

VISUAL SUMMARY

African Transformation Report 2021

Integrating to Transform

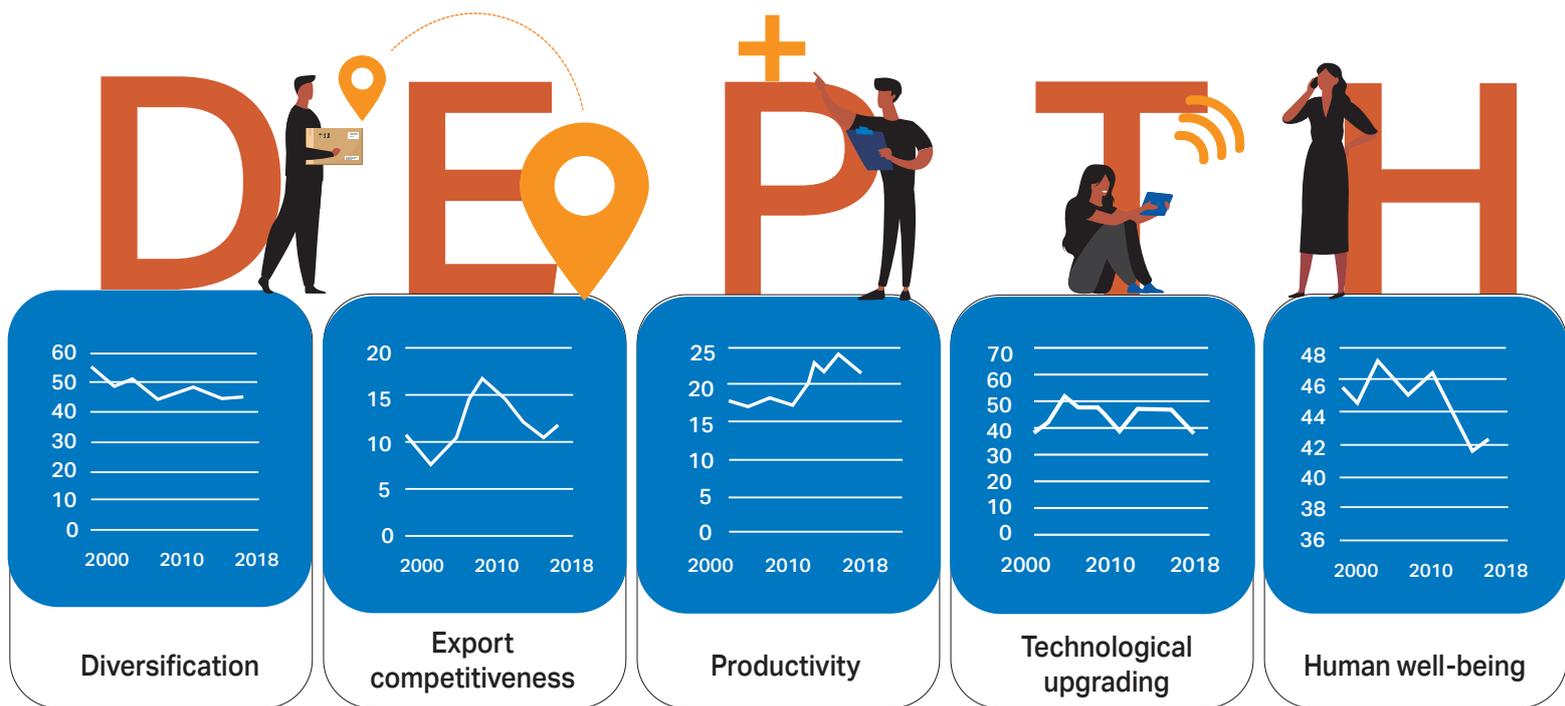
KEY MESSAGE

To accelerate transformation, African countries must collaborate beyond trade to tackle shared challenges, harness regional opportunities, and enable economies to scale.



ACET African Center
for Economic
Transformation

Economic transformation is at the center of Africa's development agenda. But countries are not transforming. As shown by the continent's performance on Growth with DEPTH, ACET's measure of transformation progress, trends are moving in the wrong direction.



Source: African Transformation Index

Why has Africa not seen Growth with DEPTH?

African countries are working in isolation. But their ability to transform depends on integrated efforts to build synergies and allow economies to scale. So far, that has not happened.

The solution lies in coming together to address common issues that will better enable countries to accelerate transformation.

With the African Continental Free Trade Area (AfCFTA) as a catalyst, Africa should **advance integration beyond the expansion of continental trade**. Greater regional collaboration, especially through the delivery of regional public goods, will be key to tackling frontline challenges to successful transformation: how to create jobs, support digital innovation, and manage the impacts of climate change.

Addressing these challenges jointly will help spur economic transformation – and Growth with DEPTH – across Africa.

The route to Growth with DEPTH

Tackle the frontline issues of ensuring productive jobs, supporting digital innovation, and managing climate risks by collaborating in the provision of regional public goods.



JOBS



Ensuring jobs for the world's youngest and fastest growing labor force by imparting skills for work in 21st century agriculture, manufacturing, services.

INNOVATION



Supporting digital innovation by enabling the private sector to deliver the many benefits from digital technologies in creating jobs, boosting productivity, and reducing poverty.

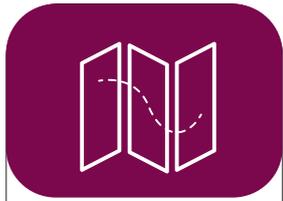


CLIMATE

Managing climate risks by promoting climate-smart agriculture, protecting green and blue ecosystems, and exploiting renewable energy.

TO ACHIEVE GROWTH WITH DEPTH

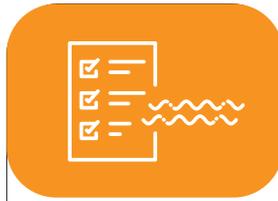
Requires countries to look beyond trade and markets and to collaborate in delivering regional public goods:



Transport corridors



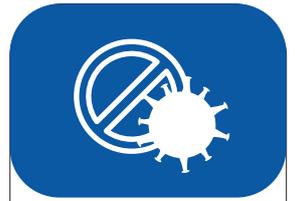
Free movement of people



Well-managed river basins

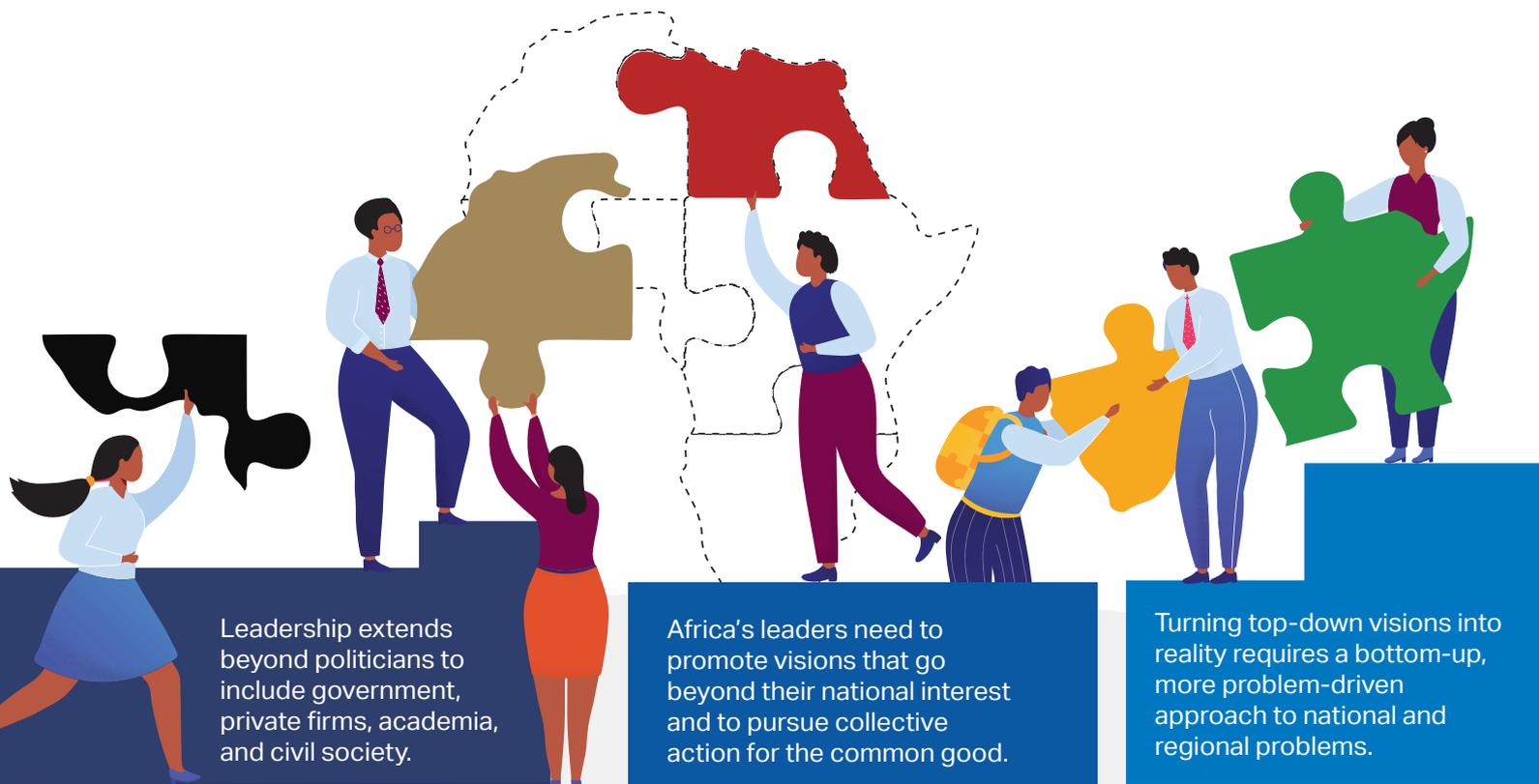


Cross-border digital connectivity



Systems to control future outbreaks of pests and disease

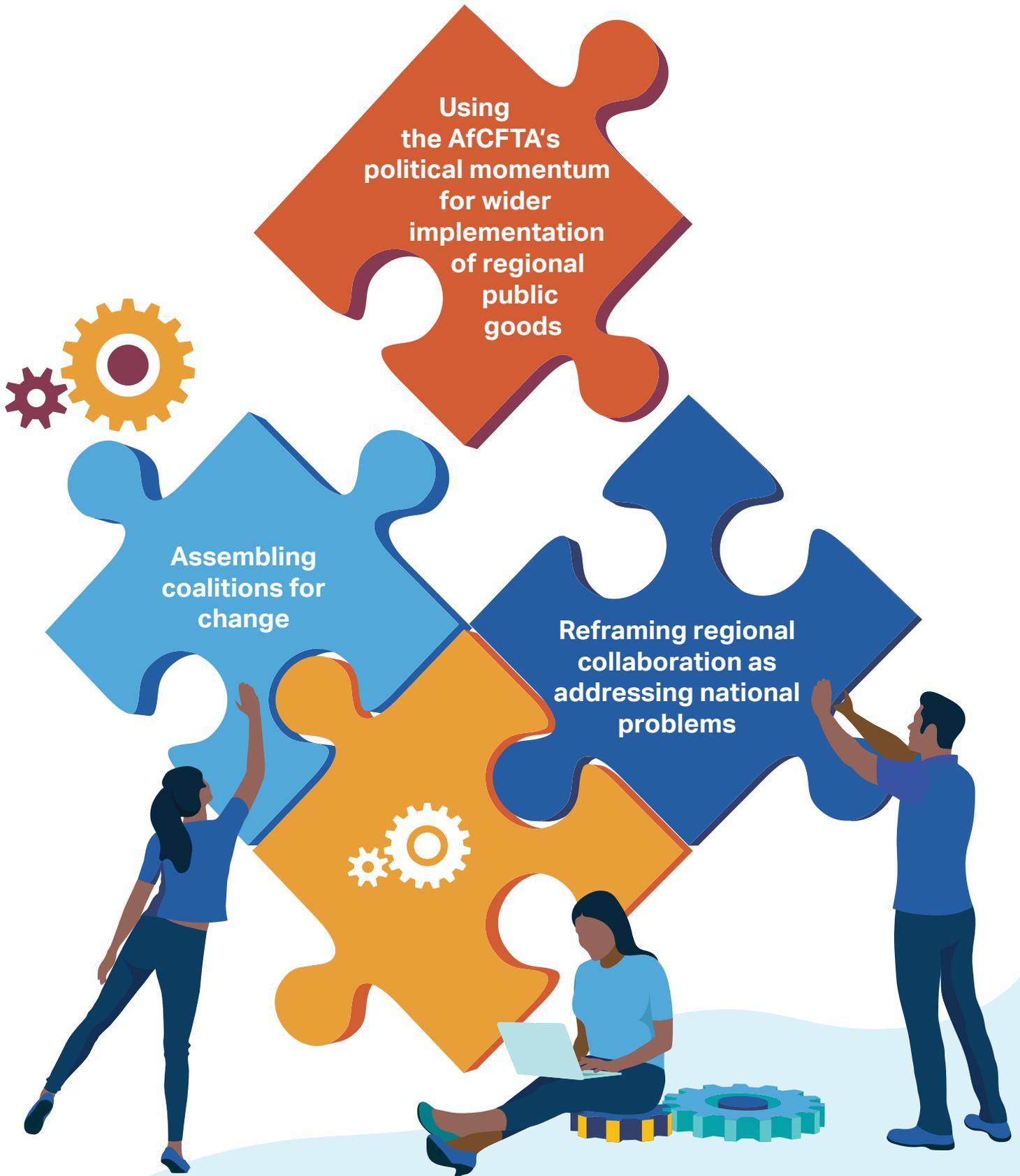
Collaborating to integrate and integrating to transform will take dedicated leadership at all levels.



Regional collaboration will help remove barriers that have slowed progress in the past.

PRIORITIES FOR ACTION

National priorities have regional solutions



INTEGRATING TO TRANSFORM

Top-down agreements and initiatives from heads of state and government

Collaborating to integrate

The AfCFTA improves collaboration in areas beyond trade, given the political momentum behind it

ENSURING
PRODUCTIVE
JOBS

SUPPORTING
DIGITAL
INNOVATION

MANAGING
CLIMATE
RISKS

Collaborating to provide regional public goods builds experience and trust to pursue deeper economic integration under the AfCFTA

Providing regional public goods

Bottom-up problem solving by national and local actors

COLLABORATING FOR IMPACT

HOW COUNTRIES CAN WORK TOGETHER TO TACKLE FRONTLINE CHALLENGES



ENSURING PRODUCTIVE EMPLOYMENT

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

SUPPORTING DIGITAL INNOVATION



- Create regional arrangements for reliable and appropriately priced roaming mobile telephony and internet connections.
- Align national innovation systems and connect digital infrastructure.
- Harmonize standards across the continent.

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

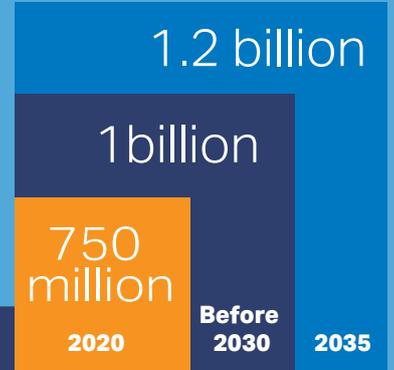


MANAGING CLIMATE RISKS



ENSURING PRODUCTIVE EMPLOYMENT

Growth of Africa's working-age population (15–64)



An average of **80%**

of those entering the labor force end up in the

LOW PRODUCTIVITY INFORMAL SECTOR

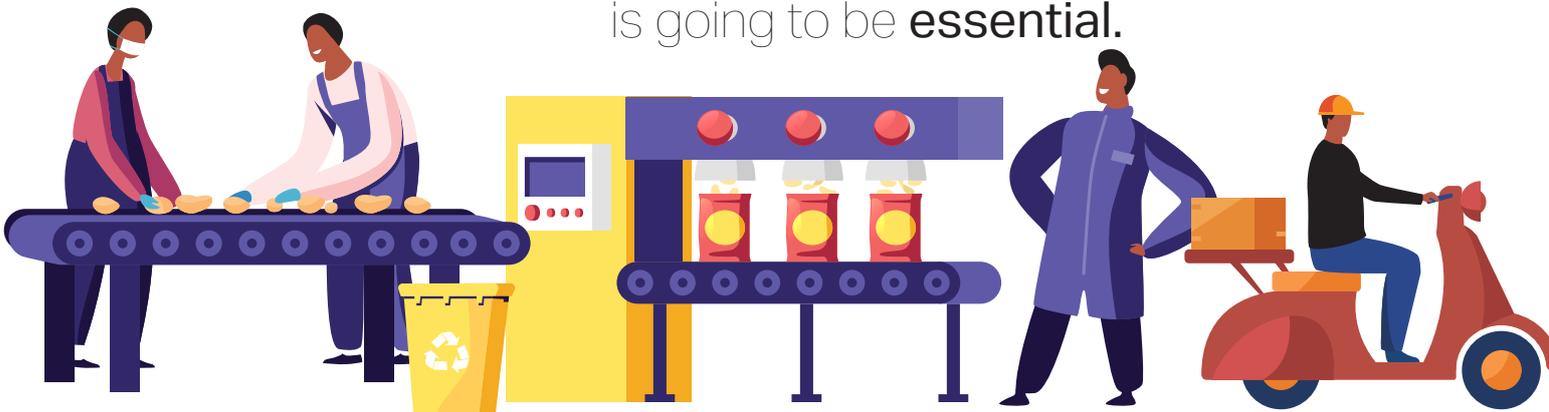
for lack of good jobs



PROVIDING PRODUCTIVE WORK FOR THE

18 YOUNG MILLION PEOPLE

entering the labor force each year is going to be **essential**.



PRIORITIES FOR ACTION

The growing demographic bulge of young workers presents an opportunity to reap a demographic dividend that will spur Africa's economic growth. That requires a comprehensive and integrated strategy focusing on three policy priorities:

Creating opportunities for productive employment in labor-intensive sectors.



Scaling up education and skills training, so new entrants to the labor force are well equipped and productive.



Accelerating the demographic transition to reap the demographic dividends of having more workers than dependents.



Regional collaboration can give a big boost to achieving these outcomes through the investment opportunities and employment created but also through mutual recognition of qualifications.

REGIONAL PUBLIC GOODS CASE STUDY

THE MAPUTO DEVELOPMENT CORRIDOR

Initiated: The Maputo Corridor Company was established in 1995, followed by the Maputo Corridor Logistics Initiative in 2004.

Member countries: South Africa and Mozambique.

Common challenge: Heavy congestion at the port of Durban and weak transport connections in the region.

Regional Public Goods solution: After identifying common benefits to improved transport links between Maputo and the Gauteng Province, the two countries set up a cross-border public-private partnership agreement for road construction and maintenance. The effort required close political dialogue, which was bolstered by the context of post-apartheid and post-civil war reconciliations.

Impact: Reduced congestion in the port of Durban, increased trade and business opportunities at the port of Maputo, and enhanced social development and employment opportunities in every town along the corridor.

Current challenges: Day-to-day operations at the border form an implementation-intensive imposition of obligations that create a bottleneck.

Outlook: Increased collaboration on digitalization of border procedures and enhanced local decision-making could further improve the flow of goods along the corridor.

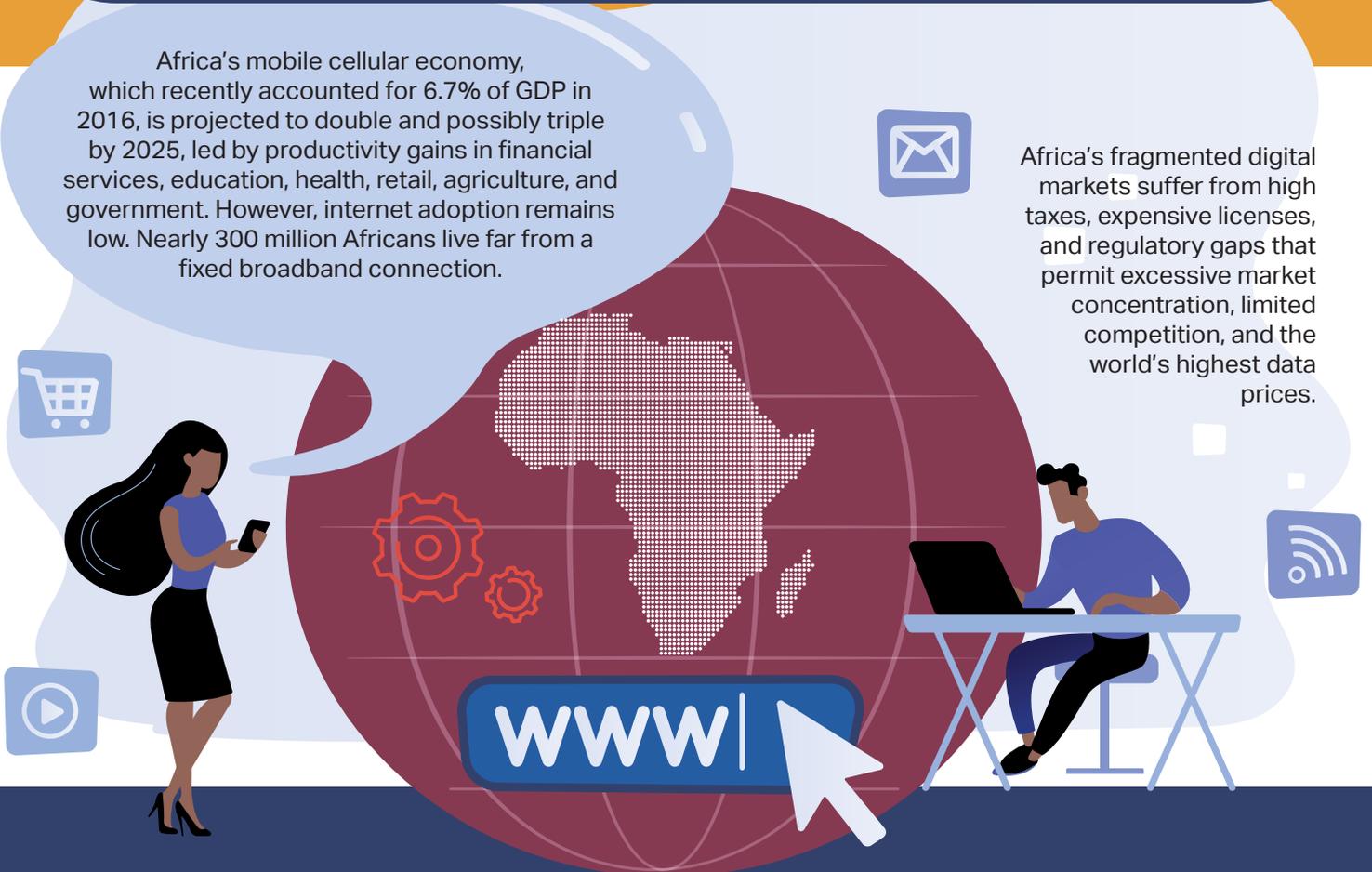


SUPPORTING DIGITAL INNOVATION

Africa has had the fastest expansion in internet access globally, increasing from 2% of the population in 2005 to 24% in 2018, propelled by advances in national backbone infrastructure and international connectivity.

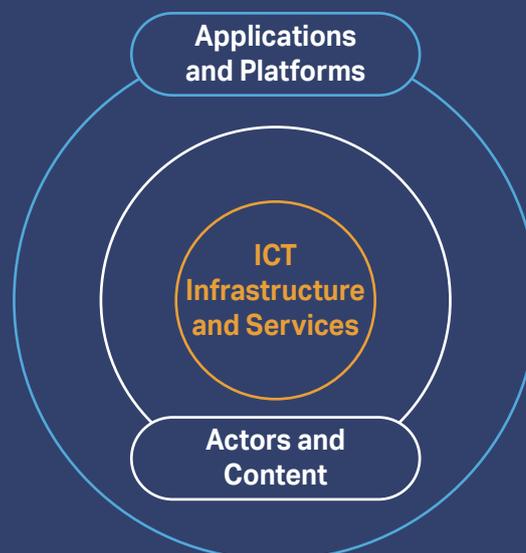
Africa's mobile cellular economy, which recently accounted for 6.7% of GDP in 2016, is projected to double and possibly triple by 2025, led by productivity gains in financial services, education, health, retail, agriculture, and government. However, internet adoption remains low. Nearly 300 million Africans live far from a fixed broadband connection.

Africa's fragmented digital markets suffer from high taxes, expensive licenses, and regulatory gaps that permit excessive market concentration, limited competition, and the world's highest data prices.



DIGITAL INNOVATION ECOSYSTEMS

Digital transformation takes place in a highly interactive ecosystem that requires government policies and institutions to coordinate and synergize the entire system and build trust in the digital economy.



Digital transformation requires ICT infrastructures and services to enable the affordable and competitive provision of digital technologies, to expand access to the internet, and to work with global ICT suppliers. The process also requires skilled producers and users, digital applications and new technological capabilities.

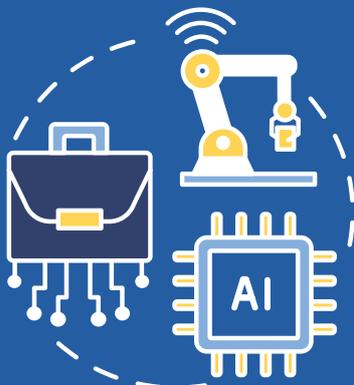
PRIORITIES FOR ACTION

African leaders, policymakers, and digital and innovation stakeholders collectively develop a new policy mix to respond to pressing digital, innovation, and development challenges.

The AU Digital Transformation Strategy identifies this mix as:

POLICIES ADDRESSING:

Digital infrastructure, digital skills, innovation, and entrepreneurship.



ENABLING ENVIRONMENT FOR:

Access, licensing, cybersecurity, data protection, and privacy.



AU Digital
Transformation
Strategy



REGIONAL PUBLIC GOODS CASE STUDY

EAST AFRICA ONE NETWORK AREA

Initiated: Set up in 2015 by the East African Community.

Member countries: Kenya, Rwanda, South Sudan, Uganda and Tanzania.

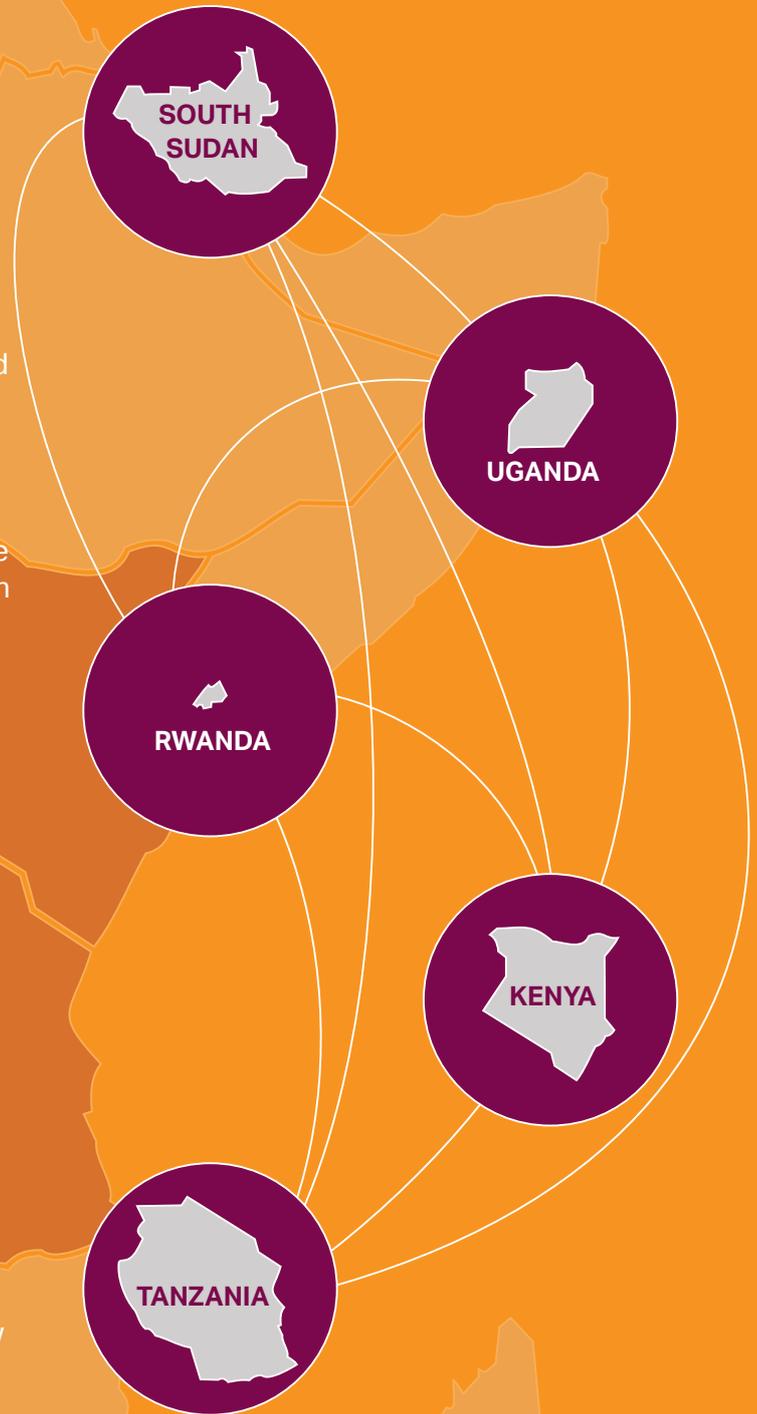
Common challenge: With different mobile networks in each country and no coordination in the telecommunications sector in East Africa, consumers and the private sector faced very high international call and mobile internet rates.

Regional Public Goods solution: The One Network Area harmonizes the disparate mobile phone markets through regulatory intervention and coordination. Roaming charges for calls have been eliminated and the initiative has been extended to mobile money transactions and data charges. As part of the broader East Africa Single Digital Market Initiative, the ultimate goal is a single data market with seamless digital content access.

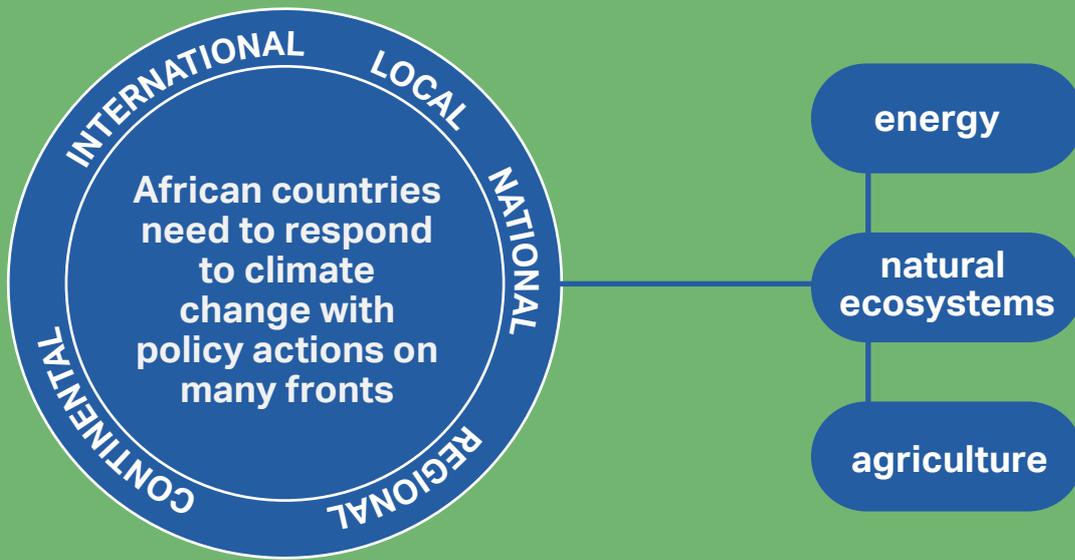
Impact: Inbound roaming calls to Kenya from Rwanda increased by more than 950%, and retail roaming rates in Uganda dropped eightfold to around US\$0.10 a minute.

Current challenges: Low-cost, fast, and accessible roaming services require more financing and stronger monitoring and enforcement of the agreements.

Outlook: Major gains are expected in the next 10 years that could create 1.6 – 4.5 million new jobs. Existing internet users are projected to capture \$1.2 – \$4 billion in consumer surplus due to falling broadband prices.

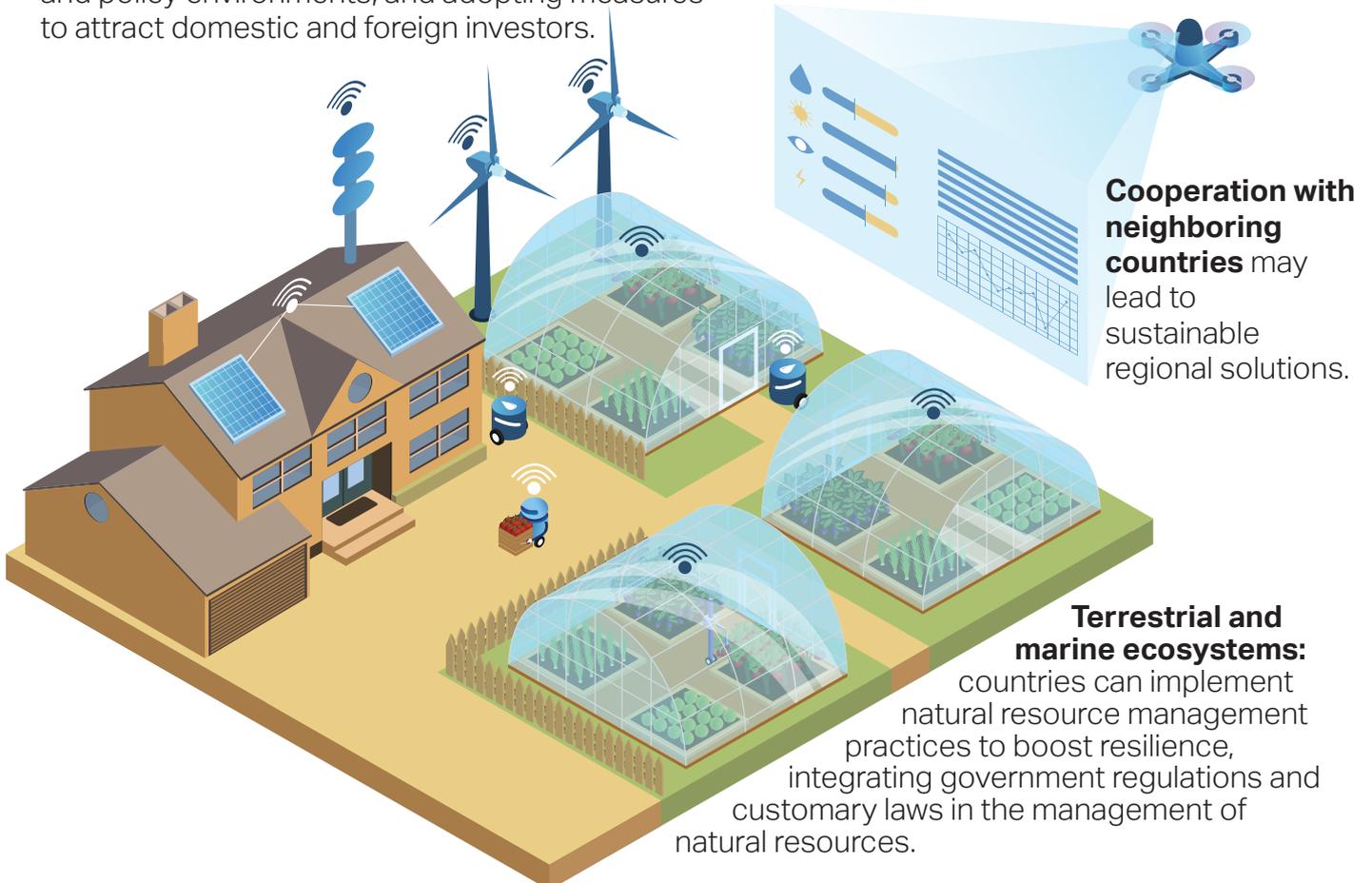


MANAGING CLIMATE RISKS



Climate-smart agriculture solutions are being applied in various parts of Africa and the world and could be replicated elsewhere on the continent.

Renewable energy technologies: countries can attract investment by developing stable regulatory and policy environments, and adopting measures to attract domestic and foreign investors.



PRIORITIES FOR ACTION

To manage climate risks, countries can do more to promote climate-smart agriculture, sustain green and blue ecosystems, and develop and scale up renewable energy.

Promoting climate-smart agriculture

- Increase farmers' technical skills and knowledge of technological innovations
- Adopt, develop, and adapt technological innovations to local conditions
- Improve rural coverage of digital applications (and ensure that farmers have access to them)
- Promote regional collaboration in agricultural research

Sustaining green and blue ecosystems

- Devise and apply nature-based solutions to address land use problems
- Sustain blue ecosystems by promoting blue carbon projects in coastal areas
- Deepen regional collaboration for Africa's green and blue economies

Developing and scaling up renewable energy

- Increasing investment by strengthening the policy and regulatory frameworks
- Broadening access to renewable energy technologies by reducing the steep up-front costs
- Deepening regional collaboration to reduce electricity costs and increase access

REGIONAL PUBLIC GOODS CASE STUDY

SENEGAL RIVER BASIN DEVELOPMENT ORGANIZATION

Initiated: The Senegal River Basin Development Organization was launched in 1972 by Mauritania, Mali, and Senegal. Guinea joined in 2006.

Member countries: Senegal, Guinea, Mali, and Mauritania.

Common challenge: Decreasing rainfall in the Sahel region and a lack of electricity infrastructure.

Regional Public Goods solution: The four countries developed jointly owned hydropower and transmission infrastructure in the Senegal basin, with support and agreement at various levels. A fixed percentage of the generated electricity with a fixed price is allocated to each of the member states.

Impact: The joint energy production has lowered the burden on each individual member state and increased energy security for all. The joint infrastructure has also positively affected the basin countries' diplomatic relations, easing further cooperation and investment.

Outlook: Hydropower can be used to close the gap that leaves 55% of Sub-Saharan Africa's population without access to electricity. The organization is a strong model for regional energy integration on the continent – increased collaboration in this area could save an estimated \$63 billion of the \$450 billion in investments needed to quadruple electricity use by 2040.



INTEGRATING TO TRANSFORM DEMANDS VISIONARY LEADERSHIP



Collaborating to provide regional public goods and tackle jobs, innovation, and climate demands visionary leadership.

Leadership has to start at the top, with **heads of state and government** supporting coalitions for action to secure Africa's future.

Local coalitions can identify their 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.

Regional integration and collaboration have been set back by the spread of COVID-19.

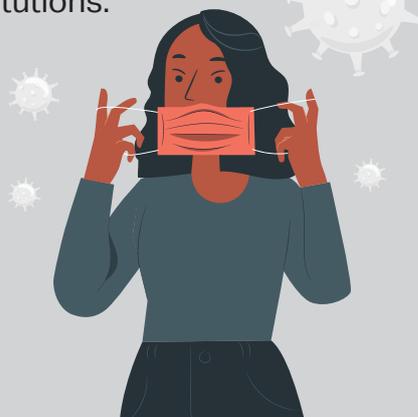
Most African economies are expected to see their growth slow or recede, some considerably.

The impacts will take a toll on all five elements of DEPTH.

They will also deflect attention from tackling the frontline challenges of innovation, employment, and climate.

African leaders should seize this moment to work with business, civil society, and the international community to **drive the economic transformation** agenda and ensure that it is not derailed.

Recovering from the COVID-19 crisis is thus an **opportunity** to build trust in government institutions.



This increased trust can facilitate the acceleration of reforms during the recovery and strengthen transparency and accountability. It can foster support for increasing the capacity and preparedness to deal with economic shocks — **to secure Africa's future by integrating to transform.**



For the full report
www.acetforafrica.org/atr3



With support from



Government of the Netherlands

**OPEN SOCIETY
FOUNDATIONS**

