021. Global Report on Food Crises. Joint Analysis for better Decisions.

growing body of evidence, including Bello and al. in Nigeria, Masipa in South Africa, and Mariara and Kabaubo-Mariara and Kabara in Kenya.[52,53,54]

The channels through which climate change affects food security are numerous. First and foremost, climate change accelerates land degradation, mainly through wind and water erosion and droughts.[55] Agricultural yields, food quality, and availability are all negatively affected by climate change.[56] In fragile and conflict-affected countries—like most countries in the Sahel—food security is further jeopardized by infrastructure destruction and important climate-induced displacements of large communities.[57] Sea-level rise and water salinization in coastal zones are also critical factors.

Recommendations

Adaptive policies are key to mitigating the adverse effects of climate change. These include a wide array of practices, investments, innovations, and policies intended to build resilience to climate change. Food production systems can be strengthened in the agriculture, livestock, and fishing sectors through better output pricing, the use of improved inputs, a greater mechanization of production processes, and diversification of crops and activities. Innovation can mainstream climate-smart agriculture and improve coping strategy.[58] Well-targeted investments in such strategic areas as irrigation, and also building of dikes in coastal zones, are found to have a great impact on agriculture, and in mitigating the effect of sea-level rise.[59] Crop supplementation is another promising avenue to fight malnutrition and insecurity without further intensifying the use of scarce inputs such as arable land, fertilizers, fresh water, and the like.[60] In addition, an improvement in government information systems can provide communities exposed to climate change with early warnings about climate extreme and allow them to plan for and adapt to them accordingly.[61] Weather index insurance is also an increasingly recognized tool to mitigate climate

52 Bello, O. B., et al. 2012. "Evidence of climate change impacts on agriculture and food security in Nigeria." International Journal of agriculture and Forestry 2.2: 49-55.

53 Masipa, Tshepo. 2017. "The impact of climate change on food security in South Africa: Current realities and challenges ahead." Jàmbá: Journal of Disaster Risk Studies 9.1.

54 Kabubo-Mariara, J., and M. Kabara. 2015. Climate change and food security in Kenya: Environment for development. No. 15-05. Discussion Paper Series.

55 Kumar, Rajesh, and A. Jyoti Das. 2014. "Climate change and its impact on land degradation: imperative need to focus." J. Climatol. Weather Forecast 2: 108.

56 Rahal, Imen, and Abdelkarim Elloumi. 2023. "Climate change's effects on food Security in Sub-Saharan Africa (SSA)."

57 Muriuki, James, Darren Hudson, and Syed Fuad. 2023. "The impact of conflict on food security: evidence from household data in Ethiopia and Malawi." Agriculture & Food Security 12.1: 41.

58 Teklu, Abyiot, Belay Simane, and Mintewab Bezabih. 2023. "Multiple adoption of climate-smart agriculture innovation for agricultural sustainability: Empirical evidence from the Upper Blue Nile Highlands of Ethiopia." Climate Risk Management 39: 100477.

59 El-Nashar, Walaa, and Ahmed Elyamany. 2023. "Adapting irrigation strategies to mitigate climate change impacts: a value engineering approach." Water Resources Management 37.6-7: 2369-2386.

60 Shiferaw, Bekele, et al. 2011. "Crops that feed the world 6. Past successes and future challenges to the role played by maize in global food security." Food security 3: 307-327.

61 Pulwarty, Roger S., and Mannava VK Sivakumar. 2014. "Information systems in a changing climate: Early warnings and drought risk management." Weather and Climate Extremes 3: 14-21.

Adaptive strategies to climate change are numerous and diverse. An important challenge for their implementation is an accessible financial scheme for rural, and usually poor communities.

risk.[62] Lastly, a better use of indigenous knowledge is found to be very effective in predicting and adapting to climate variance in rural areas.[63]

Adaptive strategies to climate change are numerous and diverse. An important challenge for their implementation is an accessible financial scheme for rural, and usually poor communities. The recent COP 28 set-up adaptation fund, if adequately sourced could play a central role in bridging adaptation financial gaps for Africa's vulnerable communities.

62 Singh, Pankaj, and Gaurav Agrawal. 2019. "Efficacy of weather index insurance for mitigation of weather risks in agriculture: An integrative review." International Journal of Ethics and Systems 35.4: 584-616.

63 UNESCO. 2018. Report of the UNESCO Expert Meeting on Indigenous Knowledge and Climate Change in Africa, Nairobi, Kenya, 27-28 June 2018. https://unesdoc.unesco.org/ark:/48223/pf0000374999.

Informal settlements and climate change in the 'last mile of urbanization'

ANGELA PASHAYAN

Professor, American University

Rapid urbanization and climate change are impacting informal settlements in sub-Saharan Africa. An informal settlement or slum is generally defined as a highly populated urban area that has no infrastructure for human habitation and is densely packed with dwelling units constructed with weak materials of poor quality.[64] Climate change affects slum communities disproportionately when compared to their formal counterparts. Informal settlements are formed organically by residents who occupy land not planned for residential living. Aside from having no infrastructure, the land is precarious and unwanted, often near industry structures or dumpsites along rivers. Hidden from sight are the impacts of climate change on food insecurity, malnutrition, and disease in these communities. Policy change is urgent: Residents of informal settlements make up over 60% of the urban population on the continent of Africa.[65]

Drought

Since late 2016, drought has plagued the African continent, particularly in East Africa, creating food insecurity and malnutrition. In March 2023, the World Health Organization reported 7,800 cholera cases in Kenya due to drought and 122 deaths. While our minds habitually go to areas in northern Kenya—like Turkana—or eastern Kenya—like Tana River, urban Nairobi was also affected. In Nairobi, the Kenyan Ministry of Health reported 11,181 cholera cases and 196 fatalities in July 2023. A targeted cholera campaign intended to vaccinate 300 Nairobi residents per day was surpassed, reaching 500 residents per day, according to the vaccine organization GAVI.[66] Effective infrastructure can mitigate disease and health issues related to climate change in informal settlements.

64 Habitat for Humanity. 2017. "What is a Slum?"

65 Amegah, A. Kofi. "Slum decay in Sub-Saharan Africa: Context, environmental pollution challenges, and impact on dweller's health." Environmental Epidemiology 5.3 (2021).

66 Joyce Chimbi. 2023. "Averting a cholera disaster in Nairobi's informal settlements." Gavi. https://www.gavi.org/vaccineswork/averting-cholera-disaster-nairobis-informal-settlements#:~:text=%22The%20number%20of%20people%20vaccinated,City%20County%20department%20of%20health.

Floods

In 2022, 600 people were killed in Nigeria's worst flood in decades. In the same year, floods in West and Central Africa affected 8.2 million people in 20 countries—killing 1,418, injuring 4,398, and displacing 2.9 million people. While *formally* planned urban areas are zoned in locations safe for habitation, *informal* settlements are in precarious locations, often beside rivers, making residents more vulnerable to floods. For many slum residents, the river becomes a dumping ground for trash and waste. Each year, homes along Kenya's Ngong River float away during rapid flooding due to climate-induced heavy rainfall, after which residents search for their belongings and missing relatives. Excess water lays dormant near homes and attracts mosquitos which may carry malaria or other blood-borne diseases like yellow fever, dengue fever, or West Nile.[67] Stagnant water breeds more waterborne diseases than running water, including typhoid fever, cholera, giardia, dysentery, e-coli, hepatitis, and salmonella, all of which put residents of informal settlements near excess flood water at risk.

Excessive heat

The realities of increasing urbanization, rising average temperatures, and the population density in informal settlements gained attention during the COVID-19 pandemic.[68] Living in high-density slums increases heat due to a lack of open space. Heat makes you sweat, causing you to lose the water you have in the body. These effects are heightened for residents of informal settlements who cannot afford the recommended fresh water intake. In high-density slums, dwellings are, on average, approximately 10ft x 12ft with one or no windows at all, occupied by up to six people, and built along narrow 2-3ft mud paths. Slum dwellings are typically constructed of cinder-block, mud, and sticks, or corrugated tin. Some of these materials hold heat, leading to increased human suffering as temperatures continue to increase in urban cities. A study from Johns Hopkins University on climate revealed that Nairobi's slums range from 5 to 10 degrees Fahrenheit hotter than the central business district.[69]

67 Nabatanzi, Maureen, et al. 2022. "Malaria outbreak facilitated by increased mosquito breeding sites near houses and cessation of indoor residual spraying, Kole district, Uganda, January-June 2019." BMC Public Health 22.1: 1898.

68 Mehrolhassani, Mohammad Hossein, et al. 2022. "Health protection challenges of slums residents during the COVID-19 pandemic, according to the social determinants of health framework: A case study of Kerman city in Iran." Journal of Education and Health Promotion 11.

69 Scott, Anna A., et al. 2017. "Temperature and heat in informal settlements in Nairobi." PloS one 12.11: e0187300.

Policy recommendations:

The reality that over 60% of Africa's urban population live in informal settlements cannot be denied, nor can it be denied that a country's population is its best asset. With the 1.4 billion population boom expected by 2063, informal settlements and climate-based issues must be addressed, lest half the population of Africa be lost due to lack of foresight.[70] In light of these facts, my recommendations are:

1. Settle land tenure issues in slums. A working model is community tenancy.

2. Change the development approach: Ditch the high-rise model and upgrade slums with water and sanitation, keeping climate-smart ecology at the forefront of design.

3. Enact eco-measures to prevent rivers from overflowing and to capture excessive water to offset droughts.

4. Empower paid community health workers to manage 50 homes each in informal settlements for basic health issues, and to accurately report data linked to climate change.

5. Use micro-carbon credits to incentivize community-led kitchens that use clean gas to deter the use of wood and charcoal for cooking in slums.

Addressing the challenges in informal settlements is key to fostering climate-resilient urban cities.

Addressing the challenges in informal settlements is key to fostering climate-resilient urban cities. The last mile of urbanization can be reached with climate at the forefront of "*Leapfrogging to Settle the Informal Settlement,*" that blends African Village Culture with climate-smart urban living as a blueprint for reclaiming the health and resilience of 60% of the continental population.

70 Weny, K., R. Snow, and S. Zhang. 2017. "The demographic dividend atlas for Africa: Tracking the potential for a demographic dividend." UNFPA.

Finance for climate adaptation in Africa still insufficient and losing ground

EDE IJJASZ-VASQUEZ

Non-Resident Senior Fellow, Global Economy and Development, Brookings Institution
@Ede_WBG

JAMAL SAGHIR

Professor of Practice, McGill University
@JamalSaghir3

MORGAN RICHMOND

Senior Analyst, Climate Policy Initiative (CPI)

At COP28, we launched the report State and Trends in Climate Adaptation Finance 2023, where we analyzed the most comprehensive and up-to-date information on climate finance flows, globally and with a deep dive into Africa.[71]

The report analyzes climate finance data for 2021-2022, the latest available with consistent quality. The good news is that global climate finance doubled to USD 1.3 trillion annually in 2021–2022 compared to USD 653 billion in 2019–2020. However, finance for global adaptation has, unfortunately, seen a relative decrease, from 7% in 2019–2020 to 5% of total climate finance in 2021–2022.

Africa is one of the most affected regions by climate change and its current and historical greenhouse gas emissions are minuscule at a global scale. However, the region received only 20% of global adaptation finance flows (USD 13 billion) annually in 2021–2022. This is less than half of the finance going to the East Asia and Pacific region, which received about 45% of global adaptation finance flows.

This is clearly insufficient. The report reviews data from the Nationally Determined Contributions (NDCs) prepared by African countries. According to the African NDCs, the region needs about USD 53 billion per year between 2020 and 2035. However, we estimate that the NDCs may low-ball the actual cost of adaptation by as much as 100% for a variety of reasons. This means that the projected trends are not positive. If the current level of adaptation funding flows continues, Africa will only mobilize USD 195 billion by 2035. The adaptation needs of the continent may be as high as USD 1.6 trillion. Africa's adaptation needs are about eight times larger than the funds available.

Furthermore, the balance between climate mitigation and climate adaptation investments continues to be tilted towards the former. On the continent, adaptation finance was only 36% of total climate finance in 2021-2022. This was a decrease from 39% of total climate finance in 2019–2020. Adaptation is losing ground to mitigation financing in the continent.

71 Global Center on Adaptation (GCA). 2023. "State and Trends in Climate Adaptation Finance 2023." GCA and Climate Policy Initiative (CPI).

We also reviewed the financial instruments used by African countries to mobilize resources for adaptation. Close to 80% of adaptation finance in Africa comes from loans or government budgets. Given the challenging debt situation on the continent, the mobilization of more grants for adaptation is more urgent than ever. It is important to note that African governments themselves invest more resources in climate adaptation than the support provided by bilateral development finance institutions to the region (19% vs 11%).

A missing actor in adaptation action in Africa is the private sector. In Africa and globally, the private sector has consistently financed less than 3% of adaptation activities from 2019–2022. A substantial portion of these funds come from philanthropies. The opportunity for commercial financiers and private enterprises to develop and finance adaptation solutions, products, and services is enormous.

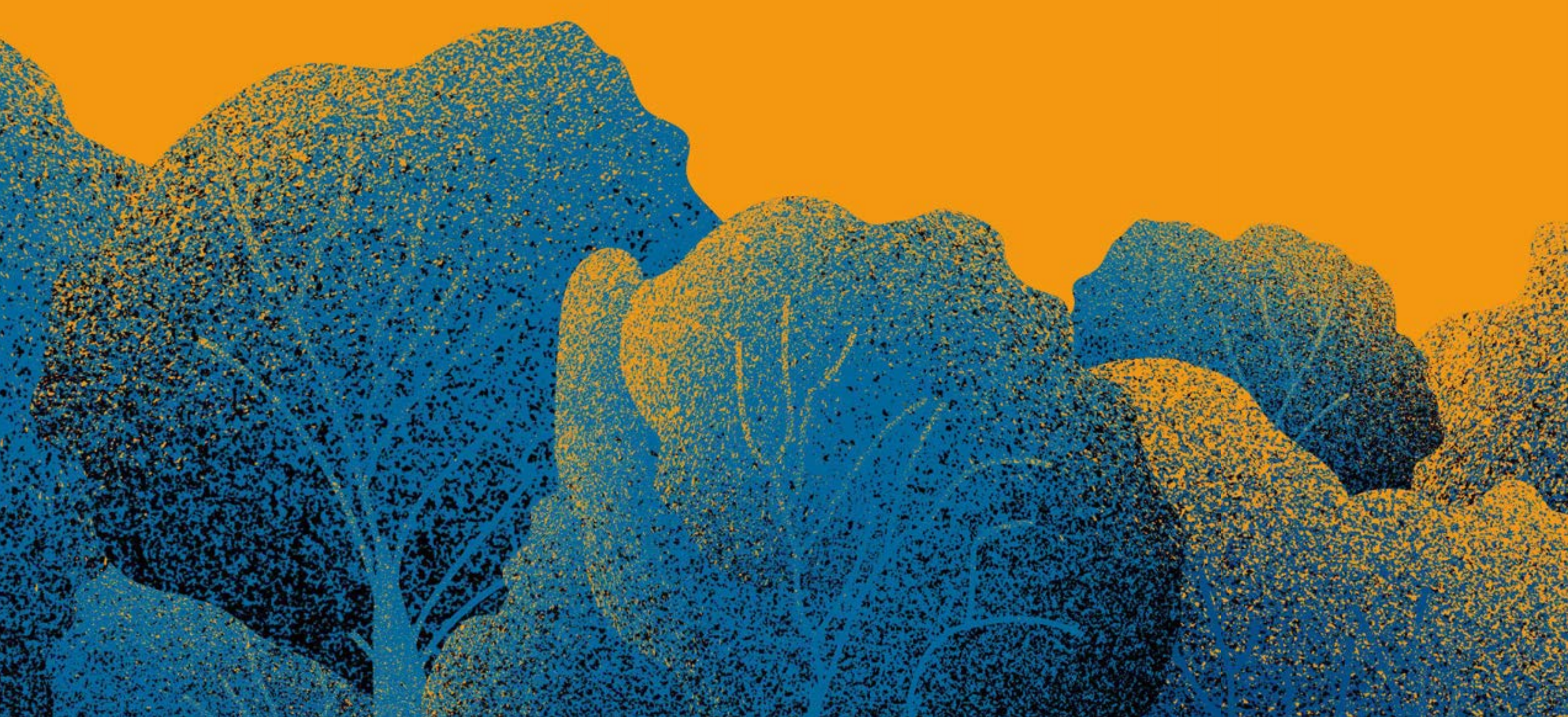
In the report, we compare for the first-time, flows going into public emergency response and climate adaptation flows. In Africa, between 2019-2021, the international funding for public emergency response funding was similar to public adaptation finance (USD 26 billion and USD 28 billion, respectively). The opportunity to reduce the need for emergency funding by investing more in climate adaptation is clear.

The most recent data on climate adaptation finance in Africa shows that Africa is receiving insufficient flows, their governments are investing through debt and their fiscal resources, and adaptation is losing ground to mitigation investments in the continent. It is time to change these trends.

Unfortunately, the data shows that the most vulnerable African countries do not receive sufficient resources for adaptation. These countries are instead dependent on emergency response funding to cope with hazards. The top five recipients in Africa in 2019-2021 were South Sudan, the Democratic Republic of the Congo, Ethiopia, Somalia, and Sudan. In this list, only Ethiopia was among the top five recipients of adaptation financing.

The most recent data on climate adaptation finance in Africa shows that Africa is receiving insufficient flows, their governments are investing through debt and their fiscal resources, and adaptation is losing ground to mitigation investments in the continent. It is time to change these trends. The gap is growing. The consequences on economic growth and poverty levels are very serious. African governments are doing their part. Will the world come to support the continent?

3 ENTREPRENEURSHIP AND STRUCTURAL TRANSFORMATION



ESSAY

VIEWPOINT

Making entrepreneurship work for Africa's youth

ADA OSAKWE

Founder and Managing Partner, Agrolay Ventures and the Nuli Juice Company
@ada_osakwe

By 2030, over 40% of the global youth population will be African and by 2050, the number of African youths is expected to reach 830 million. This growth trend is exciting, given the potential for young people in the workforce to unleash a demographic dividend that positively transforms millions of lives.

Unfortunately, Africa's youth bulge may not drive the economic growth and wealth creation that is expected because more than 1 in 4 young people in Africa's economies are not in employment, education, or training (NEET).[1] The African Development Bank estimates that each year, up to 12 million youths in Africa enter a workforce that has only 3.1 million jobs available and consequently, 1.7 million new jobs need to be created each month to meet employment needs.

Entrepreneurship for job creation

Africa boasts the world's highest rates of entrepreneurship, with more than 1 in 5 working-age Africans starting a new business and more than three-quarters of the youth planning to start one within five years.

The lack of productive, formal employment is increasingly pushing Africa's youth to start their own businesses as entrepreneurs. Africa boasts the world's highest rates of entrepreneurship, with more than 1 in 5 working-age Africans starting a new business and more than three-quarters of the youth planning to start one within five years.[2]

The challenge is that this entrepreneurship is mainly self-employment in the informal sector, what the International Labour Organization classifies as "vulnerable employment." Ninety-five percent of Africa's working youth fall into this category,[3] compared to less than 50% in the Americas, Europe, and Asia. Vulnerable employment is reflected in low productivity, low earnings, and difficult working conditions.

Whether in the informal or formal sector, entrepreneurship in Africa is often plagued with problems including but not limited to:

1. Lack of access to appropriate funding instruments required to start, maintain, and grow a business.
2. High cost of operations due to inadequate infrastructure.
3. Poor macroeconomic conditions.
4. Government policies unsupportive to business.

1 ILOSTAT. 2023. African youth face pressing challenges in the transition from school to work.

2 Ichikowitz Family Foundation. 2022. Africa Youth Survey.

3 ILO. 2018. Women and Men in the Informal Economy: A Statistical Picture, 3rd Edition. International Labour Organization.

Coupling these issues with low levels of economic growth and poor social protection schemes, African economies are expected to experience even more youth employment challenges in the future.

As an entrepreneur, I have directly experienced most of these hurdles. In 2016, I launched Nuli Foods, a medium-sized agribusiness that manufactures nutritious beverages with locally grown fruits and vegetables. Nuli has contributed to Nigeria's economic landscape by creating jobs for youth, reducing post-harvest losses, creating steady incomes for smallholder farmers, and giving Nigerians access to better nutrition. However, building this business has come with significant challenges, including difficulties securing financing from banks and public institutions, high operating costs, crippling inflation rates, and instability in government policies.

Despite the myriad challenges facing anyone trying to build a business in Africa, African youth continue to have a strong entrepreneurial spirit, leading to entrepreneurship being considered as the solution to Africa's job malaise. This is partly fueled by the increasing influence of digital technologies that provide new opportunities for innovation across sectors. Consequently, over the last decade, billions of dollars have been committed to developing Africa's entrepreneurs. However, most public and donor-funded youth projects are failing to adequately provide the systemic support Africa's young entrepreneurs need. For example, a recent Voxdev report states that approximately USD $1 billion is spent yearly on entrepreneurship training in developing countries.[4] The report also notes that the returns from these investments are not yielding economic and social impacts.

Rethinking entrepreneur-led job creation in Africa

We must begin to reconsider the models of entrepreneurship support that exist in Africa to ensure that young people are not being blinded by a false narrative of future wealth and stability. Academic institutions, governments, donors, and capital providers should be more intentional about promoting a more enabling environment for entrepreneurship to thrive with the intention of creating jobs on a massive scale in Africa.

Micro, small, and medium enterprises (SMEs) account for 80% to 90% of jobs on the continent, making them significant contributors to socio-economic development.

To achieve this, an approach to consider is providing focused support to "SME Eagles."

Micro, small, and medium enterprises (SMEs) account for 80% to 90% of jobs on the continent, making them significant contributors to socio-economic development. Among these are enterprises that have demonstrated remarkable resilience because they have perfected their business models, created strong operational structures, grown revenues, and expanded their businesses, despite being faced with the Africa-specific challenges outlined above. These businesses can be referred to as SME Eagles.

4 Voxdev Literature. September 2023. Training Entrepreneurs Issue 3.

SME Eagles have the capacity to provide stable, wage employment for millions of young people, serving as anchors that create and sustain jobs. An example is a 150-tons-per-day milk processing factory in northern Nigeria, owned by a 30 year old entrepreneur. To meet the needs of the factory, this entrepreneur developed an effective "outgrower" model with milk collection centers where rural pastoralists, the majority of whom are youths and women, deposit their milk daily in return for an income. Today, 18,000 farmers are part of this SME Eagle's network, after only one year of operation. That's 18,000 new, stable jobs, with the potential for thousands more as the factory expands production.

Wage employment also emerges when new firms are created. Because SME Eagles are tried, tested, and led by experienced entrepreneurs in a proven market, replicating their businesses de-risks failure for new entrepreneurs. Socially innovative franchising programs that match youth with these businesses, particularly in sectors that have the highest potential for impact, can be explored. They get the benefit of leap-frogging the trial and error stages of entrepreneurship, because SME Eagles will share their processes and business models with them, as well as the comfort of establishing an already proven business that has existing market demand. Furthermore, these youths will also get essential leadership training, mentorship, and business structure support.

Catalyzing entrepreneur-led job creation with SME Eagles will require providing affordable capital through blended finance mechanisms. For example, grants and other concessional funds, credit guarantees, interest rebates, and other tailor-made financing solutions could be made available for the acquisition of the franchise operations of an SME Eagle, or the establishment of SME Eagle entrepreneurial linkage programs.

Ultimately, for entrepreneurship to live up to its expectations for job-creation, SME Eagles must be enabled to thrive. Focusing government, donor, and private sector financial and policy support on SME Eagles mitigates the high risk of entrepreneurship failures. By providing the supporting business policies and institutional support, effective government regulations and incentives, workforce training subsidies, and affordable financing to these already de-risked, high impact, high productivity local SMEs, a more resilient form of entrepreneurship will emerge, driving stable job creation and inclusive economic growth for Africa's youth.

Realizing Africa's demographic dividend: A call to action

SEYI KUMAPAYI

Executive Director for African Subsidiaries, Access Bank PLC

@OluseyiKumapayi

Africa stands at a crossroads, facing both unprecedented opportunity and daunting challenges on the path to realizing its demographic dividend. With a youthful population that could potentially fuel a transformative wave of economic growth and development, the continent is poised for significant progress. However, several formidable hurdles stand in its way. Among these challenges, the role of medium, small, and micro enterprises (MSMEs) emerges as a critical factor, with limited access to finance and loans, stringent collateral requirements, and a lack of capacity-building opportunities posing significant barriers to the growth of these businesses. Furthermore, the broader issue of financial inclusion amplifies these challenges. In addressing these multifaceted problems, Africa must overcome these hurdles to harness the promise of its youthful population, ultimately turning demographic potential into lasting socio-economic progress.

In line with our mission to set standards for sustainable business practices, Access Bank has been intentional about providing innovative solutions for the markets and communities we serve, bridging the gaps in access to finance and capacity building for entrepreneurs. Our lending proposition provides affordable financing with flexible collateral options for MSMEs. Currently, we have a bouquet of over 20 loan offerings targeted at different sectors.

We, however, find that access to knowledge and market remain two major reasons MSMEs in Africa are unable to access finance.[5] This is because MSMEs are typically informal, unregistered, do not keep financial records, lack succession planning, and have sales restricted to single locations.

To bridge these gaps, we strive to go beyond banking, providing access to trainings, advisory services, networking, and discount offerings to broaden the knowledge of MSMEs. In doing this, we aim to help these businesses improve their basic practices and ultimately help them boost their profitability.

Through the AccesSMEZone—our online, real time Learning Management Platform—which is the first of its kind in the Nigerian banking industry, MSMEs can access free courses on various business topics. Our capacity building programs have impacted over 200,000 MSMEs within the last five years, with over 25,000 trained.

Over the years, we have supported Africa's economic growth by helping more than 20,000 enterprises grow and create more jobs, by accessing over $232 million in financing. About one-third of the beneficiaries of this lending methodology are women-led/owned MSMEs who have accessed finance through our W-Power Loan for women—discounted financing priced significantly below market lending rates.

5 UNDESA. 2021. PDF-SDG-2021-01. "Strengthening national capacities for enhancing MSME resilience and building forward better to accelerate the implementation of the 2030 Agenda in developing countries participating in the Belt and Road Initiative." https://www.un.org/en/unpdf/sdg-2021-01.

Why is this important?

Put simply, Africa has the highest proportion of women entrepreneurs in the world, with OECD research revealing that more than a quarter of all businesses on the continent are in the process of starting or managing a business.[6] In the same vein, this means, our female entrepreneurs have a great potential to contribute to the growth of the continent's economy, if maximized. It is with this vision that we established the "W" Initiative, to provide women with capacity building, mentoring programs, and maternal health services.

With a presence in 13 African countries, the Access Bank "W" Initiative has been able to make an indelible mark across the continent, impacting over 3,145,310 women.[7]

Despite the evident strides that the Bank and other like-minded institutions have made to bridge the financing and inclusion gap, there remains a disconnect between financiers and the underserved populace.

The key issues? Accessibility, simplicity, and trust.

While concerns around accessibility are being addressed through agency banking and other mobile and internet banking options like USSD, simplicity and trust are still a work in progress. To address the issue of simplicity, Access Bank developed the Access Money Wallet and Access Wallet products. Through these offerings, a customer's mobile number can serve as a prepaid store of value while they are also empowered to create unique bank account numbers. Over 11.9 million accounts have been opened under this initiative in the last three years. Also, through the "Access Closa" agent banking product, we have been able to cascade the positives of being part of the formal banking sector to millions of Africans. Approximately three million accounts have been opened since this initiative's inception. To widely address the issue of trust, however, more proactive financial literacy programs and community outreach initiatives need to be implemented to demystify banking processes, build awareness, and establish trust.

As we deepen our implementation of these initiatives, we continue to learn valuable lessons along the way. One of these lessons is that to fully realize Africa's demographic dividend, a comprehensive set of policies and strategies must be implemented.

First, governments must prioritize investments in tangible education and skill development for youths, entrepreneurs, and women, ensuring that high-quality education is accessible to all—particularly girls and marginalized communities. Gender equality should be promoted through policies that empower women and girls, including initiatives that combat gender-based violence; ensure equal access to education and economic opportunities; as well as promote maternal and child health,

6 Anzetse Were. 4 October 2022. OECD Development Matters. "How women stabilize and grow economies in Africa."

7 Access Bank. 2022 Annual Report and Accounts. "Building Bridges; Connecting the Future." https://www.accessbankplc.com/annual-report/AccessBank_2022_Annual_Report.pdf.

We must remember, Africa's demographic dividend is not guaranteed. The window of opportunity is narrowing, and the time to act is now!

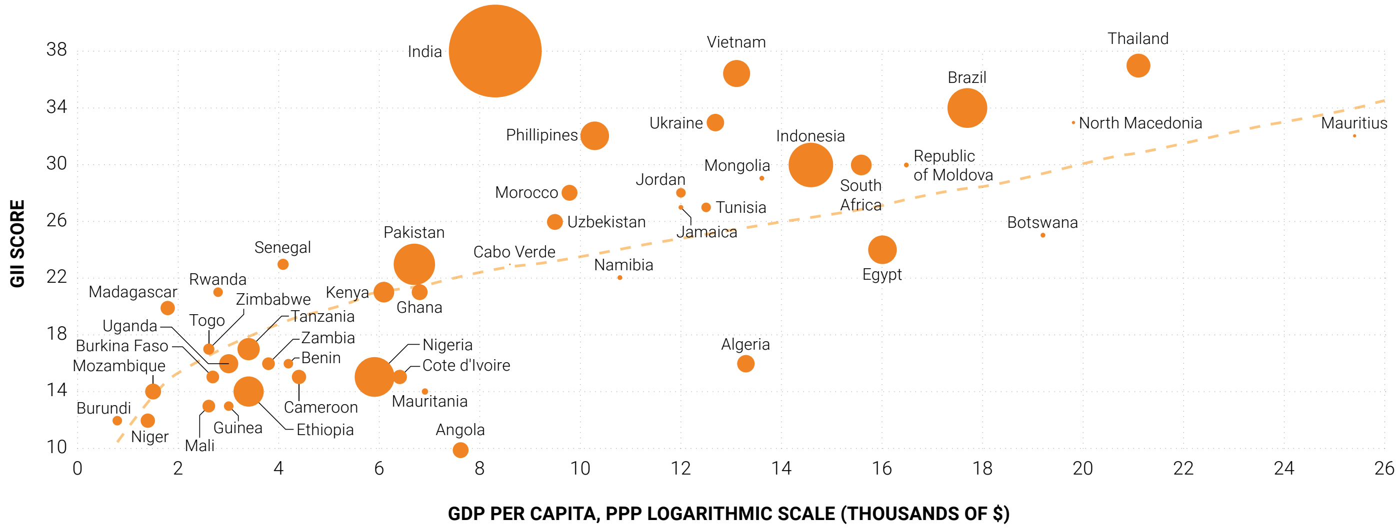
family planning, and disease prevention. Job creation policies must be formulated to stimulate economic growth and diversify economies beyond resource dependence, with an emphasis on supporting MSMEs and fostering innovation. These policies, when implemented effectively and concurrently, can pave the way for Africa to harness its demographic dividend and achieve sustainable development.

We must remember, Africa's demographic dividend is not guaranteed. The window of opportunity is narrowing, and the time to act is now! With an understanding of the magnitude of the challenge, we also know this is a window that Africa cannot afford to miss. This drives us to take our commitment to impact seriously. Annually, we dedicate 1% of our profit-before-tax to sustainability.[8] However, we cannot do it alone. Governments, businesses, civil society, and international partners must come together to create an environment that fosters human capital development, economic growth, and social progress.

FIGURE 8

ARE AFRICAN ECONOMIES INNOVATING AS EXPECTED?

The rate of innovation varies widely across the continent. There are a number of "overachievers", such as Madagascar, Rwanda, or South Africa that outperform given their level of economic development. However, several African economies are also falling behind expected trends, including economic heavyweights such as Ethiopia, Nigeria, and Egypt.



Note: The Global innovation Index (GII) is prepared by the World Intellectual Property Organization (WIPO). The index is calculated using 80 indicators from various data sources. The 80 indicators fall into 7 broad categories: institutions, human capital and research (including education), infrastructure, econological sustainability, market sophistication, business sophistication, knowledge and technology outputs, and creative outputs.

Source: World Intellectual Property Organization. Global Innovation Index. 2023.

8 Access Bank. February 2020. Access Bank PLC Sustainability Policy. https://investorrelations.accessbankplc.com/Accessbankgroup/media/Documents/corp-governance/Sustainability-Policy.pdf.

Family-owned businesses as incubators of entrepreneurs for Africa's structural transformation

KASIRIM NWUKE

Managing Partner, Mirisak & Associates

In the Political Declaration adopted in the leadup to the 2023 United Nations General Assembly Summit (UNGAS) on the United Nations Agenda 2030 and its Sustainable Development Goals (SDGs), United Nations (UN) Member States declared that "the achievement of the SDGs is in peril" and are committed "to take the actions necessary to reverse declines and accelerate progress… and implement the SDGs."[9] Family-owned businesses (FOB), defined here, as "companies where members of the same family, or related family branches, hold a majority interest…and exerts a dominant influence on the strategic direction of the firm through ownership, governance, management and vision" can play a crucial role in accelerating progress in Africa towards achieving the SDGs.[10] FOBs could also be critical for realizing the Aspirations of Agenda 2063, the African Union (AU) long-term plan for Africa's structural transformation and development. South Korea provides a good example of a country where family-owned businesses known as chaebols, played a leading role in the structural transformation of that country and its emergence out of poverty.

According to a recent INSEAD report, FOBs and family-controlled businesses "account for two-thirds of all businesses, 70-89% of global GDP and 50-80% of all jobs in most countries."[11] In Africa, they account for about 70% of small and medium enterprises (SMEs). They differ in size, ownership type, and revenue. They include large conglomerates that dominate the economies of countries across the world and husband-and-wife shops along the streets. They incubate and nurture the fourth factor of production, entrepreneurship.[12] Unfortunately, specific, focused policy discussions about their economic and social importance are rare. They are often subsumed, in policy discussions on industrialization, structural transformation, and economic growth in the private sector and MSMEs, as in SDG Target 8.3 which proposes to "promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization of micro-, small- and medium-sized enterprises, including through access to financial services."

9 United Nations General Assembly. 2023. "Political declaration of the high-level political forum on sustainable development convened under the auspices of the General Assembly."

10 FFI Practitioner. 2020. "Professionalizing the Business Family: The Five Pillars of Competent, Committed, and Sustainable Ownership." https://digital.ffi.org/pdf/ffi_professionalizing_the_business_family_v6.pdf.

11 Albers-Schoenberg A., Zeisberger C., Bennedsent M., Tatar S. 2020. "The Institutionalization of Family Firms – Europe." INSEAD.

12 Federal Reserve Bank of St. Louis. "Factors of Production – The Economic Lowdown Podcast & Transcript."

Exogenous constraints aside, FOBs face endogenous challenges the most important of which is governance. They often fail to put in place adequate and robust internal governance structures to either push the business to advance past the entrepreneurial stage or survive the death of the founder.

Africa's family-owned businesses have expanded in recent times due to a number of factors, including a) the retreat of the state in formerly socialist-oriented countries like Tanzania, b) the growing inability of the formal and informal sectors to create well-paying decent jobs, c) inadequate income from formal employment, d) the aspiration to be wealthy to provide adequately for offsprings, e) limited availability of formal old age social security/pension, f) exposure to international experience, and g) leakages in public finances (high levels of corruption and the need to launder proceeds of corruption).

African FOBs are fettered by a number of factors, some exogenous others endogenous. Endogenous factors are largely governance-related and include failure to institute or plan for an orderly succession upon the death of the founder. Exogenous challenges include the fast pace of technological change and globalization that have made possible trade across borders, exposing family-owned businesses to greater global competition than FOB's in other parts of the world during their nascence. Second, many African countries are facing a very unfavorable macroeconomic environment, with rising debt burden, high inflation, and shortages of foreign exchange, all adversely affecting the capacity of FOBs to survive, compete, or scale up. Furthermore, FOBs are very vulnerable to political uncertainty, and many have fallen victim to the rise of ethnic politics in many African countries. Also, countries are under pressure to mobilize additional domestic resources to finance the SDGs and Agenda 2063, and, in pursuit of this, they have introduced new taxes, expanded the tax bracket, and intensified tax efforts, actions which unfortunately fetter the growth of family-owned businesses. Finally, inadequate skills and knowledge make technological upgrading difficult and expensive for FOBs.

Exogenous constraints aside, FOBs face endogenous challenges the most important of which is governance. They often fail to put in place adequate and robust internal governance structures to either push the business to advance past the entrepreneurial stage or survive the death of the founder. Their growth can be constrained by the norm of reciprocity in traditional societies and Africa's extended family system wherein the founder will be expected to hire family members, relatives, and friends without due consideration for competence and professionalism. The high incidence of poverty and resultant high dependency ratio creates a situation where the ownership of a business is interpreted as evidence of wealthiness and instigates expectations of financial support from relatives. Sending children to the West for higher education, a proclivity of Africa's wealthy presents a risk to the survival of the FOB as some of these children may never return to continue and grow the businesses.[13]

13 Nwuke, Kasirim. 2021. "Creating Dynasties of Wealth and Prosperity in Africa." https://www.linkedin.com/pulse/piece-advice-wealthy-african-creating-dynasty-wealth-prosperity-1c/.

The initial source of funding can be another source of threat to the survival of the African family-owned business. Some of the larger family-owned businesses are either the “transformation” or conversions of corrupt enrichment by former government officials or the products of rent-seeking by the founders. Some of these businesses die upon the death of the founder as the conduits shut down. As social capital is difficult to transfer, a founder’s death could shut down the flow of the corrupt funds and/or rents that were the sources of growth of the business.

Recommendations

Governments should actively promote family-owned businesses in their own right, not as SMEs or private sector entities, given the very critical role they play in incubating and birthing new entrepreneurs and advancing economic growth. Governments should design and emplace appropriate policies, incentives and regulations to promote their growth and reduce their high mortality rates. Family-owned business-specific data should be collected on a regular basis by national statistical offices to aid research and decision/policymaking. They should also consider establishing a market to trade in family-owned businesses as transfer of ownership could reduce the high mortality rate of these businesses.

International trade is fundamental to the growth and survival of family-owned businesses. African governments should therefore assiduously implement the African Continental Free Trade Area (AfCFTA) as an additional engine of business growth. They should improve economic management as the poor macroeconomic environment, especially the lack of foreign exchange, in many African countries, has adversely affected FOBs, especially those lacking expansive “social capital”. FOBs should be incentivized to list on secondary stock exchanges (where they exist) and engage in succession planning using tax waivers.

Family-owned businesses are real-world schools of entrepreneurship apprenticeship. Many entrepreneurial aspirations die, and the irreplaceable corpus of knowledge and experience is lost when a family-owned business ceases to exist. The death of a family-owned business is a significant loss for countries seeking to create a class of entrepreneurs to advance the frontiers of their development and transform their economies.

Accelerating productive MSMEs: The much-needed catalyst for Nigeria's socio-economic recovery

ADENIKE ADEYEMI

Executive Director,
FATE Foundation
@Nike_Adeyemi

Nigeria's recent national growth plan and the new government's New Hope Agenda highlight the opportunities that Micro, Small, and Medium Enterprises (MSMEs) create for the achievement of development objectives. As we look towards 2024, our belief at FATE Foundation is that Nigeria's MSMEs can become the main drivers of economic recovery and inclusive growth only if there is a strong emphasis on enabling productive enterprises.

2023 was a challenging year for Nigeria's MSMEs. Despite the "green shoots" Nigeria experienced following the re-opening of the economy in 2021-22 after the pandemic, economic development in late 2022 and 2023 was negatively impacted by the flawed implementation of the Naira Redesign Policy, the impact of fuel subsidy removal which increased operational costs, and the slowdown of economic activity due to the national and state-level elections.

In our 2023 State of Entrepreneurship Report which provides a reference point for policymakers to make data-driven decisions to promote entrepreneurship in Nigeria, we noted a deterioration in entrepreneurial performance[14] with over 90% of entrepreneurs surveyed indicating that the fuel subsidy removal had and continues to have a negative impact on their businesses.

While they contribute over 90% to entrepreneurial activity in Nigeria and make up 87.9% of the country's labor force, over 90% of MSMEs are micro-enterprises with suboptimal productivity and low growth[15]. When we apply a youth and gender lens, however, we do see some very bright spots.

14 The FATE Institute. 2023. State of Entrepreneurship in Nigeria. The FATE Institute, FATE Foundation.

15 SMEDAN AND NBS 2022. 2021 MSME Survey Report. The Small and Medium Enterprises Agency of Nigeria and the Nigerian Bureau of Statistics.

FIGURE 9

NIGERIAN ENTREPRENEURS' PERCEPTIONS OF OPPORTUNITY ARE FALLING

The State of Entrepreneurship survey defines the five pillars of entrepreneurship as perception of opportunities, innovation & digital technology adoption, business performance, skill acquisition, and an enabling business environment. Businesses are asked to score their perception of each pillar. Four of the five pillars declined relative to last year, demonstrating that business optimism and opportunity has fallen since 2022.

	SCORE		
PILLARS	**2022**		**2023**
Perception of opportunities	0.8	↓	0.64
Innovation & digital technology adoption	0.55	↑	0.58
Business performance	0.5	↓	0.48
Skill acquisition	0.48	↓	0.47
Enabling business environment	0.46	↓	0.36
Overall index	0.58	↓	0.52

The State of Entrepreneurship (SoE) survey covered 10,377 businesses across all sectors and in Nigera's 36 states and the Federal Capital Territory (FCT).

Source: The FATE Institute. 2023. The 2023 State of Entrepreneurship in Nigeria Report. https://fatefoundation.org/download/state-of-entrepreneurship-in-nigeria-2023-report/.

Young people are the fastest growing age segment and those between the ages of 15 to 29 account for 42% of MSME entrepreneurs. With high unemployment and underemployment rates being a challenge in Nigeria for that age category[16], it is encouraging to see more young people take on the opportunity of building their own economic pathways and creating a job for themselves through entrepreneurship. With business growth being one of our strong indicators of entrepreneurial performance, Women entrepreneurs—who make up 43% of MSME employees—showed better productivity output as they outperformed their male counterparts within that indicator level[17].

16 The Nigerian Bureau of Statistics 2022. Nigerian Labor Force Survey Q2 2023. The Nigerian Bureau of Statistics.

17 The FATE Institute. 2023. State of Entrepreneurship in Nigeria. The FATE Institute, FATE Foundation.

Support for MSMEs is critical for Nigeria to return to a path toward a prosperous, sustainable, and equitable economy.

In charting the pathway for a better Nigeria in 2024, the following are key policy priorities to stimulate the entrepreneurial ecosystem and enable inclusive and broad-based growth for MSMEs.

1. Changing measurement indicators for MSME investments to be age and gender disaggregated and reflect socio-economic impact e.g., decent jobs created, revenue growth, and ability to transition across segments (from micro to small or medium levels).

2. Removing regulatory bottlenecks and harmonizing multiple taxation to galvanize business startup, growth and sustainability. Digitizing required regulatory processes and procedures and creating virtual and physical one-stop shops at Local Government levels (Nigeria has 774 LGAs) can enable this at scale.

3. Accelerating the dual transition of youth and women led MSMEs (digital and green) to enhance their pathways to growth and improve their ability to attain entrepreneurial success.

4. Domesticating the African Continental Free Trade Area agreement to improve Nigeria's MSME competitiveness (currently at 47%[18]) and fast track their participation in regional and global trade.

Nigeria's small and growing businesses need to be more productive in order to contribute effectively to the growth and development of the country. Support for MSMEs is critical for Nigeria to return to a path toward a prosperous, sustainable, and equitable economy.

18 SMEDAN. 2023. MSME Competitiveness in Nigeria Report 2022. The Small and Medium Enterprise Development Agency of Nigeria.

The future of African youth and women entrepreneurship and their roles in the region's economy

ZOUERA YOUSSOUFOU

Managing Director and CEO, Aliko Dangote Foundation
Zakari Momodu
@Zouera

ZAKARI MOMODU

Projects Director, Aliko Dangote Foundation

Sometimes it seems like everywhere we turn these days we hear talk of Africa's youth demography and the latent economic potential therein. This is consistent with the "African renaissance", "Africa rising," and "lions on the move" narratives variously championed by African politicians, international media, and various institutions, financial and otherwise, since the end of the last millennium. These narratives have been fueled by the end of the Cold War, rapid globalization, the transformations brought on by advances in telecommunications and technology, a deepening of political democracies across the continent, and a hunger for new investment opportunities by international private and public investors. The telecommunications and financial sectors and consumer booms of the earlier 2000s served as further proof points. In October 2023, the *New York Times* wrote about the African "Youthquake."

Beneath these collective narratives though, lies a complex and multidimensional reality that is 54 countries and economies potentially unified more by their challenges than their successes.

With dwindling opportunities in the public sector and limited opportunities in the private sector over the past decades, African youth have increasingly turned to entrepreneurship to create their own income and employment opportunities. Young people are venturing into industries ranging from technology, music and entertainment, agriculture, fashion, and renewable energy and becoming more mobile. With advancements in technology and access to information, some young entrepreneurs are leveraging digital platforms and social media to reach wider markets both domestically and internationally like never before. Within this growth, women entrepreneurship outside of traditional cultural roles is also on the rise. However, the full potential of this demographic profile and mobility will not be met if appropriate investments are not made in the building blocks of our economies. The enabling conditions, which are sorely lacking, include significant deficits in the hard and soft infrastructure which underpin modern economic growth and prosperity. The quality of health, education, and productivity for most women and youth continues to undermine their potential. Women continue to be restricted to low margin production and labor-intensive sectors with limited mobility and access to markets. Access to new technologies is constrained by the huge dearth in the anchoring infrastructure, notably power, transportation, and communication.

Power: Affordable electricity is a foundational building block of any economy. And so, herein lies the potential for investment and significant returns for governments and private (individual and institutional) investors determined enough to tackle them. The demand side is there. The supply is either lacking, too timid, or inconsistent.

So how will we reap this demographic dividend? By investing in:

1. **Education**: The general lack of affordable and accessible quality education hampers the skills and knowledge that are relevant for the labor market and enterprise. This reduces employability and earnings, and limits innovation and entrepreneurship. All the studies and empirical evidence demonstrate that education increases women's agency thereby delaying premature marriage and childbearing and improving nutrition outcomes and prevention of disease, and as a result, reducing maternal and child mortality.

2. **Power**: Affordable electricity is a foundational building block of any economy. Energy is critical to all productive activities and innovation and more so for climate and environmental health and technological advances.

3. **Infrastructure:** Especially roads, connect people, resources, and information. From providing physical access to markets, customers, suppliers, to reducing transportation and transaction costs. Roads and other transport and communication infrastructure are the arteries of the economy, facilitating innovation, specialization, and competitiveness across the continent.

And so, herein lies the potential for investment and significant returns for governments and private (individual and institutional) investors determined enough to tackle them. The demand side is there. The supply is either lacking, too timid, or inconsistent.

Nurturing entrepreneurial scaling in Africa

LESLY GOH

Senior Technology Advisor, World Bank
@Leslygoh

NATALIYA LANGBURD WRIGHT

Assistant Professor of Business, Columbia Business School
@LangburdWright

In recent years, Africa has emerged as a hub for high-growth entrepreneurship. Since 2019, seven tech unicorns have come out of the continent, including from Nigeria, Senegal, Ghana, and Egypt.[19] With a large regional market of over 1.4 billion people and local market inefficiencies that are ripe for entrepreneurial solutions, it is no wonder that Africa is on the startup map.

But we know that it is not enough to have a hub. These hubs need to nurture entrepreneurial scaling to realize the economic, innovation, and job growth benefits of entrepreneurship. And doing so requires venture capital, market access, and talent.[20] Getting these resources is not easy. For example, investors will hesitate to deploy capital if their investments are at risk in countries that have low public trust and high governance issues. Successfully navigating regional markets requires the right expertise to address cross-border challenges. Cultivating and nurturing digital talent is contingent on robust educational programs. For this reason, strengthening institutions and building the capacity of local entrepreneurs and investors are critical to unleash the full potential of Africa's entrepreneurial ecosystem.

Strengthening institutions

Building and strengthening institutions is critical to shifting the mindset of policymakers to embrace entrepreneurship while reducing barriers for entrepreneurs to grow their startups and investors to fuel that growth. And they require champions to truly make an impact, whether it be new offices dedicated to the digital economy, such as the Digital Transformation Office in the Ministry of Agriculture in Kenya, or an existing office, for example, under the Ministry of Economy.

To cut the red tape for entrepreneurs to start and grow their businesses, regulatory reforms may simplify intricate business registration procedures. They can direct the creation of innovation hubs—as is being considered in Ghana— to make it easier for startups to reach key stakeholders in their ecosystem, whether it be corporate customers, suppliers, or talent. Further, encouraging entrepreneurship education at schools and universities can contribute to a new generation of entrepreneurs.

To encourage investment, governments can offer tax incentives, such as breaks for angel investors and tax holidays for startups. They can also establish funding vehicles to stimulate the investor ecosystem more directly. For example, through establishing venture capital funds of funds and startup loan guarantees.

19 Crunchbase. 2023. "Unicorn Company List".

20 Conti, A., & Guzman, J. A. 2023. "What is the US comparative advantage in entrepreneurship? Evidence from Israeli migration to the United States. Review of Economics and Statistics" 105(3), 528-544.

Tapping Africa's entrepreneurial potential is an enormous opportunity. Doing so requires building an enabling environment that can harness investment, nurture local talent, and enable market access.

Building local entrepreneurial and investor capacity

Nonetheless, institutions alone are not enough. The capacity of entrepreneurs and investors dictates whether current or potential entrepreneurs can pursue and grow technological and market opportunities even in seamless institutional environments. Silicon Valley, with decades of experience in starting and growing companies, has amassed a wealth of knowledge that supports future entrepreneurs. And this knowledge can be particularly valuable for startups in hubs like in Africa that need to make the most of limited resources. But building such knowledge in a homegrown way in Africa takes time and money that might just not be possible. So, what else is possible? Leapfrogging knowledge flows through targeted programs is essential. These include:

- **Building entrepreneurial capacity:** Targeted educational programs led by international accelerators like MassChallenge, Techstars, and Y Combinator provide entrepreneurs with the expertise to build and grow startups. They choose and help build successful startups that can attract investors.[21] Further, exchange programs like National University of Singapore Overseas College (NOC) enable potential and current entrepreneurs to work in places abroad like Silicon Valley, learn the startup ethos, and come back to apply this knowledge in local entrepreneurial endeavors.

- **Building investor capacity:** Investors are an important part of a local ecosystem. It is not enough to have investors with people, but those with expertise to provide the added value to startups that is crucial to help them grow. Local investors have a unique knowledge of the local market base that can help entrepreneurs find tailored opportunities and bridge resource gaps that they might otherwise face because of foreign discounting.[22] But this local knowledge needs a generalized counterpart—how to balance finances, find and advance talent, and connect the startups to expand strategically in international markets. Training programs for investors like MEST and TECA create a multiplier effect by co-investing with international investors to foster a powerful learning opportunity.

The combination of entrepreneurial and investor capacity means that startups will have the expertise to kickstart and grow their company while making efficient use of their limited resources with positive spillovers for other firms. For instance, the thriving FinTech ecosystem in Kenya is creating a vibrant digital platform for AgTech offering a variety of solutions to smallholder farmers from the on-farm to the off-farm value chain.

Tapping Africa's entrepreneurial potential is an enormous opportunity. Doing so requires building an enabling environment that can harness investment, nurture local talent, and enable market access.

21 Gonzalez-Uribe, J., & Leatherbee, M. 2018. "The effects of business accelerators on venture performance: Evidence from Start-up Chile". The Review of Financial Studies. 31(4), 1566-1603.

22 Wright, N. L., Koning, R., & Khanna, T. 2023. "Judging foreign startups". Strategic Management Journal.

Getting the value out of venture capital

SABRINA DORMAN

Co-founder and CFO, ZUMI

Africa's leapfrogging in sectors such as mobile money and mini-grids is well-documented. With the emergence of electric vehicles, satellite internet, and artificial intelligence, an abundance of leapfrog opportunities are on the horizon for venture capital investors.

However, Africa's venture-backed unicorns including ChipperCash, Jumia, and Swvl, have struggled to maintain their unicorn status, while rising stars have faced layoffs and down-rounds.[23,24,25,26,27] This volatile environment negatively impacts customers, jobs, and the ecosystem. If the next generation of African unicorns are to last, venture capitalists must shift away from demanding rapid, exponential growth and favor paced profitability as the model of success.

Rethinking economies of scale

If the next generation of African unicorns are to last, venture capitalists must shift away from demanding rapid, exponential growth and favor paced profitability as the model of success.

The venture capital model hinges on the principle that scale equates to value. Investing in new markets for customer growth, and in tech for operational efficiency is the formula to create a large, marketable business. However, applying these premises to the African context can be misleading.

Africa is far from operating like a single economic zone. Expanding across borders often necessitates new bank and telco partnerships, customized application programming interfaces (APIs), separate logistics partners, and new taxes, licenses, and currency risk. Add in the diversity of customer behavior and language and achieving scale becomes far from straightforward.

23 Forbes Africa. (2023, August 18). Inside Chipper Cash's Grueling Battle to Survive the Fintech Winter. Forbes Africa.

24 The Wall Street Journal. (2023). Market Data.

25 The Wall Street Journal. (2023). Market Data.

26 TechCrunch. (2023, August 21). Twiga disbands in-house delivery.

27 TechCrunch. (2023, May 31). MarketForce forced to tighten its belt as tough times hit. TechCrunch.

Moreover, operational efficiency from scaling technology is not a given. African customers often prefer tech products that are complimented by human interaction because it fosters trust. Business-to-business (B2B) e-commerce players depend on sales agent networks to stay top of mind with their customers and fintech players utilize agent banking as a core part of their service.[28] Plus, the African ecosystem is so nascent that startups must develop it as they grow, whether by purchasing their own logistics fleets, or acquiring financial licenses, or even establishing their own utility.[29,30]

Scaling in African venture-backed tech is complex and carries the risk of inadvertently creating an operationally burdened and less attractive business.

Prioritizing resilience over speed

The venture capital model also places emphasis on speed. Capital injections are expected to graduate a company to the next funding round within 18 months. However, African businesses operate in environments where economic shocks constantly disrupt well-laid plans. Kenya, during the period of 2017-2022, provides a case in point.

The 2017 presidential election brought commerce to a halt for a year, as businesses shied away from investing until the contested results were known. Severe droughts and locust infestations over multiple seasons left millions food-insecure and depressed consumer demand.[31] The sudden introduction of a digital services tax and fluctuations in fuel levy policy added to the turbulent business environment.

On top of domestic shocks, external events brought more volatility. The change in the U.S. federal funds rate and the Ukraine conflict resulted in capital flight, currency depreciation, rising fuel and food costs, and inflation. Such frequent shocks mean that African businesses cannot plan too far ahead and must constantly adapt.

28 Vox. (2020, September 11). What Kenya can teach its neighbors — and the US — about improving the lives of the "unbanked" Vox.

29 The Flip. (2022, March 15). Wasoko: Powering the Last Mile. The Flip. https://theflip.africa/newsletter/wasoko-powering-last-mile-retail Rwanda Development Board. (2022, March 22). Rwanda signs agreement with KOKO to establish $25 million renewable cooking fuel utility.

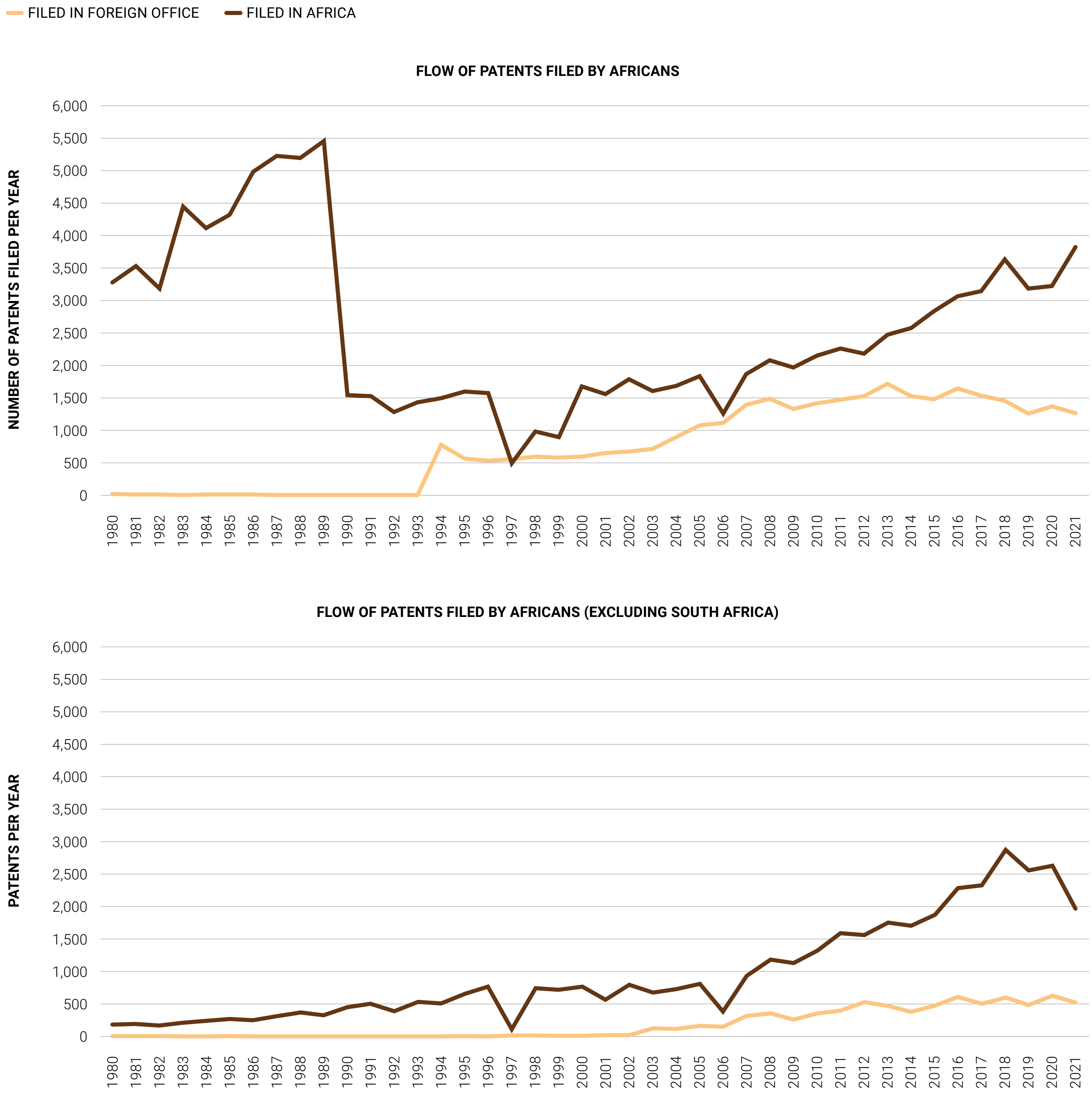
30 Rwanda Development Board. (2022, March 22). Rwanda signs agreement with KOKO to establish $25 million renewable cooking fuel utility.

31 World Bank. (2017, December 6). Kenya's GDP Growth Slumps in 2017 but Can Rebound Over the Medium Term.

FIGURE 10

SOUTH AFRICAN ENTREPRENEURS ARE DRIVING THE INCREASE IN PATENTS FILED ON THE CONTINENT (1980 - 2021)

Entrepreneurship and innovation are two indispensable drivers of economic growth. African governments have made a concerted effort to invest in innovation in their countries, a reality that is reflected not only in the rising number of patents filed by Africans, but also by the rising share of such patents that are filed in Africa (as opposed to abroad). A significant share of patents historically and even now are filed by South African entrepreneurs.



Source: World Intellectual Property Organization (WIPO).

In this context, the traditional venture capital formula falters. Capital meant for fast growth often absorbs shocks instead. Resilience becomes the key to capturing return on investment. Investors and entrepreneurs must align on long-term value. The potential for resilience is evident in startups across sectors that have demonstrated consistent growth in value through several economic cycles, such as MFS Africa, Interswitch, Victory Farms, mPharma, and KOKO Networks.[32,33,34,35,36]

By opting for a growth rate that does not significantly outstrip profitability, a venture can establish self-reliance, and the ability to withstand economic shocks without being at the mercy of external capital.

Establishing the next generation

Venture capital's "spray-and-pray" strategy, which bets on one billion-dollar unicorn out of many initial investments, is not suitable for Africa. A formula that prioritizes slower but more likely-to-succeed ventures offers better returns on investment.

Development finance institutions (DFIs) are the largest investors in African venture capital via funds of funds. Germany's DEG, The UK's CDC, France's PROPARCO, Norway's NORFUND plus the International Finance Corporation (IFC), European Development Bank, and others committed $80 billion for Africa over five years.[37] To truly fulfill their commitment of fostering job creation and economic independence, DFIs should adopt a sustainable funding philosophy, akin to that which family offices such as CreaDev and seed funds such as Future Africa have come to embrace from experience building businesses on the continent.[38,39] Long-term investment partners can better assess growth in relation to sustainability. Structuring funds to allow for capital infusions at multiple stages of a venture's maturity will vastly increase the odds of a viable exit.

If African investors can shift this paradigm, the valuable businesses they create will in turn become investors in their own ecosystem and nurture the next generation of African unicorns.

32 How We Made It In Africa. (2023, August 26). Making Borders Matter Less: How MFS Africa Created A Digital Payment Network.

33 INterswithc. (2023). New Milestone Alert.

34 Africa.com. (2023, April 6). Victory Farm Poised for Further Growth After $35m Series B Drive.

35 Tech Crunch (2022, January 5). mPharma Raises $35 million.

36 Financial Times. (2023, August 15). Start-up taps carbon markets to boost clean cooking in Africa.

37 African Development Bank Group. (2021, June 14). G7 Development Finance Institutions and multilateral partners to invest over $80 billion into African businesses over the next five years.

38 Creadev. (n.d.). Approach.

39 Future Africa. Fund II in Review - February 2023.

How companies integrate smallholder farmers in their value chains in Africa

ADDISU LASHITEW

Nonresident Fellow, Global Economy and Development, Brookings Institution
@AddisuLashitew

TANNER METHVIN

Director, Earth Capital and Partner, Impact Amplifier

ANNIKA SURMEIER

Senior Lecturer, Graduate School of Business of the University of Cape Town
@annika_surmeier

More than half of Africa's 1.3 billion people make a living from agriculture, of whom 80% are low-income smallholder farmers working on farms smaller than two hectares.[40] Significantly reducing poverty requires substantial improvements in the productive capacity and market access of millions of smallholder farmers in Africa.

In recent years, large food and beverage companies have introduced initiatives that integrate smallholder farmers into their value chains. These efforts are driven by the goals of increasing quality raw material supply, diversifying geographic risk, and empowering smallholder farmers economically and socially.

Heineken, a Dutch brewery, has launched a supply chain project in Ethiopia to increase local sourcing of malt barley in its breweries. The project has provided agronomic training, farming inputs, and market access to more than 40,000 smallholder farmers. These interventions helped double farm yields, leading to an estimated USD 59 million incremental increase in farmer revenues.[41]

Nando's, a South African casual dining chain, has successfully developed a smallholder farmer value chain for one of its key ingredients, peri-peri chili. For ten years now, the initiative has reached thousands of farmers in Zimbabwe, Malawi, and Mozambique, supplying 100% of its peri-peri demand.[42] Currently, the project includes 724 farmers who earn an average income of USD 955 per year—significantly greater than income earned from alternative crops.[43]

How to develop inclusive value chains that create impact for smallholder farmers

Integrating smallholders into large value chains can be difficult. The successful experience of Heineken and Nando's, however, provides valuable insights on how to create truly "inclusive" value chains.

Integrating smallholders into large value chains can be difficult. The successful experience of Heineken and Nando's, however, provides valuable insights on how to create truly "inclusive" value chains. The following three insights are particularly relevant.

40 Suri, Taveneet, and Christopher Udry. 2022. "Agricultural technology in Africa." Journal of Economic Perspectives, 36(1), 33-56.

41 IFC. 2023. "Working with Smallholders: A handbook for firms building sustainable supply chains (Third Edition)." World Bank Group.

42 Nandos. "The People Behind the Peri-Peri."

43 Lashitew, A. Addisu, and Annika Surmeier. 2024. "Responsible governance in inclusive value chains: Lessons from the Peri Farms Project of Nando's." Graduate School of Business working paper, the University of Cape Town.

1. **Ensure that inclusive value chain initiatives contribute to strategic objectives**

   Building inclusive value chains is complex and time-consuming. Such initiatives are more likely to enjoy sustained corporate-wide backing when they are aligned with strategic objectives.

   A critical factor behind the success of the Nando's project was its focus on securing a safe and reliable supply of peri-peri chili, which is deeply intertwined with the company's history and brand identity. By sourcing peri-peri from African farmers, Nando's was able to build connections between its global workforce and African roots. This enabled the initiative to garner sustained support from the company's procurement, marketing, and HR teams in the face of multifaceted challenges.

   Heineken was motivated by the desire to develop a reliable supply of local malt while meaningfully contributing to local economic development. This created ample commitment for investing in a complex initiative that has lasted several years.

2. **Partner with organizations with distinct expertise and context-relevant knowledge**

   Both Heineken and Nando's collaborated with different partner organizations, selected for their specialized expertise and context-relevant knowledge. Heineken worked closely with local consultancy firms and microfinance institutions to understand the needs of farmers and provide them with credit services. Nando's maintained an intense collaboration with Impact Amplifier—a consultancy specializing in social impact—and several implementing partners in Malawi, Mozambique, and Zimbabwe that provided agronomy training, aggregated chili harvests, and coordinated post-harvest processes.[44]

3. **Devise solutions that reduce transaction costs in the value chain**

   Smallholder farmers are often considered ill-suited for industrial-scale procurement because they lack robust quality controls and can be more expensive than commercial farmers due to production and distributional inefficiencies. Nando's addressed these issues by picking a crop that is labor-intensive, which allowed smallholder farmers to compete on price with commercial farms. By using local partners to aggregate peri-peri chili, manage post-harvest handling, and introduce traceability controls, they streamlined quality control and eliminated logistical inefficiencies. Likewise, Heineken worked closely with the International Finance Corporation to provide training with the aim of developing the agronomy and business skills of its partners. These programs reached dozens of farmer intermediaries (farmers' unions and cooperatives) who aggregated inputs and outputs across thousands of smallholder farmers.

44 Impact Amplifier. "Building Resilience and Impact Assessments."

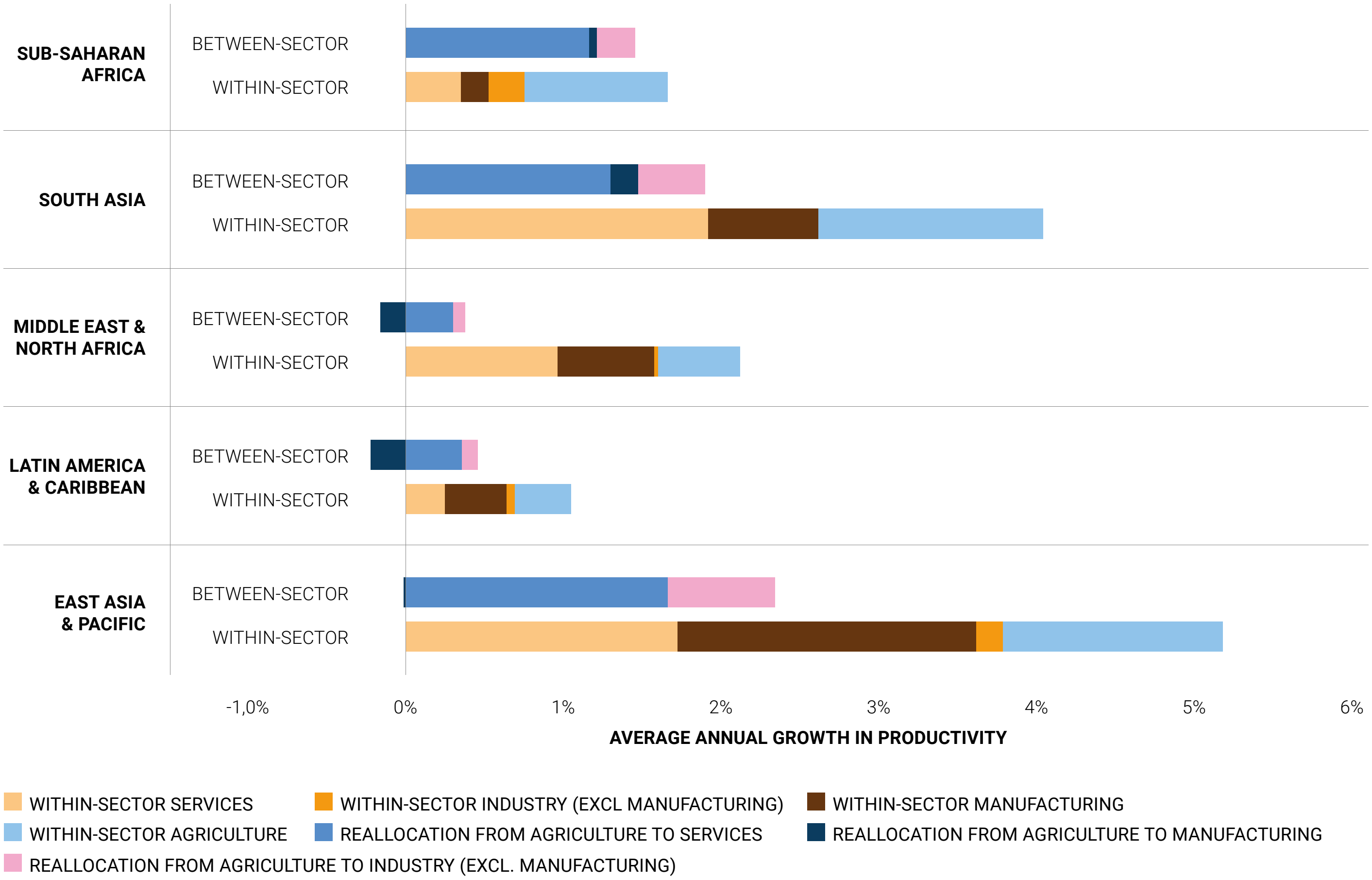
Conclusion

The experiences of Heineken and Nando's demonstrate that inclusive value chains, while not a panacea, can go a long way toward improving the living standards of impoverished farmers. Designing inclusive value chains requires changing corporate systems, which takes commitment, time, and experience. It also requires sustained partnerships to develop new capabilities, secure local support, and build trust. To create inclusive value chains that truly benefit smallholder farmers, companies need the willingness to challenge themselves, to develop new capabilities, and to reevaluate how they define value.

FIGURE 11

DECOMPOSITION OF LABOR PRODUCTIVITY BY REGION AND SECTORAL GROUP (1990 - 2018)

Sub-Saharan Africa experienced significant improvements to labor productivity over the last three decades, averaging 4.4% growth per year. To understand the drivers of productivity growth, it is disaggregated into within-sector growth and between-sector growth (or growth from labor reallocation). There has been mass reallocation of labor from agriculture into services and rapid within-sector productivity growth in the agricultural sector.



Note: Sectors from the Economic Transformation Database were divided as follows: Construction, mining, and utilities were classified under "Industry," and trade, transport, business, financial, government, and other, services, as well as real estate were classified under "Services." Agriculture and manufacturing are defined by their ISIC Rev. 4 codes "A" and "C" respectively. Design inspired by Nayyar et al (2021).

Leveraging innovativeness of Africa's youth through startups

ZUZANA BRIXIOVA SCHWIDROWSKI

Director of the North Africa Office, United Nations Economic Commission for Africa (UNECA)
@ZSchwidrowski

ZOUBIR BENHANMOUCHE

Economist, UNECA

Today, according to the World Bank's classification, 31 out of 54 African countries outgrew the low-income category.[45] These countries accounted for more than 80% of the continent's GDP in 2023, according to the IMF estimates from the World Economic Database. To escape the so-called middle-income trap, countries need to shift their growth drivers from efficiency to innovation. Today, African MICs as a group are characterized by their potential, but also by limited capacities for innovation and creation of productive and green jobs.

The creation of productive jobs is the continent's key priority as it will determine whether Africa will utilize its demographic opportunity. Currently, about 60% of Africa's population are below the age of 25. The UN projections indicate that by 2050, Africa will account for more than 25% of the world's population. This trend brings both enormous opportunities and challenges. While education attainments in Africa have been improving, the labor market outcomes are less impressive, with high youth unemployment prevailing in several middle-income countries and high working poverty in low-income countries.

For a large number of Africa's high-potential youth, entrepreneurship, through startups, offers not only a chance to build sustainable livelihoods and even wealth but also to integrate into society. Many policy dimensions were discussed at the Africa Startups conference in Algiers December 2023. Below are policy options for boosting African startups.

Address access to finance: A fund of funds to improve start-up financing

Beyond mobilizing additional finances, creating an African fund of funds, that is African fund investing in other funds that fund start-ups, can de-risk start-up financing by spreading out the overall funding into many different venture capital funds. This approach could draw in more risk averse investors and even attract substantial funding from the governments and thus become an effective tool of industrial or other type of public policy. It could incentivize start-ups to strive to address major societal issues such as climate change or gender inequality while tackling Africa's specific needs.

45 For the 2023-2024 fiscal year, the World Bank defines middle income countries as those with GNI per capita (the Atlas method) were between 11,36 USD and 13,845 USD in 2022.

The fund could encourage the sharing of knowledge and skills across African countries, thus strengthening the startup landscape. It would stimulate African startups to grow, tackling the "missing middle" and the prevalence of small firms in key sectors, including manufacturing. In short, such funds for African startups could be an influential investment for the future of Africa, powering up its businesses to drive strong, connected, and lasting growth while also aligning the private sector with government objectives.

Turn youth brain drain into brain circulation through Africa startup visa

To become knowledge economies with a conducive climate for startups, African countries need to tap into their talent abroad through diaspora networks. Countries of origin can reap benefits in several ways, including through the transfer of knowledge and capital. A start-up/innovation visa can be one of the tools for turning brain drain into brain circulation. Start-ups initiated by diaspora and/or joint ventures between non-residents and residents could help strengthen the rule of law, and business climate and eventually create an environment where incentives to migration are less pronounced.

More broadly, African startup visa would let entrepreneurs from all over the world start firms in Africa, with a view to generate innovative business ideas. So far, adoption of this regime has been limited, even though some countries (Algeria, South Africa, Tunisia, Botswana, and Nigeria) are considering it. South Africa is currently in the process of finalizing 'tech visa', with the aim to attract international tech talent and support[46] start-up tech ecosystem. Given its flourishing tech scene, a startup visa in Kenya could bolster its position as a leader in African tech innovation.

Boost startups through information generation and sharing

Access to information, on markets, policies and regulations, technology etc., is key for startups.

Access to information, on markets, policies and regulations, technology etc., is key for startups. An "Africa startups platform" could be impactful in this regard as it would provide startups with fast and reliable information on African economies with relevant indicators, regulations, and policies. It would also provide united start-up database with information on existing startups that could be relevant both for other or aspiring startups, investors, and policymakers.

An African Startups Business Conditions Index, based on regular surveys of startups in Africa, would help policymakers to recognize the obstacles startup face and their needs, and how they view policies. This index would facilitate design of appropriate policies, harmonize them at the continental level and improve business environment. It would also shed light on factors driving high start-up exit rates.

46 Agence Francaise de Development. 2019. "Appropriate funding to support African digital start-ups and their ecosystems".

Climate tech startups can contribute to addressing climate crisis[47]

Climate change mitigation and adaptation are pivotal areas where African countries can launch joint R&D projects, fostering an ecosystem of startups around continental climate innovation. The challenges and opportunities presented by climate change are particularly poignant for African startups due to the continent's vulnerability, stemming from its geographical and economic circumstances. Startups face numerous challenges, including the impact of climate change on agriculture, operational disruptions, and financial constraints. However, these challenges are matched by opportunities: the demand for innovative solutions to climate-related issues, the shift towards green technology, access to climate finance, the ability to influence policy, and the creation of jobs in new, sustainable sectors.

Joint climate research initiatives, cross-border innovation in renewable energy, shared resources for sustainability projects, and climate-resilient agricultural technologies are just a few areas where collaborative R&D can be transformative. Furthermore, data sharing for climate modeling and prediction, networking, access to pan-African and global markets, and capacity building, are critical for this cooperative approach.

Amplified and focused African voice in global economic forums

Collaboration with the African Union will be critical for success of the start-up agenda. The AU has gained a seat at the G20 (G21), which could be utilized for presenting Africa's interests in a focused and coordinated way at the G20 to ensure that Africa's start-up initiative receives adequate support.

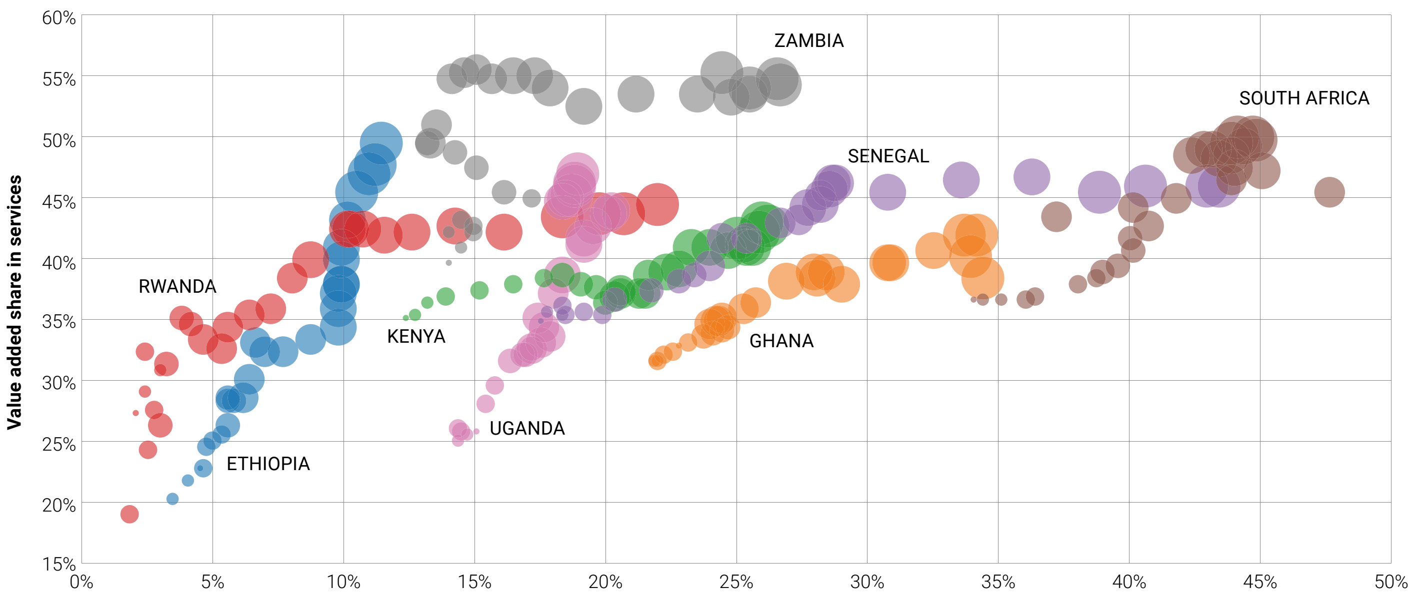
47 Gitahi, W. 2023. "The Catalyst Fund: Championing climate tech innovation in Africa."

FIGURE 12

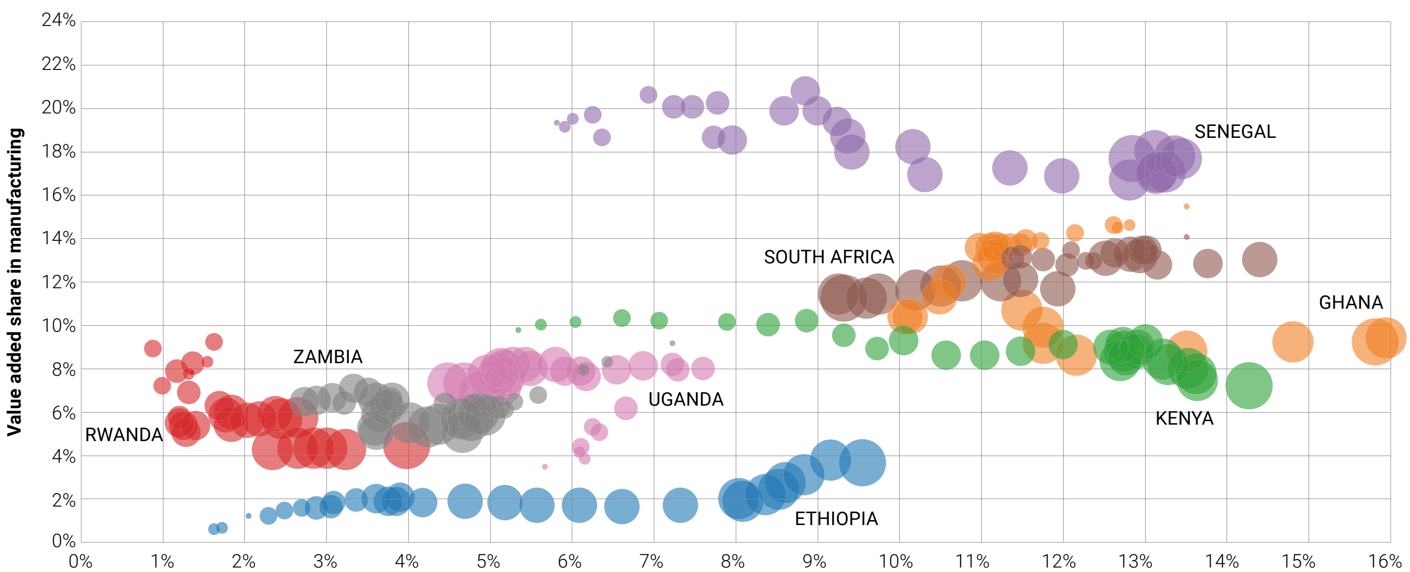
EVOLUTION OF SERVICES AND MANUFACTURING (1990 - 2018)

Unlike the northeasterly flow of the bubble chart for services, the manufacturing sector has a more irregular pattern. Rwanda, Zambia, Senegal, and Kenya have moved generally southeast, suggesting that manufacturing's employment share is rising but its value-added share is falling. This trend suggests that the manufacturing sector's productivity is falling. The manufacturing sector in South Africa has experienced a drop in its share in both employment and value added, suggesting manufacturing is playing a smaller role in South Africa's economy over time. The manufacturing sector's performance in Africa over the last several decades has raised questions about the future of manufacturing in Africa's economic growth, concerns of deindustrialization, and renewed efforts to articulate new national and regional industrial strategies.

EVOLUTION OF SERVICES 1990 TO 2018



EVOLUTION OF MANUFACTURING 1990 TO 2018



The larger the dot, the more recent the year.

Source Heitzig and Newfarmer. 2023. "Africa: Growth beyond deindustrialization?" The International Growth Centre.

4 TRADE AND REGIONAL INTEGRATION

ESSAY

VIEWPOINT

How to catalyze AfCFTA implementation in 2024

ANDREW MOLD

Chief, Regional Integration Office for Eastern Africa, UNECA
@AndyMold1

FRANCIS MANGENI

AfCFTA Secretariat, Africa House and Senior Fellow, Nelson Mandela School of Public Governance, University of Cape Town
@Francismangeni

Progress to date

The African Continental Free Trade Area (AfCFTA) is a continental agreement that aims to create a single market for goods and services, facilitate free movement of people and capital, and promote industrial development and economic integration in Africa. Signed in Kigali at an African Union Summit in March 2018, it entered its operational phase in June 2019 and will undergo a five-year review in 2024.[1] The African continent is going against the grain with this Agreement—while elsewhere faith in regional integration has generally been waning, the AfCFTA signals strongly that African member states want to address for once and for all the economic balkanisation which has plagued the continent ever since colonial times. In a forthcoming book Borderless Africa–A Sceptic's Guide to the Continental Free Trade Area–Hurst Publishers, 2024, we review the rationale behind the agreement and argue that ultimately, there is no real viable long-term strategic alternative if Africa wishes to attain its developmental goals and aspirations.

On January 1, 2021, the AfCFTA moved into its implementation stage. Yet, if you scour the data on intra-African trade, there is not yet much evidence of an upsurge in the amount of goods being traded under the new AfCFTA rules. The *Guided Trade Initiative*, which started in October 2022, involving seven countries in a "trial run," demonstrated that products could indeed be exported and imported across Africa using AfCFTA documents and procedures, but exposed a number of teething problems. These include a lack of familiarization with the precise tariff schedules among customs officials,[2] long periods of up to six months for consignments to arrive at their destinations,[3] and high freight and transportation charges.[4]

At this juncture, this is understandable for several reasons. Firstly, regional agreements take time to implement—the European Union took 11 years to establish its customs union, and a further 25 years until it established its own "single market".[5] Secondly, the tariff elimination schedule of the AfCFTA is gradual, and the process will not be completed until 2034.[6] Thirdly, there is general consensus that non-tariff barriers (NTBs) constitute more important impediments to intra-African trade than tariffs.[7] In sum,

1 African Union. The African Continental Free Trade Area: Article 28 of the AfCFTA agreement.

2 Trade Law Centre (tralac). 2023 "What have we learned from the AfCFTA guided trade initiative?"
*It should be noted though that some consignments by air took much a shorter time.

3 Hair sine, Kate. 2022. "Africa's AfCFTA free trade agreement takes baby steps." DW

4 Nation. 2023. "Border checks, varied rules choke intra-Africa trade plan."

5 Mold, Andrew. 2021. "Proving Hegel wrong: learning the right lessons from European integration for the African Continental Free Trade Area." Journal of African Trade 8.2: 115-132.

6 African Union (AU). 2024. "Operational Phase of The African Continental Free Trade Area Launched.

7 International Trade Administration (ITA). 2022. Market Intelligence: African Continental Free Trade Area.

Fifty-four out of the 55 African Member States have signed the Agreement, and as of December 2023, 47 have ratified it. Forty-five tariff reduction schedules and 22 services schedules have been adopted. Rules of origin have been agreed (except for vehicles and textiles and clothing).

it will take some time for the barriers to be removed and their impact felt. It is also important to remember that the AfCFTA is, in terms of number of members—55 of them—the largest trading block in the world. So, negotiations were always likely to be time-consuming and complex.

That said, from the stance of putting in place the legislative architecture for the AfCFTA, progress has been quite impressive. Phase 1 negotiations covering both goods and services and the dispute settlement mechanism have been completed, together with the establishment of oversight committees and the adoption of work programmes. Fifty-four out of the 55 African Member States have signed the Agreement, and as of December 2023, 47 have ratified it. Forty-five tariff reduction schedules and 22 services schedules have been adopted. Rules of origin have been agreed (except for vehicles and textiles and clothing).[8] Negotiations on the major associated protocols on investment, intellectual property, and competition have also now been concluded and the protocols adopted.[9] However, it is also the case that impatience is likely to grow if trading under AfCFTA rules does not grow rapidly soon.

The import of imports

Thus far, much of the emphasis of training workshops and sensitization about the AfCFTA have been focused on promoting intra-African exports. But it will be impossible to increase intra-African trade without increasing imports—for every dollar worth of intra-African exports, there must be a corresponding increase in imports.

A compelling case could be made that countries with large positive trade balances with their continental partners should make special efforts to increase their openness to imports from African countries.

A compelling case could be made that countries with large positive trade balances with their continental partners should make special efforts to increase their openness to imports from African countries. This could entail a more rapid elimination of barriers to intra-African imports than the tariff schedules dictate, just as Kenya did when the East African Community (EAC) Customs Union was established in 2005, and it immediately allowed duty-free imports from its neighbours while permitting its own exports to be progressively liberalised over a longer five-year period.[10] This is linked to an idea in our book—what is required at this juncture is leadership on this front by the regional hegemons. In this sense it is quite striking that the three largest economies on the continent—Nigeria, South Africa, and Egypt—all enjoy large positive trade balances with their continental partners, so in principle, they can afford to adopt a liberal import regime for intra-African imports.

8 African Union. 2019. Tenth Meeting of the African Continental Free Trade Area AU Ministers of Trade (AMOT).

9 African Union. Decision no. Assembly/AU/Dec.854(XXXVI) of the Thirty-Sixth Ordinary Session of the African Union Assembly held on 18 - 19 February 2023, paragraphs 12 to 14.

10 Macleod, Jaime, Luke, David and Guepie, Geoffroy. 2023 'The AfCFTA and regional trade,' in: Luke, David "How Africa Trades," London: LSE Press, pp. 23–50.

The good news is that it is much easier to remove import barriers than promote exports. Some countries are making efforts to identify new markets on the African continent for their export products. This is a positive development, but as any trade economist will tell you, boosting exports takes time and may require technological upgrading, enhancing quality standards, and adapting products to customer needs. It might also require broader measures in terms of mobilizing domestic and foreign capital, fostering innovation and entrepreneurship, developing human capital and skills, and building physical and digital infrastructure. None of these can be undertaken quickly.

By contrast, tariffs can in principle be removed at the stroke of a finance minister's pen. The non-tariff barriers will prove more intractable—but by leveraging the tools put in place, such as the Continental Non-Tariff Barriers Mechanism, governments can respond quickly once NTBs have been identified. Granted, the widespread use of the tool has yet to materialize since meaningful trade under the AfCFTA is only just starting. As of January 2023, only a handful of claims, six to be exact, had been registered. Yet it is expected that as preferential trade flows under the terms of the AfCFTA increase, so will usage of the tool.

Sticks and carrots

What if African state parties refuse to comply with their obligations under the AfCFTA? One of the perpetual complaints of past experiences at African integration is that the results have been undermined by a lack of compliance. In this sense, in 2024 it will become increasingly important to think more deeply about compliance issues. The Annex to the AfCFTA describes all the procedures for reporting, monitoring, and eliminating NTBs, from reporting to arbitration. It is encouraging to note that the NTB mechanism of the tripartite agreement between the Common Market for Eastern and Southern Africa (COMESA), EAC, and Southern African Development Community (SADC), from which the AfCFTA one was cloned, has been very successful. And in case of non-implementation by member states, the Dispute Settlement Mechanism is clearly defined.[11]

Within the context of the agreement, these are the big sticks, but there are also carrots, such as the newly established Adjustment Fund. The facility, headquartered in Rwanda, is reportedly worth $10 billion and will start operations in the second quarter of 2024, benefiting countries, public institutions, and private sector. It consists of three sub-funds: the Base Fund, General Fund, and Credit Fund. The funds will use contributions from AfCFTA state parties as well as grants and technical assistance to address tariff revenue losses, infrastructure deficits, and possible supply chain disruptions that could result from the implementation of the AfCFTA.[12] But it is important to make access to the fund conditional on beneficiary states fully

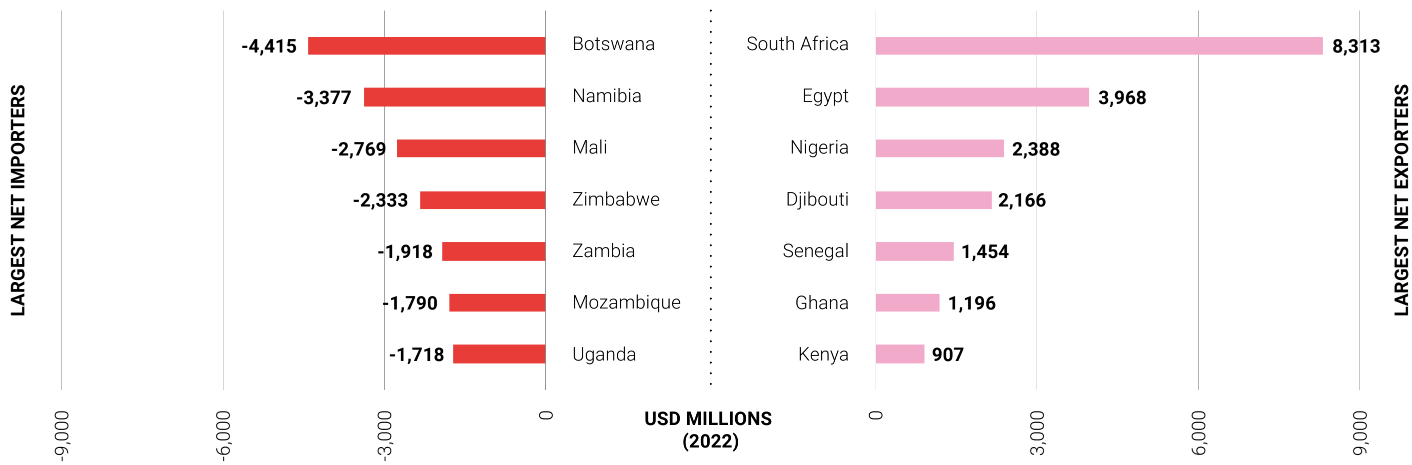
11 Many legal experts would have preferred the approach adopted in the EAC, COMESA, and ECOWAS Courts whereby both individuals and companies can bring cases. Instead, a State-to-State mechanism was instituted, whereby complaints of non-implementation must be made through the relevant national authorities. Nevertheless, inter-State dispute settlement can also be successful, as shown by the record of the WTO Dispute Settlement Mechanism, and in terms of number of cases heard and compliance with rulings by Members, etc.

12 AFREXIMBANK. 2023. "Inaugural Board Meeting of the AfCFTA Adjustment Fund Corporation Holds in the Republic of Rwanda.

FIGURE 13

THE THREE LARGEST ECONOMIES ON THE CONTINENT CAN AFFORD A MORE LIBERALIZED IMPORT REGIME

Intra-continental trade is dependent on both the export and import markets. However, the three largest economies on the continent (South Africa, Egypt, and Nigeria) export far more than they import. These largest economies importing more from neighboring countries is one pathway to enhance intra-continental trade.



Source: Mangeni and Mold. 2024. Calculated from UNCTADStat data.

complying with the agreed tariff schedules and providing proof that their domestic markets are now more open to intra-African trade and investment.

Final words

If the objective is to accelerate implementation of this path-making Agreement, there first needs to be an unrelenting focus on removing the impediments to greater intra-African imports. By being more open to continental imports, regional value-chains will inevitably emerge, not by government diktat, but as a result of the private sector taking advantage of the new opportunities.

The AfCFTA agenda will inevitably shift over the course of time as the implementation process advances. Right now, the main goal must be to eliminate the trade barriers that hinder intra-African trade. However, other aspects of the agreement will also become relevant soon, such as the enforcement of the rules on competition and investment, the alignment of standards, and the protection of intellectual property rights. The African continental market will not be created overnight—as the saying goes: "Rome was not built in a day." The legal dimensions of the AfCFTA will take on a heightened importance, as mere good intentions will not suffice. The continental market will only be realized through the incorporation of the agreed rules and protocols into national laws and through the resolution of disputes and legal claims.

The future of African trade in the AfCFTA era

HIPPOLYTE FOFACK

Research Associate, Harvard University Center for African Studies and former Chief Economist and Director of Research, African Export-Import Bank

@FofackHippolyte

However, the African Continental Free Trade Area (AfCFTA)—which establishes one of the largest free trade areas in the world with a market of 1.4 billion people and a combined GDP of USD 3.4 trillion could significantly transform Africa's trade and economic landscape.

In a sign of the stickiness of the colonial development model of resource extraction—where African countries systematically exported raw materials and natural resources to European powers and imported value-added manufactured goods at higher prices—the round-tripping model, which has been responsible for huge foreign exchange reserve leakages and sustained balance of payments pressures, has persisted, even as Africa's direction of trade has shifted eastward. According to most recent estimates, hydrocarbons dominate India-Africa trade, with refined petroleum and related products topping India's total exports to Africa in 2022.[13]

In addition to huge foreign exchange reserve leakages, that colonial development model greatly exposes countries to recurrent adverse commodity terms of trade shocks largely responsible for the high frequency of balance of payments crises and the inexorable rise of external liabilities. And in a world of global value chains where trade is dominated by intermediate and manufactured goods with increasing technological content, it has contributed to a steady decline of African trade in relative terms. The region now accounts for less than 3% of global trade, down from about 5% in the aftermath of independence and notwithstanding the fact that its share of the world's population has increased steadily to reach 17%.[14] Furthermore, it has skewed the distribution of African trade towards extra-African trade—intra-regional trade has remained dismally low, at around 15% of total African trade, compared to 60% in Asia and 70% in Europe.[15]

However, the African Continental Free Trade Area (AfCFTA)—which establishes one of the largest free trade areas in the world with a market of 1.4 billion people and a combined GDP of USD 3.4 trillion could significantly transform Africa's trade and economic landscape.[16] The AfCFTA has been touted as a game-changer owing to its potential to significantly increase investment flows, with their composition and direction shifting away from natural resources towards labor-intensive manufacturing as corporations take advantage of economies of scale as well as competitiveness and productivity gains associated with the drastic reduction in the risk of investing in smaller markets.[17]

World Bank estimates show that the AfCFTA could raise Africa's exports to the rest of the world by 32% by 2035 and catalyze foreign direct investment, which is

13 International Trade Centre. 2023. Trade Map. https://www.trademap.org/Index.aspx.

14 Luke, D. (ed.) 2023. How Africa Trades. London: LSE Press. https://press.lse.ac.uk/site/books/e/10.31389/lsepress.hat/.

15 Wellisz, Chris. 2022. "Freeing Foreign Exchange in Africa." IMF. https://www.imf.org/en/Publications/fandd/issues/2022/09/Digital-Journeys-Africa-freeing-foreign-exchange-wellisz.

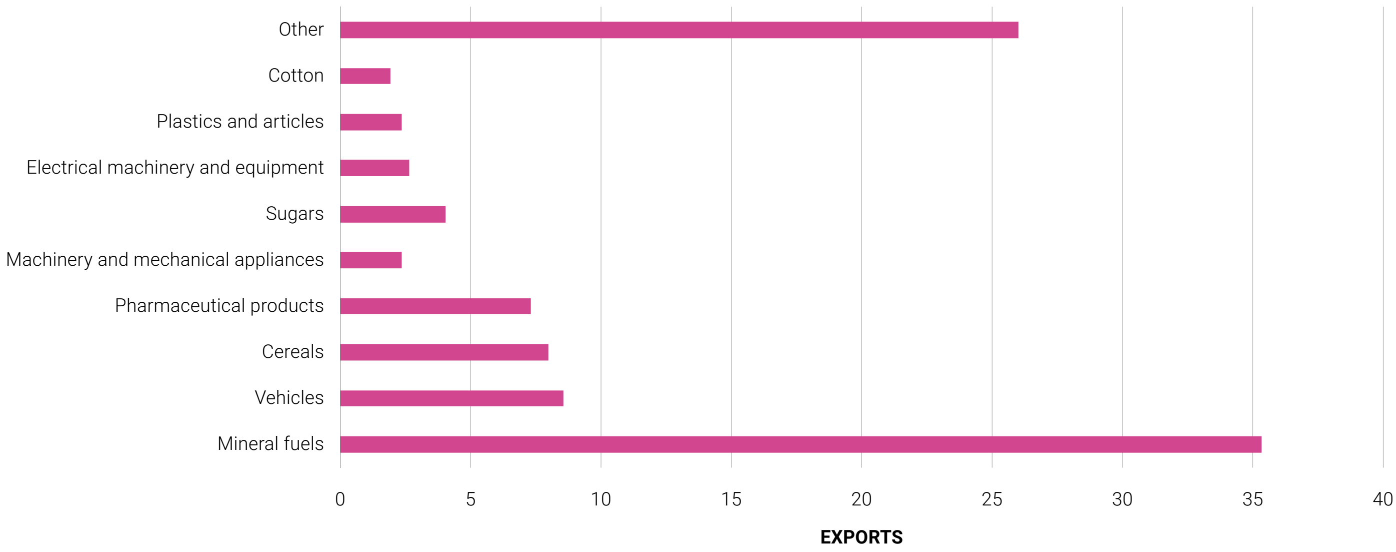
16 Signe, Landry. 2023. Project Syndicate. "A Year of Opportunity for Africa." https://www.project-syndicate.org/commentary/africa-2023-opportunities-economy-climate-change-by-landry-signe-2023-01?barrier=accesspaylog.

17 Fofack, Hippolyte. 2021. "A Competitive Africa." IMF. https://www.imf.org/en/Publications/fandd/issues/2018/12/afcfta-economic-integration-in-africa-fofack.

FIGURE 14

INDIA'S EXPORTS TO AFRICA HAVE SHIFTED OVER TIME

35% of Africa' exports to one of their largest trade partners, India, are mineral fuels, or refined petroleum and related products. Despite the geographic shift in trade, Africa's trade partnerships continue to be based off resource extraction.



Source: International Trade Centre (ITC). 2022. Trade Map database. Figure 2 - Luke, David. 2023. "How Africa Trades." London: LSE Press. Author's calculations of IMF's Direction of Trade Statistics.

expected to increase by between 111% and 159%.[18] The AfCFTA has brightened African trade and growth prospects. Leveraging its huge potential to transcend the colonial development model of resource extraction will help to accelerate the diversification of sources of growth and exports, propelling the region into a virtuous cycle of robust economic growth and a broader tax base that will strengthen Africa's foundation of fiscal and debt sustainability.

The future of African trade in the AfCFTA era is one in which commodity-based industrialization will become the continent's modus operandi to foster vertical integration.

As corporations take advantage of competitiveness and productivity gains associated with increasing economies of scale under the AfCFTA, lithium-rich countries such as the Democratic Republic of Congo and Zambia will no longer export raw lithium but will instead integrate into global value chains of new energy vehicles as exporters of lithium batteries. Staying with the automotive industry, West African countries such as Liberia and Cote d'Ivoire will no longer be integrated into global value chains only as providers of natural rubber, but instead as global hubs for tire manufacturing, diversifying the sources of growth and expanding employment opportunities. The future of African trade in the AfCFTA era is one in which commodity-based industrialization will become the continent's modus operandi to foster vertical integration.

18 The World Bank. 2020. "The African Continental Free Trade Area." https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area.

But the future of regional trade is also one in which intra-African trade will become a more important component of total African trade to further enhance the resilience of the region to global volatility and negative shocks. Preliminary estimates show that intra-African exports would increase by 109%, led by manufactured goods, especially if the implementation of the AfCFTA is accompanied by robust trade facilitation measures, understandable in a region where the consequences of non-tariff barriers—equivalent to an import tariff of 18%—have been just as costly for trade and endogenous growth as market fragmentation.[19,20,21] But intra-African trade will also drive industrialization because manufactured goods dominate intra-African trade. So, as intra-African trade expands under the AfCFTA, so will industrialization, which will then drive operationalization of the commodity-based industrialization model.

The economies of scale associated with the AfCFTA rationalizes the commodity-based industrialization model, which has the potential to transcend the debilitating colonial development paradigm of resource extraction and mitigate risks associated with the inherent long-term deterioration of commodity terms of trade that have been the bane of African economies for decades.

But the AfCFTA must not be seen as a panacea to decades of economic regression, which has led to a steady decline of Africa's share of global trade. Although necessary, it is not a sufficient condition for economic transformation and expansion of income-generating opportunities in a region where the colonial development model of resource extraction has consistently exported jobs to sustain Great Depression-era unemployment rates, which stand at more than 30% in Nigeria and perhaps even higher in other countries where informality has become a disguised form of unemployment.

Realizing the huge potential of the AfCFTA hinges on implementing robust trade facilitation measures to increase efficiency and reduce the time and costs of African trade. At the same time, more should be done, including implementing the rules of origin, which are viewed as the industrialization passport that will enable made-in-Africa goods to circulate free of duty within the free trade area and hence fuel commodity-based industrialization.

19 The World Bank. 2022. "Free Trade Deal Boosts Africa's Economic Development." https://www.worldbank.org/en/topic/trade/publication/free-trade-deal-boosts-africa-economic-development.

20 Azour, Jihad and Abe Selassie. 2023. "The Drive for Trade Integration." IMF. https://www.imf.org/en/Publications/fandd/issues/2023/09/Straight-Talk-the-drive-for-trade-integration-azour-aemro-selassie.

21 The World Bank. 2020. "The African Continental Free Trade Area."

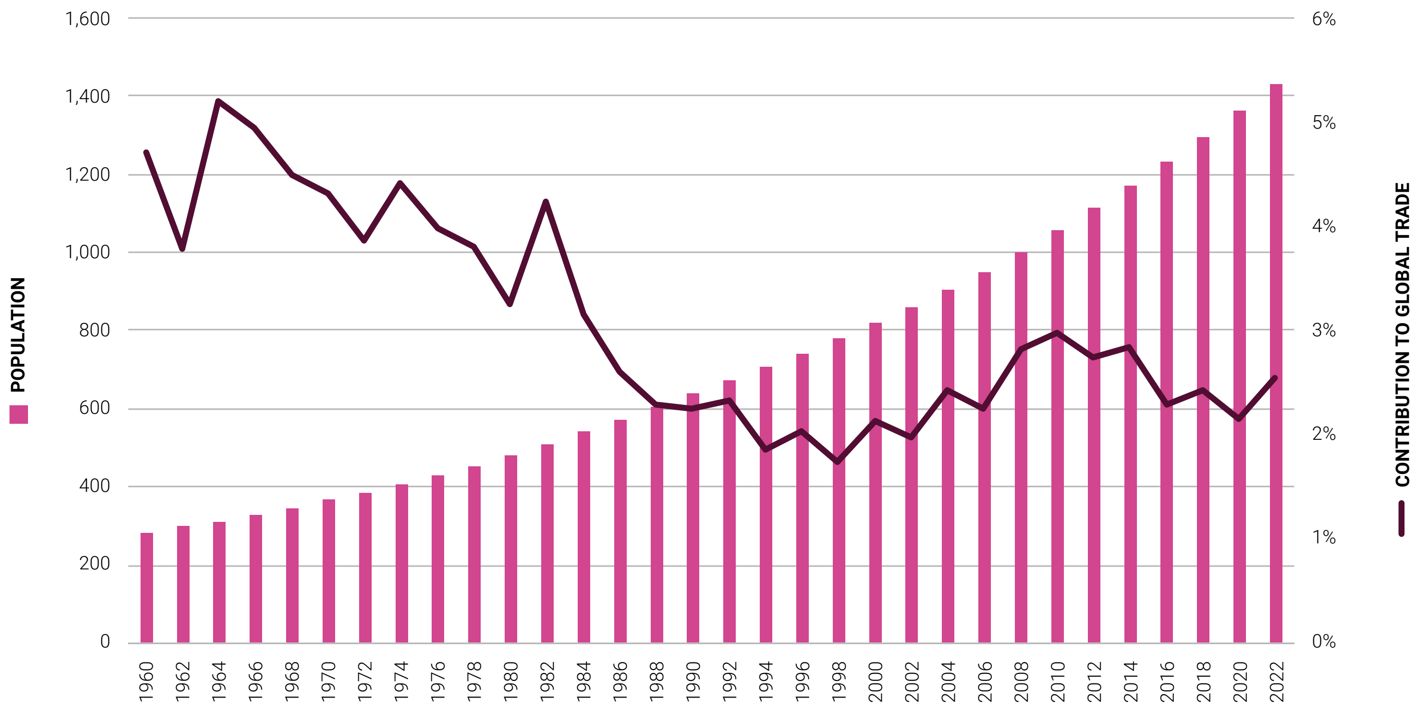
African governments should also invest aggressively to close their yawning gap in infrastructure (both physical and digital) and in human capital to improve the business environment and foster regional connectivity to sustain cross-border trade flows. Likewise, resisting the rush to bilateral trade deals which frequently lead to trade deflection and either weaken Africa's voice at the global level or create dissonance is critical, especially for the continent which for far too long has been at the short end of the international trade negotiation stick.

Finally, and perhaps the most challenging of all—considering the sheer number of countries that comprise the AfCFTA, the largest in the world by membership—speaking with one voice will be extremely important to strengthen Africa's bargaining power in international trade negotiations and shift the boundary of fair trade to a more inclusive process of globalization. Speaking with one voice will also enhance the development of the robust regional value chains needed to effectively implement the commodity-based industrialization model that transcends the extremely costly and sticky colonial development paradigm of resource extraction.

FIGURE 15

AFRICA'S CONTRIBUTION TO GLOBAL TRADE IS FALLING DESPITE A GROWING POPULATION

Africa's population has grown at a constant rate over the last 60 years and is expected to reach over 2 billion by 2050. However, Africa's contribution to trade is not reflective of this growth trend. The region's contribution to global trade has remained below 3% since the 1980s, and in recent years has trended closer to 2%.



Source: United Nations. 2022. Populaton Division. World Population Prospects; UNCTADStat Data. 2023. International Merchandise Trade.

The whys and hows of the mobility of Africans in Africa

ALAN HIRSCH

Emeritus Professor,
Nelson Mandela School of Public Governance,
University of Cape Town
@AlanHirsch2

Africa's economic outlook has deteriorated since the heady days of "Africa Rising" when Africa grew strongly post-2000—much faster than it had since the commodity boom of the 1960s and 1970s. But African growth is now slowing down.

Economic conditions are tougher; circumstances are less favourable. The global growth which supported Africa's growth spurt has slowed. Asia, Europe, and the U.S. are looking inwards and are not reliable partners, global value chains are shortening post-pandemic, and new labor-saving technologies threaten to undermine Africa's advantage of abundant labor. Debt worries in many African economies make them more vulnerable.

The implementation of policies which exploit Africa's continental synergies is now more important than ever.

FIGURE 16

INTRA-AFRICA TRADE SHOULD BE A PRIORITY FOR THE REGION

Thanks to preferential trade agreements such as the Africa Growth and Opportunities Act and the EU's Everything But Arms initiative, key manufacturing inputs and some final products such as vehicles face lower tariffs if they are sourced in Africa. In a world in which geopolitically-motivated protectionism and sanctions are increasingly common, Africa has an opportunity to take advantage of lower tariffs to promote industrial exports and value-chain integration.

Note: Data based on Harmonized Commodity Description and Coding System (HS).
Tier 1 is automotive parts and systems, tier 2 is non-automotive grade parts and tier 3 is raw and semi-raw materials.

Source: United Nations Conference on Trade and Development (UNCTAD). Economic Development in Africa Report. 2023.

Beyond trade in goods, Africa needs greater personal mobility across national borders, especially for traders, investors, and professional service providers. Indeed, the AfCFTA protocols for trade in services and investment explicitly require such mobility.

The African Continental Free Trade Agreement (AfCFTA) is steadily being implemented. Agreed in 2018, it came into force in 2019 for the 24 countries which had by then ratified the agreement. Forty-seven of the 54 countries which signed the agreement have now ratified it. Negotiations on details continue while some countries have begun to trade certain products through the Guided Trade Initiative—a piloting program. Driven by a dedicated secretariat, the AfCFTA has a dynamism that no similar continental initiative ever had.

Beyond trade in goods, Africa needs greater personal mobility across national borders, especially for traders, investors, and professional service providers. Indeed, the AfCFTA protocols for trade in services and investment explicitly require such mobility.

In the year that the AfCFTA was signed, 32 African leaders signed the African Union Free Movement of Persons Protocol to progressively open African borders for people. But only four countries have ratified the agreement. No ratifications have been registered in Addis Ababa since 2019.

There has been more progress in regional, sub-regional, bilateral, and unilateral initiatives than in the continental process. Regional Economic Communities (RECs) such as the East African Community, Economic Community of West African States (ECOWAS), and the Southern African Development Community have largely visa-free travel for regional citizens, and subsets of countries within those regions have moved further, only requiring official identity documents. Access to work permits for citizens of fellow REC members has also been improved in some regions in Africa.[22]

Why then is there a lack of enthusiasm for the African Union's free movement protocol? Some richer countries in Africa, which provide citizens and legal residents with a range of social services and transfers, fear that large groups of economic immigrants might resort to inappropriate strategies to obtain residence. In countries already facing social issues, such as poverty and high unemployment, the issue of immigration can become politically explosive.[23]

Policymakers in those countries fear the implementation of the African Union Free Movement of Persons Protocol will make them vulnerable to large-scale economic immigration. Though the Protocol does not entail the kind of obligations they fear and contains several safeguards, resistance to a broad continental initiative remains.

Greater mobility through regional, subregional, bilateral, and unilateral reforms should be encouraged. The African Union (AU) should also explore narrowing the continental focus to the mobility of skilled people—traders, investors, professional service providers, and graduate students. Refocusing the AU initiative in this way will allow it to draw on the dynamism of AfCFTA processes for support. It will enable member

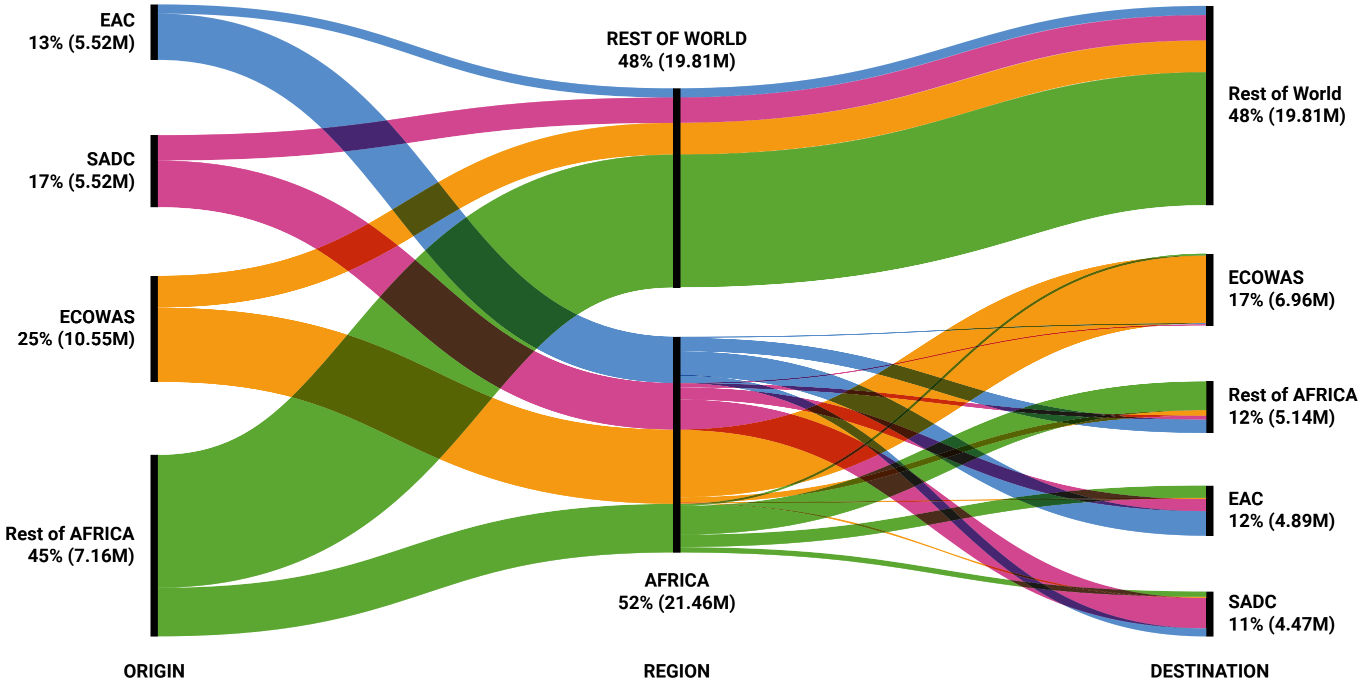
22 Hirsch, Alan. 2023. "Framing A Study Of African Migration Governance Reform —Towards Freer Movement." New South Institute.

23 Hirsch, Alan. 2021. The African Union's Free Movement of Persons Protocol: Why has it faltered and how can its objectives be achieved?, South African Journal of International Affairs, 28:4, 497-517.

FIGURE 17

THE MAJORITY OF MIGRATION IS HAPPENING WITHIN THE CONTINENT

Three Regional Economic Communities (RECS) in Africa, the East African Community (EAC), ECOWAS in West Africa and the Southern African Development Community (SADC) have made progress in continental integration through various regional initiatives. Reducing travel requirements and allowing citizens to cross territories more easily has had a positive impact on the flow of migrants between regional blocs. However, a large portion of the migrant population is still moving off the continent. Relaxing restrictions and enacting regional initiatives will have a large effect on mobility within the continent.



Note: Tanzania is double-counted due to its dual membership in EAC and SADC. Without this double-counting, the total number of intra-African migrants is 20.9 million, not 21.46 million, and the total number of African migrants to the "Rest of World" is 19.6 million, not 19.81 million.

Source: 2020. Michael Mutava (forthcoming) aggregation. UN DESA International Migrant Stock 2020: Destination and origin.

states to develop practices and systems of documentation and mutual cooperation that in the long run can build trust and enable broader mobility agreements.

The Association of South-East Asian Nations (ASEAN)[24] and two overlapping regional blocs in South America progressed by focusing on the mobility of skilled people first.[25] In the South American case it laid the basis for broader agreements on mobility.[26] Africans can learn from these experiences.

24 Sugiyarto, Guntur, and Dovelyn Rannveig Agunias. 2014. "A 'freer' flow of skilled labour within ASEAN: aspirations, opportunities and challenges in 2015 and beyond." Issue in Brief. Washington: International Organization for Migration, Migration Policy Institute: 11.

25 Brumat, Leiza. 2020. "Four generations of regional policies for the (free) movement of persons in South America (1977–2016)." Regional integration and migration governance in the Global South. Cham: Springer International Publishing.

26 Arcarazo, Diego Acosta, and Andrew Geddes. 2014. "Transnational diffusion or different models? Regional approaches to migration governance in the European Union and Mercosur." European Journal of Migration and Law 16.1: 19-44.

Re-globalization and Africa's integral role in a sustainable future

STEPHEN KARINGI

Director, Regional Integration and Trade Division, UNECA
@snkaringi

JASON MCCORMACK

Associate Economics Affairs Officer, UNECA

The idea of globalization brought with it the idea of prosperity. Yet ever since globalization has been discussed questions have been raised around its effectiveness and ability to bring prosperity to all. In recent years this has been especially true considering global challenges like the Covid-19 pandemic, conflict in Ukraine, and supply chain difficulties that arose from them. In Africa, we know that despite its promise many Africans have not seen globalization's benefits and many African countries have struggled to move up along global value chains. In fact, as recently as 2022, 46 African economies were considered dependent on the export of primary commodities, a situation associated with lower levels of development, economic instability, and fiscal unpredictability.[27]

But this does not mean that a globally connected world is misplaced, it means that the operational structure that underpins globalization must change in a way that spreads the benefits of trade to all. It is in this space that Africa has a unique place to drive the conversation around re-globalization and position itself at the center of a new effort to own its trajectory.

Africa's commitment to a resilient and sustainable future that works for all Africans is strong. Despite challenges, the continent is making significant progress in advancing initiatives like the African Continental Free Trade Area (AfCFTA). The AfCFTA promises to unite more than 50 individual economies and nearly 1.5 billion people in a manner that is resilient, inclusive, and sustainable.[28] This modality, Africa working with Africa, gives it a blueprint for success. Helping to illustrate its promise, modelling estimates from the United Nations Economic Commission for Africa show that in 2045, as compared to the situation without the AfCFTA, the value of intra-African trade can rise by 33.5% with the full implementation of the Agreement with the largest gains going to sectors that Africa needs to build resilience in most like Agrifood, Services, and Industry.[29] Here, the AfCFTA will also help Africa move up along regional and global value chains. As of 2019, Africa's participation in global value chains was a mere 1.7%.[30] Yet, the AfCFTA can help drive inward investment flows to build the infrastructure, capacity, and expertise needed to move up along regional and global value chains that sometimes stand in conflict with one another. It will do so through creating a harmonized landscape for investment, competition, and intellectual property rights via dedicated and standalone Protocols to the Agreement.

In Africa, we know that despite its promise many Africans have not seen globalization's benefits and many African countries have struggled to move up along global value chains.

27 Analysis defines primary commodities as "primary commodities, precious Stones and non-monetary gold (SITC 0+1+2+3+4+68+667+971)" from UNCTADstat. 2022. Merchandise trade matrix in thousands United States dollars, annual database.

28 United Nations. 2023. Economic Commission for Africa (ECA). "AfCFTA what you need to know: frequently asked questions & answers." https://repository.uneca.org/handle/10855/49411.

29 ECA (forthcoming).

30 OECD. 2022. "Regional value chains in Africa for better global integration."

Africa simply cannot compete against major trading powers that use tax and subsidy policy to draw investment. But by working together, advancing integration, and operating with one voice Africa can drive the re-globalization conversation and put itself in a position to reap its benefits.

Yet, in another context, re-globalization will bring Africa into central focus due to its unique endowment of green transition minerals like cobalt, lithium, and nickel. Green minerals can help Africa pursue its environmental and development objectives simultaneously, but to do so it cannot harvest its resource endowment in the same manner of the past. Africa must make needed investments in infrastructure, technical expertise, and private enterprise that will help it industrialize in a sustainable and resilient way and permit it to specialize in the export of higher value-added production and raise its voice on the global stage.

To seize upon the promise of re-globalization we must also recognize that challenges exist. Africa simply cannot compete against major trading powers that use tax and subsidy policy to draw investment. But by working together, advancing integration, and operating with one voice Africa can drive the re-globalization conversation and put itself in a position to reap its benefits.

Modernizing AGOA for the 21st century

WITNEY SCHNEIDMAN

Nonresident Senior Fellow, Global Economy and Development, Brookings Institution
@WitneySchneid

The African Growth and Opportunity Act (AGOA) is set to expire in 2025 after serving as the cornerstone of the U.S.-African commercial relationship for nearly the last quarter-century. As Congress and the Biden administration work toward AGOA's renewal, three critical issues should guide the modernization of the legislation to ensure that it leads to enhanced growth on the continent and deeper commercial ties between Africa and the United States. These issues are:

- Aligning AGOA with the implementation of the African Continental Free Trade Area;
- Ensuring that every beneficiary has an AGOA utilization strategy; and
- Using AGOA to promote U.S. investment in Africa.

The U.S. should also continue the strategic working groups and the annual summit process that were established in the MOU with the AfCFTA secretariat during the December 2022 African Leaders Summit.

AGOA and the AfCFTA: One of the most significant developments to have taken place on the continent since AGOA was last renewed in 2015 is the ratification of the AfCFTA by 47 African nations and the creation of a secretariat in Accra. Designed to create a USD 3 trillion free trade area, which would be the largest in the world, the AfCFTA will be instrumental in reducing poverty and inequality on the continent and accelerating economic diversification, value addition, and structural transformation.[31]

As an initial step toward alignment with the AfCTA, Congress should consider the proposal by Senator Chris Coons to modify AGOA's rules of origin to allow inputs from North African AfCFTA countries—presently excluded from AGOA—to count toward the requirement that 35% of a product's value originate in the region.[32]

The U.S. should also continue the strategic working groups and the annual summit process that were established in the MOU with the AfCFTA secretariat during the December 2022 African Leaders Summit.[33]

National utilization strategies: When Congress extended AGOA in 2015, it urged all beneficiaries to develop national utilization strategies. According to USTR, only 16 have done so.[34] Those countries that have developed AGOA strategies have seen increases in their exports to the U.S. Togo saw an increase of 91% of its agricultural exports to the U.S. between 2017 and 2020; Mozambique increased its AGOA exports by 813% between 2018 and 2020, again largely agricultural products; and Zambia increased its exports over 3,000%, including semi-precious stones, pearls, and copper.[35]

31 Okwatch, Douglas. 2023. Africa Renewal. "Africa's free trade on track, more efforts needed." UN.

32 Coons, Sen. Chris. "AGOA Renewal Act of 2023."

33 The White House. 2022. "FACT SHEET: U.S.-Africa Partnership in Promoting Two-Way Trade and Investment in Africa."

34 United States Trade Representative (USTR). 2022. "2022 Biennial Report of the Implementation of the African Growth and Opportunity Act."

35 Schneidman, Witney, Kate McNulty, and Natalie Dichary. 2021. The Brookings Institution. "How the Biden administration can make AGOA more effective."

The Biden administration should work with every AGOA beneficiary to develop and implement an AGOA utilization strategy.

Supporting U.S. investment in Africa through AGOA: Since AGOA was last extended, there has been a steady decline in U.S. investment in Africa from a high of $69 billion in 2014 to $44.81 billion in 2021.[36] Although it ticked up to $46.17 billion last year, the reality is that most American companies see the African market as a risk as opposed to an opportunity.

AGOA should be modernized in several ways to provide policy certainty and support for American companies entering the African market.

AGOA should be modernized in several ways to provide policy certainty and support for American companies entering the African market.

One strategy for lowering the risk and increasing the return on investment is through **investment incentives.** In 1976, the U.S. tax code granted U.S. companies a tax exemption for investing in Puerto Rico, which helped to drive GDP growth from -0.3% to 10% the last quarter of 20th century.[37,38] More recently, the Inflation Reduction Act (IRA) included a range of tax credits to spur investments in electric vehicles and clean energy technologies.

In modernizing AGOA, Congress should consider introducing a credit similar to the one in the IRA to incentivize U.S. companies to make job-creating and value addition investments in specific sectors in AGOA eligible countries, including critical minerals and supply chains, digital infrastructure and skilling initiatives, renewable energy systems and grids, manufacturing (e.g., automobiles, apparel), agriculture and food security, and health services and vaccine production.

Congress could also amend the IRA to include all AGOA-eligible countries, as Vera Songwe and I have advocated, given that the legislation's investment incentives only apply to those countries with whom the U.S. has free trade agreements.[39] Morocco is the one country on the continent with whom the U.S. has an FTA.

AGOA creates another uncertainty for American companies as it stipulates that countries will **lose eligibility** once they achieve "high income" status, as defined by the World Bank's GDP per capita status. Seychelles, as an example, was "graduated" from AGOA in 2017 for reaching developed country status. To enhance investor certainty, Congress should consider the Coons' proposal that would ensure countries do not lose eligibility until they achieved "high-income" status for five consecutive years.

36 Statista. Foreign direct investment position of the United States in Africa from 2000 to 2022 data.

37 Greenberg, Scott and Gavin Ekins. 2015. Tax Foundation. "Tax Policy Helped Create Puerto Rico's Fiscal Crisis."

38 IMF Datamapper. Real GDP Growth. World Economic Outlook (October 2023) datasets.

39 Schneidman, Witney and Vera Songwe. 2023. "Africa's Critical Minerals Could Power America's Green Energy Transition." Foreign Policy.

Central to contributing a predictable investment environment in Africa is the **length of time** that AGOA might be renewed. Senator John Kennedy has introduced legislation that would extend AGOA for 20 years, to 2045. This would be ideal. The Coons' legislation proposes an extension of 16 years, which would be consistent with the U.S.-Mexico Canada Agreement. This would also be very beneficial. In fact, anything less than 10 years will contribute to investment policy uncertainty for American companies contemplating entering the African market.

AGOA's **conditionalities** have also exacerbated the uncertainty of the African market for U.S. companies. As part of the original legislation, conditionalities have largely been used to deny AGOA benefits to countries where coups, conflicts, or significant human rights abuses have occurred. In practice, the individuals who are more likely to suffer the consequences of lost AGOA benefits are those who are assembling products for export to the United States—in most instances, women employees.

When Madagascar lost its benefits after the 2009 coup, over 26,000 jobs were lost.[40] Following the termination of Ethiopia's preferences on January 1, 2022 for the government's role in the Tigray conflict, an estimated 20,000 jobs were lost after a number of apparel manufacturers, including PVH and H&M, decided to stop manufacturing.[41]

Today, the United States has a range of sanctions, such as the Global Magnitsky Act, that it can use to hold accountable those responsible for initiating conflicts, perpetuating human rights abuses, widespread corruption, or electoral fraud. A more focused sanctions strategy would help the U.S. to avoid hurting the very people AGOA was intended to support. Furthermore, AGOA eligibility should be reviewed every six years. This would be similar to the provision in the U.S.-Mexico-Canada Agreement that provides for a "joint review" of the accord six years after its entry into force. Currently there is an annual eligibility review for all AGOA countries, which leads to more policy uncertainty than clarity.

AGOA has been one of the most enduring pillars of the U.S.-African relationship. It has great potential to do more for all stakeholders.

40 The New Humanitarian. 2014. "Madagascar back in the US trade fold."

41 Industriall-Union. 2023. "Job losses wreck livelihoods in Ethiopia's garment industry."

5

DIGITAL ECONOMY

ESSAY

VIEWPOINT

Fostering an inclusive digital economy in Africa[1]

Introduction

LANDRY SIGNÉ

Senior Fellow, Global Economy and Development, AGI, Brookings
@LandrySigne

HAROON BHORAT

Nonresident Senior Fellow, Global Economy and Development, Brookings Institution
@HaroonBhorat

In the face of a rapidly evolving digital frontier, African economies can either seize the opportunities by investing in an inclusive digital economy or can be at risk of falling further behind due to significant gaps in infrastructure, technology, and skills.[2] There are undoubtedly myriad relevant and appropriate policy interventions which can be designed and proffered to aid a country or region's digital development. While improving all components of the digital ecosystem should be considered as part of a balanced digitalization strategy, we suggest three key areas for policymakers to prioritize to accelerate digitalization across African economies in 2024: (i) Improving access to digital infrastructure and platforms, (ii) Developing digital skills in line with trends in demand for them, and (iii) promoting digital financial inclusion.

Policy recommendations for an inclusive digital economy in Africa

Digital infrastructure: Bolstering access, affordability, usage, and competitiveness

Our new Digitalization and Digital Skills Index confirmed that African countries lag behind G20 countries on indicators related to digital infrastructure.[3] Since access to digital infrastructure is the foundational element upon which the broader digital ecosystem is built, investment in this area is critical. In order to strengthen Africa's digital infrastructure, policymakers in 2024 should:

Expand fixed broadband. While the increase in use of mobile phones across Africa in recent years is encouraging and the potential for 5G infrastructure exciting, fixed broadband should be a priority to ensure that high-speed internet becomes more accessible and affordable and that firms are able to digitize within the continent.

Our new Digitalization and Digital Skills Index confirmed that African countries lag behind G20 countries on indicators related to digital infrastructure.

1 This report builds on our recent publication: Bhorat, Haroon, Landry Signé, Zaakhir Asmal, Jabulile Monnakgotla, and Christopher Rooney. 2022. "Digitalization and digital skills gaps in Africa: An empirical profile." The Brookings Institution." https://www.brookings.edu/articles/digitalization-and-digital-skills-gaps-in-africa-an-empirical-profile/.

2 Digital Skills and Jobs Platform (DSCAP). 2021. "Digital Skills: The Why, the What and the How." Methodological Guidebook V 2.0. https://thedocs.worldbank.org/en/doc/a4a6a0b2de23c53da91bf4f97c315bee-0200022021/original/DSCAP-Guidebook-Part2.pdf.

3 Bhorat, Haroon, Landry Signé, Zaakhir Asmal, Jabulile Monnakgotla, and Christopher Rooney. The Brookings Institution. 2022. Ibid.

Address broadband affordability. Digital technologies rely on affordable electricity and connectivity, yet mobile phone and internet connectivity remains expensive for many countries.[4] To address affordability, policymakers can consider cross-subsidization by regulating prices for lifeline packages, increasing competition between ICT firms by auctioning spectrum licenses, and aggregating demand from public buyers to encourage network expansion.[5]

Increase access to digital infrastructure. This is critical to addressing gender and regional divides. Ultimately, a lack of digital infrastructure means that individuals are prevented from making use of digital technologies and performing activities online. In some economies, the digital gap is a symbol of exclusion, poverty, and inequality, which is worsened by the effects of unemployment, poorly functioning digital skilling programs, and sociocultural norms that deny women equal access to digital services.[6]

Governments can play key roles to prioritize underserved communities, including subsidizing the loss of revenue for ICT companies in marginalized or poor communities by requiring the industry to raise the cost of services in cities or by using Universal Service Funds that derive from ICT industry taxes, as long as management of the funds is more transparent than it has been in the past. Strategies should also be in place to prevent ICT companies from operating as oligopolies that exclude lower-income users by only providing high-cost bundles.[7] Broadband strategies should promote regional integration that will grow networks and digital hubs to make them available to marginalized communities.

Digital skills development: Accelerating skilling, upskilling, and reskilling for the future of work

At the core of a competitive digital economy is a strong foundation in digital skills and human capital.

At the core of a competitive digital economy is a strong foundation in digital skills and human capital. Yet every African country with sufficient data lags behind the G20. At a time when demand for foundational digital skills is increasing (projected to account for 70% of the total demand for digital skills by 2030), African countries need to prioritize strategies to enhance the digital skills of a country's population at the basic, intermediate, and advanced levels.[8]

4 Fox, L. and Landry Signé. The Brookings Institution. 2022. "From subsistence to disruptive innovation: Africa, the Fourth Industrial Revolution, and the future of jobs." https://www.brookings.edu/articles/from-subsistence-to-disruptive-innovation-africa-the-fourth-industrial-revolution-and-the-future-of-jobs/.

5 Pathways for Prosperity Commission. (PfPC). 2018. "Charting Pathways for Inclusive Growth." https://pathwayscommission.bsg.ox.ac.uk/sites/default/files/2019-11/charting-pathways-report.pdf.

6 Chetty, K., et. al. Economics. 2018. "Bridging the digital divide in the G20: skills for the new age."

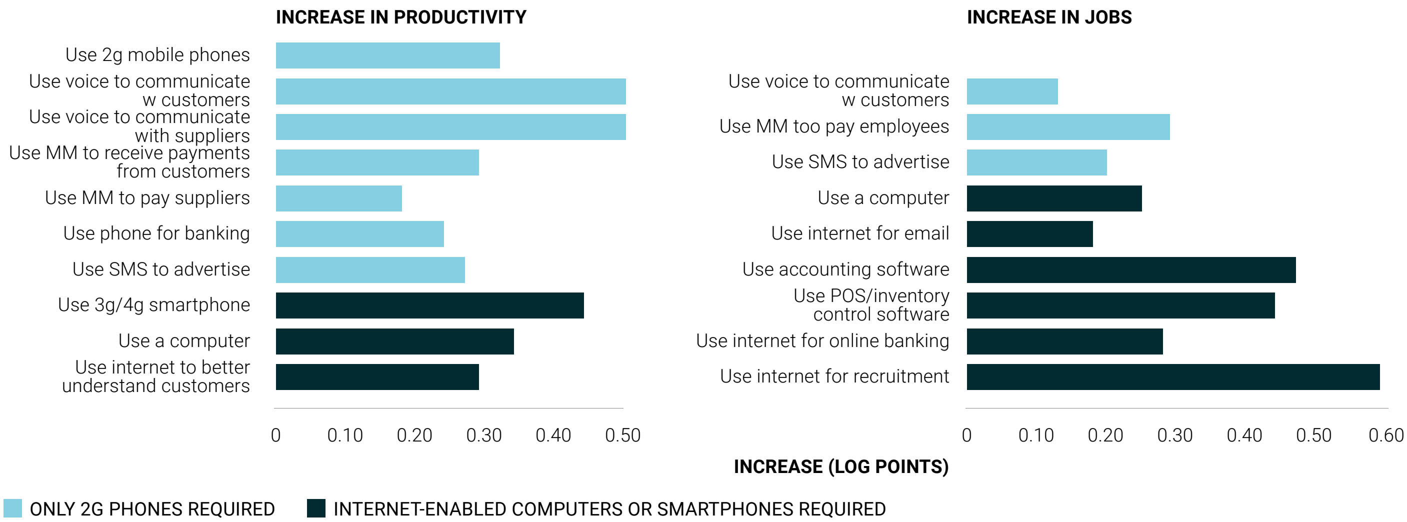
7 Fox, L. and Landry Signé. The Brookings Institution. 2022. Ibid.

8 International Finance Corporation (IFC). 2021. "Demand for Digital Skills in Sub-Saharan Africa: Key findings from a five-country study: Cote d'Ivoire, Kenya, Mozambique, Nigeria, and Rwanda." https://www.datocms-assets.com/37703/1623797656-demand-for-digital-skills-in-sub-saharan-africa.pdf.

FIGURE 18

INVESTMENTS IN DIGITAL TECHNOLOGY INCREASE BOTH PRODUCTIVITY AND JOB GROWTH FOR MICROENTERPRISES

In a world that is rapidly digitizing, not all technologies are created equal. Research from Africa reveals which digital technologies are associated with the greatest increase in jobs and productivity. The data suggests that using the internet to recruit new employees is associated with a 0.59 percentage point increase in the number of employees firms have, making it the most impactful technology African firms can adopt. For productivity, using voice calls to communicate with customers and suppliers are the most impactful.



Source: World Bank. 2023. Digital Africa: Technological Transformation for Jobs. Research ICT Africa (RIA) 2017-2018 Data.

Given limited resources, it is unrealistic to assume that investing in both basic education and technological postsecondary education to the extent needed is possible, creating a difficult tradeoff. Apart from a few more advanced countries in Southern Africa, primary schools are unlikely to have the minimum infrastructure required to conduct digital skills training specifically. Policymakers should therefore:

Prioritize investment in upgrading primary and secondary education due to its implications for lifelong learning. Lifelong learning will be impossible without students acquiring basic education: Technical, vocational, and other higher-order skills can only be built on a strong foundation of basic cognitive skills.[9]

Focus curriculum at all levels on developing socioemotional skills such as problem-solving, teamwork, tolerance, responsibility, and independence, which are associated with higher rates of entrepreneurship, mobility, and earnings.[10] While STEM skills are

9 Fox, L. and Landry Signé. Brookings Institution. 2022. Ibid.

10 Arias, O., David K. Evans and Indhira Santos. 2019. The World Bank Group. "The Skills balancing Act in Sub-Saharan Africa: Investing in Skills for Productivity, Inclusivity, and Adaptability." https://documents1.worldbank.org/curated/en/558991560840574354/pdf/The-Skills-Balancing-Act-in-Sub-Saharan-Africa-Investing-in-Skills-for-Productivity-Inclusivity-and-Adaptability.pdf.

needed, the digital economy will rely on citizens having a more diverse skill set. After-school programs can also support the development of these socioemotional skills.[11]

Digital finance:
Advancing access, well-being, empowerment, and productive usage

Digital finance is the third key area that policymakers should target to accelerate the development of a digital economy. The first step in digital financial inclusion—ownership and use of a financial service account—has grown rapidly across African countries, likely fueled by the increase in mobile phone use. Yet there still remains a gap compared to G20 country averages, which is especially true for the most vulnerable countries—Benin, Madagascar, Malawi, and Niger. To improve digital finance across the continent, policymakers should:

Enable financial sector deepening by promoting regulation that addresses these barriers and extends the drivers to allow the opportunity for all citizens to benefit from digital finance. Governments can do this by promoting the use of blockchains for financial transactions and establishing a single identity for residents, which currently does not exist for about half of African countries. This will influence gender and urban-rural divides as well, as studies in Kenya and Uganda have found that financial inclusion for rural women increases with both the ownership of a mobile phone and ownership of a national identity card.[12,13]

Address threats of fraud, cybersecurity, and high transactional costs. Consumer protection policies are critical to instill trust among the general public, without which certain populations will be inclined to stick to traditional forms of banking and cash transactions. Kenya has a strong consumer protection framework which could be a model for other African countries to improve trust.

Further formalize the informal sector. Africa already leads the world in digital financial inclusion, but leadership should continue to use the advantage of the rise in mobile banking to further formalize the informal sector through formal credit access and assessment using tools like AI, blockchain, and record keeping.[14] More transparency and availability of borrower data and better protection of legal rights will also help increase the legitimacy and adoption of financial technology.[15]

11 Fox, Louise and Dhruv Gandhi. 2021. The Brookings Institution. "Youth employment in sub-Saharan Africa. Brookings Institution." https://www.brookings.edu/articles/youth-employment-in-sub-saharan-africa-progress-and-prospects/.

12 Cheronoh, Beatrice. (2019). The University of Nairobi. "Modelling socio-economic and demographic determinants of financial inclusion among rural women in Kenya." The University of Nairobi. http://erepository.uonbi.ac.ke/bitstream/handle/11295/108836/Cherono_Modelling%20Socio-Economic%20and%20Demographic%20Determinants%20of%20Financial%20Inclusion%20Among%20RuralWomen%20in%20Kenya.pdf?sequence=1.

13 Tusubira, Festo N., and Cynthia Mbabazil. European-American Journal. 2021. "National identity ownership and financial inclusion in Uganda." https://eajournals.org/ejaafr/vol-9-issue-3-2021/national-identity-ownership-and-financial-inclusion-in-uganda/.

14 Signé, Landry and Chris Heitzig. The Brookings Institution. 2022. "Effective engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf.

15 Mugume, Reagan and Enock W. N. Bulime. African Development Review. 2022. "Post-COVID-19 recovery for African economies: Lessons for digital financial inclusion from Kenya and Uganda." https://onlinelibrary.wiley.com/doi/full/10.1111/1467-8268.12652.

Conclusion

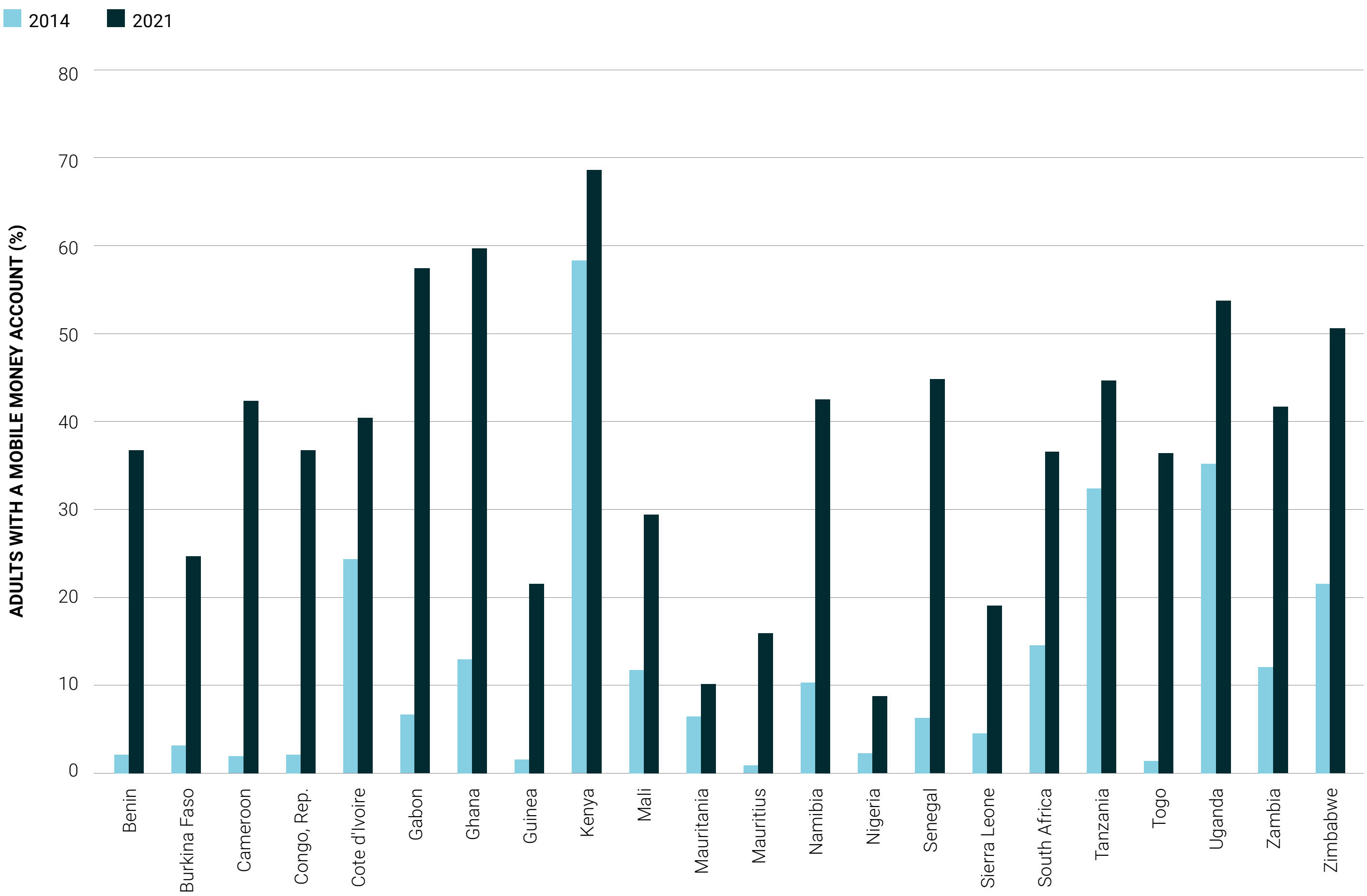
Overall, policy recommendations that promote agile governance and an enabling business environment can help accelerate progress in these three key areas as well as other important factors for the digital economy including digital platforms and entrepreneurship.

By focusing on these three priority areas in 2024, while leveraging potential synergies, African countries can bridge the digital gap to boost Africa's competitiveness in the digital economy with transformative benefits for African-led innovation and economic inclusion.

FIGURE 19

RISE IN PERCENTAGE OF ADULTS WITH MOBILE MONEY ACCOUNTS

Digital financial solutions have become popular in areas of the world where digital infrastructure has outpaced the development of financial and physical infrastructure. Mobile money accounts have been especially common in Africa, where account penetration rates in countries like Kenya, Ghana, Gabon, Uganda, and Zimbabwe have exceeded 50% of the adults.



Source: World Bank. (2021). Global Findex database. World Bank Group.

Rwanda's data governance: Navigating data governance in the public sector: A 2024 perspective

Data: A national asset for Rwanda's Vision 2050

PAULA INGABIRE

Minister of Information and communications technology (ICT) and Innovation, Rwanda

@MusoniPaula

In the past four years, the world has witnessed an unprecedented surge in data generation. By 2021, global data creation reached 79 zettabytes and is projected to double by 2025.[16] In 2020 alone, every individual generated an astonishing 1.7 megabytes of data per second, contributing to a daily total of approximately 2.5 quintillion bytes of data globally. This explosion of data, propelled by advancements in digital technology and accelerated by the COVID-19 pandemic, has transformed numerous sectors, playing a crucial role in driving innovation, competitiveness, and economic growth. Its increased availability in personal, non-personal, and public data, coupled with advancements in storage and processing technologies, has unlocked immense potential.

For Rwanda, data is a vital national asset, essential for fueling digital progress and advancing the country's social and economic goals. Rwanda's commitment to responsibly using data is a cornerstone of its ambition to become a high-income nation by 2050. Moreover, data's role in achieving the Sustainable Development Goals cannot be overstated, as it significantly improves monitoring systems, tracks progress and setbacks, and fosters data sharing for informed decision-making.

Building a robust data governance framework

Recognizing the importance of data privacy and protection, Rwanda enacted its Law on Data Privacy and Protection (DPP) on October 15, 2021.This legislation mandates the protection of personal data processed by individuals and organizations, regardless of their geographic location, concerning Rwandan residents. [17] The DPP law aligns with Article 23 of the Rwanda Constitution, emphasizing the right to privacy and is inspired by international standards like the GDPR (Regulation (EU) 2016/679), regional laws from Kenya and Mauritius, and the Malabo Convention.[18] The law's objectives include ensuring data privacy, integrating data ethics to inspire trust, and promoting responsible data processing. These steps are critical in maintaining public trust in technological systems by guaranteeing privacy and data security. The formulation of the data privacy law involved comprehensive multistakeholder

16 International Data Corporation. 2023. "Worldwide IDC Global DataSphere Forecast, 2023-2027."

17 Republic of Rwanda. (2010). Law No. 18/2010 of 23 July 2010 on Electronic Messages, Signatures and Transactions.

18 The New Times. 2018. Four years later, 95% of Rwanda covered with 4G Internet.

consultation, with significant input from private sector, public sector, academia, civil society and industry. This collaboration reflects a keen awareness of the nuanced needs of different economic sectors in data governance

The DPP law is part of a broader framework of data governance in Rwanda. It complements other key regulations such as Ministerial Order No. 001/MINICT/2012, which centralizes government data in a national data center, and the Organic Law on Statistics No. 45 of June 2013, coordinating the production, access, and dissemination of statistical data.[19,20] Additionally, the Penal Code and Law No. 18/2010, focusing on electronic messages, signatures, and transactions, underline Rwanda's commitment to data protection and privacy.[21]

Infrastructure investment underpins digital transformation

Rwanda's commitment to data governance extends beyond enabling policies and regulations. The country has achieved impressive network coverage by investing heavily in broadband and fiber optic infrastructure, laying a solid foundation for adopting emerging technologies.

Rwanda's commitment to data governance extends beyond enabling policies and regulations. The country has achieved impressive network coverage by investing heavily in broadband and fiber optic infrastructure, laying a solid foundation for adopting emerging technologies. The country boasts extensive network coverage, including 95% population coverage of 4G LTE networks. Additionally, Rwanda has developed a significant national optic fiber network, spanning 7,000 km across its 26,338 km² area.[22] These strategic investments have laid a solid infrastructure foundation for adopting emerging technologies and for the evolution of next-generation networks.

However, Rwanda's data strategy encompasses more than just infrastructure development. It also includes the systematic cataloging of public records, improvement of information management systems, and advancement of cloud-based data-sharing capabilities among government agencies. The widespread adoption of mobile devices and digital platforms, particularly in vital sectors like finance, healthcare, and communication, has fostered a dynamic data environment. This environment is crucial for the development of innovative products and services, transforming government and business operations, and reshaping citizen engagement with various services. These comprehensive measures illustrate Rwanda's holistic approach to building a robust digital ecosystem.

19 Republic of Rwanda. 2012. Ministerial Order No. 001/MINICT/2012 of 18 July 2012 on the Establishment of a National Data Center and the Centralization of Government Data.

20 Republic of Rwanda. 2013. Organic Law No. 45/2013 of 18 June 2.

21 Republic of Rwanda. 2010. Law No. 18/2010 of 23 July 2020 on Electronic Messages, Signatures and Transactions.

22 Rwanda Utilities Regulatory Author. 2023. ICT Access and Usage Survey 2022.

As Rwanda integrates its digital market both regionally and with the African Continental Free Trade Area, the emphasis on cybersecurity and data protection becomes more pronounced.

As Rwanda integrates its digital market both regionally and with the African Continental Free Trade Area, the emphasis on cybersecurity and data protection becomes more pronounced. The country is focused on narrowing the digital skills gap and improving the accessibility and affordability of digital services, with the National Cyber Security Authority (NCSA) playing a crucial role in ensuring adherence to data protection laws and securing cross-border data flows.

Irembo: A model for government-citizen interaction

The Irembo platform exemplifies how data is driving government efficiency and citizen engagement. This digital portal offers convenient access to a wide range of government services, reducing the need for physical visits. Irembo serves as a key facilitator of government-to-citizen (G2C) interactions, promoting transparency and democratic participation.

Government services on Irembo go through a continuous service/process improvement that is informed by the insights generated from the transactions made through Irembo platform. Insights are derived from citizen feedback, volume and nature of transactions per service, and trends to simplify services and how they are delivered on the platform. One example is how Irembo leveraged data-driven insights to improve the delivery of provisional driving licenses. The sheer volume of citizens applying for a driving license necessitated a shift from manual, written driving license exams to electronic means.

Rwanda Economy Digitalization Program: A model for data-driven, evidence-based policymaking

The Rwanda economy digitalization program seeks to **accelerate the inclusive digitalization of the Rwandan economy** by leveraging data insights to support data-driven policymaking, catalyze innovation, and support a sustained shift to a digitalized society. Rwanda's approach to innovation is driven by our proof-of-concept hub strategy, which has positioned Rwanda as a test bed for innovations that leverage digital technologies and data to create impact. Similarly, our approach to data governance required that as a government we implement select data use cases that would inform Rwanda's Data governance policy, with notable data analysis use cases in mobile money, tourism, education, agriculture, and transport sectors.

Specifically on transport, commuter data was analyzed to assess the demand for affordable and reliable public transportation. The data analysis further looked into different public transport modes (buses, motorcycles, and cabs), existing public bus routes and whether they adequately serve regular commuters, and complementarities of buses, cabs and motorcycles. The analysis revealed that bus transport was not used for regular commuting: over 60% of customers in January 2023 purchased five or fewer tickets in the month, while fewer customers appear to be using bus transport for a regular work commute (20 or more tickets in a month). This has been the trend since 2020.

This situation is largely a result of bus capacity constraints that result in long waiting times, inconvenience, and uncertainty for users. While bus tickets are significantly cheaper than any other mode of transport, massive delays at bus stops discourage commuters from using buses, opting for the more expensive options. In addition, trips follow existing bus routes, indicating that moto-taxis are seen as a substitute for bus services, rather than a transport mode that complements buses.

With these insights, policymakers were able to better understand mobility patterns and the interplay between customer demand, bus operator incentives, and public policy. Further, the analysis and data insight generated also supported bus operators in making better investment decisions against the projected demand.

Challenges and opportunities in data governance

Despite efforts to improve data privacy and protection, challenges persist. Many African countries, including Rwanda, face resource and capacity constraints, making it difficult to effectively enforce violations of data protection laws. Additionally, many people are not familiar with data protection and their privacy rights, which means that substantial efforts are needed to educate the general public. This challenge is compounded by the fact that the law is new and global trends in data protection may not be widely known or understood by the public and institutions.

Better data governance presents opportunities for Innovation. However, the challenge of balancing data privacy and the need to innovate competitively remains. One approach Rwanda is undertaking to strike this balance is establishing data-sharing agreements for institutions. These agreements **ensure that data that is shared is anonymized and aggregated to address privacy concerns.**

Going forward, we need to transition to quality open data, with common frameworks of usage.

Recommendations for effective data governance

To overcome these challenges and capitalize on emerging opportunities, Rwanda can prioritize:

- Flexibility and scalability: Adaptable and structured frameworks allow for continuous improvement and adaptation to changing contexts.
- Cross-sector and cross-border collaboration: Effective data governance requires international cooperation, especially in regions like Africa.
- Sector-specific initiatives: Tailored strategies for critical sectors like health enhance data utilization, privacy, and security.

Moving forward, Rwanda's commitment to data governance will be crucial in driving its digital transformation and achieving its social and economic goals. By addressing the existing challenges and adopting these recommendations, Rwanda can solidify its position as a leader in responsible data governance.

Conclusion

Rwanda's comprehensive approach to data governance, key to its ambition of becoming a high-income nation by 2050, is exemplified by its enactment of the Data Privacy and Protection Law and significant investments in digital infrastructure. This strategic focus acknowledges the crucial role of data in spurring innovation and economic growth. Despite the challenges of resource limitations and public awareness about data rights, Rwanda's commitment to a robust digital ecosystem, highlighted by initiatives like the Irembo platform, is commendable. Addressing these challenges through adaptable, scalable frameworks and international collaboration will be pivotal in enhancing Rwanda's data governance and ensuring the success of its digital transformation in line with its Vision 2050 goals.

How AI can inclusively transform agri-food systems in Africa

MARK SCHOEMAN

Partner, Centre of Digital Excellence, Genesis Analytics
@GenesisEconomic

Advances in artificial intelligence (AI) will be the most significant contributor to the transformation of agri-food systems in Africa. OpenAI's ChatGPT application exemplifies the rapid pace of advancement in AI capabilities in the last year alone. AI and other automation technologies are presenting game-changing opportunities for the continent's smallholder farmers, particularly when delivered through low-tech delivery channels, in-person intermediary networks, and through partnerships with value chain stakeholders to subsidize costs.

A report by Genesis Analytics provides a sneak peek into this future. Data from sensors, satellites, and drones is enabling optimal use of land based on specific crop suitability.[23,24] Automated systems, including irrigation, ensure efficient resource utilization.[25] AI-enabled advisory services provide farmers with timely, tailored advice to boost yields and manage pests, reducing crop failure, spoilage, and bolstering food security.[26] More accurate farming minimizes costs and environmental impact by using resources efficiently.[27] Traceability tools reduce certification costs, broadening market access. AI-driven risk analysis facilitates access to crucial financial services like credit and insurance.[28] The report identifies the types of solutions with existing pockets of adoption impacting smallholder farmers in Africa.

AI and other automation technologies are presenting game-changing opportunities for the continent's smallholder farmers, particularly when delivered through low-tech delivery channel.

However, realizing these benefits broadly is far from automatic. Most of these solutions are concentrated in Kenya, South Africa, and Nigeria.[29] Even where solutions do exist, smallholder farmers without access to the networks, hardware, and capital necessary to use these solutions will not benefit. There is a threat of larger farms, enabled by technology, outpacing smaller farms in productivity and endangering rural livelihoods. Gender disparities in technology adoption can exacerbate household inequalities, and concerns about data governance and potential labor displacement due to AI-enabled automation are real.[30]

23 Genesis Analytics. 2023. Can AI Inclusively Advance Agri-Food Systems?

24 Yang, C.. 2018. "High resolution satellite imaging sensors for precision agriculture." Frontiers of Agricultural Science and Engineering Vol. 5 (issue 4).

25 GSMA. 2018. "eFishery: Shaping the future of Indonesia's aquaculture industry/".

26 Springer, E. et. al.. 2023. "Inclusive Digital Design Toolkit."

27 Digital Agri Hub. 2022. "Assessment of smart farming solutions for smallholders in low and middle-income countries."

28 Apollo Agriculture. 2019. "Increasing Food Security in Africa."

29 World Bank. 2020. "Scaling Up Disruptive Agricultural Technologies in Africa."

30 Ryan, M. 2019. "Ethics of Using AI and Big Data in Agriculture: The Case of a Large Agriculture Multinational."

For AI to have a broad impact, solutions must be rooted in local contexts. This means tools in local languages, introduced through trusted human intermediaries.

To navigate these challenges and harness AI's potential inclusively, four areas must be prioritized:

1. **Building strong data and technology infrastructure:** AI's power lies in data. With businesses controlling much of this asset, creating incentives to share this data is crucial. By reducing the costs of on-farm technology like sensors and drones, governments can level the playing field. Developing agri-specific opensource software infrastructure can support AI tools being tailored to local African contexts at scale.

2. **Championing farmer-centric solutions:** For AI to have a broad impact, solutions must be rooted in local contexts. This means tools in local languages, introduced through trusted human intermediaries. Empowering farmer cooperatives to participate in AI solution development and become procuring entities can boost AI adoption. Unlocking government demand for climate-smart digital extension advisory services will go a long way to addressing the financial sustainability of these solutions.

3. **Balancing innovation with demographic and environmental transitions:** With a growing youth population, empowering young people in Africa to transition into new work opportunities in the AgTech value chain is urgent. Climate change necessitates eco-friendly AI solutions, with AgTechs taking responsibility for their environmental footprint.

4. **Upholding ethical standards in AI and data use:** As with any nascent technology, ethical challenges are inevitable. Impact assessments can prevent biases, and participatory governance like data trusts ensure fair data use. Remedies for potential harms and specialized ethical assessment tools are essential. Emphasizing farmer-centric data governance, empowering organizations to support farmers, and establishing a regional AI lab can enhance AI model accuracy and accountability in African agriculture.

Should African central banks pursue digital currencies?

KINGSLEY OBIORA

Former Deputy Governor, Central Bank of Nigeria

A Central Bank Digital Currency (CBDC) is an electronic form of a country's official currency. They have recently become a global phenomenon with about 131 countries, representing 98% of global GDP, exploring their issuance as of November 2023.[31]

In the Central Bank of Nigeria (CBN), work on a CBDC began in 2017, with extensive studies, stakeholder consultations, use case identifications and testing in a sandbox. A critical objective of this preliminary work was to first establish compelling cases and potential benefits for a digital currency in Nigeria. This phase highlighted such benefits to include rapid financial inclusion, better monetary policy formulation, reduced cost of cash processing, and improved efficiency of payments.

Given these benefits, a multidisciplinary Working Group was inaugurated and tasked with leading the effort to create a CBDC (named the eNaira), beginning with preparing a "Design Paper". This document laid out the currency's architecture, the options for and choice of distributed ledger technology, the risks and mitigants, the roles of different stakeholders, and the implementation roadmap, amongst others.

Since the eNaira's launch in October 2021, there has been remarkable progress in reaching some of the aforementioned objectives. For example, over N20 billion (about USD 20 million) has been minted, and about 28.4 million new wallets have been created with over 2.2 million transactions valued at about N108 billion carried out on the platform.[32]

Similar to Nigeria's case, these benefits appear to make compelling arguments for issuance of CBDCs by other African Central Banks. For those who might embark on this journey, there are four major **risks** to be mindful of. First is the risk of banking sector disintermediation, as customers move deposits into wallets. Second, CBDCs may be vulnerable to cyberattacks that could lead to financial losses and a loss of public confidence. Third, operational risks may arise from maintaining nonstop functionality. Fourth, privacy concerns might also make citizens view CBDC usage as risky because transactions are easily traceable.

The CBN addressed these risks with a combination of well-designed systems, limits on wallet balances, strong security protocols, robust engagement with stakeholders, and striking the right balance between transparency and privacy.

31 Atlantic Council. Central Bank Digital Currency Tracker. https://www.atlanticcouncil.org/cbdctracker/.

32 Data comes from the Central Bank of Nigeria's digital dashboard.

The prospects of digital currencies appear promising. The age of cash is ending. The digital revolution seems unabating. Africa cannot afford to be left behind.

These efforts have elicited six key **lessons, namely:**

- Early collaboration with commercial banks is critical to forestall disintermediation.
- A robust digital identity for consumers must precede the pursuit of a CBDC.
- A phased implementation approach is critical to contain and manage disruptions.
- Adequate internal staffing must be available to maintain the system.
- Offline capabilities are essential, given Africa's low internet penetration.
- Given that CBDCs are faster to produce, their minting, storage, issuance, and distribution must have strong governance mechanisms.

Overall, the **prospects** of digital currencies appear promising. The age of cash is ending. The digital revolution seems unabating. Africa cannot afford to be left behind. We need to be proactive in this race, and mindful that one must build the barns before the harvest.

Digital public services delivery in Ghana

> *"Technology is a word that describes something that doesn't work yet."*
>
> **Douglas Adams**

FRANCIS ANNAN

Assistant Professor of Economics, University of California, Berkeley
@fannan2316

As we enter 2024, the discourse on digital public services delivery (D-PSD) has garnered increased attention. Through the lens of D-PSD, I assess the dynamic interactions between the government and the market economy—its citizens, businesses, and civil society.

Public services delivery (PSD) reflects the intricate interactions between the public and private sectors. Digitalizing these interactions, aka D-PSD, means integrating digital technology to make them seamless, efficient, and transparent. Of course, D-PSD could raise other concerns regarding privacy and exclusion. Yet, it is no longer just an add-on; "digital" has become an integral fabric of our societal machinery, facilitating faster, more convenient interactions, eliminating systemic frictions, enforcing compliance, and addressing coordination failures.

In Ghana, there is a distinct vision for broader digital services, exemplified by its Digital Agenda, Digital Financial Services Policy, and other significant initiatives, which I will attempt to emphasize. That said, the government's one-sided digital thrust is keen and fast on revenue collection but slow in reciprocating payments, particularly to businesses. This unwelcome feature illustrates a double standard in D-PSD and is in sharp contrast to the golden rule—"Do unto others as you would have them do unto you."[33] As I reflect on Ghana's digital journey thus far and gaze into the horizon of 2024, three focal areas in D-PSD demand rigorous scrutiny: government-to-persons (G2P), government-to-businesses (G2B), and conversely, persons or businesses to government (P/B2G) services.

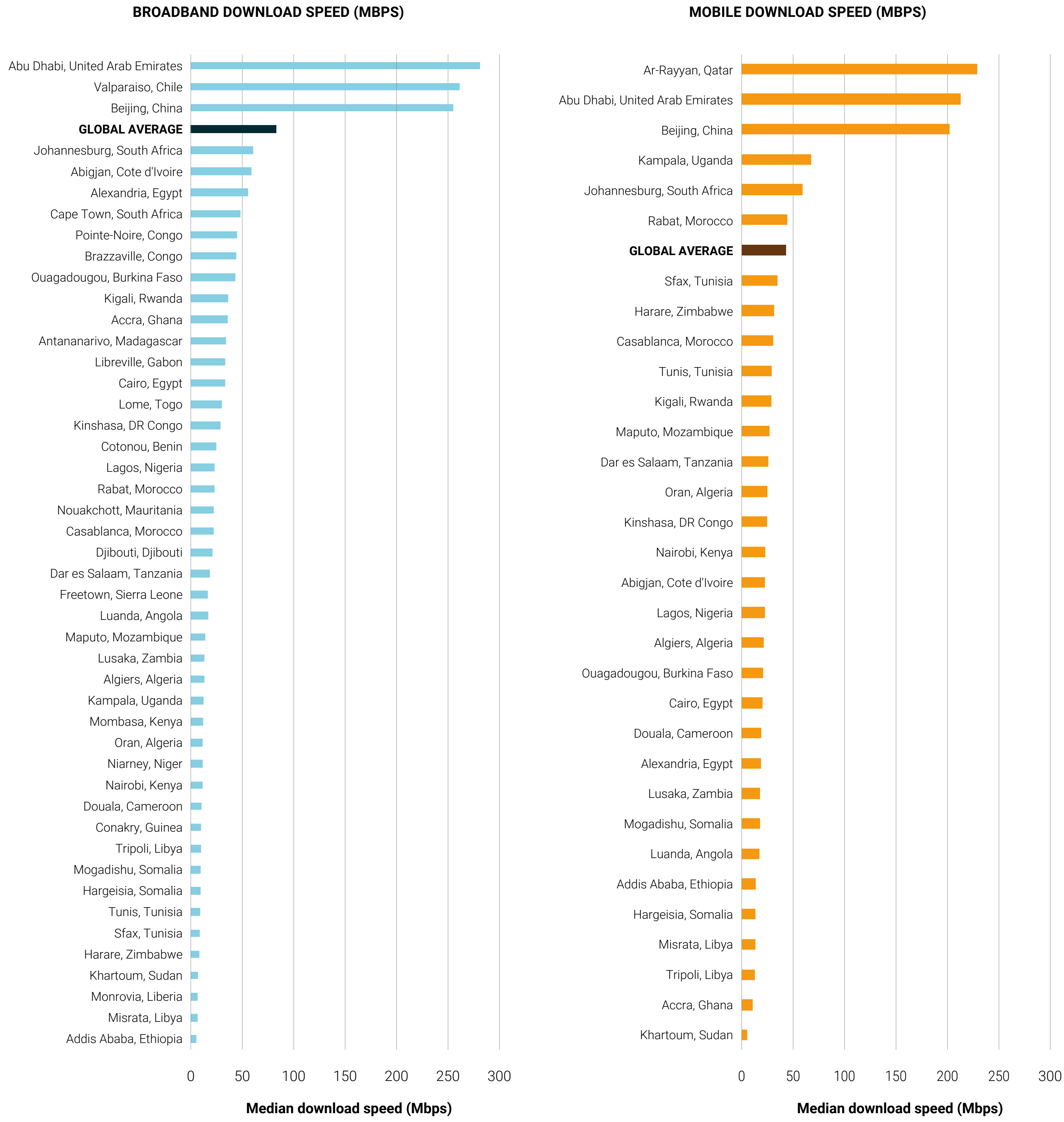
Government-to-persons (G2P): G2P interactions are pivotal for government's engagement with citizens. Digital cash transfers, exemplified by platforms like e-zwich (2008), are hailed for potential poverty alleviation but grapple with targeting and delivery challenges. PREMIX fuel distribution (2023), a crucial lifeline for the local fishing communities, faces black-market disruptions and distribution hurdles. Digital interventions, especially automation and biometric systems, could streamline this. Conversely, the government's partnership with Zipline in 2019 to leverage drone technology for prompt delivery of medical services showcases the broader potential of digital innovation in public services. Tapping into digital

33 (Matthew 7:12).

FIGURE 20

MOST AFRICAN COUNTRIES HAVE SLOWER THAN AVERAGE DOWNLOAD SPEEDS

Cities like Kampala, Johannesburg and Rabat have mobile download speeds above the global average. Johannesburg, Abigjan and Alexandria have broadband download speeds close to the global average.



Note: Median broadband and mobile speed (Mbps) as of August 2023.
Source: August 2023. Speedtest Performance database.

The interactions between persons and businesses to the government, particularly in taxation, bill payments, and registrations, present a vivid illustration of our digital (r)evolution and challenges.

verification to curtail "ghost names" on government payrolls is another integration, and the list goes on and on.

Government-to-businesses (G2B): G2B digital interactions reveal an unsettling paradox. Despite G2B's critical role, its digital footprint is surprisingly limited, a gap evident in Ghana's vision for broader digital services. While digitization could overhaul bureaucratic snags, many (potentially high-quality) firms avoid government contracts, daunted by administrative hurdles and payment delays. Unfortunately, the government's digital thrust seems one-sided, keen on digital revenue collection but sluggish in reciprocating. Introducing the Smart Workplace Virtual Platform (2020) emphasizes government-to-government interfaces more than G2B, and the tepid response from ministries exacerbates concerns. Conversely, the directive to use Government Integrated Financial Management Information System (GIFMIS) for Public Procurement Authority (2020) payments is a step forward but does not address the broader G2B integration issues.

Persons or businesses to government (P/B2G): The interactions between persons and businesses to the government, particularly in taxation, bill payments, and registrations, present a vivid illustration of our digital (r)evolution and challenges. At the forefront of this revolution is the historic rollout of the Unified Digital Property Tax Platform (2023). This initiative epitomizes the fervor for revenue mobilization and the expansion of the tax bracket.

We observe a troubling trend as we evaluate centralized payment platforms such as GIFMIS, GhanaPay (2022), and GHANA.GOV. There is an undeniable inertia in integrating G2B services. Many firms express reluctance to engage with government business, particularly procurement contracts, owing to the prevailing bureaucratic hurdles. The low uptake, especially concerning digital revenue mobilization platforms, suggests looming resistance from Metropolitan, Municipal, and District Assemblies (MMDAs) and bureaucrats. The scourge of corruption, infrastructural deficiencies like limited internet access, and digital literacy gaps further limit the adoption and value of D-PSD.

If the current adoption and usage patterns persist, we risk creating an uneven, exclusionary digital public services landscape. Such a trajectory could culminate in a "D-PSD divide," sidelining certain businesses and citizens from arguably transparent and efficient public services. Central to the advancements in D-PSD is the establishment of robust identification mechanisms and business formalizations. Although there is momentum with government mandates on ID laws, concerns remain, especially around the perceived costs of formalizing businesses and the potential exclusion from digital systems. Undoubtedly, the current G2B digital landscape leans away from its potential. Therefore, a shift toward comprehensive G2B integration is crucial for productive and equitable digital service delivery.

Reforming data regulation to advance AI governance in Africa

CHINASA OKOLO

Fellow, Center for Technology Innovation, Governance Studies, Brookings Institution
@ChinasaTOkolo

As artificial intelligence (AI) development accelerates globally and concerns regarding its use grow, the need for AI governance has reached an unprecedented level of urgency. With only seven African nations (Benin, Egypt, Ghana, Mauritius, Rwanda, Senegal, and Tunisia) having drafted national AI strategies and none implementing formal AI regulation, substantial efforts are required to advance AI regulatory frameworks on the African continent.[34] It is also crucial to recognize that data plays a fundamental role in AI development and warrants regulation. Approximately 36 out of 54 African countries have established formal data protection regulations, offering a potential foundation upon which robust AI legislation can be constructed.[35] To bolster AI governance initiatives, African nations should consider data governance as a viable pathway toward regulating AI, facilitating its responsible utilization and development as this transformative technology continues to evolve.

Approximately 36 out of 54 African countries have established formal data protection regulations, offering a potential foundation upon which robust AI legislation can be constructed.

Data protection regulation, such as the European Union's General Data Protection Regulation (GDPR), has laid a strong foundation for the EU to develop and draft the EU AI Act, which is expected to be fully implemented by 2026.[36] However, the advent of large language models and the increasing utilization of data workers have changed prevalent narratives around the production and use of data. Given these new complexities, existing data governance initiatives within Africa must be revamped to comprehensively cover aspects such as data quality, privacy, responsible data sharing, compliance, transparency, and labor protections for data workers. Additionally, African countries have context-specific challenges that differ significantly from those within the West, highlighting a need to understand how to develop culturally aligned and feasible governance solutions.[37] By balancing lessons from the recent ratification of the African Union Convention on Cyber Security and Personal Data Protection (Malabo Convention) and advancing research on regional and country-specific needs, African nations can work toward data policies that serve the needs of African governments, companies, and consumers.[38]

34 Wakunuma, Kutoma, et al. 2022. "Responsible AI, SDGs, and AI Governance in Africa." 2022 IST-Africa Conference (IST-Africa). IEEE.

35 Hogan Lovells. 2023. "Recent developments in African data protection laws - Outlook for 2023." Lexology. https://www.lexology.com/library/detail.aspx?g=baef72ee-10bd-4eb9-a614-a990c236bb45.

36 European Parliament. 2023. "EU AI Act: first regulation on artificial intelligence." https://www.europarl.europa.eu/news/en/headlines/society/20230601STO93804/eu-ai-act-first-regulation-on-artificial-intelligence.

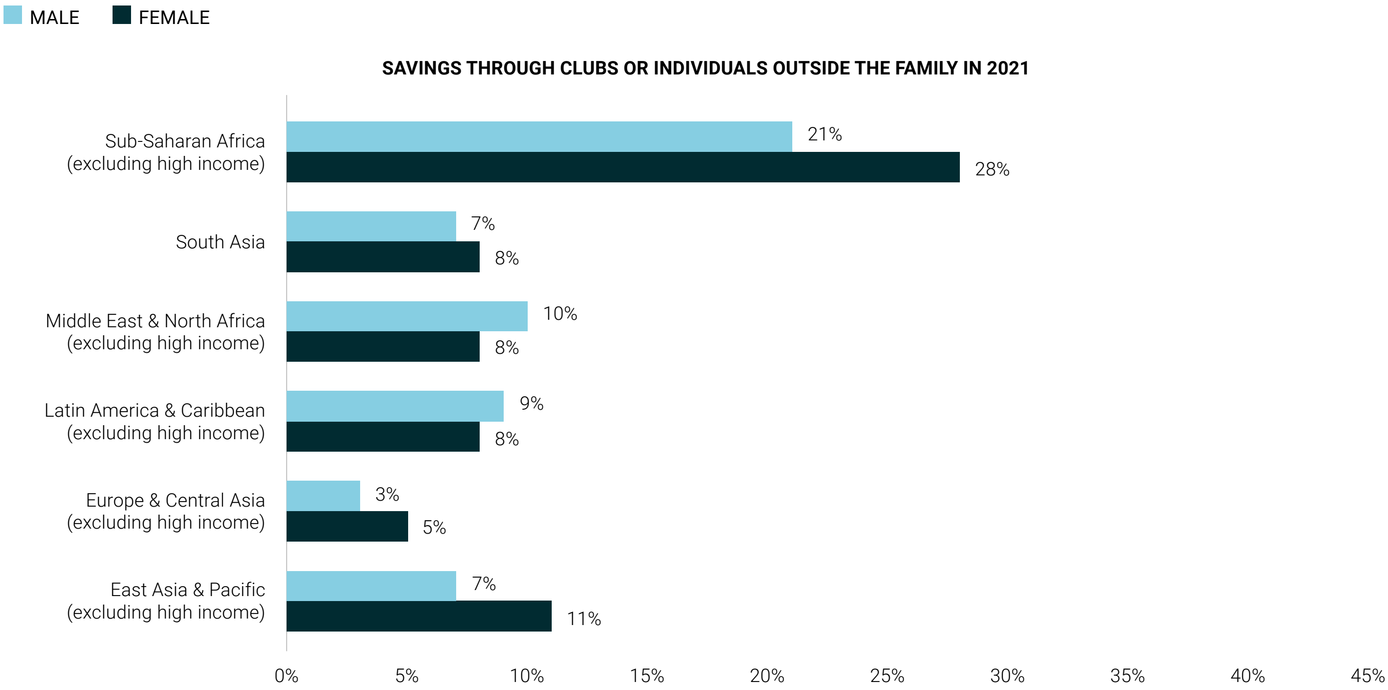
37 Png, Marie-Therese. 2022. "At the tensions of south and north: Critical roles of global south stakeholders in AI governance." Proceedings of the 2022 ACM Conference on Fairness, Accountability, and Transparency. https://dl.acm.org/doi/10.1145/3531146.3533200.

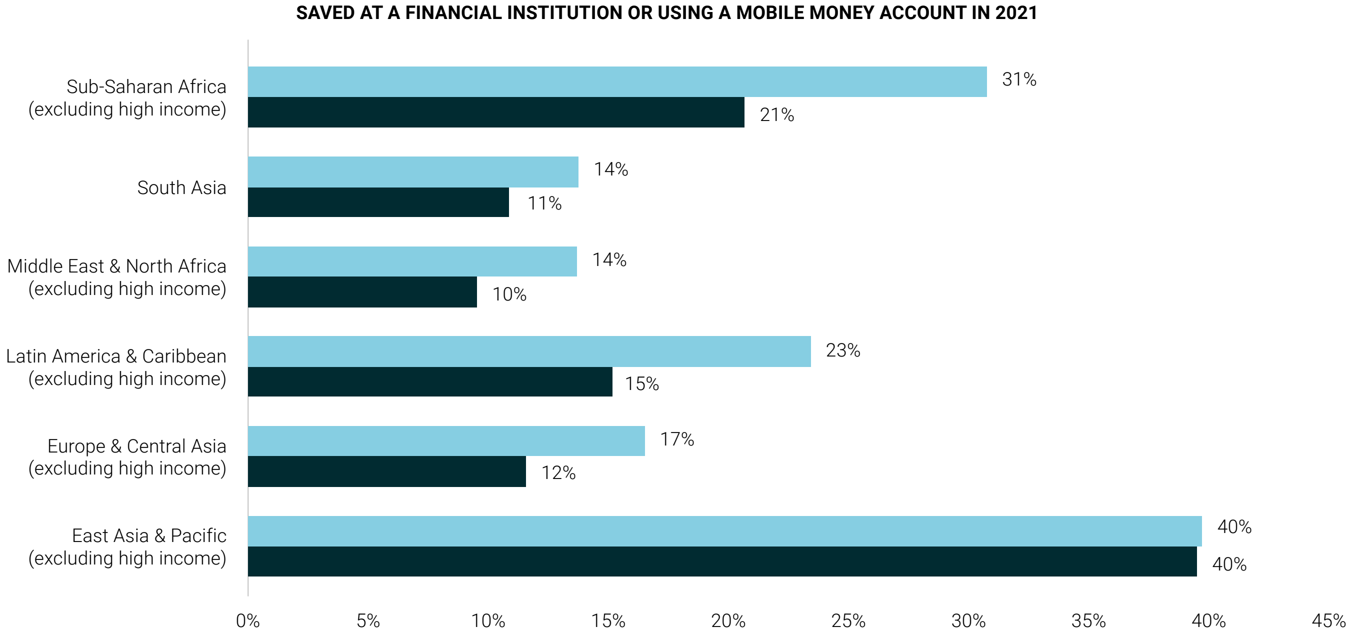
38 Carnegie Endowment for International Peace. 2023. "Continental Cyber Security Policymaking: Implications of the Entry Into Force of the Malabo Convention for Digital Financial Systems in Africa." https://carnegieendowment.org/2023/07/10/continental-cyber-security-policymaking-implications-of-entry-into-force-of-malabo-convention-for-digital-financial-systems-in-africa-event-8146.

FIGURE 21

SUB-SAHARAN AFRICANS TEND TO RELY ON BOTH INFORMAL AND FORMAL SAVINGS INSTITUTIONS MORE THAN THEIR LOW-INCOME COUNTERPARTS

Sub-Saharan Africa has not yet advanced in formalizing its individual saving behavior, particularly for females. This raises economic risks associated with financial security, access to credit, or entrepreneurial activities. Significantly addressing the gender gap in financial inclusion will play a pivotal role in enhancing the region's economic development and stability.





Source: World Bank. 2021. Global Findex database. World Bank Group.

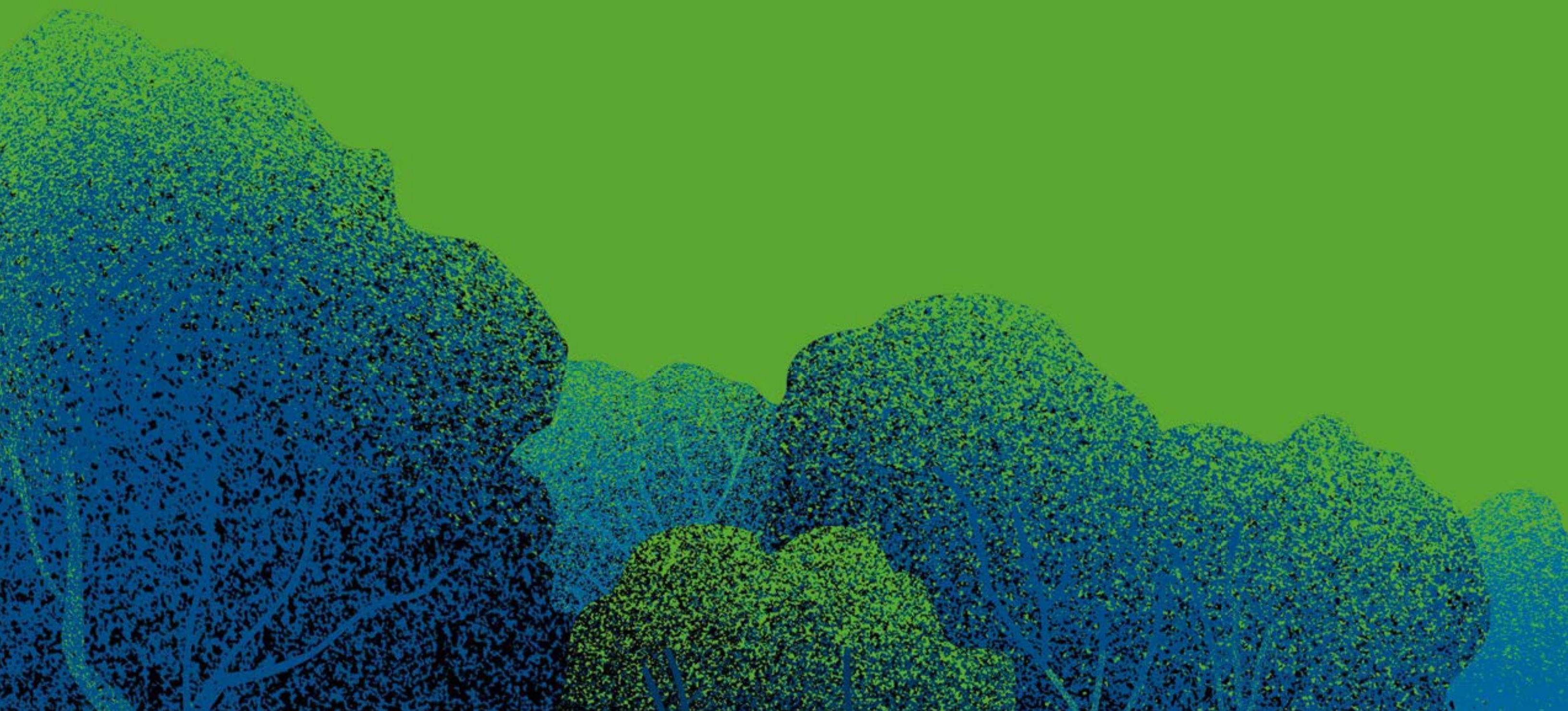
Current development priorities such as refining social services, tackling insecurity, planning for climate change, building infrastructure, and fighting corruption understandably take greater precedence over regulating AI. Nevertheless, African governments must first work toward reinforcing data regulation along with building the human capital necessary to sustain AI ecosystems.[39] African governments must also harness the capabilities of their digital ministries to support the development of data and AI legislation. As of 2023, nearly every African country has a digital ministry, which provides a sufficient base to refine existing data protections and eventually implement AI legislation. However, governments should not be the only actors shaping data and AI regulation. As demonstrated by the United States' recently issued Executive Order on AI and the United Kingdom's AI Safety Summit, cross-sector collaboration efforts from advocacy groups, academia, policymakers, and tech companies have been influential in advancing these countries' progress toward AI legislation.[40] Within African countries, local stakeholders should be offered opportunities to shape data and AI regulation by serving on advisory bodies and expert groups like those initiated by the United Nations and OECD. Such participation will help open realizable pathways for enhanced data stewardship and oversight of AI systems—dual priorities amid the rise of emerging technologies within Africa.

39 Okolo, Chinasa T., Kehinde Aruleba, and George Obaido. "Responsible AI in Africa—Challenges and Opportunities." Responsible AI in Africa: Challenges and Opportunities (2023): 35-64. https://library.oapen.org/bitstream/handle/20.500.12657/60787/1/978-3-031-08215-3.pdf#page=55.

40 The White House. 2023. "Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence." https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/.

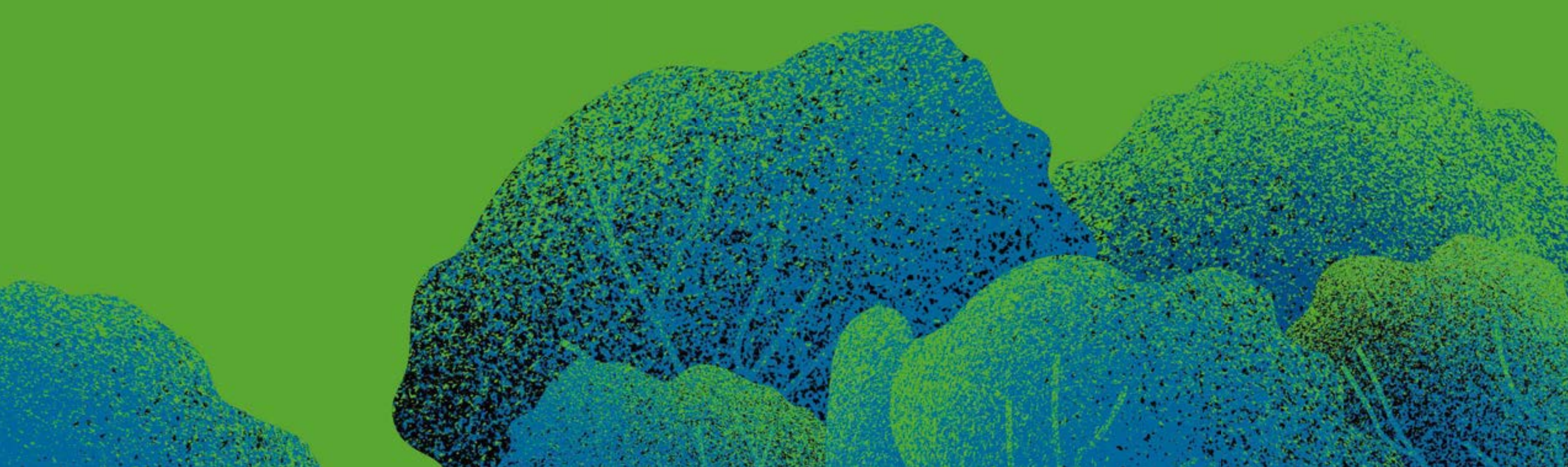
6

GENDER



ESSAY

VIEWPOINT



A feminist approach to the climate crisis

WANJIRA MATHAI

Managing Director, Africa and Global Partnerships, World Resources Institute (WRI)
@MathaiWanjira

As we look to 2024, we are in peril. The climate crisis is intensifying, with 2023 almost certainly the hottest year on record. We're on course to exceed countries' Paris Climate Agreement commitments to limit the rise in temperature to 1.5 degrees Celsius. We're experiencing *now* the consequences of global heating—wildfires, droughts, unprecedented rainfall, floods, and record ocean temperatures—and the upending of and loss of lives and livelihoods that result.

Africa didn't create the climate crisis, but we're on its frontlines, and our women and girls are most affected. Women are primarily responsible for making up for household deficits in food, water, and income for basic needs. And it is girls' schooling, training, and life choices that are most curtailed when difficulties arise. Much of this feels personal. My husband and I live and work in Nairobi, and we have two daughters. In the last few years, Kenya has seen persistent drought, a locust invasion, COVID-19, shortages of food and fertilizer caused by Russia's war in Ukraine, and high prices for basic goods. Because of food insecurity and household poverty, girls are forced to drop out of school and marry early. More than 50 million girls in sub-Saharan Africa aren't receiving an upper secondary school education, and 30 million[1] who could be in primary or lower secondary school are not.

I'm angry that governments in the Global North are rolling back policies to reduce greenhouse gas emissions to achieve "net zero." I'm furious that fossil fuel corporations use "greenwashing[2]" campaigns to undermine climate action even as they rack up record profits. I'm dismayed at the shortfalls in investment and affordable finance for Africa's just transition in the energy sector, holding back green industrialization and the end of dehumanizing poverty. My hope rests with the determination I see in women of all ages. They are climate activists, tree-nurturers, landscape-restoration champions, clean-energy entrepreneurs, advocates, academics, teachers, mothers, and daughters.

These women and girls are facing the climate crisis with courage and creativity, resilience, risk-taking, and are building solutions that make their communities safer and stronger.

These women and girls are facing the climate crisis with courage and creativity, resilience, risk-taking, and are building solutions that make their communities safer and stronger. We have to support and listen to them, if we're to tackle the climate emergency. We need policies and funding to expand their access to education, including at the tertiary level. We should invest in them in the clean energy and green tech sectors. We should fight for their equality in political representation and governance, to make sure more of us are in the room where decisions are being made on climate policies and programs.

1 Vanessa Nakate, Louis Nderi. 2022. "Book excerpt: Education for girls is essential for climate justice". Greenpeace.

2 Damian Carrington. 2022. "Oil firms' climate claims are greenwashing, study concludes". The Guardian.

Fortunately, the women of the present and future can look to those who went before. The Green Belt Movement (GBM), the creation of my mother Wangari Maathai, has coordinated women's networks for almost half a century, planting over 50 million trees in Kenya alone. At World Resources Institute (WRI), we're drawing on community-level organizing and local knowledge embedded in GBM's work. We're seeding (literally) the restoration of three key ecosystems: the river basin of the Democratic Republic of Congo, Burundi, and Rwanda; the southern half of Ghana, known as the "cocoa belt"; and Kenya's Greater Rift Valley.

Much of the initial funding flowing through WRI's Restore Local initiative is for women's groups and women-led businesses to plant indigenous trees to replenish soils, protect against floods, generate value-added products, and, of course, store carbon. The need, and potential impact, couldn't be greater. Over 60% of Africa's soil is degraded or depleted, and of the 40 countries identified as most vulnerable to the climate crisis, more than half are in Africa.

At the same time, Africa has enormous potential to show the world a new path to a viable future: a huge potential for clean energy, responsible extraction of mineral wealth, protection and restoration of our ecosystems, and developing capacity among our fast-growing, youthful populations. At the heart of this vision, we need to trust women and lift up their voices. Men must lose their fear! By activating the feminist energy in all of us, we can strengthen collaboration, create space for alternative voices, collective action, and justice. With this energy central, we vastly increase our impact in not only addressing the climate crisis but also improving people's lives.

Breaking barriers: Transformative women leaders pioneering change and progress for gender equality in Africa

MAXIME HOUINATO

Regional Director, UN Women East and Southern Africa Regional Office

@MHouinato

Politics, the state, nationalism, and the army are fundamentally masculine notions. They are characterized by patriarchal practices and values that are not easily changed.[3] Sheila Meintjes describes how in South Africa women have been identified as "mothers of the nation."[4] However, national discourse has been framed within patriarchal boundaries, while women's practical involvement was mainly centered on motherhood responsibilities, and safeguarding the family.

For the last three decades, women have repeatedly called for the "*full and effective implementation of the Beijing Declaration and Platform for Action... [as] essential to achieving the internationally agreed development goals*."[5] To date, four World Conferences on women organized by the United Nations have been held—Mexico (1975), Copenhagen (1980), Nairobi (1985), and Beijing (1995). Since the Beijing conference in 1995, the United Nations (U.N.) General Assembly and the Commission on the Status of Women have held several sessions to review the implementation of the Beijing Declaration and Platform for Action (2000, 2005, 2010, 2015, and 2020). On the policy front, African women have advocated and successfully lobbied for the adoption and ratification of instruments such as the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa (Maputo Protocol), the Convention on Elimination of Discrimination Against Women, the Beijing Declaration and Platform for Action, United Nations Security Council Resolution 1325 on Women, Peace and Security, and the International Conference on Population Development Programme of Action, to name a few. What is worth celebrating, however, is the development of strong women leaders and feminist platforms across the African continent in the past four decades.

The emergence and growth of the number of women leaders in Africa—particularly successes in political representation and monumental policy achievements—has sustained momentum.

African women leaders have played a key role in challenging gender inequalities by advocating for better policy interventions to arrest the intersecting forms of discrimination women face. These varying but interrelated forms of discrimination

3 Miller, E. Robert, and Rick Wilford. 1998. Women, ethnicity and nationalism: The politics of transition.

4 Meintjes, Sheila. 1998. "Gender, nationalism and transformation: Difference and Commonality in South Africa's Past and Present." Women, ethnicity and nationalism: The politics of transition, 62-86.

5 UNWomen. "Beijing at Ten and Beyond – Publication." https://www.un.org/womenwatch/daw/beijing/beijingat10/index.html#:~:text=The%20Declaration%20further%20stressed%20that,and%20the%20fulfillment%20of%20the.

result in deeply entrenched inequalities often rendered invisible by aggregated data. African women have used constitutionalism, the rule of law, human rights, and justice and freedom narratives reminiscent of Africa's anticolonial struggles as premises for combating the struggles enabled by international, continental, regional, and national legal frameworks. Women's struggle for justice, equal human rights, and dignity have straddled ideological divides and various epistemological lenses, including the Pan-Africanist, nationalist, anti-imperial, left-wing, liberal, and feminist traditions. Further, women's challenges persist and are actively fought in various settings, in institutions, boardrooms, slums and villages, and in virtual spaces using various tools, tactics, and strategies. These obstacles are multifaceted: occurring at the local, continental, and global levels and spanning the environmental, social, political, economic, and technological.

Over the years, women have made several attempts to challenge gendered obstacles on the continent. In numerous precolonial African societies, such as those in Nigeria, Benin, and Ghana, women consistently held pivotal roles in leadership and peace processes, addressing a diverse array of challenges and concerns impacting the welfare of their communities.[6] Their involvement showcased their distinct perspectives and active contributions toward the advancement of women's roles in leadership positions, peace processes, economic growth, poverty eradication, prosperity and unity, and challenged the notion that women were solely passive victims. This pattern endures today, as women on the continent continue to strategically involve themselves in addressing a wide range of challenges and societal issues including the economy, peace, governance, environment, and political leadership.

In Sierra Leone, for instance, women leaders played a significant role in rebuilding the country at the end of the civil war two decades ago. Female peacebuilders contributed to achieving lasting peace, enabling the country's return to civilian rule and democratic elections. Thanks to their tireless advocacy efforts, groups such as the Women's Forum and the Movement for Peace, among others, forced the government and warring factions to step down from their entrenched positions and worked toward a negotiated settlement.[7]

The role of women leaders in promoting peace and reconciliation in northern Uganda spotlighted the significance of women's participation in peace processes through community-based activities and advocacy campaigns. Women took to the streets, advocating for an end to violence, engaging with government officials, and documenting instances of abuse perpetrated by the Ugandan military. Their efforts garnered global awareness for the conflict. Additionally, they played a crucial role in backing initiatives for the recovery of cultural institutions to facilitate community reconciliation and the successful reintegration of former combatants.[8]

6 Kilu, R. 2015. "Engendering Peace Building in Ghana: The Role of Queen Mothers in Traditional Conflict Resolution in GA Traditional Areas."

7 UN Division for the Advancement of Women (DAW). 2003. "Peace Agreements as a Means for Promoting Gender Equality and Ensuring Participation of Women." https://www.un.org/womenwatch/daw/egm/peace2003/reports/EP5Dyfan.PDF.

8 Oywa, Rosalba. 2002. "Women and Peacebuilding: A Case Study of Northern Uganda." Accord. https://www.c-r.org/accord/women-and-peacebuilding-insight/case-study-northern-uganda#:~:text=Women%20marched%20to%20demand%20an,the%20reintegration%20of%20ex%2Dcombatants.

Driven by a long-term vision of achieving social justice for women, women leaders have proven to be resilient and flexible, adapting to new or emerging issues and adopting varying strategies as the context requires. Constitutional reform and corresponding women's efforts in Mali, Malawi, Zimbabwe, Kenya, and Tanzania are examples of real transformative interventions by women leaders and collectives in Africa.

Despite progress in policy development for the women, peace, economic, and security agendas, significant social barriers persist impeding women's participation in traditionally male-dominated spaces and limiting the agenda's implementation. The 2021 Peace Talks Report revealed the continued exclusion of women from peace negotiations in various conflict zones such as the Central African Republic, the Democratic Republic of the Congo, Chad, Sudan, Ethiopia, and the Tigray conflict. While women often serve as critical community mediators, addressing various conflicts at the grassroots level through mechanisms such as FemWise, the overarching need remains to fully include women's voices at all levels of governance and peace processes, from local to global.[9]

The hard-won generational gains on women's participation in civic spaces are being reversed around the globe against the backdrop of the challenging and unstable world occasioned by multiple crises including numerous military coups from the Sahel region to Sudan as well as the outbreak of conflict in Ethiopia, the invasion of Ukraine, and the largest refugee crisis since the second World War, which are slowly paving way to a resurgence of "gender apartheid."

Women cannot effectively take their seat at decisionmaking tables if they are absent in labor markets, fail to benefit equally from technological advancements, lack access to health care, and are under constant threat of gender-based violence. There is still a lot of work required as far as the struggle for gender equality in Africa is concerned regarding the role of women leaders. Hence, there is a need to reflect critically on the role of women leaders in Africa in accelerating progress toward gender equality, peace, positioning, and sustainability, given the new threats and challenges arising from the volatile, unpredictable, and ambiguous global and continental political economy of development governance.

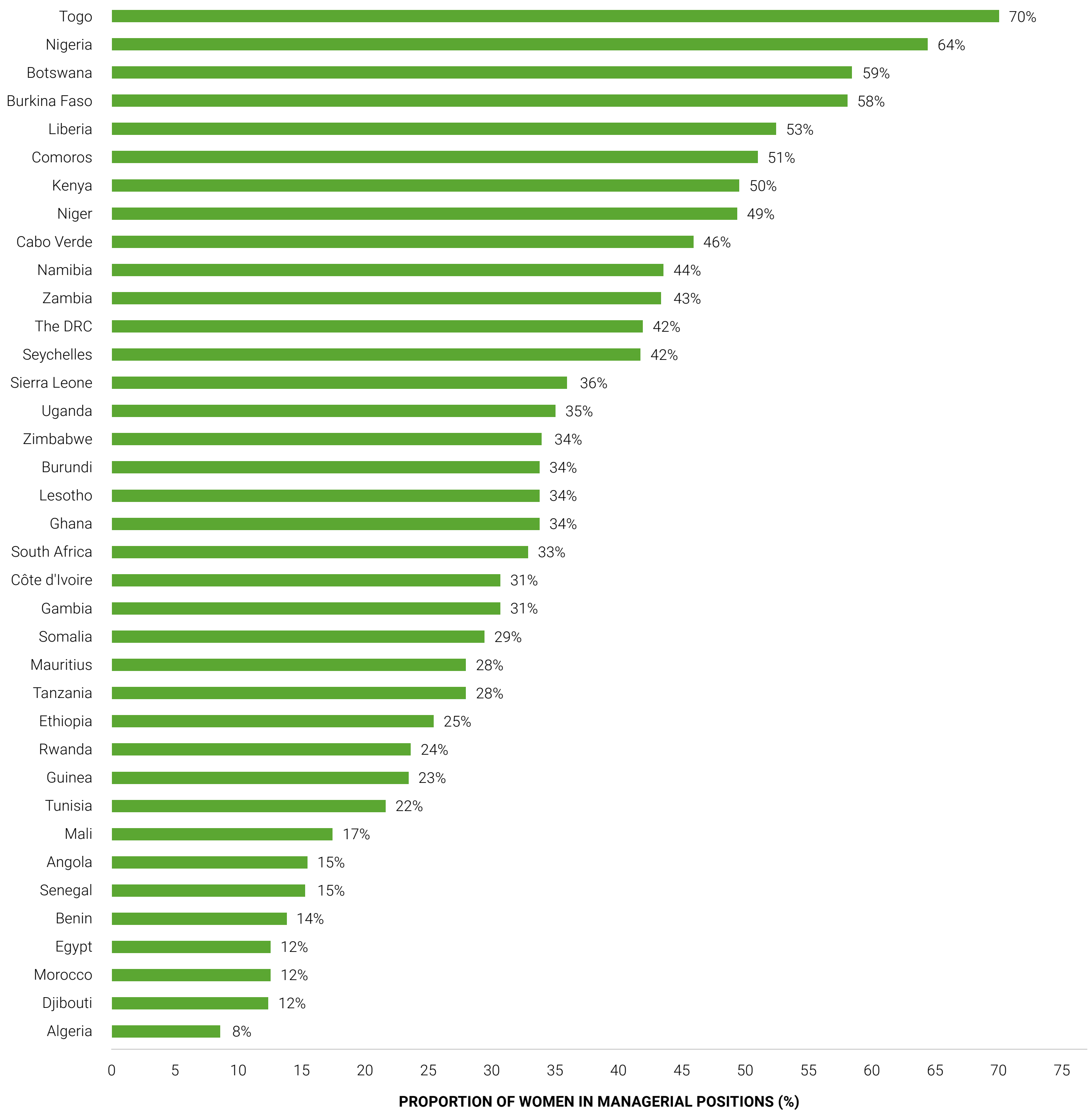
For the gains made to be put on track, we need women to continue to demand and take an active role in advocating for the increase of female representation in leadership and political spheres from the village to the parliamentary level while fostering discussion within public and political bodies about women's leadership and establishing benchmarks to assess the influence and impact of women's participation in leadership and ensure accountability.

9 Escola de Cultura de Pau (ECP). "Peace Talks in Focus 2021. Report on Trends and Scenarios." https://www.un.org/sexualviolenceinconflict/wp-content/uploads/2022/06/report/auto-draft/Peace-Talks-in-Focus-2021.-Report-on-Trends-and-Scenarios.pdf.

FIGURE 22

PROPORTION OF MANAGEMENT POSITIONS HELD BY WOMEN IN AFRICA

While Africa boasts a high female labor force participation rate, there are barriers that prevent women from obtaining positions of influence. The degree to which women are able to obtain managerial positions varies widely by African country but is well below 50% for most countries. It is highest in Togo, where more than 7 in 10 managerial positions are held by women. Meanwhile, it is lowest in Algeria, where less than 1 in 10 such positions are held by a woman.



Note: Based on latest available data for each country (2017-2023). Employment in management is based on category 1 of International Standard Classification of Occupations (ISCO-08).

Source: International Labour Organization (ILO) ILOSTAT database. 2023. Proportion of women in managerial positions (%) - Annual.

Let us fortify a joint commitment to creating a world where women stand as equals in decisionmaking spheres, where their contributions are valued and integrated, and where their leadership paves the way for a more peaceful, just, and prosperous future for Africa.

Looking ahead, women leaders in Africa have a promising future. Collaborative efforts, including partnerships with governments, civil society organizations, and international actors, will be crucial for sustaining progress and achieving gender equality. Addressing systemic barriers, promoting inclusive policies, and investing in women's education, health, and economic empowerment will be vital steps towards a more equitable Africa.

In conclusion, women leaders in Africa have made significant strides in recent years, raising awareness, driving legal reforms, and advocating for women's empowerment and equality. While challenges persist, women leaders in Africa continue to manifest in the form of women's collectives, movements, faith-based institutions, community, and grassroots collectives, among others, and provide hope for a future where African women can fully enjoy their rights, participate in decisionmaking, and thrive in all aspects of life.

Let us fortify a joint commitment to creating a world where women stand as equals in decisionmaking spheres, where their contributions are valued and integrated, and where their leadership paves the way for a more peaceful, just, and prosperous future for Africa.

Promoting gender equality in Africa through gender-responsive procurement

SOPE WILLIAMS-ELEGBE

Professor, Department of Mercanti Law, Pavocat-Stellenbosch Academy

@drsope

The public procurement system is the framework of laws, institutions, and practices relied on by the public sector to obtain the goods, services, and construction needed to function and maximize public welfare. It makes up a significant proportion of gross domestic product (GDP) and public expenditure. The magnitude of resources involved in public procurement underscores its potential as a vehicle to promote government policies covering the spectrum of sustainability issues, encompassing the social, economic, and environmental domains.

An emerging facet within public procurement is gender-responsive procurement. This has been described by the Organisation of Economic Development and Cooperation (OECD) as "the introduction of gender requirements and considerations into public procurement policies and practices, in order to use public procurement as an instrument to advance gender equality."[1] The objective of gender responsive procurement is to utilize procurement as a catalyst to advance gender equality and women's economic empowerment. This is important given the correlation between women's economic empowerment and the achievement of the Sustainable Development Goals (SDGs). There is a link between the full integration of women into economic activities, domestic competitiveness, and economic growth. Women's economic empowerment has further implications for social issues such as child health, education, poverty, and the amelioration of gender-based violence. Social resilience is enhanced through women's economic empowerment, as is the ability of economies to recover from natural and man-made disasters. Gender-responsive procurement is thus important in that it has far-reaching global socio-economic implications.

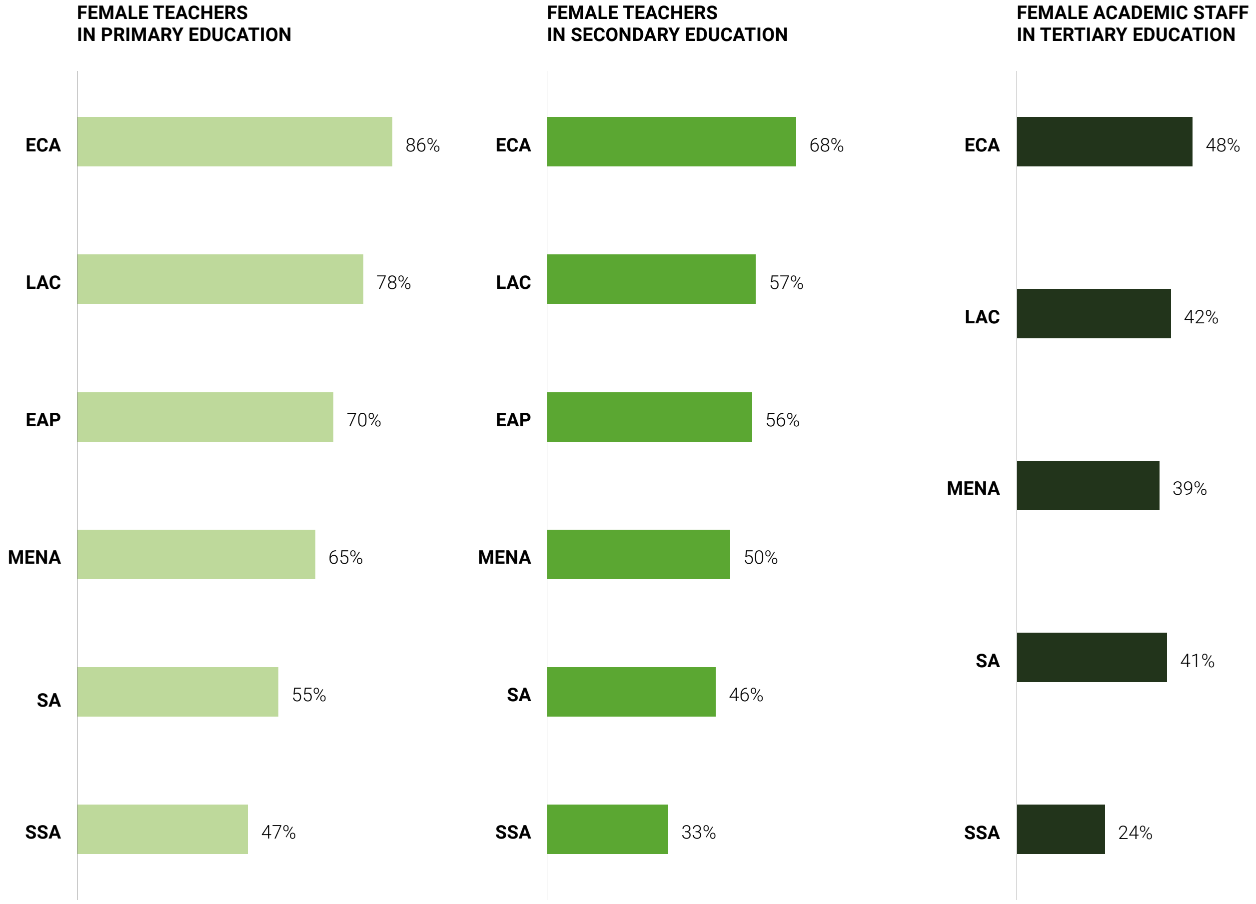
Advancing gender equality through public procurement can take three main forms: increasing the participation of women-owned businesses in public procurement, such as through set-asides for women; increasing the participation of gender-responsive businesses in public procurement, such as through price preferences for such businesses; and ensuring that public services are designed to consider their impact on women by ensuring that public services meet the specific and gendered needs of women.

1 OECD (2021), "Promoting gender equality through public procurement: Challenges and good practices", OECD Public Governance Policy Papers, No. 09, OECD Publishing, Paris, https://doi.org/10.1787/5d8f6f76-en.

FIGURE 23

SUB-SAHARAN AFRICA FALLS BEHIND IN FEMALE TEACHER REPRESENTATION

Sub-Saharan Africa lags in having female teachers across different educational levels, despite advancements seen in other parts of the world. Addressing the challenges of gender parity within teaching positions in this region requires immediate attention and action.



Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = Sub-Saharan Africa.

Source: World Bank, World Development Indicators. 2023. "What works to narrow gender gaps and empower women in Sub-Saharan Africa?" World Bank Group.

A number of African nations, including Kenya, Tanzania, and South Africa (to a limited extent) are boosting the participation of women-owned businesses in public procurement by addressing the legal and policy impediments to this participation.[2,3] Notwithstanding these efforts, the participation of women-owned businesses remains regrettably low, constituting approximately 5% of public contracts by value.

2 UN Women and the ILO, 2021. "Rethinking Gender-Responsive Procurement: Enabling an Ecosystem for Women's Economic Empowerment." New York and Geneva.

3 Blais-Delisle, Catherine, Vivian Kazi, and Gilbert Sendugwa. "Public procurement and women's economic empowerment in East Africa: challenges and opportunities." (2023).

To address these barriers, governments must adopt a comprehensive approach to gender responsive procurement focusing on the legal and policy framework and the structural, operational, financial, and social issues that are obstacles to women.

These low numbers may be attributed to barriers affecting women entrepreneurs. These include structural impediments intrinsic to the procurement system, such as demand aggregation requirements, competing priorities in procurement, and the complexity of the procurement process. Policy-related and sociocultural impediments also serve as obstacles to women seeking access to procurement opportunities. These include the gender bias displayed by procurement officials and financial institutions, an entrepreneurship gap between male and female entrepreneurs, disparities in sectors where women-owned businesses predominate (which do not always align with public contract opportunities), and the limited integration of gender equality and public procurement policies. These are exacerbated by entrenched societal norms that perpetuate discriminatory inheritance practices (limiting women's access to productive assets) as well as household dynamics that subordinate women's business expansion desires to their partners and household needs. Corruption has also been revealed as a barrier to women accessing procurement opportunities, mainly because women often are not part of existing corruption networks, may be less willing to engage in financially risky behaviour, and are often victims of sexual extortion in the procurement space.

To address these barriers, governments must adopt a comprehensive approach to gender responsive procurement focusing on the legal and policy framework and the structural, operational, financial, and social issues that are obstacles to women. It is thus recommended that governments prioritize the following:

- Pass adequate legislation and regulations on gender responsive procurement, which include set-asides/preferences for women-owned businesses.
- Create synergies between gender equality, public procurement, and women's economic empowerment frameworks with measurable targets.
- Address the access to finance issues faced by women-owned businesses.
- Prioritize the collation and publication of gender disaggregated data in public procurement.
- Simplify the procurement process by removing bid and performance guarantees in procurements targeting women-owned businesses.
- Engage in capacity building and advocacy programs on gender responsive requirements.

Digital finance boosting women's financial inclusion in sub-Saharan Africa: Emerging evidence

LEORA KLAPPER

Lead Economist, Finance and Private Sector Research Team, Development Research Group, World Bank

@LeoraKlapper

In the 10 years leading up to 2021, the share of women in sub-Saharan Africa who owned a financial account more than doubled to reach 49%, according to data from the Global Findex.[4] Since 2017 alone, account ownership rates for women in the region increased 12 percentage points, driven entirely by increased adoption of mobile money accounts.

Mobile money is a financial service offered by a telecom or a fintech firm that partners with mobile network operators independent of the traditional banking network (this is different from traditional banking services accessed through a mobile phone). Mobile money services are typically enhanced by local mobile agents, where women can conveniently deposit even small amounts of cash to make payments, pay bills, send remittances, or store money outside of the home.

Some countries even saw a substitution between brick-and-mortar bank accounts and mobile money, which might suggest that already-banked women retired their financial institution accounts in exchange for a mobile money account, or that a disproportionally higher share of adults adopted mobile money accounts. Two striking examples include Cameroon, where account ownership for women increased from 30% in 2017 to 49% in 2021, including a 26 percentage point increase in mobile money accounts, and Ghana, where account ownership for women increased from 54% to over 63%, including a 21 percentage point increase in mobile money accounts.

The continued growth in financial access is excellent news, given evidence showing the ways women benefit from having their own financial accounts. These include greater personal safety and less exposure to theft,[5] more say over how household resources are spent,[6] and greater ability to receive money from friends and family[7] in the event of an emergency.

4 Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, and Saniya Ansar. 2022. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Washington, DC: World Bank. doi:10.1596/978-1-4648-1897-4.

5 Wright, Richard, Erdal Tekin, Volkan Topalli, Chandeler McClellan, Timothy Dickson, and Richard Rosenfeld. 2017. Less Cash, Less Crime: Evidence from the Electronic Benefit Transfer Program. *Journal of Law and Economics* 60 (2): 361–83.

6 Ashraf, Nava, Dean Karlan, and Wesley Yin. 2010. Female Empowerment: Impact of a Commitment Savings Product in the Philippines. *World Development* 38 (3): 333–44.

7 Jack, William, and Tavneet Suri. 2014. Risk Sharing and Transactions Costs: Evidence from Kenya's Mobile Money Revolution. *American Economic Review* 104 (1): 183–223.

The benefits grow as women gain experience using their accounts more often and for a wider variety of purposes, including to make and receive digital payments, store money, save, and borrow. For example, when the Global Findex began asking women account owners whether they make digital payments from their accounts in 2014, most women that received a payment into their account appeared to cash out at an agent as soon as they were able. Today, however, almost all account holders who receive digital payments also make them directly from their accounts. This increased willingness to keep money in an account is also motivating a larger share of women to shift their savings habits from informal methods, such as Rotating Savings and Credit Associations popular in sub-Saharan Africa, to using their account. In many countries, mobile money operators are offering savings products, like "e-ROSCAs", which leverage existing social networks, while offering a safer way to save and build a financial relationship to access credit, insurance, and other financial services. This increase in formal savings gives women more resources to invest in education[8] and healthcare,[9] or to manage an adverse event[10]—all documented ways in which they use financial services.

Given the proven benefits of financial inclusion for the women of Sub-Saharan Africa, it is critical that governments and providers continue to take steps to enable access for the 50% of women who remain unbanked.

Given the proven benefits of financial inclusion for the women of Sub-Saharan Africa, it is critical that governments and providers continue to take steps to enable access for the 50% of women who remain unbanked. One way is to focus on barriers to phone ownership that women on the continent still face and which prevent them from accessing mobile money. According to the GSM Association, the mobile gender gap is driven by a range of social, economic, and cultural factors, including the affordability of handsets, literacy, and digital skills.[11] In addition, though slightly more than half of the unbanked adults in the region have a mobile phone, millions do not, including 37% of all women,[12] according to Gallup World Poll and Findex data. This is not just a problem of network access but also one of documentation, given that 1 in 5 unbanked women report lack of an official government-issued ID prevents them from opening an account. For example, in Niger, only 45% of women have a mobile phone—and only 56% of women have ID. Governments can help close the mobile phone gender gap by increasing women's access to a national identification document, which is typically a requirement for obtaining both financial and mobile phone services.

8 Habyarimana, James, and William Jack. 2018. High Hopes: Experimental Evidence on Saving and the Transition to High School in Kenya. Working Paper.

9 Haseeb, Ahmed, and Benjamin Cowan. 2021. Mobile Money and Healthcare Use: Evidence from East Africa. *World Development* 141: 105392.

10 Moore, Danielle, Zahra Niazi, Rebecca Rouse, and Berber Kramer. 2019. Building Resilience through Financial Inclusion: A Review of Existing Evidence and Knowledge Gaps. Brief, Innovations for Poverty Action, Washington, DC.

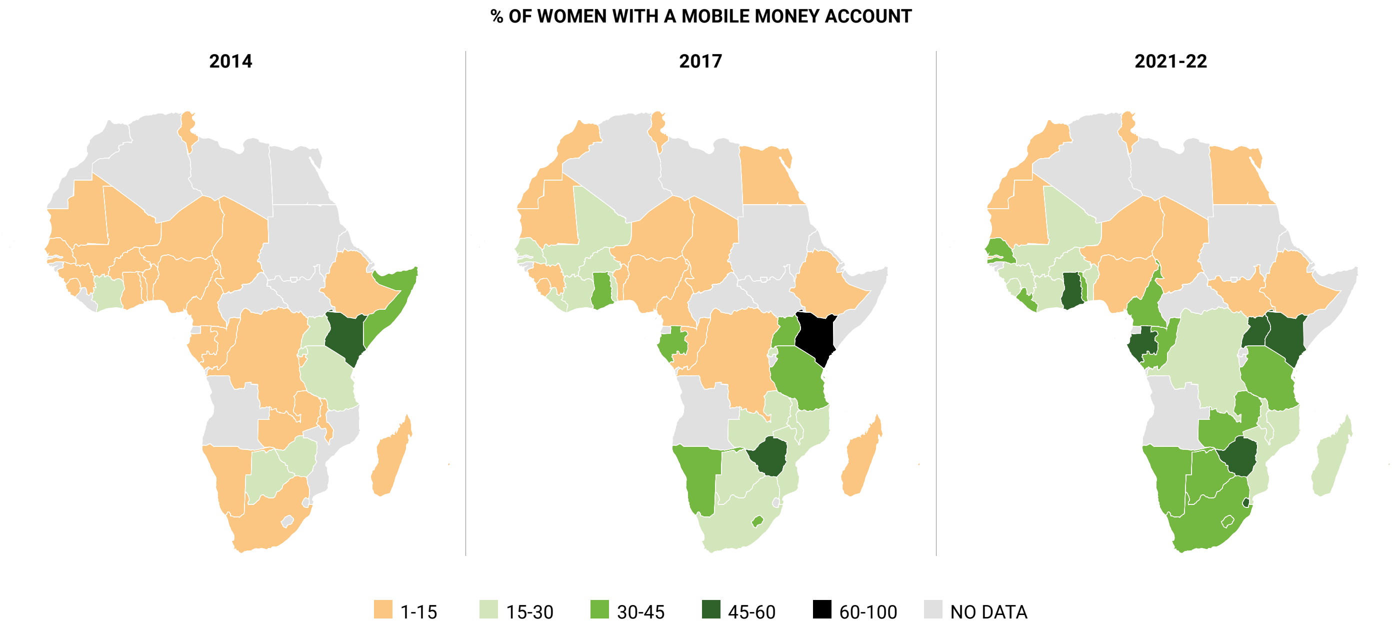
11 GSM Association, 2023. The Mobile Gender Gap Report 2023. GSMA: London.

12 Gallup World Poll Survey, available at: https://www.gallup.com/analytics/318875/global-research.aspx.

FIGURE 24

MOBILE MONEY ACCOUNTS HAVE BECOME AN IMPORTANT ENABLER OF FINANCIAL INCLUSION FOR WOMEN IN SUB-SAHARAN AFRICA

Overall, the percentage of women with mobile money accounts has increased over the last eight years. However, there are still large disparities across the continent. Many regions with the lowest percentages remain at their 2014 levels. Mobile money accounts are important for the financial and economic inclusion of women across the continent. Improving access can therefore have a fundamental impact.



Source: GSMA. 2023. "Understanding women micro-entrepreneurs' use of mobile phones for business: Evidence from 10 low- and middle-income countries." GSMA Consumer Survey, 2022.

Efforts to increase access should also include initiatives to manage exposure to financial risks. Women with low education and limited financial experience are more likely to be exploited when using financial services. In fact, around 35% of all women mobile money account holders say they cannot use their account without help from a friend or agent, which makes them more vulnerable. Providers can mitigate this risk by designing products that women can use safely and confidently on their own. Effective onboarding can also help, given research showing that women get better at using their accounts with practice[13] and learn to avoid extra agent fees. Policymakers also have a role to play by crafting and enforcing strong consumer protection programs and policies—including effective recourse mechanisms.

Financial accounts, and particularly digital financial services, are living up to their promise as key enablers of economic empowerment for women. Ensuring that the momentum continues to build will require regulators, advocates, and financial providers to continue to invest in the infrastructure and policies that will help expand access.

13 Breza, Emily, Martin Kanz, and Leora F. Klapper. 2020. Learning to Navigate a New Financial Technology: Evidence from Payroll Accounts. Working paper, National Bureau of Economic Research, Cambridge, MA.

How to reduce gender inequality in labor markets in Africa

BELINDA ARCHIBONG

Assistant Professor of Economics, Barnard College, Columbia University
@belindaarch

As the gender gap in education shrinks all around the world, and especially in Africa, there is a growing question on how to translate these gains for girls and women into meaningful paid employment. Understanding how to leverage this growth in educated women into a skilled workforce is a crucial policy question in a continent where the current number of labor market participants in sub-Saharan Africa—600 million—will double by 2050 and quadruple by 2100, at which time the region will account for 40% of the world's labor force.[14]

Africa faces particular challenges as the world's youngest continent, with 60% of the population below the age of 25 (by U.N. estimates) and some of the highest rates of youth unemployment in the world.[15,16] While a major portion of the African population remains employed in agriculture, the share of people employed in agriculture has been declining since the 1990s, with an increasing share of workers employed in industry and the services sector.[17] Across every industry, the gender gap in employment, reflected in the labor force participation rate and in wages, has remained persistent over time, with women less likely to be employed and earning lower wages than men.[18]

There are multiple reasons for these gender gaps in employment, including frictions related to skills mismatch, information asymmetry and lack of access to firm/employer networks.

There are multiple reasons for these gender gaps in employment, including frictions related to skills mismatch, information asymmetry (where firms may be lacking information about the skills of applicants and applicants may be lacking full information about the preferences of employers), and lack of access to firm/employer networks. Women may also face discrimination from employers if firms are less informed about their skills or have biases against hiring women. One way to address the issues with information frictions that may worsen gender gaps in employment is to leverage online hiring platforms that have grown across the continent with increased internet connectivity and access to information and communication technology.

14 Archibong, Belinda and Peter Blair Henry. 2023. "Shocker Offers: Gender, Wage Inequality, and Recessions in Online Labor Markets."

15 UNCTAD. 2023. "Economic Development in Africa Report 2023."

16 Bandiera, Oriana, et. al. 2022. "Young Adults and Labor Markets in Africa." Journal of Economic Perspectives.

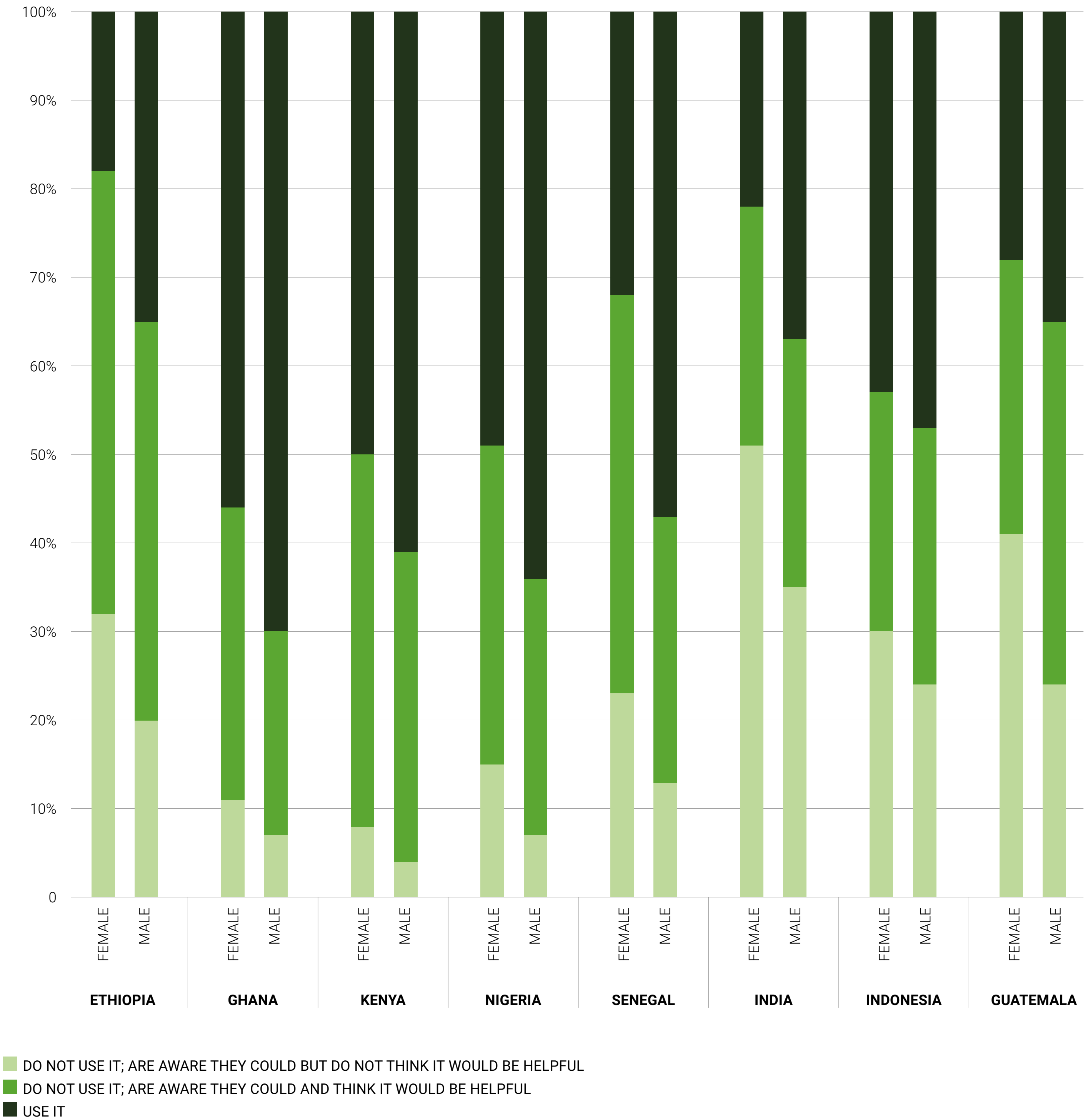
17 ILOSTAT. 2019. "Africa's employment landscape." International Labour Organization.

18 Ibid.

FIGURE 25

FEMALE MICROENTREPRENEURS ARE LESS LIKELY TO UTILIZE MOBILE PHONES

Mobile phone usage in developing countries continues to drive the digital revolution for micro-entrepreneurs. However, attitudes towards mobile phone usage for business vary by region and gender. In Ethiopia, Ghana, and Kenya, a higher proportion of men use mobile phones for business. In India and Indonesia, women are more likely to use mobile phones for business.



Source: GSMA. 2023. "Understanding women micro-entrepreneurs' use of mobile phones for business: Evidence from 10 low- and middle-income countries." GSMA Consumer Survey, 2022.

These platforms can reduce search costs for both firms and job applicants by providing a centralized, low-cost means of accessing information about applicants (for firms) and jobs (for applicants). Evidence[19] from one of the largest hiring platforms in Africa shows that women are underrepresented in these online markets, making up just 33% of applicants on the platform. Service jobs in high-paying industries like financial services, consulting, and trade tend to feature heavily on the platform. Women are less likely to apply for jobs and are more likely to underapply or apply for jobs at lower levels relative to their qualifications than men. On the employer side, women are less likely to be hired than equally qualified men. In ongoing studies, we find that one low-cost way to close these gender gaps in both applications and hiring is to provide information on these patterns to applicants and hiring managers in a way that both (1) makes these issues salient to both parties and (2) signals the willingness of the firms to hire women, by, for example, adding diversity information statements in job ads that encourage applications from women. On the business side, expanding the reach of these online hiring platforms and their ability to match qualified applicants with jobs may help to reduce gender gaps in employment.

In addition to leveraging gains in ICT and online labor markets to reduce gender gaps in employment, policymakers need to pass and enforce stricter regulations against gender discrimination in hiring. Policies that target more funding towards women-owned businesses and can provide capital for female entrepreneurs could also significantly reduce gender inequality in employment. Finally, given that women are often tasked with the majority of unpaid care work and home production, policies to provide more opportunities for flexible work, investments in transportation infrastructure to provide more convenient commutes, and policies that provide free /subsidized childcare would significantly reduce barriers to women's participation in African labor markets.

19 Archibong, Belinda, Francis Annan, Anja Benshaul-Tolonen, Oyebola Okunogbe. 2022. "Firm Culture: Examining the Role of Gender in Job Matching in an Online African Labor Market." Working Paper.

Digital entrepreneurship in Africa

AFUA OSEI

Digital Entrepreneurship Policy Advisor and Co-Founder, She Leads Africa
@HelloAfua

The 50 honorees on the 2023 Forbes Top Creator List of social media creators, influencers, vloggers, and entrepreneurs generated an estimated USD $700 million in earnings—a figure close to 30% of the Central African Republic GDP.[20, 21] Not only are the creators themselves benefitting, but their countries are capturing significant economic benefits, with the digital economy contributing "10.3% of U.S. gross domestic product, $1.24 trillion of compensation, and 8.0 million jobs."[22]

Africa's youth population has grown up in the middle of the digital and technological transformation watching global creators take over the internet, and since they were born, they've been told that their continent is rising. However, when they look around, more than 30% of their peers are unemployed, another 30% are underemployed, and millions continue to enter the workforce with little sustainable employment prospects, according to the African Development Bank.[23] The outlook is especially tough for millions of young women in sub-Saharan Africa, which has the world's largest gender digital divide. Women in this region are 37% less likely to have steady access to digital technology and the economic benefits that come with it.[24]

In the early 2010s, global tech companies poured into Africa with skills development programs to teach young Africans the basics of how to utilize their platforms and identify simple ways to get their businesses online. Grow with Google and Meta's She Means Business program were just a few of the programs that spread across the continent through partnerships with policy bodies such as the African Union, South African Department of Small Business Development, and the MTN Foundation.

Over almost a decade, these programs enabled millions of young entrepreneurs to leverage global platforms for alternative income streams. In South Africa, the online travel marketplace Airbnb catalyzed the creation of nearly 50,000 jobs economy-wide in 2022—with women serving as 64% of hosts—injecting USD $1.2 billion into the country's macroeconomic growth.[25]

20 Forbes. "Top Creators 2023." https://www.forbes.com/sites/stevenbertoni/2023/09/26/top-creators-2023/?sh=57db-c2ea4c0c.

21 International Monetary Fund GDP, current prices. https://www.imf.org/external/datamapper/NGDPD@WEO/DZA/ZAF/MAR/NGA/EGY/AFQ/MOZ.

22 Highfill, Tina, and Christopher Surfield. "New and Revised Statistics of the US Digital Economy, 2005–2021." US Bureau of Economic Analysis. Washington, DC (2022). https://www.bea.gov/system/files/2022-11/new-and-revised-statistics-of-the-us-digital-economy-2005-2021.pdf.

23 AfDB. 2016. "Jobs for Youth in Africa, Catalyzing youth opportunity across Africa." African Development Bank Group.

24 UNDP. "Unrealized Potential: Female Entrepreneurship and the Digital Gender Gap in Sub-Saharan Africa." https://www.undp.org/publications/dfs-unrealized-potential-female-entrepreneurship-and-digital-gender-gap-sub-saharan-africa.

25 Airbnb. 2023. "Airbnb doubles economic impact in South Africa, boosts inclusive tourism." https://news.airbnb.com/wp-content/uploads/sites/4/2023/10/Airbnb-Economic-Impact-Report-2023-1.pdf.

FIGURE 26

EMPLOYMENT, EDUCATION AND HEALTH TRENDS FOR WOMEN IN AFRICA

In recent decades, Africa has witnessed notable progress in female engagement in the workforce, health care accessibility, and educational opportunities. Nonetheless, the pandemic has exerted a discernible influence on female labor force participation, causing a gradual downturn in the proportion of women engaged in employment.

	EMPLOYMENT			EDUCATION			HEALTH	
YEAR	SHARE OF FEMALE EMPLOYEES	VULNERABLE EMPLOYMENT, WOMEN (% OF FEMALE EMPLOYMENT)	SHARE OF FEMALE EMPLOYEES THAT ARE WAGE/SALARY WORKERS	LITERARY RATE OF ADULT WOMEN (%)	LITERACY RATE OF YOUNG WOMEN (%)	GROSS FEMALE PRIMARY SCHOOL EMPLOYMENT	FEMALE LIFE EXPECTANCY AT BIRTH (YEARS)	FEMALE INFANT MORTALITY RATE (PER 1,000 LIVE BIRTHS)
2000	1.50	75.9	22.6	55.2	69.8	82.8	56.4	69.7
2001	1.51	75.6	22.9	55.2	66.5	85.8	56.7	67.4
2002	1.49	75.4	23.1	54.6	67.5	87.5	57.0	65.1
2003	1.47	75.7	22.9	51.4	65.3	89.6	57.4	62.8
2004	1.45	75.6	22.9	50.9	65.5	91.9	57.9	60.5
2005	1.43	75.4	23.1	50.8	64.2	93.6	58.4	58.4
2006	1.41	75.1	23.5	51.1	62.7	95.5	59.0	56.2
2007	1.41	74.8	23.7	51.5	64.1	95.2	59.6	54.4
2008	1.37	74.5	24.1	51.3	64.1	98.6	60.3	52.7
2009	1.37	74.4	24.2	52.3	66.4	99.9	60.9	50.9
2010	1.37	74.1	24.5	53.5	67.2	100.9	61.5	49.2
2011	1.36	73.7	24.9	54.4	68.6	100.7	62,2	47.6
2012	1.38	73.2	25.4	55.9	70.9	101.7	62.9	46.1
2013	1.37	73.1	25.5	56.6	72.2	102.0	63.4	44.8
2014	1.39	72.7	25.9	56.8	73.0	101.5	64.0	43.6
2015	1.39	72.5	26.1	57.9	72.1	101.1	64.5	42.5
2016	1.43	71.8	26.7	59.0	73.6	102.1	65.1	41.3
2017	1.44	71.7	26.9	60.0	75.5	102.5	65.5	40.2
2018	1.47	71.3	27.2	62.3	77.0	100.7	65.8	39.2
2019	1.44	70.9	27.6	64.2	77.6	102.2	66.2	38.2
2020	1.32	71.5	27.2	63.9	78.1	101.9	65.9	37.3
2021	1.31	71.1	27.6	64.8	79.4	102.6	65.1	36.3

Source: World Bank. 2023. World Development Indicators. World Bank Group.

While marketplaces and social media networks created an initial foundation for African entrepreneurs to build upon, as we shift our focus to 2024 and beyond, there continues to be formidable challenges on the global stage. Notably, platforms like PayPal restrict transactions in certain African countries, such as Ethiopia and Nigeria, permitting money to only be sent but not received. In Ghana, entrepreneurs are not even eligible for account openings, limiting their participation in the global digital economy.[26]

Similar to supply chains all across Africa, for the digital economy, young African entrepreneurs are ready to move up the value chain. To capture greater value in the digital economy, here are three recommendations for African entrepreneurs to consider:

- **Double down on exporting African culture:** The next generation of African economies will go beyond natural resources such as agriculture, minerals, and oil to power their economies. The digital ecosystem, through content and ecommerce, can play a critical role in providing employment and business opportunities across the product lines of visual arts, food and beverages, music, and fashion. The upcoming renewal of the African Growth and Opportunity Act in 2025 presents an opportunity for African entrepreneurs to advocate for preferential trade terms and inclusion of a digital trade framework.

- **Leverage homegrown platforms:** Locally built and operated digital software tools understand the challenges of African entrepreneurs and are better positioned to help them grow and scale. Payment processor Paystack processes over 50% of all online transactions in Nigeria and has developed integrations that enable African entrepreneurs to connect with global technology platforms that previously could not service them.[27] ANKA, an Ivorian commerce software solution, has aggregated 20,000 sellers across 45 African countries with women representing 72% of their client base.[28] Due to their focus on helping African entrepreneurs grow and scale, they are currently DHL's largest African e-commerce exporter with nearly 10 tons shipped monthly.

- **Outsource digital talent:** The political momentum towards friendshoring, the rerouting of supply chains to politically low risk countries, presents an incredible opportunity for young African entrepreneurs.[29] Business process outsourcing roles present a tried and tested business model for job creation and development and as the digital economy explodes, skilled back office workers are needed.

In conclusion, Africa's digital entrepreneurship future is ours to shape. Despite the challenges, African youth are primed to ascend the digital value chain.

In conclusion, Africa's digital entrepreneurship future is ours to shape. Despite the challenges, African youth are primed to ascend the digital value chain. By focusing on exporting African culture, leveraging homegrown platforms, and exporting digital skills, we empower our entrepreneurs to thrive, capture global value, and drive economic growth. Africa's digital destiny relies on our unwavering commitment to innovation, resilience, and inclusive growth.

26 Paypal. https://developer.paypal.com/docs/payouts/standard/reference/country-feature/.

27 Paystack. https://paystack.com/corporates#:~:text=Paystack%20processes%20over%2050%25%20of%20all%20online%20transactions%20in%20Nigeria.

28 ANKA. 2023. "Global African Commerce: White Paper 2023." https://www.anka.africa/white_papers.

29 World Economic Forum. 2023. "What's the difference between 'friendshoring' and other global trade buzzwords?" https://www.weforum.org/agenda/2023/02/friendshoring-global-trade-buzzwords/.

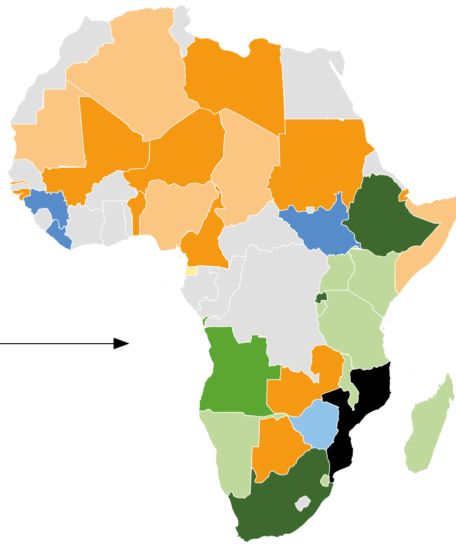
FIGURE 27

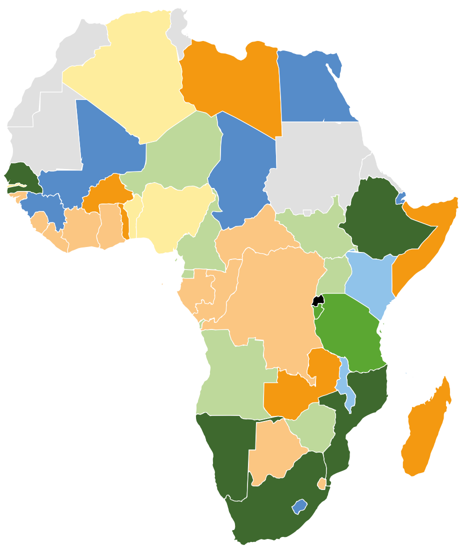
AFRICAN COUNTRIES TOP GLOBAL RANKINGS OF FEMALE POLITICAL REPRESENTATION

African countries stand out in global rankings with significant progress in political gender equality, showcasing notable female representation in both ministerial positions and parliamentary seats.

WOMEN CABINET MINISTERS

COUNTRY	% WOMEN	NUMBER OF WOMEN MINISTERS	TOTAL MINISTERS +
>50%			
Mozambique	55	11	20
40-50%			
South Africa	48.1	13	27
Rwanda	47.6	10	21
Ethiopia	40.9	9	22
35-40%			
Angola	37.5	9	24
30-35%			
Madagascar	34.6	9	24
Burundi	33.3	5	13
Eswatini	33.3	6	18
Malawi*	33.3	7	21
Seychelles	33.3	5	15
Uganda	33.3	7	21
Kenya	31.8	7	22
Namibia	31.6	6	19
Cabo Verde	31.6	6	19
Tanzania	30	6	20
25-30%			
Liberia	29.4	5	17
Guinea	25.9	7	27
South Sudan*	25	8	32
20-25%			
Zimbabwe	23.8	5	21
15-20%			
Mali	19.2	5	26
Djibouti	19	4	21
Benin	17.4	4	23
Cameroon	17.1	6	35
Botswana	16.7	3	18
Sudan*	16.7	4	24
Niger	16.1	5	31
Libya	16	4	25
Zambia	16	4	25
Giunea - Bissau*	15.8	3	19
Gambia	15	3	20
10-15%			
Mauritius	14.3	3	21
Sierra Leone	14.3	4	28
Mauritania	13.6	3	22
Algeria	13.3	4	30
Somalia*	12	3	25
Nigeria	10.7	3	28
Chad	10.3	3	29
<10%			
Equatorial Guinea	8.7	2	23
Comoros	7.7	1	13





WOMEN IN PARLIAMENT

COUNTRY	% WOMEN	WOMEN/SEATS
>50%		
Rwanda	61.3	49/80
40-50%		
South Africa	46.3	185/400
Senegal	46.1	76/165
Namibia	44.2	46/104
Mozambique	43.2	108/250
Cabo Verde	41.7	30/72
Ethiopia	41.3	195/472
35-40%		
Burundi	38.2	47/123
Tanzania	37.4	147/393
30-35%		
Cameroon	33.9	61/180
Uganda	33.8	188/556
Angola	33.6	74/220
South Sudan	32.4	178/550
Equatorial Guinea	31	31/100
Niger	30.7	51/166
Zimbabwe	30.6	81/265
25-30%		
Guinea	29.4	24/81
Mali	28.6	42/147
Egypt	27.5	163/592
Lesotho	26.5	32/121
Djibouti	26.2	17/65
Chad	25.9	51/197
20-25%		
Kenya	23.3	81/348
Seychelles	22.9	8/35
Malawi	20.7	40/193
Mauritius	20	14/70
15-20%		
Togo	19.8	18/91
Somalia	19.7	54/274
Madagascar	18.5	28/151
Burkina Faso	16.9	012/71
Comoros	16.7	4/24
Libya	16.5	28/170
Zambia	15	25/167
10-15%		
Eswatini	14.9	11/74
Gabon	14.7	21/143
Congo	14.6	22/151
Ghana	14.6	40/275
Sao Tome and Principe	14.6	8/55
Cote d'ivoire	13.7	35/255
Guinea-Bissau	13.7	14/102
Sierra Leone	13	19/146
Central African Republic	12.9	18/140
Dem. Republic of the Congo	12.8	64/500
Botswana	11.1	7/63
Liberia	11	8/73
<10%		
Gambia	8.6	5/58
Algeria	7.9	32/407
Benin	7.4	6/81
Nigeria	3.6	13/360

>10% 10-15% 15-20% 20-25% 25-30% 30-35% 35-40% 40--50% >50%

Note: The countries are ranked according to the share of women cabinet members who head ministries as of January 1, 2023. The total includes women and men cabinet members who head ministries. Heads of government were also included where they held ministerial portfolios. Information on Women in parliament is not available for Eritrea, Sudan (No functioning parliament on January 1, 2023), Tunisia (No functioning parliament on January 1, 2023). Results of parliamentary elections that began on December 17, 2022 and concluded on January 27, 2023 were still unavailable at the time of publication.

Source: UN Women. Data compiled from Permanent Missions to the United Nations, official government.

Post-COVID-19 disruption of education: Calamitous girls' education setback

SUSAN OPOK

Executive Director, Forum for African Women Educationalists (FAWE), Uganda Chapter

@susan_opok

The COVID-19 pandemic resulted in the closure of educational institutions worldwide, affecting nearly 90% of students[30]. The effect of the lockdown on education varied distinctly. It was more detrimental in Africa where many countries are still struggling with education, especially in sub-Saharan Africa. In Uganda, school closure resulted in 15 million learners[31] being out of school for nearly 2 years, half of them being girls and young women. With a 7:6:3 (7 years of primary, 6 years of secondary, and an average 3 years at university) education system, children in Uganda spend more time in school. School closure effect was worse at secondary and upper primary levels[32].

The Ugandan education system keeps children occupied with rigorous school activities and limited time at home. The COVID-19 lockdowns challenged family systems, with both children and parents who did not "know" how to live together given that children on average spend nine months annually at school. Parents were reportedly absent in the lives of children, having been used to inadvertently relegating holistic responsibility to schools. Due to socio-economic challenges, many children, due to being idle during lockdown, engaged in activities including retail businesses, smuggling, motorcycle riding, gambling, sex, and sports[33]. These activities were completely divorced from their routinely structured school lives and the watchful eyes of teachers and parents.

Although the government of Uganda introduced continued learning interventions, lessons on radios and television, and home study materials, they could not work under such conditions. Besides, the interventions were against the background of economic status and the rural-urban divide of the learners. Assessments conducted revealed that over 51% of children did not have any learning during school closure, and did not benefit from the interventions. This further widened the social differences of children especially between the rich and the poor, hence delaying the achievement of the SDGs, Uganda Vision 2040, and Africa Vision 2063.

30 Tara John, Nectar Gan and Swati Gupta . 2020. "90% of the world's students are in lockdown. It's going to hit poor kids much harder than rich ones". CNN.

31 UCL. 2022. " Uganda closed schools for two years – the impact is deep and uneven".

32 UNEB. 2021. "Effects of COVID-19 Pandemic on Teaching and Learning at Primary and Secondary Education Levels in Uganda. National Assessment of Progress in Education (NAPE)".

33 FAWE Uganda. 2020. "Research Findings on the situation of, and Impact of COVID-19 on School going Girls and young women in Uganda". Forum for African Women Educationalists (FAWE) Uganda Chapter.

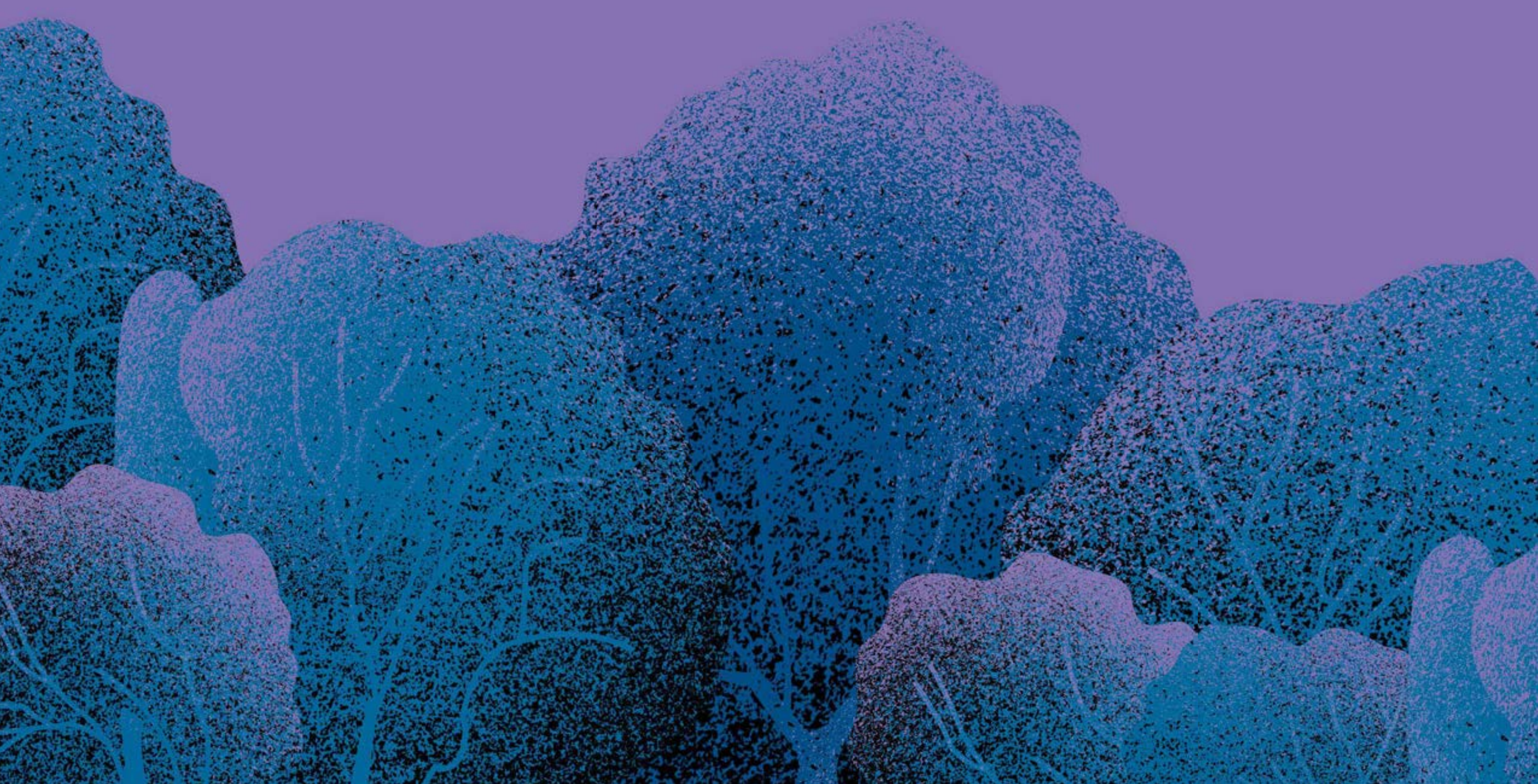
a policy on school re-entry for teenage mothers on its own will not facilitate better socio-economic and development outcomes for girls and young women. Young mothers face an intersection of economic and socio-cultural barriers that should be dealt with alongside policy.

Surveys undertaken upon schools opening in January 2022 indicated that over 100,000 learners, especially girls, had dropped out due to unintended pregnancies, early marriages, child labor, loss of interest in schooling, and lack of financial support resulting from parents' inability to meet school dues and provide material needs due to their economic activities were affected by the pandemic. In some cases, girls were pushed by parents to become breadwinners. Boys were equally affected; a study by FAWE Uganda to assess the response to school after lockdown established that some boys lost interest in school and engaged in petty jobs, such as hawking and riding motorbikes. The government of Uganda launched the "revised Guidelines on the prevention and management of teenage pregnancy in schools settings in Uganda," incorporating re-entry to facilitate pregnant adolescents, and young mothers' return to school after childbirth, however, many did not respond and remain unaccounted for, a circumstance not unique to Uganda.

Notably, a policy on school re-entry for teenage mothers on its own will not facilitate better socio-economic and development outcomes for girls and young women. Young mothers face an intersection of economic and socio-cultural barriers that should be dealt with alongside policy. Governments like Uganda's dealing with these issues should therefore: Prioritize effecting school re-entry; commit funds for massive second-chance education for all school-age children; develop culturally acceptable sexuality education for implementation; involve communities and girls to change gender-discriminatory norms; and design programs to get parents involved in the holistic upbringing of their children.

7

GOVERNANCE



ESSAY

VIEWPOINT

Governance trends in Africa: Resilient demand, flagging supply

JOSEPH ASUNKA

CEO, Afrobarometer
@joeasunka

E. GYIMAH-BOADI

Board Chair, Afrobarometer
@gyimahboadi

Africa's democratic project is facing its toughest challenge yet. The men in green are back, and prospects for democratic consolidation have dimmed significantly. In just four years (2020-2023), seven countries—Mali, Chad, Guinea, Sudan, Burkina Faso, Niger, and Gabon—have fallen to military coups, prompting an uncomfortable but reasonable question: Which country is next? While the African Union (AU) and Economic Community of West African States have condemned these coups and, in the case of Niger, threatened military action, citizens in some countries have openly celebrated them on the streets.

In the spirit of a zero tolerance for unconstitutional changes of government (UCGs), the AU and regional economic communities (RECs) have adopted numerous governance instruments, some dating back to Organization of African Unity days, but have struggled to oversee their effective implementation, largely due to non-compliance by member states. In 2014, the AU Peace and Security Council noted that UCGs often stem from deficiencies in governance marked by "greed, selfishness, mismanagement of diversity, mismanagement of opportunity, marginalization, abuse of human rights, refusal to accept electoral defeat, manipulation of constitution[s], as well as unconstitutional review of constitution[s] to serve narrow interests and corruption."[1]

This diagnosis is largely on point. Governance deficits continue to plague the region as elected governments fail to address crime and insecurity, widespread corruption, official impunity, and inadequate infrastructure and basic services. The military juntas have cited some of these as reasons for their actions, a rhetoric that clearly resonates with citizens. But the euphoria that greeted the military's arrival in some countries is likely to be short-lived as their performance record on governance, economic management, and even security is no better.

Amid global democratic decline intensified by military coups in Africa, what do the views of ordinary citizens tell us about the prospects of a democratic Africa? Afrobarometer, a pan-African survey research organization, recently spoke to about 55,000 of them in 39 countries.

1 African Union. 2014. "Press statement of the 432nd meeting of the PSC on 'Unconstitutional changes of Governments and popular uprising in Africa.'" https://www.peaceau.org/en/article/press-statement-of-the-432nd-meeting-on-unconstitutional-changes-of-governments-and-popular-uprisings-in-africa.

Democracy in Africa

Notwithstanding strong headwinds, the aspiration to live under governments that are democratic and accountable remains strong among Africans. In the latest round of Afrobarometer surveys (2021-2023), two-thirds of respondents said they prefer democracy to any other system of government.[2] They were even more emphatic in their rejection of non-democratic alternatives, with roughly eight in ten rejecting "one-man rule" and "one-party rule," while nearly seven in ten opposed military rule.

Support was not limited to the "d-word." Citizens also strongly endorsed norms, institutions, and practices associated with democratic governance, such as choosing political leaders through the ballot box (still strong at 76% despite a decline from 81% in 2014), constitutional limit on presidential tenure (72%), presidential compliance with court rulings (69%), parliamentary oversight of the executive (67%), media freedom (65%), multiparty competition (64%), and accountable governance (61%).

Indeed, between 2014 and 2023, support for media freedom increased by 11 percentage points, the preference for accountable governance over effective governance gained 10 points, and demand for presidential compliance with court decisions increased by 4 points.

Worrying trends

But other over-time trends portend danger for the African democratic-governance project. Over the past decade, popular support for democracy declined sharply in several countries, including Mali (down by 36 percentage points), Burkina Faso (-26 points), South Africa (-21 points), Namibia (-19 points), and Guinea (-15 points). Indeed, support for democracy is now a minority position in Mali (39%), South Africa (43%), Angola (47%), Mozambique (49%), and Lesotho (49%).[3]

Opposition to military rule has also weakened, by 9 percentage points on average, across 32 countries for which we have over-time data. Only three countries—Mozambique, Liberia, and Uganda—record significant increases in popular aversion to military rule, while we see alarming drops in Mali (-46 percentage points), Burkina Faso (-34 points), Côte d'Ivoire (-29 points), and Niger (-29 points).[4]

Additionally, more than half (53%) of Africans expressed a willingness to tolerate military intervention "when elected leaders abuse power for their own ends" while a little over 4 in 10 (42%) said the military "should never intervene in politics". Tolerance for military intervention is the majority opinion in 23 of 39 surveyed countries, led by Mali (82%), Tunisia (72%), and nearly 70% of Ivoirians, Guineans, and Tanzanians.[5]

2 Afrobarometer. Unpublished. Round 9 Survey: Pan-African Profile on Democracy and Governance.

3 Ibid.

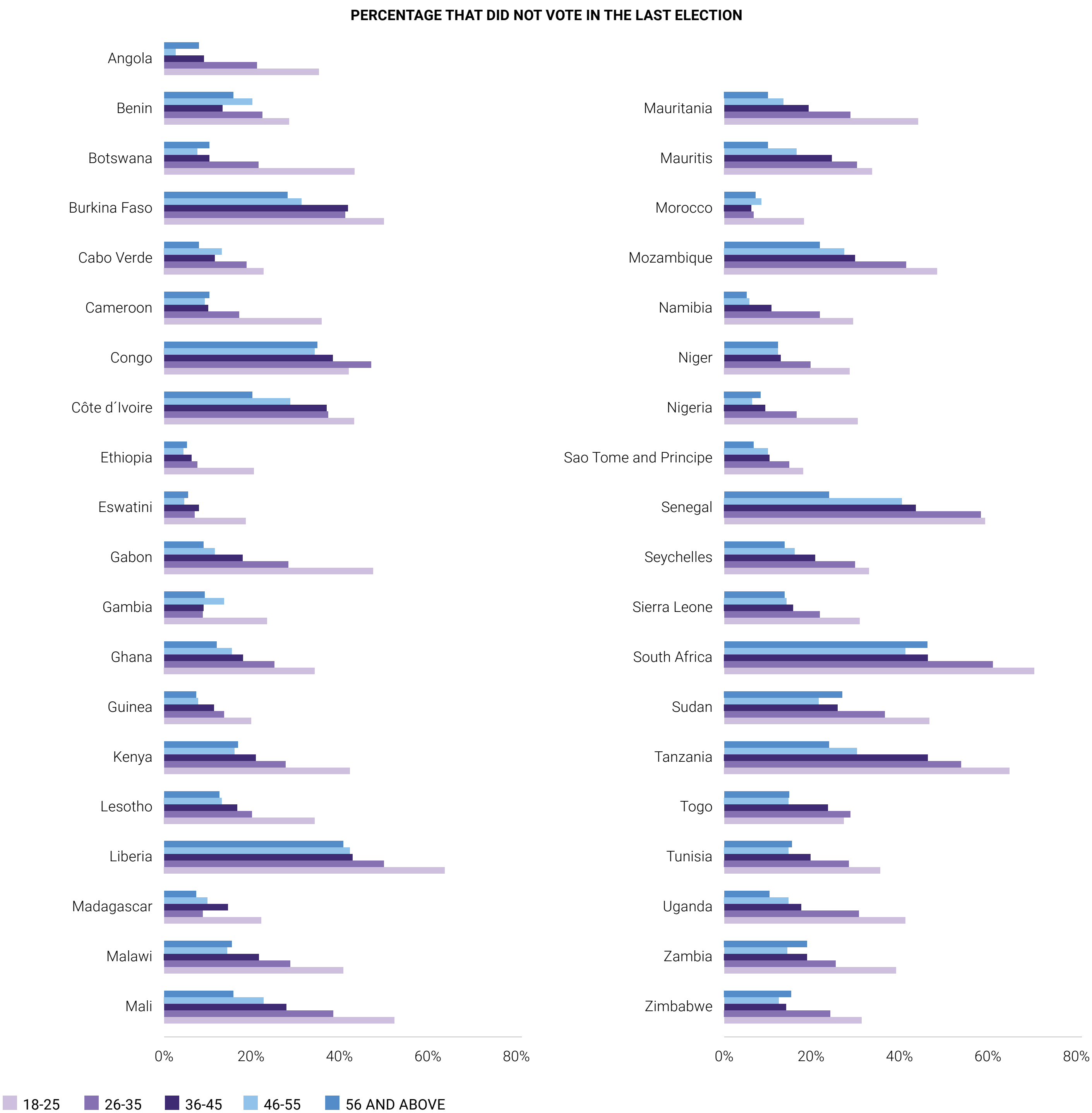
4 Note: Round 9 surveys were completed in Niger and Gabon before the military coups; and also before the conflict in Sudan erupted.

5 Afrobarometer. Unpublished. Round 9 Survey: Pan-African Profile on Democracy and Governance.

FIGURE 28

AFRICAN YOUTHS ARE THE LEAST LIKELY TO PARTICIPATE IN ELECTIONS

Africa has the world's fastest-growing population. Despite this demographic boom, a large portion of African youths remain disconnected from political engagement. In sub-Saharan Africa, there is a noticeable trend where younger demographics tend to abstain from voting. It is imperative to prioritize efforts aimed at enhancing youth political participation for the sake of fostering good governance and strengthening democracy in the region.



Note: Respondents were asked: In the last national election, held in [20xx], did you vote, or not, or were you too young to vote? Or can't you remember whether you voted? (% who say "did not vote," excluding respondents who were too young to vote).
Source: Afrobarometer survey. R9 2019/2021.

The youth factor: Cause for optimism and concern

Given Africa's median age of about 19, the attitudes of African youth will shape the future of democracy on the continent. The good news is that youth (aged 18-35) differ very little from their elders in their support for democracy and its core institutions and their rejection of military rule and other non-democratic alternatives.

However, youth expressed greater willingness to tolerate military intervention if elected leaders abuse their power: 56% of those aged 18-35 vs. 47% of those aged 56 and above. Interestingly, youth are less trustful of the military as an institution than their elders.[6]

Supply of democracy: A gloomy picture

While Africans have remained committed to democracy, the supply side of the equation is much less encouraging. Perceptions of democratic and accountable governance delivered by elected leaders have either been declining over time, as in the case of freedom of speech and presidential respect for the courts and Parliament, or have remained stagnant at very low levels, as in the case of equal treatment before the law.[7]

More broadly, the failure of governments to deliver democratic and accountable governance sets the scene for confrontation between Africans and their political authorities in the coming years.

The proportion of citizens rating their country as a democracy has dropped by 3 percentage points, on average, across the 32 countries where we have overtime data between 2014 and 2023, with steep declines in Mauritius (-33 points), Mali (-30 points), and Botswana (-23 points). And citizen satisfaction with the way democracy works has declined in a majority of countries (5 points on average across 32 countries), most strikingly in Botswana (-38 percentage points), Mauritius (-34 points), Mali (-24 points), and South Africa (-23 points).[8]

The fact that long-standing democracies such as Botswana and Mauritius are failing to live up to their citizens' expectations must be marked as an important danger signal. More broadly, the failure of governments to deliver democratic and accountable governance sets the scene for confrontation between Africans and their political authorities in the coming years.

6 Sanny, Josephine Appiah-Nyamekye, Shannon van Wyk-Khosa and Joseph Asunka. 2023. "Africa's youth: More educated, less employed, still unheard in policy and development." Afrobarometer: Dispatch No. 734. https://www.afrobarometer.org/wp-content/uploads/2023/11/AD734-PAP3-Africas-youth-More-educated-less-employed-still-unheard-Afrobarometer-13nov23.pdf.

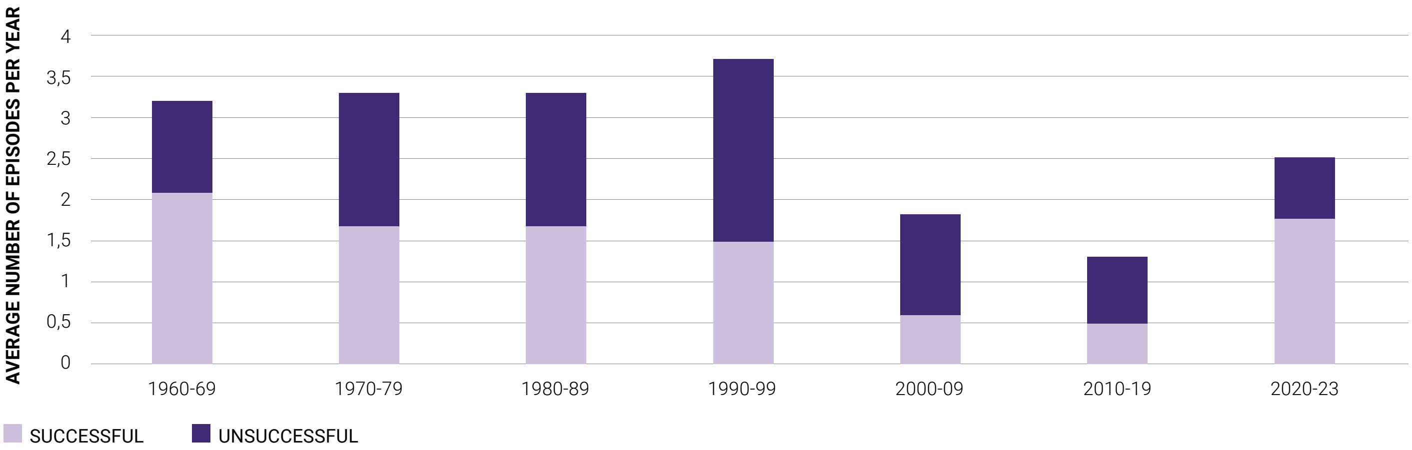
7 Afrobarometer Network. 2023. "Africans want more democracy, but their leaders still aren't listening." https://www.afrobarometer.org/wp-content/uploads/2023/01/PP85-PAP20-Africans-want-more-democracy-but-leaders-arent-listening-Afrobarometer-Pan-Africa-Profile-18jan23.pdf.

8 Afrobarometer. Unpublished. Round 9 Survey: Pan-African Profile on Democracy and Governance.

FIGURE 29

COUP ATTEMPTS IN SUB-SAHARAN AFRICA ARE ON THE RISE

The past few years mark the resurgence of successful coups in sub-Saharan Africa. This poses a significant economic risk that deters foreign direct investment and impedes infrastructure development thereby negatively impacting economic stability and prosperity. Urgent actions are needed to mitigate political unrest and enhance good governance.



Source: International Monetary Fund. 2023. Regional Economic Outlook: Sub-Saharan Africa: Light on the Horizon? Jonathan Powell, University of Central Florida, and Clayton Thyne, University of Kentucky.

What can be done?

Declining resistance to military rule and significant tolerance of military intervention are more a reaction to the failure of elected leaders to meet citizens' democratic aspirations than an attraction to the military rule per se. AU and RECs' leadership and other stakeholders on the continent and beyond must therefore take steps to enhance the supply of democratic governance, including:

Declining resistance to military rule and significant tolerance of military intervention are more a reaction to the failure of elected leaders to meet citizens' democratic aspirations than an attraction to the military rule per se.

- Investments in proactive prevention of "constitutional coups," including, for instance, strong condemnation of such "constitutional coups" by the African Union and the Regional Economic Communities; other unconstitutional changes in government by elected leaders; and securing firm timelines for transition to civilian rule in countries currently under military rule—*before* the inevitable public revolts and the brutal response that would follow.
- Aid conditionality to promote democracy and human rights. Previous Afrobarometer findings show that more than half (51%) of Africans favor such aid conditionality, including about seven in ten citizens in Senegal, Tunisia, Tanzania, and Niger.[9] Revisiting aid conditionality is likely to be viewed favorably if it contributes to securing Africans' expressed desire for democracy and accountable governance.

9 Sanny, Josephine Appiah-Nyamekye and Jaynisha Patel. 2021. "Beyond borders? Africans prefer self-reliant development, remain skeptical of free trade and open borders." Afrobarometer: Dispatch No. 492. https://www.afrobarometer.org/wp-content/uploads/2021/11/AD492-PAP4-Africans-prefer-self-reliant-development%5eJ-skeptical-of-free-trades-Afrobarometer-dispatch-bh-20nov21.pdf.

Elections and the state of democracy in Africa

JOHN MBAKU

Nonresident Fellow, Global Economy and Development, Brookings Institution

General elections can offer Africans the opportunity to strengthen their governance frameworks. However, as coups in Niger and Gabon in 2023 have shown, without a governing process characterized by fidelity and adherence to the rule of law, elections are not likely to function effectively as instruments for institutionalizing and consolidating democracy. President Mohamed Bazoum came to power in Niger in 2021 through democratic elections, and his subsequent inauguration as president represented the first peaceful transfer of power in Niger since independence in 1960. This represented an important contribution to the deepening and institutionalization of Niger's democracy. However, Bazoum was ousted—not by democratic elections, but by a military coup in July 2023.

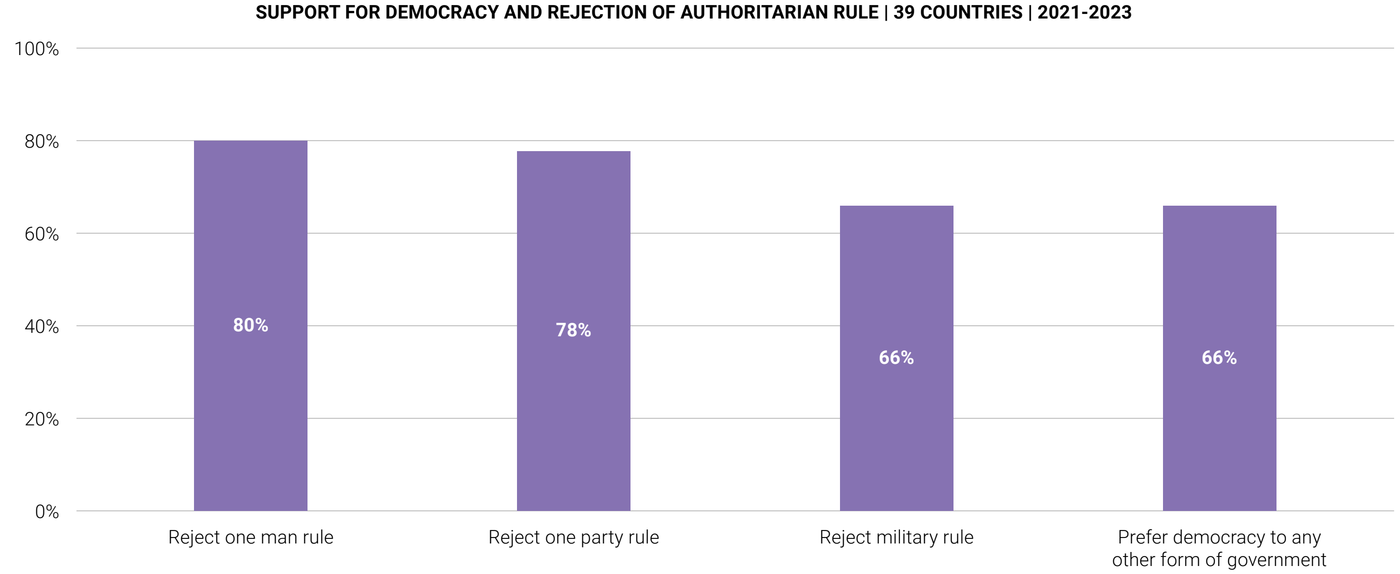
Recent coups in Chad, Burkina Faso, Gabon, Guinea, and Sudan do not augur well for strengthening democracy generally and improving democratic institutions in particular in these countries. Hence, while elections are an important mechanism for deepening and institutionalizing democracy, they can only do so where countries have a competent and balanced governing process, one that is characterized or undergirded by the rule of law and minimizes unconstitutional change of government. First, in order for elections to serve as a foundation for building viable and sustainable democratic institutions, they must be regular, fair, free, and credible.

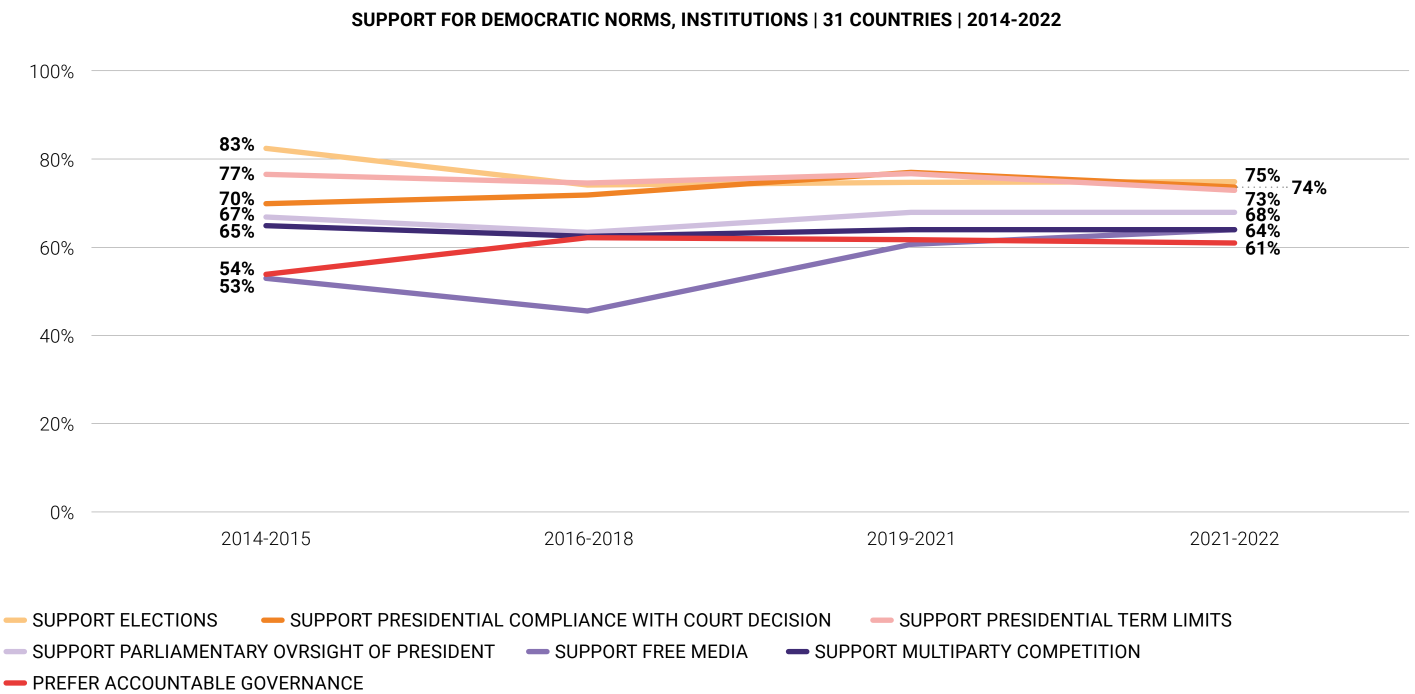
Second, citizens must be granted other rights. These include the right to freely organize political parties and participate in elections, the right to a fair trial and due process, the right to seek redress or a legal remedy, freedom of speech, and freedom of assembly and of association, etc. In countries where citizens enjoy these rights, the government is more likely to be responsive to the preferences of citizens, there are effective legal mechanisms (e.g., an independent judiciary) for citizens to seek relief for their grievances, putschists are subject to severe penalties, and government impunity is minimized.

FIGURE 30

AFRICANS STRONGLY PREFER DEMOCRACY TO AUTHORITARIAN RULE

African preferences lean toward democratic governance and its principles rather than military rule. While some countries have been successful in establishing sustainable democratic systems, the continent has witnessed a troubling trend of democratic regression. This trend is evident through declining democratic values, highlighted by a rise in militarization and the emergence of autocratic leaders across the region.





Note: Support for democracy and rejection of authoritarian rule in 39 countries 2021-2023; Support for democratic norms, and institutions in 31 countries
Note for top figure: Respondents were asked: Which of these three statements is closest to your own opinion? Statement 1: Democracy is preferable to any other kind of government. Statement 2: In some circumstances, a non-democratic government can be preferable. Statement 3: For someone like me, it doesn't matter what kind government we have. Note for bottom figure: *Question on Parliamentary oversight was not asked in Burkina, Sudan, Eswatini, and Guinea; and question on presidential compliance with courts was not asked in Guinea, Eswatini, and Sudan (% who say democracy is preferable). There are many ways to govern a country. Would you disapprove or approve of the following alternatives: Only one political party is allowed to stand for election and hold office? The army comes in to govern the country? Elections and Parliament are abolished so that the president can decide everything? (% who "disagree" or "strongly disagree")

Priorities for the declared winners of 2023 elections

LIBERIA

Liberia held its presidential election on October 10, 2023. Because neither the incumbent, George Weah, nor his opponent, Joseph Boakai, captured the 50% majority needed for victory in the first round, they were forced into a runoff on November 14. Three days later, Weah conceded defeat to Boakai, ending "a presidency marred by graft allegations but helping to ensure a smooth transition of power in the once volatile African nation."[10]

The new president pledged to upgrade the country's crumbling infrastructure, invest in the agricultural sector, fight the influx of illicit drugs and extreme poverty, and improve the people's trust in the government.[11,12]

GABON

After an election considered fraudulent by the international community, plagued with irregularities, and denounced by the opposition, incumbent Ali Bongo was reelected to a third term as president of Gabon on August 26, 2023.[13] A few days later, soldiers declared on television that they had cancelled the results of the election, dissolved state institutions, and that Gen. Brice O. Nguema had emerged as the country's new leader. Although coups contribute to "democratic backsliding," that hardly applies to Gabon, which has never held a free and fair election since independence in 1960. The coup effectively terminated almost 60 years of the Bongo dynastic rule.

France condemned the unconstitutional change of government and called for the results of the August 2023 election to be respected. However, Paris did not admit to its role in perpetuating corrupt, self-dealing, and political dynasties in its former colonies, including Bongo's in Gabon, through the so-called *Francafrique* policy.[14] As in Gabon, these highly corrupt regimes have frustrated the development of effective and sustainable democratic institutions in their respective countries. Although Gabon is a resource-rich country, more than one-third of the population lives in extreme poverty due to significant inequalities in income and wealth distribution.[15] The Bongo family and its friends, however, have amassed large fortunes for themselves.[16]

10 Doe, Carielle and Alphonso Toweh. 2023. Reuters. "Liberia President George Weah concedes election defeat to Joseph Boakai." https://www.reuters.com/world/africa/joseph-boakai-brink-liberian-presidency-vote-count-nears-completion-2023-11-17/#:~:text=MONROVIA%2C%20Nov%2017%20(Reuters),the%20once%20volatile%20African%20nation.

11 TRTAfrika. 2023. "Joseph Boakai: Opposition veteran set to be Liberia's new president." https://www.trtafrika.com/africa/joseph-boakai-opposition-veteran-set-to-be-liberias-new-president-15875683.

12 Akwagyiram, Alexis. 2023. Semafor. "Liberia's president-elect Joseph Boakai has a full in-tray." https://www.semafor.com/article/11/22/2023/liberia-joseph-boakai.

13 Reuters. 2023. "Gabon President Ali Bongo wins third term after disputed election." https://www.reuters.com/world/africa/gabon-president-ali-bongo-wins-third-term-after-disputed-election-2023-08-30/.

14 Resnick, Danielle. 2023. "The broader lessons of Gabon's coup for democracy in Africa." The Brookings Institution. https://www.brookings.edu/articles/the-broader-lessons-of-gabons-coup-for-democracy-in-africa/.

15 Social Inclusion Program at UNICEF Gabon. https://www.unicef.org/gabon/en/social-inclusion.

16 Donmez, Umit. 2023. AA. "Resource-rich Gabon fails to share wealth with public." https://www.aa.com.tr/en/africa/resource-rich-gabon-fails-to-share-wealth-with-public/2982976#:~:text=900%2C000%20live%20in%20poverty,an%20unemployment%20rate%20of%2030%25.

Gabon's coup makers claimed that they were responding to "severe institutional, political, economic, and social crisis," implying that these soldiers would be able to remedy this political and economic dysfunction and deepen and strengthen the country's democratic institutions. Yet, Nguema, the one chosen to lead the junta, has surrounded himself with "heavyweights" from the *ancien régime* who were close to the Bongos.[17,18] The dilemma faced by Gabon and its supporters is that coups rarely ever lead to effective democratic transformations. On the other hand, democracy under the Bongos had been a farce, with the Bongos manipulating the country's laws and institutions to enrich themselves and stay in power indefinitely. For example, Ali Bongo changed the constitution in 2023 to render himself eligible to remain in power indefinitely. It is no wonder that thousands of young Gabonese actually celebrated Mr. Bongo's unconstitutional ouster.[19]

ZIMBABWE

In general elections held on August 23 and 24, 2023, Zimbabwe's incumbent president, Emmerson Mnangagwa of the ZANU-PF party, was reelected with 52.6% of the vote to 44.03% amassed by his main opponent, Nelson Chamisa. The opposition refused to accept the results, accusing the incumbent of "rigging and voter suppression." The new government represents a continuation of the ZANU-PF regime, whose "43-year rule has been battered by its disastrous management of the economy and charges of authoritarianism" and which has been accused by Professor Stephen Chan of SOAS (London) of turning the country into "an economic wasteland, . . . with world-record hyper-inflation." [20,21, 22]

Hyperinflation has returned to Zimbabwe, the country continues to suffer from "a litany of failed economic policies," and significant levels of corruption.[23] Given that Mnangagwa won reelection through an election that was considered by various domestic, regional, and international observers as neither free nor fair and carried out in a climate of fear, it is not likely that this regime will contribute to the deepening and institutionalization of democracy in Zimbabwe.

17 Resnick, Danielle. Ibid.

18 Rolland, Antoine. 2023. Africa Intelligence. "Gabon coup: Gen Oligui Nguema brings back the old guard." https://www.africaintelligence.com/central-africa/2023/09/08/gabon-coup-gen-oligui-nguema-brings-back-the-old-guard,110041136-ar2.

19 Melly, Paul. 2023. BBC. "Gabon coup: Why young Africans are celebrating military takeovers." https://www.bbc.com/news/world-africa-66657571.

20 Aljazeera. 2023. "Zimbabwe's President Mnangagwa wins second term, opposition rejects result." https://www.aljazeera.com/news/2023/8/27/zimbabwes-president-mnangagwa-wins-second-term-opposition-rejects-result#:~:-text=Elections%20commission%20says%20Mnangagwa%20won,percent%20for%20challenger%20Nelson%20Chamisa.&text=Zimbabwe's%20President%20Emmerson%20Mnangagwa%20has,opposition%20and%20questioned%20by%20observers.

21 Aljazeera. 2023. "Zimbabwe's President Mnangagwa wins second term, opposition rejects result." https://www.aljazeera.com/news/2023/8/27/zimbabwes-president-mnangagwa-wins-second-term-opposition-rejects-result#:~:-text=Elections%20commission%20says%20Mnangagwa%20won,percent%20for%20challenger%20Nelson%20Chamisa.&text=Zimbabwe's%20President%20Emmerson%20Mnangagwa%20has,opposition%20and%20questioned%20by%20observers.

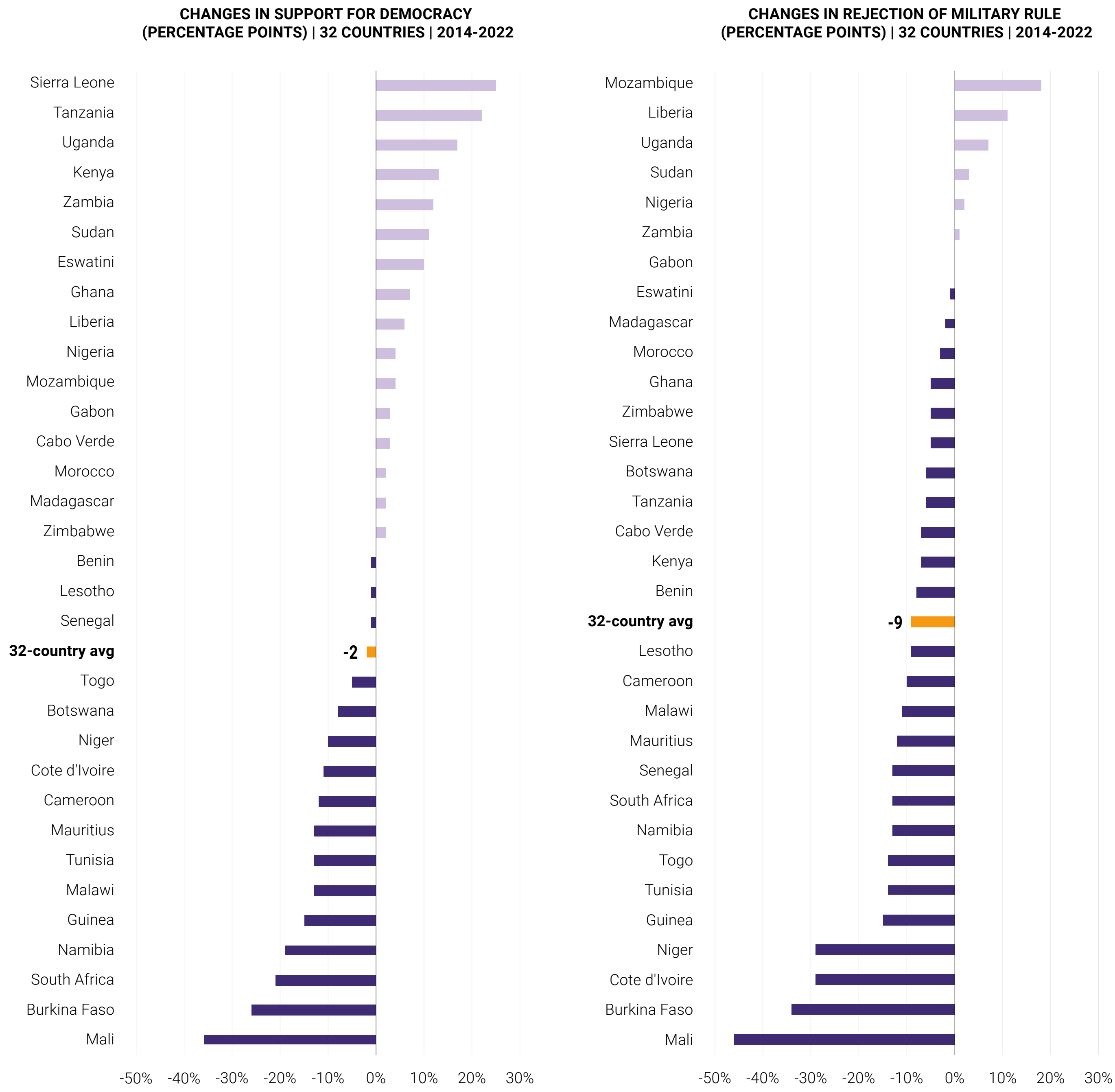
22 Chan, Stephen. 2023. African Arguments. "A Shameful Shambles: An account of Zimbabwe's elections of August 2023." https://africanarguments.org/2023/09/a-shameful-shambles-an-account-of-zimbabwes-elections-of-august-2023/.

23 Ibid.

FIGURE 31

AFRICANS' PUBLIC SENTIMENTS ON GOVERNANCE DEPICT DEMOCRATIC BACKSLIDING

There are diverse shifts in public opinion on democracy across Africa, where some nations witness a surge in democratic support, while others face a concerning decline. Additionally, only a few countries have demonstrated a rise in opposition to military rule over the years, with a regional trend in West African countries that mostly depicts a noticeable inclination toward supporting military involvement in governance.



Note for left-side: Percentage points change in the proportion between 2014/2015 and 2021/2022 who say “democracy is preferable to any other kind of government.

Note for right-side: Percentage points change between 2014/2015 and 2021/2022 in the proportion of respondents who “disapprove” or “strongly disapprove” of military rule.

Source: Afrobarometer. 2023. Afrobarometer Round 9 Survey.

Key elections to watch in 2024

Since it took office in 1994, the African National Congress (ANC), has not been able to improve living conditions for a majority of South Africans by providing them with "adequate housing, water, and electricity."[24] Frequent power outages, high youth unemployment, rising food inflation, various corruption scandals, an economy considered the most unequal in the world, and a failing land reform effort, are major challenges to the ANC's political survival.[25, 26] Top challengers to the ANC in 2024 will be the Democratic Alliance (DA), and the Economic Freedom Fighters (EFF), which is appealing to former president Jacob Zuma's supporters and many disenfranchised and disaffected voters, many of whom feel ignored and neglected by the ANC government. The 2024 elections could prove very competitive, effectively strengthening the country's democracy.

In Botswana, social stability is threatened by inflationary pressures, relatively high structural unemployment, especially among young urban residents, and income inequality. In the 2024 elections, the ruling Botswana Democratic Party (BDP) will face opposition from the Umbrella for Democratic Change (UDC), which is an alliance of center-left political parties. However, "the fractured nature of opposition parties" augurs well for the BDP, which is likely to retain its legislative majority in the 2024 elections.[27] Nevertheless, threats to incumbent President Mokgweetsi Masisi's re-election have increased significantly since former president Ian Khama indicated his opposition to Masisi's reelection efforts. The power struggle between Khama and Masisi could interfere with serious debate on important policy issues. However, if debate is focused on structural unemployment and how to diversify the economy, that could clarify choices for voters in 2024 and strengthen Botswana's democracy.

Afrobarometer surveys show that most Ghanaians support elections as an effective way to choose their representatives and 80% of them believe that elections offer them a way to remove "unrepresentative leaders from office." Although partisanship continues to color how voters judge whether elections are fair and free, Afrobarometer determined that as Ghanaians head into 2024, there is "strong support for elections as well as a belief in the efficacy of elections."[28]

24 Schwikowski, Martina. 2023. DW. "South Africa: Can Ramaphosa secure a 2024 victory?" https://www.dw.com/en/south-africa-can-ramaphosa-secure-a-2024-victory/a-66929368.

25 Stats sa. Department: Statistics South Africa. 2022. "South Africa's youth continues to bear the burden of unemployment." https://www.statssa.gov.za/?p=15407.

26 USDA. 2023. "South Africa: Food Inflation Surged to a 14-Year High in South Africa." https://fas.usda.gov/data/south-africa-food-inflation-surged-14-year-high-south-africa.

27 BMI. 2023. "Split Opposition in Botswana to Benefit Ruling BDP in 2024 Elections." https://www.fitchsolutions.com/bmi/country-risk/split-opposition-botswana-benefit-ruling-bdp-2024-elections-24-04-2023?fSWebArticleValidation=true&mkt_tok=NzMyLUNLSC03NjcAAAGPAlirepXNQT7_VeRaqqDKxh8lNiYIiFxddbCbCeWCsQ4md7rUrSluKycXN-0sn2Pi180MwJ3XmWnVZC_AUHMiH_XadBca9FDbm4vZljtNNPYzc_kohlQ.

28 Osae-Kwapong, John. The Ghana Center for Democratic Development (CDD-Ghana). 2023. "Beyond the Ballot: Exploring Trust, Freeness and Fairness in Ghana's Electoral Process for the 2024 Elections." https://cddgh.org/beyond-the-ballot-exploring-trust-freeness-and-fairness-in-ghanas-electoral-process-for-the-2024-elections/.

Ghana's 2023 by-elections were peaceful, with the national police providing effective security to minimize interference by party vigilantes, which has often led to violence.[29, 30] This augurs well for the 2024 general elections in which the top competitors will be the ruling New Patriotic Party (NPP) and its main opposition, the National Democratic Congress (NDC).

Although Ghana faces many economic and political challenges, it remains "a stable, democratic country with a history of successful transitions, a free press, an active civil society, and an independent judiciary."[31] Regardless of which party wins, the 2024 elections should strengthen the country's democratic institutions.

The importance of fair, free, credible, and regular elections to governance in Africa

Elections are very important for deepening and entrenching democracy. They also help a country strengthen its governance institutions and provide citizens with the opportunity to check the exercise of government power as well as contribute to nation-building. Through elections, citizens can participate in the development of the national agenda, choose those who represent them in government, and discipline recalcitrant and poorly-performing political elites by denying them votes at the polls.

An important lesson from African elections in 2023 is that while they are critical for institutionalizing democracy, they can only do so if they are carried out within governing processes that are undergirded by the rule of law. Most importantly, Africa's political and military elites must understand that unconstitutional changes of government, such as military coups, are antithetical to the strengthening of democratic institutions and the development and sustaining of a democratic culture.

Despite the frequent reports of democratic backsliding in West and Central Africa, democracy remains robust, viable, and strong in several countries in the continent.

Despite the frequent reports of democratic backsliding in West and Central Africa, democracy remains robust, viable, and strong in several countries in the continent. Elections in general and the 2024 elections in particular can be used to strengthen and deepen democracy in these countries.

29 Aikins, Randy Enoch. Institute for Security Studies. 2023. "Ghana by-elections yield vital lessons for 2024 national polls." https://issafrica.org/iss-today/ghana-by-elections-yield-vital-lessons-for-2024-national-polls.

30 Aning, Kwesi and Peter Albrecht. Danish Institute for International Studies (DIIS). 2020. "Vigilante groups of Ghana's political parties pose a serious threat to a security in the country." https://www.diis.dk/en/research.

31 USAID. "Democracy, Human Rights, and Governance." https://www.usaid.gov/ghana/democracy-human-rights-and-governance.

Subnational democracy and local governance in Africa

DANIELLE RESNICK

Nonresident Fellow, Global Economy and Development, Brookings Institution
@D_E_Resnick

Looking ahead to 2024, strengthening local governance will play a key role in helping improve leaders' accountability to their constituencies and improving support for broader democracy in the region.

Democratic backsliding via military takeovers, electoral rigging, and unlawful constitutional amendments have notably increased in Africa over the last decade. However, subnational democracy remains relatively robust, and mayors are increasingly engaged in policy experimentation and tapping into global networks to tackle major development issues, such as climate change and food security. In fact, political decentralization—or the selection of local leaders via elections—has dramatically spread since the early 1990s when many African countries began pursuing twin democracy and decentralization initiatives. Between 1990 and 2017, the share of African countries with elected local councils grew from 28% to 59%.[32] Several countries, including Madagascar, Senegal, Sierra Leone, and Zambia, allow citizens to directly elect their mayors rather than having them indirectly chosen by elected council members or appointed by presidents. Moreover, a commitment to some form of decentralization—which involves the transfer of powers from national governments to local authorities—is now a common feature in most African countries' constitutions. Looking ahead to 2024, strengthening local governance will play a key role in helping improve leaders' accountability to their constituencies and improving support for broader democracy in the region.

Africa's local leaders at the forefront of development challenges

Several major development initiatives give Africa's local leaders, especially mayors, greater prominence. These include the localization efforts around the Sustainable Development Goals (SDG) and specifically SDG 11 on Sustainable Cities and Communities. Climate change is a particular threat to Africa's low-lying coastal cities, which has galvanized a dozen mayors of major African cities to join the C40 Cities Climate Leadership Group. With rapid urbanization, feeding growing populations in Africa's cities with healthy, affordable, and safe food is an equally important concern. As such, many mayors have signed on to the Milan Urban Food Policy Pact. In places like Freetown, Mayor Yvonne Aki-Sawyerr has even been working to deliver the "Healthy Food to All" initiative to improve diets and food consumption. More broadly, mayors in a dozen African countries committed to the Global Mayors Declaration on Democracy, which was released during the 2023 Democracy Summit and expressed a commitment to fight back against illiberal forces, support free and fair elections, and defend against attacks on free expression. Many countries now also have robust associations of local authorities who tap into these global networks to elevate their own efforts to increase their autonomy to make policy decisions for the local communities that they oversee. For instance, the Local Government Association of

32 Resnick, Danielle. 2021. "The Politics of Urban Governance in Sub-Saharan Africa." Regional & Federal Studies 31(1): 139–61.

Zambia has been cited as a global leader in conducting a Voluntary Subnational Review of the state of SDG localization within Zambia and has emphasized that local government can be a critical avenue for increasing democracy in the country.[33]

The dangers and disappointments of local government

Yet for all their potential, local governments face a variety of challenges on the continent. In South Africa, for instance, the number of powers that municipalities have, including over job creation and decisions over procurement contracts, make councilors vulnerable to criminal gangs. Political violence targeting local officials has escalated in recent years, and between 2000-2018, 89 local councilors were killed.[34] Coalition-governed councils in some parts of the country have exacerbated the violence, which is expected to get worse as the 2024 national elections loom and as the ruling African National Congress is anticipated to fail to get a majority of votes.[35] Intra-elite fighting in local government also leads to challenges of service provision. Johannesburg, for instance, has had six mayors since the country's 2021 local elections. In Harare, Zimbabwe, intra-party fighting on the city council similarly has resulted in frequent mayoral turnover.

More broadly, data from Afrobarometer highlights that trust in local government remains, on average, quite low in the region (around 45%) and often lower in urban areas than in rural ones (see Figure 1). Given that local governments often have authority over policy issues most important to citizens, such as waste collection, primary health, education, and management of markets, this low trust may be partially driven by disappointment with service provision. Since engaging with local authorities over services often represents citizens' most intensive encounter with participatory government, investments in local governance could be one potential route to improve public confidence in democratic systems more broadly in the region.

Investments in local governance and democracy

Such investments would involve prioritizing at least four areas. Enhancing the capacity and morale of local civil servants to perform their functions is one important domain. Indeed, one study of human resource capacity in 16 African cities and local governments revealed that local government administrations have management staff ratios of 1.4 per 1,000 inhabitants, compared with 36 per 1,000 inhabitants

33 UCLG. 2023. Towards the Localization of the SDGs. Barcelona, Spain: United Cities and Local Governments (UCLG).

34 SALGA. 2019. Violence in Local Government. Johannesburg, South Africa: South African Local Government Association (SALGA). Available at: https://www.salga.org.za/Batch%201%20-%20Latest%20Knowledge%20Products/SALGA%20Study%20on%20Violence%20in%20Local%20Government.pdf.

35 Mwareya, Ray. 2023. "South Africa: Councillors' Political Murders at Crisis Level as 2024 Looms." The Africa Report. Available at: https://www.theafricareport.com/327261/south-africa-councillors-political-murders-at-crisis-level-as-2024-looms/.

in developed countries.[36] Salary payments for local civil servants may be months in arrears, and frequent transfers to new locations can also be problematic.[37] A second priority is to improve the ability of local leaders to be truly representative of their constituencies. This would involve reducing onerous party registration fees to compete in local elections and using either legislated or voluntary quotas for women's representation in local electoral contests.[38] Third, several countries, such as Angola, and Liberia, need to finally implement their longstanding constitutional provisions to allow local elections. Thus far, such elections have been delayed because of either concern about giving the opposition a gateway to govern through local authorities or a lack of sufficient funding. Fourth and relatedly, the democracy and governance donor communities are well-placed to expand their focus from funding only presidential and parliamentary contests to also providing financial support for subnational elections. This might help reverse the relatively low levels of turnout that are typically seen for local elections, especially in countries where they are not concurrent with national ones.

In the coming years, local elections will be held in several countries across the continent. How those contests are managed, the ability of local authorities to provide much-needed services and accountability, and the capacity of local leaders to leverage transnational networks around critical development challenges will all be critical for reinforcing democratic principles and citizen trust from the bottom-up.

36 Cities Alliance. 2017. Urban Governance and Services in Ghana Institutional, Financial and Functional Constraints to Effective Service Delivery. Brussels, Belgium: Cities Alliance. Available at: https://www.citiesalliance.org/sites/default/files/Urban%20Governance%20and%20Services%20in%20Ghana.pdf.

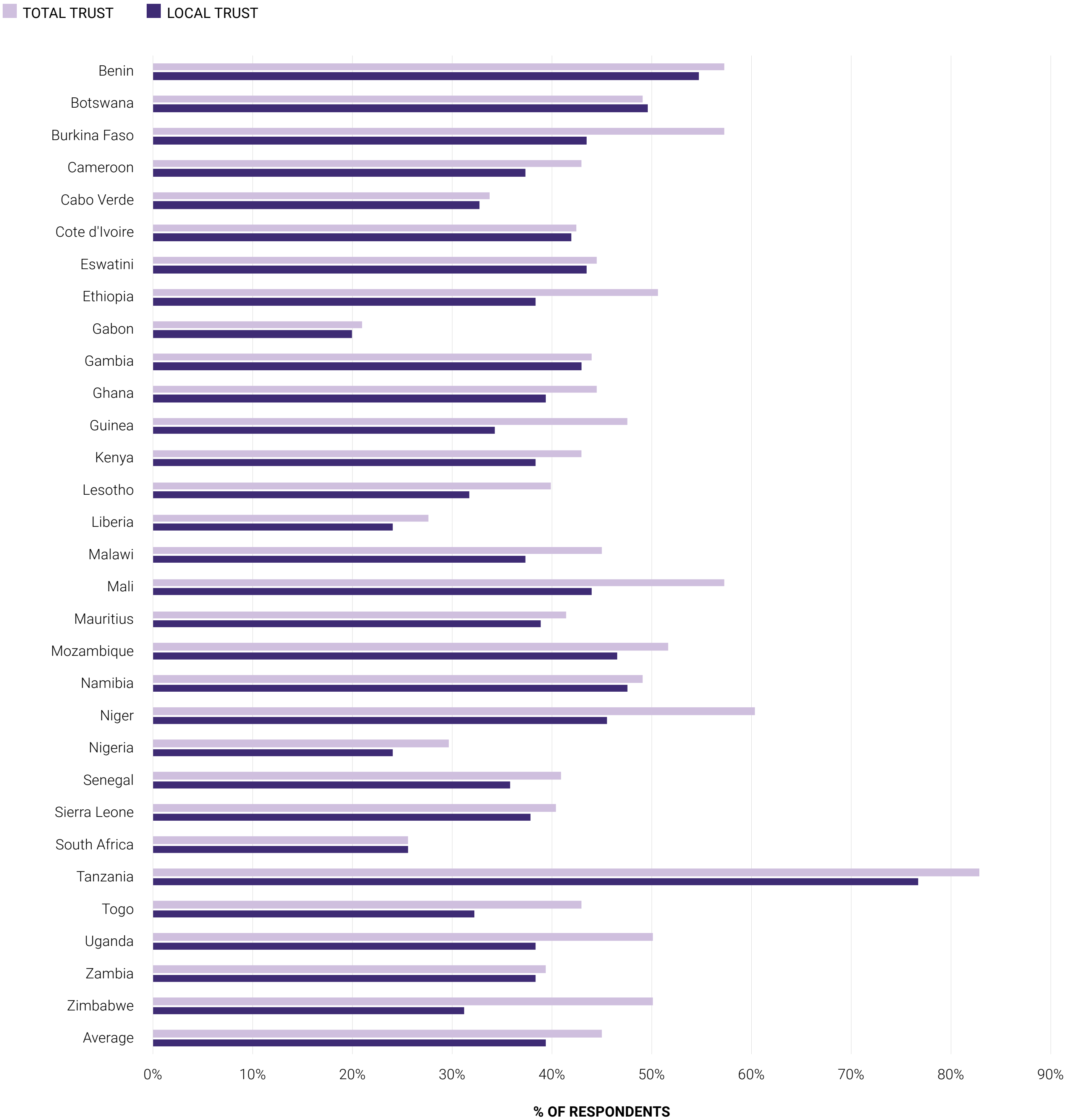
37 Resnick, Danielle, and Gilbert Siame. 2022. "Organizational Commitment in Local Government Bureaucracies: The Case of Zambia." Governance, 36(3): 933-952.

38 Berevoescu, Ionica, and Julie Ballington. 2021. Women's Representation in Local Government: A Global Analysis. New York: UN Women.

FIGURE 32

TRUST IN LOCAL GOVERNMENT REMAINS LOW IN THE REGION

There has been increased decentralization to local authorities since the early 1990s. A recent Afrobarometer survey, however, highlights that trust in local government remains low across all regions, and especially among urban constituents. Restoring trust requires local politicians listening to their citizens.



Source: Afrobarometer. 2022. Round 8 Survey: Trust in local government, % of respondents (2019-2021).

To prevent democratic backsliding in the Sahel, establish democratic governance first

J. PETER PHAM

Distinguished Fellow,
Africa Center,
Atlantic Council
@DrJPPham

The state of democracy in Africa, especially in the Sahel—the semi-arid belt connecting North Africa across the Sahara Desert to the tropical savannahs to the south—was the cause of considerable angst in 2023. Bad enough that the region has for some time been one of the most conflict-ridden in the world and even worse that it surged to the top of the annual Global Terrorism Index[39]—accounting for 43% of all deaths from terrorist attacks around the world—but with the overthrow of Niger's President Mohamed Bazoum by his own guards in late July, one can now literally travel eastward across the African continent from the Atlantic Ocean to the Indian Ocean without once setting foot in a country with an elected civilian government. No wonder there has been considerable handwringing about what the Mo Ibrahim Foundation's flagship Index of African Governance report bemoaned as "widespread democratic backsliding" which, together with the deteriorating security situation, threaten to undermine the hard-won human development and economic gains of recent decades.

Nor, by any means, have the *coups d'état* been limited to the Sahel conflict zone. Since the August 2020 putsch in Mali deposed President Ibrahim Boubacar Keïta, there have been more than a dozen attempts by military forces to overthrow governments across Africa, eight of them successful, including the overthrow at the end of August of Gabon's President Ali Bongo Ondimba. Of course, each instance is unique, and best understood in the context of the particular circumstances of the country affected. Nonetheless, they share certain common characteristics that African regional organizations and their international partners would do well to keep in mind if they are genuinely interested in strengthening democratic norms and institutions.

One can now literally travel eastward across the African continent from the Atlantic Ocean to the Indian Ocean without once setting foot in a country with an elected civilian government.

First, while juntas are hardly a part of the democratic toolkit, it does not necessarily mean that the regimes they replaced were democratic or even enjoyed popular legitimacy. That is why we have repeatedly witnessed the disconcerting spectacle of massive demonstrations in favor of coups across the region. Of course, the masses can be fickle and the momentary popularity of the men in uniform cannot be sustained unless they quickly and consistently deliver not just security, but also development—for which they will need partners whom it would behoove to be pragmatic if they wish to avoid even worse outcomes.

39 Global Terrorism Index (GTI). 2023. The Institute for Economics & Peace.

Second, as I repeatedly emphasized during my service as America's Sahel envoy: "The heart of the crisis in the Sahel is one of state legitimacy—a perception by citizens that their government is valid, equitable, and able and willing to meet their needs… Absent states' commitments to meeting their citizens' needs, no degree of international engagement is likely to succeed." In all too many of the recent cases, what the soldiers overthrew was what French political scientist Bertrand Badie termed the "imported state," rather than a government which enjoyed the legitimacy that can only come from having won the "hearts and minds" of its citizens. If you want to prevent democratic backsliding, establish governance first.

Building such state legitimacy, founded upon governance, is an undertaking that requires time and commitment, both of the citizens involved and of their friends abroad. But there are glimmers of hope. Amid the specter of backsliding, there is evidence of democratic practice taking root. As the *annus horribilis* ended, there was the historic electoral upset in Liberia of incumbent President George Weah by former Vice President Joseph Boakai, Sr.—and the former's gracious concession in which he described his fellow Liberians as the true winners of the run-off. The journey to that moment was indeed long and hard, but nevertheless undoubtedly worth the effort and investment.

Africa's prosperity tied to investing in democracy

JOSEPH SIEGLE

Director of Research, Africa Center for Strategic Studies, National Defense University

@AfricaACSS

The legality by which leaders come to power is nearly always predictive of their commitment to upholding the rule of law. This is sobering news for Africa. Seven African countries have experienced coups since 2020 and 14 leaders have evaded term limits since 2015[40]. Less than half of recent presidential elections are considered credible.

As recently as 2019, 31 of Africa's 54 countries were on a democratic path. Today, that figure is flipped, with just 22 countries considered democratic leaning.[41]

This backsliding has direct consequences for the continent's economic, development, and political stability.

The median score on Freedom House's Global Freedom Index, measuring civil liberties and political rights, is 65 for African countries that uphold term limits (on a scale of 0–100). In countries where leaders have evaded these limits, the median score is only 21.

The median ranking on Transparency International's 180-country Corruption Perceptions Index is 83 for African countries that have upheld term limits. This compares to a median ranking of 142 for countries where those limits were evaded.

Nearly 40% of countries where leaders have evaded term limits or term limits do not exist are in conflict. In contrast, 11% of countries that have upheld or retained term limits are in conflict. Conflict, in turn, is the key driver of Africa's record 40 million forcibly displaced people and acute food insecurity.

Given this, it is unsurprising that the median annual per capita growth rate over the past decade for African countries that rank in the bottom third of the Freedom Index was just 0.53%. This compares to a 1.55% per capita growth rate for African countries in the top two tiers of democratic governance.[42]

40 Africa Center for Strategic Studies. 2023. Term Limit Evasions and Coups in Africa: Two Sides of the Same Coin.

41 Based on author's calculations of Freedom House data. https://freedomhouse.org/.

42 Based on author's analysis of Freedom Hose and World Bank data (World development indicators).

Recommitting to norms on coups, term limits, and elections

Strengthening accountable, democratic governance is critical to resilient African economic growth and development.

Strengthening accountable, democratic governance is critical to resilient African economic growth and development.

Africa has 18 presidential elections on tap in 2024. To reverse the lowering bar for what passes for elections, national, regional, and international actors should compel reruns of elections lacking credibility, as was done in Kenya and Malawi in recent years.

Extended term limits are an issue in a quarter of the 2024 elections. To retain power, incumbents must typically resort to force and fraud. This is why the median time in office for leaders who have evaded term limits is 16 years, compared to just 5 years for those in countries that uphold term limits. Facilitating gracious exits for longstanding leaders is vital for bolstering the rule of law.

African civil societies and regional bodies must also eradicate the coup virus that has swept through parts of the continent. Each time a coup is accommodated, it emboldens other extralegal seizures of power. Juntas in Mali, Burkina Faso, Chad, and Guinea have all ostensibly agreed to 2024 transition deadlines. Restoring civilian rule in these countries must be a top priority for the continent.

International democratic actors also need to double down on strengthening Africa's democracies and democratizers. Better governance merits more investment, development, and security cooperation. This, in turn, incentivizes democracy elsewhere on the continent.

How African governments can regain the trust of their citizens

EBENEZER OBADARE

Senior Fellow, Africa Studies, Council on Foreign Relations

Following his ouster in a military coup d'etat, which brought the decades-long rule of the Bongo family in Gabon to an unceremonious end, former president Ali Bongo Ondimba urged his citizens to resist the junta and "make noise" to save their democracy. Not only was president Bongo's call to stand up to the soldiers rebuffed, ordinary Gabonese took to the streets to welcome them and express relief at the termination of a democratic dispensation that was widely seen as having failed to live up to its billing. For Gabonese citizens, it was not so much that the army was welcome as that civilian rule had proved to be a huge anticlimax.

The situation in the West Central African country was far from unique. If the series of military interventions across the West African region over the past couple of years have a common feature, it is the revelation of an underlying popular frustration with democratic rule. Whereas scholars and policy analysts are wont to bemoan a pattern of democratic 'backsliding' or 'recession,' ordinary people insist that real democracy has been noticeable on account of its virtual absence. More significantly, they lament that governance in a majority of African countries has been reduced to a sweepstakes in which politicians and sundry office holders are the winners, while citizens who have seen none of the touted 'dividends of democracy' are the losers.

For this and associated reasons, African citizens are simultaneously distrustful and resentful of their governments, seeing in the embrace of the military by a section of the populace a serious indictment of self-serving leaders who continue to bleed governance of its moral content.

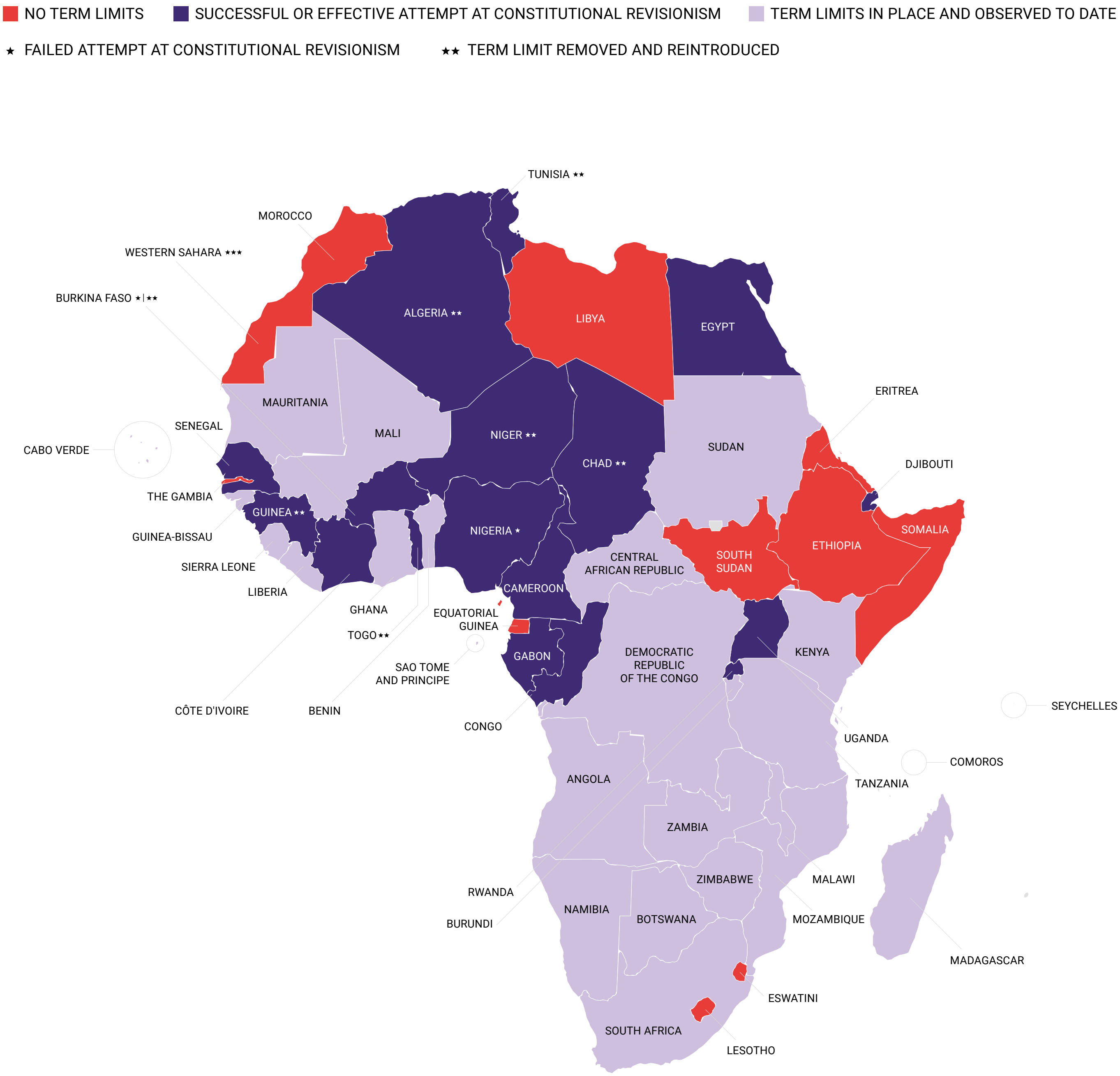
This trust can be easily regained if government officials hearkened to the wishes of their populace, especially frustrated and increasingly desperate young people, for greater accountability and judicious management of resources.

One thing that African governments must do as a matter of urgency is work towards changing the impression that political offices exist only for the acquisition of personal wealth. Part of the reason ordinary Gabonese refused to lift a finger in defense of their deposed president was that, for nearly six decades, the Bongos had turned the state into an extension of the family- and vice versa. It stands to reason that ordinary citizens would be disinclined to sacrifice themselves for a state that does not, properly speaking, belong to them.

FIGURE 33

CONSTITUTIONAL REVISION AND TERM LIMIT DYNAMICS ACROSS AFRICA

Most West African countries have experienced successful or effective attempts at constitutional revisionism, while this remains untouched in the southern African countries.



Note: The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the UNDP concerning the legal status of any country, territory, city or area or of its authorities or concerning the delimitation of its frontiers or boundaries. The boundaries and names shown and the designations used on this map do not imply offi cial endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. *** Western Sahara is a Non-Self-Governing Territory.

Source: United Nations Development Programme. 2023. "Soldiers and citizens: Military coups and the need for democratic renewal in Africa."

Africans desperately want to trust their governments. In return, African governments need to demonstrate that they can be trusted.

Changing the impression that offices exist only for the acquisition of personal wealth must be complemented with an aggressive and deliberate pursuit of social welfare. Insofar as the primary reason that young Africans are voting with their feet and seeking to start new lives in other parts of the world is the poverty of physical infrastructure to support job creation across the region, African governments must invest heavily in such infrastructure (schools, hospitals, roads, bridges, electricity, etc.) as a strategy of retaining and nourishing the continent's best brains.

Neither of these worthwhile goals can be achieved without a commitment to the rule of law, particularly the idea that both leaders and citizens are civic equals held to the same standards and expectations.

Africans desperately want to trust their governments. In return, African governments need to demonstrate that they can be trusted.

Addressing and preventing coups in Africa: What the United States can do

VANDA FELBAB-BROWN

Director, Initiative on Nonstate Armed Actors, and Co-Director, Africa Security Initiative, and Senior Fellow, Foreign Policy, Brookings Institution
@VFelbabBrown

As coups d'etat have swept West Africa and may expand into the Great Lakes Region and East Africa, U.S. policy responses have struggled. Economic sanctions and diplomatic isolation by the West have proven insufficient to reverse the power takeovers. With U.S. foreign policy focused primarily on great power competition with China and Russia and motivated by a strong desire to extricate the United States from internal conflicts, the United States does not have the will to reverse the coups militarily. Washington will thus increasingly face tough dilemmas of upholding its democratic commitments while losing strategic and economic access or accommodating in some ways to authoritarian governments. Only once the current tilt toward authoritarianism proves itself unable to deliver better security and governance will the United States have a strong capacity to encourage democratic reforms in countries that have fallen into authoritarian hands. But Washington can and should do more to prevent coups *before* they happen, and even in the authoritarian regimes, it should seek to strengthen democratic forces and moderate power abuses.

From Mali in 2020 to Niger and Gabon in 2023, overthrows of power have been driven predominantly by internal issues, including poor civilian control over the military. The internal governance and institutional deficiencies have often taken place amidst unabating jihadi militancy despite U.S. and other Western military assistance. Moreover, across Africa, citizens have been deeply frustrated with the lack of economic opportunities, high unemployment, and poor public services, all compounded by the COVID-19 pandemic, as well as decades-long corruption, nepotism, and parochialism. The cry that one can't eat elections or democracy has become common across the continent. And in various African countries, democracy has merely consisted of (troubled) elections overlaying poor governance.

The coups in West Africa, however, also reflect the current zeitgeist and precedent—a global tilt toward rightist politics and the ability of West Africa's putschists to get away with the coups. Their countries may have become poorer under resulting Western sanctions, but China's and Russia's ready embrace of the authoritarian regimes has provided a cushion for their hold onto power. Thus, while the economic sanctions of the Economic Community of West African Countries (ECOWAS) have compounded the hardship of the already struggling people of Niger (and created blowback across borders, including in Nigeria), they have not restored democracy.[43] And ECOWAS military interventions now rings hollow and embarrassing.

43 Obasi, Nnamdi. 2023. "ECOWAS, Nigeria and the Niger Coup Sanctions: Time to Recalibrate." International Crisis Group. https://www.crisisgroup.org/africa/sahel/niger/ecowas-nigeria-and-niger-coup-sanctions-time-recalibrate.

Russia has also provided a military cushion—in the form of direct Russian military assistance, such as in Niger after the 2023 coup, or through its proxy the Wagner Group, such as in Mali.[44] The Russian advisors and mercenaries are not a silver bullet against jihadists: In Mali, the security situation has deteriorated significantly in 2023, with the jihadists threatening to take Timbuktu, Gao, and Menaka. In 2024, the country may see the establishment of an ISIS-linked and a separate al-Qaeda-linked Islamist "protostates." But despite their counterinsurgency brutality and ineffectiveness, the Russian forces also serve as a praetorian guard to those in power.

U.S. tools to counter these negative trends have become blunt. For the sake of counterterrorism operations and local assistance in stemming refugee flows, the United States and Western Europe had for years closed their eyes to the election-covered misgovernance in countries like Niger, Mali, and Chad. When they could have pushed hard for better governance, they did not. Now, countering the coups often means losing access as the United States is legally-mandated to sever all non-humanitarian assistance to countries where it identifies a coup d'etat.

Unfortunately, that means that to preserve at least its key interests in strategic countries where coups have taken place or may yet–such as important counterterrorism bases, strategic economic resources, or a platform for countering Russia and China, the United States will need to be inconsistent in when it calls a coup a coup. Or the United States may have to deploy a national security override of the legislative restrictions. With good reason, the Biden administration tried to be creative with its wording after the coup in Niger in August 2023.[45] Hypocrisy carries costs for U.S. foreign policy. But in cases of important interests, it may be necessary to pay this price.

Nonetheless, in engaging with both authoritarian governments or electorally-legitimated ones, Washington should be willing to push for better governance.

Nonetheless, in engaging with both authoritarian governments or electorally-legitimated ones, Washington should be willing to push for better governance. In more permissive environments, it should encourage stronger civilian control measures through tools beyond giving African officers human rights and civ-mil training. The United States should develop tracking mechanisms and intelligence assets to detect coup preparation and provide early warning to governing authorities.

But Washington should also get far tougher with elected officials about checks and balances, truly free and representative elections, institutional and civil service strengthening, and independent empowered justice systems. When the elected government's inclinations are parochial, Washington should push against them, encouraging instead economic and social policies that generate resources and opportunities for the African people.

44 Asadu, Chinedu. 2023. "Niger's junta revokes key security agreements with EU and turns to Russia for defense partnership." AP News. https://apnews.com/article/niger-junta-eu-russia-security-73e8ed801478fa65b01818dd53df0c0e.

45 Felbab-Brown, Vanda. 2023. "How the Niger coup unfolded." The Brookings Institution. https://www.brookings.edu/articles/how-the-niger-coup-unfolded/.

Ironically, after years of giving African governments, such as in Uganda, the sense that for the sake of counterterrorism Washington will ignore internal misgovernance, the coups now provide Washington with leverage to warn governments that without reforms and better governance they too may fall to a putsch.

Even with authoritarian rulers and putschists, Washington can push for better governance. When strategic calculations drive it to engage with them, the United States does not have to do it in a blank check manner—the specter of Russia or China displacing the U.S. in the country notwithstanding. Washington can draw and enforce redlines against massive ethnic discrimination or extensive repression of the opposition, for example. It can dial down its engagement. It can create portfolios of influence and pressure tools against individual authorities.

These latter measures are unlikely to reverse coups when they take place. But the United States can seek to at least limit the authoritarian power abuses and encourage more equitable social and economic policies.

Rich state, poor state

GREG MILLS

Director,
The Brenthurst
Foundation
@Gjbm555

Over the past 60 years, Africa has changed dramatically. It is imperative to end our business-as-usual approach to development. The demographic circumstances of Africa—where the continent will double its population over the next 25 years—demands that we strike out on a new, reformist path that will deliver higher growth and more opportunities, especially for this young cohort. If we fail to do so, it is reasonable to expect mass migration, political instability, and widespread state failure.

And yet there are a variety of different opinions about why Africa is comparatively poor: For the donors, in general, the problems are about governance and a lack of opportunity more generally, and their solution is thus to try and provide a more enabling environment. Everyone has a different view about the solution: Africans, and especially their governments, are commonly externalist in their diagnosis, that change in the continent demands altering terms of trade and more inclusive systems of global financing and governance. The academic community finds itself caught between aid as the solution and the problem itself, while their diagnosis does not explain why countries go from being extractive to inclusive. The business community tends to pay lip service to democratic and governance niceties, since they have seldom found a government that they did not like, preferring stronger, big-man style leadership which offers expedited decision-making and ease of entry and exit of capital. And the NGO community unsurprisingly prefers aid as the solution, along with spending benchmarks and greater volumes.

We have learned a number of key lessons from development success stories and failures. For instance, difficult geography, climate, or types of religion is not a consistent predictor, neither is colonialism or its particular type, as terrible as this inheritance may have been.

While of course one cannot crudely lift a development template from one situation and apply it to the next, there are critical and key tenets which are consistent between the reformers studied in the book "Rich State, Poor State."

None of the reformers in "Rich State, Poor State" had any particular advantages over their counterparts at their moment of independence. So what has made the difference between Singapore and Swaziland, or Spain and South Africa or, to take a comparative African success, Mauritius and Comoros? We have learned a number of key lessons from development success stories and failures. For instance, difficult geography, climate, or types of religion is not a consistent predictor, neither is colonialism or its particular type, as terrible as this inheritance may have been. Rather the challenge is to not be a prisoner of your past. Also, while wars of liberation may have been costly, and stability can itself offer great opportunities, this is not a reason for failure, as Vietnam illustrates. And nor is the imperative of political stability an excuse for slow reforms, viz the experience of the Baltics.

Rather, the answer lies in the search for constants: leadership (including vision, prioritization, attention to detail, astute diplomacy, deployment of political capital, institutional efficiencies) and building policy and relationships internal and external conducive to growth, along with stamina and the recognition of the need to shift away from a political-economy of insiders and outsiders. Overall, the answer does not lie in the technocratic details of reform—since these are comparatively easy to identify and specify—but rather the choices that lie behind development, and the leadership and relationships that drive those choices. Just like the problem is not the cost of competition and globalization, to the contrary, also the answer lies in more and improved systems of democracy.

Who we are

For Africa to achieve transformative progress, solutions and policies must come from local sources. Since its launch 15 years ago, AGI has established itself as the preeminent center on African development policy from an African perspective.

The Africa Growth Initiative (AGI) works to inform new policies and models for better development outcomes in Africa through rigorous research and analyses, convenings featuring African voices, and direct engagement with African partners.

Housed within the Global Economy and Development program, AGI scholars partner with a broad network of African think tanks to provide impactful, high-quality, and nonpartisan research and policy guidance on pressing issues impacting the Africa region. AGI focuses its research on five key areas: (1) development financing, (2) trade and regional integration, (3) technology and innovation, (4) jobs and structural transformation, and (5) climate change. Underscoring these five main pillars are three cross-cutting themes that are inter-connected and relevant to all our research: governance, gender, and youth.

Our work & approach

We work with African policymakers, regional leaders, U.S. policymakers, multilateral institutions, civil society, and other key stakeholders to help inform new policies and models for inclusive and sustainable growth in Africa. Our approach has three main themes:

- ↘ **Focus on rigorous economic research.** We provide high-quality, independent research to inform policy. Our interdisciplinary team of experts and scholars draws on the core strengths of Brookings—authoritative and nonpartisan research as well as a depth of practical expertise—to establish long-term strategies for economic growth and innovative policies for development in Africa.
- ↘ **Elevate African voices.** We bring together African scholars, policymakers, and subject matter experts to offer insights into the unique and diverse challenges faced by African countries and propose new pathways for development. We see the elevation of African voices in global policy debate and U.S.-Africa relations as a key element to creating effective and transformative policies that will enable Africa to sustainably and inclusively converge with the rest of the world, particularly in terms of standards of living, opportunity, and GDP per capita income.
- ↘ **Strengthen partner capacity.** We collaborate and co-generate research with a broad network of African scholars and more than 24 leading think tanks across Africa. Our collaboration seeks to raise the profile of African think tanks as independent and credible research centers capable of providing robust and rigorous academic evidence to inform policy decisions. AGI leverages this network to disseminate research findings for maximum policy uptake and to ensure its research priorities are demand-driven and informed by the needs of in-country decisionmakers.

For more of our high-level research, commentary, and events, see:
www.brookings.edu/project/africa-growth-initiative/

Africa Growth Initiative
at BROOKINGS