

African Transformation Report 2021

Integrating to Transform

REPORT SUMMARY



Economic transformation is at the center of Africa's development agenda, but progress is slow. Too many countries are working in isolation.

The solution lies in coming together.

The third edition of ACET’s flagship African Transformation Report, *Integrating to Transform*, explores the critical need for African countries to work together beyond trade to tackle shared challenges, harness regional opportunities, and enable economies to scale – and in turn, accelerate Africa’s economic transformation.

The first African Transformation Report in 2014 described why growth alone is not enough to sustain development. In doing so, it defined what successful transformation means for Africa: Growth with **D**iversified products, **E**xport competitiveness, **P**roductivity increases, and **T**echnology upgrades —all to improve **H**uman well-being. In short, **Growth with DEPTH**. Measuring economic performance against these attributes can determine how quickly — or slowly — countries are transforming.

After a promising start in the 2000s, Africa’s growth began to falter in the 2010s. Around the same time, continental organizations coalesced around economic transformation as the defining framework for long-term development. But countries are not transforming, and Growth with DEPTH remains elusive. In fact, according to ACET research, trends are moving in the wrong direction - made worse by the damaging impacts of COVID-19. As a result, Africa’s long-term development success — and its future security — remains at risk.

To ensure the transformation agenda is not lost, countries must increase collaboration on policies and issues that, as with COVID-19, are national priorities in need of regional solutions.

Reframing regional collaboration

Regional integration has long eluded Africa but remains critical for Growth with DEPTH. However, the African Continental Free Trade Area (AfCFTA), which came into effect in early 2021, gives new impetus to African integration. It also offers a pathway for accelerated transformation. In broad terms, the AfCFTA establishes a free trade area that progressively eliminates tariff and nontariff barriers to trade among the member states. That will help countries boost growth, diversify their exports beyond unprocessed commodities, and attract more foreign and domestic investment.

But to achieve Growth with DEPTH, **countries should use the AfCFTA’s political momentum to look beyond trade and markets to advance integration in other areas.** Greater regional collaboration – especially through the delivery of regional public goods such as transport corridors and digital connectivity – will help remove barriers that have slowed progress in the past. Collaborating to provide regional public goods will also build experience and trust to pursue deeper economic integration under the AfCFTA.

In particular, reframing regional collaboration as a mechanism for addressing national problems will be key to working across borders to jointly tackle issues that pose significant long-term challenges to transformation. *Integrating to Transform* focuses on three of those challenges:

- **Ensuring productive employment** for the world’s youngest and fastest growing labor force by imparting skills for work in 21st century agriculture, manufacturing, services.
- **Supporting digital innovation** by enabling the private sector to deliver the many benefits from digital technologies in creating jobs, boosting productivity, and reducing poverty.
- **Managing climate risks** by promoting climate-smart agriculture, protecting green and blue ecosystems, and exploiting renewable energy.

Ensuring productive employment

Africa's working-age population is set to surpass 1 billion before 2030. If these new entrants to the labor force are equipped with necessary skills and access to more productive work, they will start to generate an economic surplus that can improve human capital and increase productivity — delivering a demographic dividend. Priorities for action include:

- **Scaling up education and skills training**, particularly for girls, to ensure that each year's 18–20 million new entrants to the labor force are well equipped and productive.
- **Creating opportunities for productive employment** in labor-intensive sectors by encouraging investment to serve regional and continental markets under the AfCFTA.
- **Accelerating the demographic transition** to further realize the demographic dividends of having more workers than dependents.
- **Increasing regional collaboration for labor mobility** to unleash the job creation potential and transformative impact of national industrial policies and programs.

Priorities for regional collaboration on jobs include:

- Enabling more cross-border movement of people and labor by ratifying the Protocol on the Free Movement of People.
- Ensuring cross-border integration of professional services by facilitating the mutual recognition of professional qualifications across national borders.
- Setting up regional training centers for skills with an important regional dimension, such as leatherworking.

Supporting digital innovation

Digital technologies have already transformed many aspects of life, and they are rapidly transforming commerce and finance. With the right policies, they can transform entire economies. But first, Africa must fix its fragmented digital markets and address other roadblocks, including expensive taxes, regulatory gaps, and the world's highest data prices. Priorities for action include:

- **Formulating strategies and establishing policy frameworks** to ensure that different sectors and value chains reinforce each other and lead to multiplier effects.
- **Integrating innovation ecosystems** to promote an environment for key stakeholders to agree on and adhere to policies for innovation, technology, and research and development.
- **Boosting investments in digital infrastructure and skills development** by crowding in donor and private funding.

Priorities for regional collaboration on innovation include:

- Creating regional arrangements for reliable and appropriately priced roaming and mobile telephony and internet connections.
- Aligning national innovation systems and connecting digital infrastructure.
- Harmonizing standards across the continent.

Managing climate risks

Many African countries are already experiencing climate-related stresses such as droughts, floods, and variable rainfall — and most remain highly vulnerable to climate impacts. But by applying technological innovations to manage key climate-sensitive sectors such as agriculture, ecosystems, and energy, countries can turn risks into opportunities. Priorities for action include:

- **Promoting climate-smart agriculture** to help African farmers increase productivity and build resilience.
- **Sustaining green and blue ecosystems** by devising and applying nature-based solutions to land use problems.
- **Developing and scaling up renewable energy** by strengthening policy and regulatory frameworks to increase investment, broadening access to renewable technologies, reducing costs, and increasing access.

Priorities for regional collaboration on climate include:

- Coordinating responses to insecurity and climate change.
- Establishing more cross-border renewable energy connections and markets to ensure viable energy distribution and wider access.
- Acting collectively to implement and scale climate-smart agriculture across common agro-ecological zones.

The need for visionary leadership

Integrating to transform will take dedicated leadership at all levels, including the private sector, academia, and civil society. Africa's leaders need to promote visions that go beyond their national interest and to pursue collective action for the common good. Turning top-down visions into reality requires a bottom-up, more problem-driven approach to national and regional problems, with action needed at several levels.

- Local coalitions can identify the most pressing issues and commit to action on the ground.
- National coalitions can bring together government officials, business leaders, think tanks, academics, and civic advocates to formulate smart policies and solve problems.
- Cross-border and regional institutions can coordinate and manage the provision of regional public goods and the suppression of regional public bads such as pandemics, conflicts, and illicit financial flows.

Both regional integration and collaboration have been set back by the spread of COVID-19. Most African economies are seeing their growth slow or recede, some considerably. The impacts will continue to take a toll on the transformation agenda. African leaders should seize the moment to work with the private sector, civil society, and, most importantly, each other to deepen integration and tackle shared challenges such as jobs, innovation, and climate in ways that support Growth with DEPTH.