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Africa in 2030 – Navigating a decade of uncertainty

Africa is facing a decade of difficult economic conditions. Already weighed down by the Coronavirus pandemic, which has significantly set back gains made since the turn of the century, Russia's invasion of Ukraine is amplifying risks ranging from food security and civil unrest, to fiscal stability and conflict.

This has subdued already muted optimism about the prospects for an economic recovery, with uncertainty likely to be the dominant theme through 2030.

How policymakers on the continent and their international partners respond to the challenges this presents will be instrumental in shaping Africa's economic development throughout the decade, and potentially well beyond.

Economic decline is not inevitable, but it will take decisive and consistent action to set the continent on a positive growth and development trajectory.

Content

Overview – A decade of uncertainty?

Covid's impact

The World Bank and IMF estimate that Africa experienced a 2% and 1.6% contraction in GDP respectively in 2020. This has cut GDP per capita by 6.1%, the biggest decline on record according to the Bank, erasing a decade and a half of progress.

Up to 30m people were pushed into poverty during the pandemic, with extreme poverty in West Africa rising by 3% last year alone.

While GDP growth is picking up – the World Bank and International Monetary Fund (IMF) are forecasting 3.6% and 3.8% respectively for 2022 – this is still below pre-pandemic levels, and well below the 5% plus averages seen up until the commodities slump of 2014/15. This is also the lowest rate globally relative to other regions.

Foreign direct investment (FDI) to Africa fell by more than 15% in 2020, to just $39.8bn, according to the 2021 World Investment Report, extending a downward trajectory since the commodities slump.

There are some positive signs in 2022, including higher commodity prices (which remain a big part of growth in the region) and progress on vaccine supplies – delays to which the World Bank estimates to cost Africa $13.8bn in lost GDP every month – and the lifting of restrictions in many economies.

But this does not signal an end to the downside risks faced by the continent.

One of these is a growing gap between wealthy economies and developing/frontier markets, which have largely been unable to roll out the stimulus packages we have seen in the former.

The IMF is calling this the "Great Divergence", and estimates that low-income countries will need an extra $200bn to 2025 to respond to the pandemic, and a further $250bn to return to pre-crisis convergence levels.

Africa also faces a looming debt crisis, the management of which will have significant implications for how the region fares to 2030.

According to the latest IMF estimates, 60% of low-income countries are now either at high risk of, or already in debt distress. At least 23 of these are in Africa, with many more hovering on the brink of being downgraded from moderate to high risk.

With the expiration of the Debt Service Suspension Initiative (DSSI) – which only provided $10.3bn in relief, leaving a $35bn repayment bill in 2022 – and low take up of the Common Framework to restructure debt, international efforts must be significantly stepped up.

A failure to do so could mean that some countries may face "economic collapse" according to the IMF, highlighting the potential severity of the problem. With private creditors – accounting for the bulk of repayments – showing no interest in relief efforts, the prospects are precarious.

Compounded by financial tightening and rate hikes in the U.S and Europe, most African governments now face years of limited fiscal space to undertake essential investments into infrastructure, healthcare systems and trade, necessary to stimulate meaningful economic growth over the next decade.

"Up to 30m people were pushed into poverty during the pandemic, with extreme poverty in West Africa rising by 3% last year alone."

Russia-Ukraine: A new crisis unfolds

Any optimism about a recovery in the global economy and in Africa that may have existed at the start of 2022 has been curbed by the war in Ukraine.

In its most recent global outlook the IMF warns that "Global economic prospects have been severely set back," largely due to the fallout from Russia's invasion of Ukraine. Global growth for 2022 and 2023 is expected to be 3.6%, a downward revision from January estimates, and well below the 6.1% seen in 2021.

The lender is forecasting growth of 3.8% in 2022, and 4% in 2024 for sub-Saharan Africa, while the World Bank expects growth to decelerate from 4% in 2021 to 3.6% in 2022.

Already facing headwinds due to rising inflation, supply chain disruptions, and the lingering effect of the pandemic, the IMF warns that "overall economic risks have risen sharply."

Emerging and frontier markets are expected to bear the brunt, with Africa being seen as particularly vulnerable.

According to the United Nations (UN) 41 of the continent's economies (more than 70% of the total) are at severe risk of being affected by one of three main impacts of the war in Ukraine – rising food prices, rising energy prices, and tightening fiscal conditions.

This is already being felt.

The IMF expects inflation in developed countries to average 8.7%, and an alarming 12.2% in sub-Saharan Africa.

Surging fuel prices are threatening to further disrupt the already battered aviation sector. South Africa's biggest Airport is receiving emergency jet fuel to stave off a crisis, while Nigerian airlines have even considered halting all flights. Rising fuel prices are also hitting ordinary citizens, with governments from Tunisia to Tanzania scrambling to limit their impact on already stretched incomes amid warnings about rising risks of civil unrest on the continent.

Food security is another major concern.

The UN World Food Programme (WFP) is warning about a "hunger catastrophe" in 2022, with conflict, the pandemic, and climate change conspiring to form a perfect storm. Africa, home to 75% of countries requiring external food assistance, is expected to be among the most vulnerable regions to supply disruptions due to the conflict – with both Russia and Ukraine being critical global wheat suppliers.

According to the African Development Bank (AfDB), 90% of Russia's $4 billion exports to Africa in 2020 consisted of wheat; with 48% and 31% of Ukraine's near $3 billion exports to the continent consisting of wheat and maize respectively.

At least 22 countriest, including Egypt, Morocco, China, and Turkey have imposed restrictions on food imports in response in a bid to safeguard local supplies – a move that analysts warn could add more pressure on food supplies in vulnerable countries and regions.

In its April 2022 regional outlook for Africa, the World Bank warns that one of the main risks from food and fuel price inflation is higher likelihood of civil strife amid an environment of heightened political instability.

This picture is also being compounded by the potential impact of interest rate hikes by the U.S. Federal Reserve – which raised interest rates by half a percent in early May, with further increases planned for the rest of the year. This is the biggest hike in 20 years.

The risks to emerging markets include capital flight, a domino effect of rising interest rates, more expensive dollar denominated debt, and currency depreciation.

All of this spells uncertainty, which looks set to be the defining theme for the decade.

"According to the United Nations (UN) 41 of the continent's economies (more than 70% of the total) are at severe risk of being affected by one of three main impacts of the war in Ukraine."

12.2 %

Inflation in sub-Saharan Africa in 2022

– International Monetary Fund

"Africa, home to 75% of countries requiring external food assistance, is expected to be among the most vulnerable regions to supply disruptions due to the conflict".

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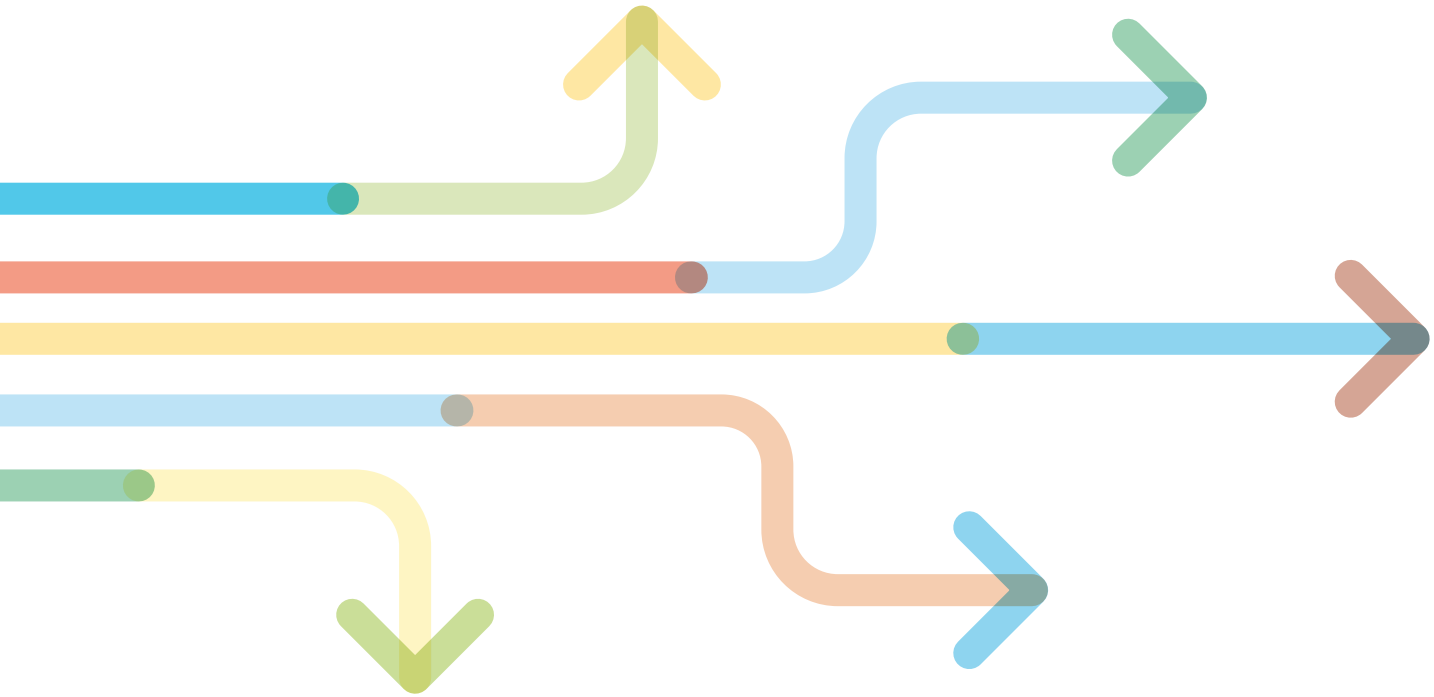

Key Challenges that must be addressed

Against this backdrop of uncertainty, a few interrelated challenges stand out.

The **loss of fiscal space due to Covid**, compounded by **mounting debt across the continent**, as well as the **impact of monetary tightening in developed markets**, is threatening to curb growth and investment – both public and private – for years to come.

This will make it increasingly difficult for governments to respond to **soaring inflation – particularly food and fuel** – with many African economies facing a **higher risk of civil strife and insecurity**.

The inability to invest in critical infrastructure also risks setting Africa back in keeping up with the **global energy transition** – a defining trend for this decade and beyond.

How governments and the private sector, as well as Africa's global partners respond to these challenges will be crucial in determining how the continent's economic prospects evolve through 2030.

For the purpose of this analysis, we take a closer look at the following key challenges:

- **Debt management, revenue mobilization, and investment**
- **Civil unrest and insecurity**
- **Energy investment and the energy transition**
- **Food security**

"The loss of fiscal space due to Covid, compounded by mounting debt across the continent, as well as the impact of monetary tightening in developed markets, is threatening to curb growth and investment – both public and private – for years to come."

Debt management, revenue mobilization, and investment

Africa's debt burden was already approaching unsustainable levels before the pandemic. According to the World Bank International Debt Statistics 2022 report, total external debt in sub-Saharan Africa more than doubled between 2010 – 2020, from $305bn – $702bn.

By 2019 more than half of the continent's economies had debt to GDP ratios above 50%, with at least 48% at 70% or higher. While this is relatively modest in global terms, the ability to service this debt has proven to be unsustainable for many countries.

The situation worsened during the pandemic, during which many governments borrowed heavily to respond to the crisis. According to the IMF at least 23 countries in Africa are now either in debt distress, or at high risk thereof. This includes some important regional economies like Kenya in East Africa, and Ghana in West Africa.

Debt service levels have also gone up, with the continent spending $58bn on repayments in 2020.

Global debt relief efforts, spearheaded by the G20's Debt Service Suspension Initiative (DSSI), launched during the pandemic, have failed to stem the tide. In 2021 the continent's debt payment bill stood at $69bn, with another $185bn due between 2022 – 2024. In 2020, foreign debt payments accounted for 15.5% of Africa's total exports, more than tripling from 5.3% in 2011.

The DSSI, which has now ended, only provided an estimated $10.3bn in relief, and the G20's common framework – aimed at facilitating debt restructuring as a more sustainable response – has failed to take off. Only three countries – Chad, Zambia, and Ethiopia – have requested assistance so far.

The IMF has warned that some countries face 'economic collapse' if relief efforts are not meaningfully stepped up. The uncharacteristically dramatic language hints at the potential scale of the problem.

Doing so will not only mean action on the Common Framework, but getting crucial buy-in from private creditors. These account for the majority of debt service payments, but only provided 0.2% in relief during the pandemic – reflecting a lack of interest in joining international relief efforts.

While a number of countries have stated plans to decrease their reliance on commercial lending, in favour of more concessional loans, the overall impact is likely to be limited.

With global action lagging, the situation can be expected to get worse in the coming years – especially with fiscal tightening in developed economies. This will further decrease already limited fiscal space to finance much-needed infrastructure investment, and a rapidly rising need for social spending to mitigate the impact of rising food and fuel prices.

REVENUE MOBILIZATION

Even if global relief efforts are accelerated, this is unlikely to be sufficient to provide the fiscal space that will be needed.

African governments need to meaningfully ramp up domestic revenue mobilization in order to address this challenge – which will be easier said than done.

According to the OECD's Revenue Statistics in Africa 2021 report, the continent's tax-to-GDP ratio stood at 16.6% in 2019, just above the 15% deemed necessary for basic state functioning. This ranges from 6% in Nigeria – Africa's biggest economy – to 34.4% in Tunisia.

With the average only rising by 1.8% between 2010 and 2019 – when the continent faced a much more favourable global context of low interest rates, relatively stable growth and investment – a step change in policy formulation and implementation will be needed to make meaningful progress.

This should be complemented by efforts to drive foreign investment, as well as regional trade and investment through implementation of the African Continental Free Trade Agreement (AfCFTA).

"By 2019 more than half of the continent's economies had debt to GDP ratios above 50%, with at least 48% at 70% or higher."

$702 bn

Total external debt in sub-Saharan Africa in 2020

– World Bank

"According to the OECD's Revenue Statistics in Africa 2021 report, the continent's tax-to-GDP ratio stood at 16.6% in 2019, just above the 15% deemed necessary for basic state functioning."

INVESTMENT

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2022, foreign direct investment (FDI) to Africa was $83bn in 2021, a 113% increase on the previous year.

What sounds like great news for the continent is misleading. The bulk of this apparent boost consisted of a single $46bn intra-company transaction between South Africa's Naspers and its Dutch-listed investment unit Prosus.

Without this FDI drops to $44bn, a modest $5bn (13%) increase on the previous year, and just above the $45bn registered pre-pandemic in 2019.

While encouraging, the report cautions that the 2021 investment rebound (64% globally) is unlikely to be repeated in 2022, with UNCTAD warning that the ongoing impact of Covid, supply and labour bottlenecks, as well as energy prices and inflation all present downside risks.

This was before the Russia-Ukraine War, which has amplified all of these risks.

Important to watch will be whether the 13% increase in 2021 signals a turnaround in subdued FDI volumes in Africa since the 2014/15 commodities slump. They have not recovered to a peak of $59.9bn in 2016, dropping by 10.3% in 2019, and 15% in 2020 according to the WIR.

FDI will have to significantly increase through 2030 if Africa is to leverage the benefits of investment, such as global market integration, technology transfer, and private sector development and productivity.

According to the World Bank Africa's share of global FDI stood at just 3% in 2018, up from 1% in 2000, while its integration into global value chains has remained stagnant at 2%.

A CHANGING INVESTMENT PROFILE

There are some positive trends according to the Bank.

Asia's share of FDI to Africa has grown from 5% in 2002 to 23% in 2018 – led by China – which is scaling back the historical dominance of Europe. There has also been a slight increase in intra-African investment from 9% – 13% between 2002 – 2017.

FDI is now also more evenly distributed across the continent. In 2004 Southern Africa (mostly South Africa) accounted for 70% of all investment – a share that had fallen to 30% by 2017, with West Africa (35%) and East Africa making significant gains.

Perhaps most encouragingly, there are signs that investment is diversifying away from a dependence on commodities and raw materials.

From 2006 – 2010 resource extraction, petroleum and coal processing projects accounted for more than half of an estimated $236bn in greenfield FDI projects announced across Africa. Between 2016 – 2020 these represented less than 25% of projects, with everything from logistics, communications and IT services, to renewable energy (which has seen its share of utilities investment grow from 20% – more than 50%) making gains.

Supporting and consolidating the diversification of source and destination markets, as well sectors, must be a focus for policymakers through 2030 if the continent is to meaningfully benefit from its investment potential. Faced with an uncertain global economic outlook, regional integration to drive cross-border investment – already urgent – should take on even more importance.

"According to the World Bank Africa's share of global FDI stood at just 3% in 2018, up from 1% in 2000, while its integration into global value chains has remained stagnant at 2%."

13 %

The percentage by which FDI to Africa increased in 2021

– UNCTAD

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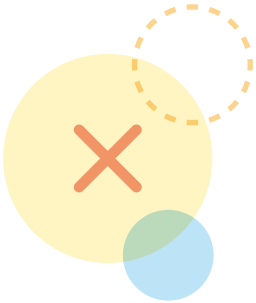


Civil unrest and insecurity

CIVIL UNREST

The dual shock of the pandemic and the Russia-Ukraine war are pushing up food and fuel prices across the continent, with the IMF forecasting inflation of 12.2% in sub-Saharan Africa in 2022, with many countries facing much higher numbers.

Ghana's inflation rate hit an 18-year high of 23.6% in April, with food prices rising by 26.6% compared to a year earlier.

According to a new report by Oxford Economics Africa, Ethiopia could see inflation hit 34.5% this year, while Angola could see 23.9%. In Nigeria, food inflation has risen by 48% since the end of 2019, with unemployment spiking from 23.4% - 32% in 2021. South Africa saw food prices rise by 14.2% and unemployment hit an all-time high of 34.3% in the same period.

The report warns that Africa's economies are more vulnerable to such price shocks due to the high share of food prices of consumer spending. In most countries food accounts for 25% of the consumer food basket, compared to 15.5% in developed economies, with the likes of Ethiopia, Zambia, Sudan, and Nigeria exceeding 50%.

Such numbers are fueling concerns about growing risk of civil unrest and political instability in some African countries.

According to risk consultancy Verisk Maplecroft, 37 mostly emerging markets are facing a 'perfect storm' of instability in the next 2-3 years due to surging prices. This includes Nigeria, Ethiopia, Egypt, Algeria, and the Democratic Republic of Congo.

Responding to this with limited to no fiscal space presents a pressing challenge to governments. Some are prioritizing relief efforts over fiscal consolidation, with Egypt and Nigeria delaying plans to abandon costly food and fuel subsidies. Kenya raised its minimum wage by 12%, and Senegal has announced a $68m emergency cash transfer program to support up to 500,000 households.

While necessary, Oxford Economics warns that this could further push up debt levels in the long-term. Other countries, including Tunisia and Ghana - already at high risk of debt default - are unable to implement such measures, making the risk of civil unrest more immediate.

INSECURITY

Attention must also be paid to the broader challenge of conflict and insecurity.

A flurry of military coups in West Africa in recent years, and the current the troubles of military efforts aimed a containing Islamist militancy in the Sahel, have underlined the growing threat from insecurity to Africa's development prospects.

In Mozambique an insurgency is threatening billions of investment into gas reserves, Central African Republic continues to simmer, and the Horn of Africa is precariously positioned amid the conflict in Tigray, the continued threat from militant groups like Al Shabaab, and Sudan's recent coup. Cameroon is in the midst of a regional insurgency and seperatist movement, while Libya seems perpetually stuck in a state of civil conflict..

Underpinning this trend is the growing realization that governments are falling short on delivering basic economic security and opportunities for their largely young populations, as well as the growing impact of climate change, which is contributing to severe drought and food insecurity across the continent.

Left unchecked, these regional or country-specific instabilities risk spilling over (as is already happening in the Sahel, for example), undermining the most basic prerequisites for meaningful social and economic development.

How African governments and their international partners respond to this through 2030 could be instrumental for decades to come.

There are two fundamental aspects to this:

- Immediate responses to restore/provide basic security in regional hotspots, and country-specific conflicts.

23.6 %

Ghana's inflation rate in April 2022

- Ghana Statistical Service (GSS)

"Africa's economies are more vulnerable to such price shocks due to the high share of food prices of consumer spending. In most countries food accounts for 25% of the consumer food basket."

- Addressing the underlying drivers of instability. Especially the need to provide meaningful economic opportunity to citizens.

IMMEDIATE RESPONSES

Years of regional and international military efforts to curb islamist militancy in West Africa's Sahel have failed to restore basic security. At least 2m people have been displaced in the region, while attacks have become more frequent and brazen.

This has fuelled military coups from Guinea to Mali and Burkina Faso, with instability spilling over into coastal economies like Nigeria and Côte d'Ivoire.

The Economic Community of West African States (ECOWAS) is finding itself overburdened, while the French-led military intervention in the region is in disarray, following a falling out with the ruling junta in Mali.

The picture is a bit more encouraging in Mozambique, where troops deployed by members of the Southern African Development Community and Rwanda have made gains against an insurgency in the country's north that has threatened to derail billions of investment into a massive LNG project.

Regional instability is not the only problem.

Ethiopia is still struggling to contain its Tigray conflict, with a ceasefire seemingly out of sight – despite regional and international mediation efforts. Sudan's transition to civilian rule is in tatters following a military coup there in October, and Libya seems to be heading for the latest round of instability in a growing political crisis.

In addition to improved military coordination and action through 2030, there is an urgent need to improve the management of displaced peoples and migration as a consequence of conflict, as well as security sector reform and improvements to the rule of law.

UNDERLYING DRIVERS

A medium- to long-term response to instability will depend on the ability to address underlying drivers.

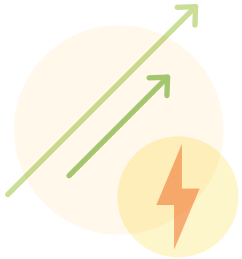
Principal among these is the need to improve economic conditions in conflict hotspots. The Sahel, home to chronic underdevelopment, is perhaps the clearest example of how a lack of opportunity contributes to instability.

This will require action on everything from improved governance, to investment into key sectors like agriculture, education, and infrastructure, as well as meaningful action on climate change. The latter is contributing to severe drought, in turn putting millions at risk of hunger and famine.

Even under ideal conditions this will be difficult through 2030.

"A medium- to long-term response to instability will depend on the ability to address underlying drivers."

Energy investment and the energy transition



Africa's energy sector is at an important crossroads.

The shift towards renewable energy, away from fossil fuels, represents both an opportunity for the to chart a sustainable development course, and the risk of being left behind in the global energy transition.

Home to vast renewable power potential, the continent can principle be an important part of the global energy transition. It's been estimated that the Sahara desert alone could provide as much as 10 Terawatts of power, or 60 times the continent's installed capacity in 2016. Similar figures apply to other renewable energy sources.

But there are steep obstacles towards realizing such potential.

These include underdeveloped infrastructure, including a lack of regional transmission and distribution capacity, insecurity, a lack of technology, and ineffective or incoherent policies.

"At present Africa accounts for less than 3% of installed renewable energy capacity globally, and less than 3% of renewable energy jobs."

The continent is also on the margins of global renewable investment. While investment into the sector grew tenfold from an average of $500m between 2000-2009, to $5bn from 2010-2020 according to the International Renewable Energy Agency (IRENA), this amounts to just 2% of an estimated $2.8tr globally in the last two decades. At present Africa accounts for less than 3% of installed renewable energy capacity globally, and less than 3% of renewable energy jobs.

There is also some resistance, especially from major hydrocarbon producers, towards divestment from fossil fuels without meaningful external support to develop alternative energy sources. The argument is that this could further undermine already chronic power shortages, and more broadly, economic development as a whole.

Regardless of where one stands on this point of contention, fossil fuels will play an important role through 2030, and likely beyond.

Research from Oxford University for example has found that renewable energy will account for less than 10% of new electricity generation capacity added across Africa by 2030.

Meanwhile oil majors including TotalEnergies, Eni, and Shell are gearing up to put billions into large-scale LNG production facilities in Mozambique and Tanzania, with a slew of major discoveries in South Africa, Namibia, and Côte d'Ivoire signalling a potential boom for the sector. According to research by Rystad Energy, gas production across the continent will more than double by 2030, from 1.3m - 2.7m barrels of oil equivalent per day (boepd).

With European nations now scrambling to secure alternative energy sources in a bid to cut their reliance on Russia, this trend looks set to be consolidated. The likes of Italy have already announced supply deals with countries like Angola and the Republic of Congo, with others sure to follow.

NO TRANSITION WITHOUT ACCESS

It can also be argued that talk of an energy transition is premature in a region where more than 600m people do not have access to electricity at all, with an electrification rate of around 46% - by far the lowest globally. In sub-Saharan Africa this drops to 30%, and just 14% in rural areas.

Only seven sub-Saharan African countries—Cameroon, Côte d'Ivoire, Gabon, Ghana, Namibia, Senegal and South Africa—have electricity access rates exceeding 50%.

To expand access and keep up with rising demand, expected to quadruple by 2040, the World Bank estimates that $43bn of investment into power infrastructure is needed annually, while the AfDB has said Africa will need $230bn - $310bn for the sector until 2025, with another $190bn - $215bn required by 2030.

If current trends continue, the AfDB has warned that less than half of African countries will achieve universal access by 2050.

To improve access, and drive investment (both into renewables and the development of fossil fuels), governments will have to develop and implement effective policies. If supported by investment into infrastructure, technology, and skills, this could result in meaningful progress on both through 2030.

The essential elements of an effective policy approach will include:

- Improving the investment environment for renewables, through more effective regulation, skills development, and infrastructure development.
- For hydrocarbon producers, developing their oil and gas assets not only for export opportunities, but also to supply the domestic market.
    - Leveraging the significant revenue potential of hydrocarbons to drive renewable energy adoption.
- Regional cooperation and strategies to harness the potential of renewable energy, and the vast power generating potential offered by gas.

"Only seven sub-Saharan African countries—Cameroon, Côte d'Ivoire, Gabon, Ghana, Namibia, Senegal and South Africa—have electricity access rates exceeding 50%."

Food security

Tackling rising food insecurity will be a critical challenge for Africa through 2030.

In the near-term, governments and the international community must respond to the impact of climate change and drought, conflict, and soaring food prices due to the Russia-Ukraine war.

The most severely affected regions include the Horn of Africa, where the World Food Programme has warned that 20m people are at risk of starvation this year due to severe drought in Kenya, Somalia, and Ethiopia. In West and Central Africa up to 41m people are facing a food and nutrition crisis – quadrupling since 2019.

This is being compounded by the Russia-Ukraine war, which is disrupting essential wheat imports and helped push prices – already at a ten-year high before the conflict – up by 13% in March to a new record high of 159.3 points on the Food and Agriculture Organization's (FAO) food price index.

African economies are especially vulnerable to such increases, with at least 25% of consumer spending going to food across the region, and nearly half of the continent relying on Russia and Ukraine for Wheat imports according to FAO.

Emergency food aid will struggle to compensate for this, with the World Food Programme actually cutting back rations in 17 African countries due to a lack of donor funding.

In response there are calls for Africa to scale up production to ensure its food security. This is being spearheaded by the Africa Development Bank (AfDB), which in May 2022 approved a $1.5bn fund to support 20m smallholder farmers.

The Bank's president has used the crisis as a rallying cry, saying that ""If there was ever a time that we needed to really drastically raise food production in Africa...it is now."

It's hard to argue with that, but such sentiments must go well beyond words, as Africa's hunger problem was well underway before the current crisis.

According to the FAO's most recent regional overview of Food Security and Nutrition in Africa, 281.6m people on the continent – a fifth of the population – faced hunger in 2020, a 46.3m increase on the previous year. It notes that this continues a trend that started in 2014.

Such figures are symptomatic of an underinvested and underdeveloped agriculture sector.

According to the African Union's latest review of progress towards the Comprehensive African Agriculture Development Programme (CAADP), the continent has failed to achieve any of seven targets to improve food security by 2025 laid out in a 2014 agreement.

Only four countries – Egypt, Eswatini, Seychelles, and Zambia – are on track to meet one of its targets – enhancing investment finance in agriculture – on which performance was particularly lagging.

According to FAO, government spending on agriculture dropped from 3.6% in 2001 – 2.3% in 2017, well below a 10% commitment made in 2003.

Private investment, often touted as the answer, hasn't scaled up to required levels. The agriculture sector faces an annual shortfall of up to $31bn, while African countries spend at least $50bn a year on food imports – a number that could more than double by 2025 according to the AfDB.

Any long-term response will have to significantly ramp up both public and private investment, and will require "close collaboration across countries and at the international level... involving

many stakeholders, to transition to more efficient, inclusive, resilient and sustainable agrifood systems" according to FAO.

It's a steep challenge, but to quote the popular saying that one should never let a good crisis go to waste, the hope through 2030 is that the current upheaval acts as a wake-up call to reverse Africa's current disappointing performance on agriculture.

159.3

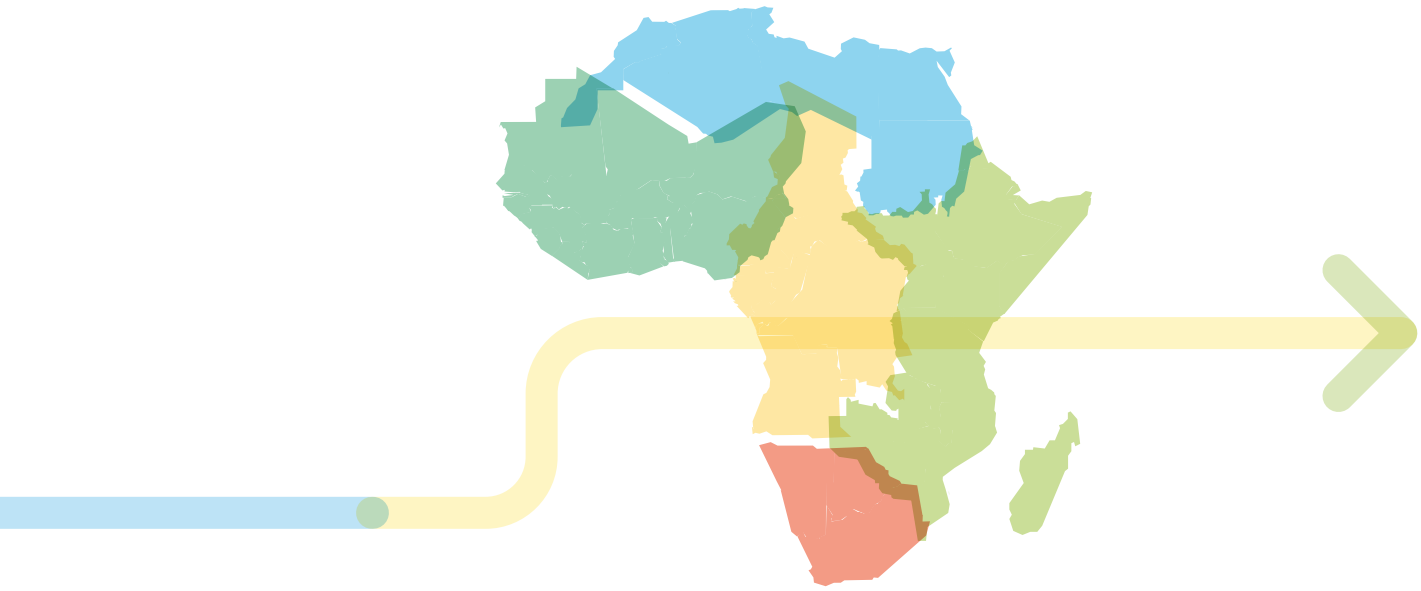
The FAO food price index in March – a new record

"The agriculture sector faces an annual shortfall of up to $31bn."

281.6 m

The number of people in Africa facing hunger in 2020

– FAO



Key economies and regional dynamics

How Africa as a whole fares against the uncertainty the decade through 2030 presents will be significantly shaped by the economic performance of, and policy direction in some of its key regional economies.

For this analysis we look at **Nigeria, Egypt, Kenya, and South Africa**, and assess how they might, or not, contribute to their respective regions weathering the storm.

Africa's ten most integrated countries:

1. South Africa
2. Kenya
3. Rwanda
4. Morocco
5. Mauritius
6. Egypt
7. Senegal
8. Ghana
9. Togo
10. Djibouti

Nigeria – West Africa

With a GDP of around $450bn, and a population over 200m, Nigeria is both Africa's biggest economy and its most populous nation. Its policy decisions and economic performance, by default, impact the continent, and particularly the West Africa subregion.

While well endowed with natural resources – Nigeria is also Africa's biggest crude producer – potential human capital, the country has a history of underperforming.

Hamstrung by stagnant or sporadic economic reform, and a power sector characterized by chronic shortages, growth has averaged just just 1.11% between 2015 – 2021. Since the 2014/15 commodities slump Nigeria has been through two recessions.

While there has been an uptick in technology startup investments in recent years – mostly fintech – the economy remains undiversified and heavily dependent on oil exports, which account for 90% of government revenues. Foreign direct investment stood at just $2.4bn in 2020, and is dominated by the oil sector. Its tax-to-GDP ratio of 6% is the lowest on the continent. While the debt-to-GDP ratio is low at around 35%, the government spent a staggering 73% on debt service payments in 2021.

On the Economic Complexity Index Nigeria ranks 124th out of 136 tracked countries.

Unemployment is high, especially among its youthful population (the average age is estimated to be 19), with at least 55% being either unemployed or underemployed.

Officially, more than 30% of the population lives in extreme poverty.

A LACK OF POLICY DIRECTION

Nigeria is in the closing stages of eight years under the administration of president Muhammadu Buhari – presidential elections are slated for February 25, 2023 – of whom much was expected when he took office in early 2015, following the country's first democratic election victory for an opposition party.

There is broad consensus that this has failed to materialize, with promised economic reforms having either not materialized or only being partially implemented.

He has also presided over a worrying deterioration in security concentrated in the country's north, where a more than decade old insurgency against Islamist militant group Boko Haram. In 2021 Nigeria ranked 12th out of 179 countries on the fragile states index.

Investment has been hampered by a prohibitive forex regime, with snail pace reform of the country's opaque oil and gas sector holding back new investments for years.

REGIONAL DISINTEREST

Despite its obvious political and economic importance to West Africa, Nigeria has exhibited disinterest or even hostility towards regional cooperation and trade. It took the country more than a year to ratify the African Continental Free Trade Agreement, after which it closed its land borders in March 2019 to all trade with neighboring Benin, Cameroon, Chad and Niger – ostensibly to crack down on smuggling.

Nigeria has also not played a prominent role in regional peacekeeping efforts, the need for which has intensified in the wake of a string of military coups in Mali, Guine, and Burkina Faso. The broader problem is instability in the restive Sahel – now a global concern – with violence threatening to spill over into coastal economies.

On the Africa Regional Integration Index Nigeria ranks 39th out of 54 countries, making it a low performer.

The regional disinterest is somewhat ironic, given that the Economic Community of West African States (ECOWAS) is headquartered in the capital Abuja.

LOOKING AHEAD

Even if growth picks up in the coming years a step change in reform and policy direction is needed if Nigeria is to not only kickstart an underperforming economy, but also take on the mantle or regional leadership.

The latter is needed to drive integration and trade in West Africa, which scores relatively well on free movement of people on the Africa Regional Integration Index, but is one of the continent's worst performers in terms of productive and infrastructure integration.

Regional leadership is also urgently needed to address rising instability driven by militancy in the Sahel, to which internationally-backed interventions have struggled to formulate a response, as well as a looming food crisis.

Will the 2023 election change things?

In principle presidential elections scheduled for February 25 offer an opportunity for Nigeria to change course. Incumbent Muhammadu Buhari can't run again, and the race is already heating up to decide who might succeed him.

But don't get too excited about the prospect for change.

Nigeria's political system is dominated by a small elite that has controlled its fortune for decades – Buhari himself was president under military rule in the 1980s. The electoral process often amounts to more of a competition among this group, than a representation of the population's needs and desires.

There is of course always a chance that this time will be different, but history suggests that caution is the way to go.

On current trends it is unlikely that Nigeria will step up its engagement on regional

73 %

The share of government revenue Nigeria spent on debt in 2021

– African Development Bank

"A step change in reform and policy direction is needed if Nigeria is to not only kickstart an underperforming economy, but also take on the mantle or regional leadership."

integration, trade, and crisis management in the coming years.

WEST AFRICA – THINGS TO WATCH

One of the key challenges for the subregion through 2030 will be addressing escalating instability in the Sahel, and getting the military juntas that have seized power in Mali, Burkina Faso, and Guinea, to return their respective countries to civilian rule.

This will be a test of leadership for ECOWAS, which has imposed sanctions on Mali in a bid to set a precedent, but is struggling to contain the multiple fires it has to contend with. Coupled with the disarray of French-lef international military efforts to tackle instability in the Sahel, this is a steep challenge.

Like much of Africa, food security is also deteriorating in West Africa, driven by conflict, climate change, and now the Russia-Ukraine war.

Debt management will also be a priority, especially for Ghana, which is at high risk of debt distress according to the IMF.

There are bright spots, led by Côte d'Ivoire, which has posted average growth of 6.42%since 2015, has a low debt burden, and is emerging as an important investment destination. While it does not have the economic scale, or the population of Nigeria, it is a contender to take on a regional leadership role if its giant neighbour doesn't step up to the challenge.

Senegal, whose president currently holds the Chair of the African Union, is also emerging as a potential regional leader, exhibiting macroeconomic stability and attracting rising investment from the likes of Turkey and Germany – the latter eying a strategic energy partnership in the wake of Russia-Ukraine.

South Africa – Southern Africa

South Africa is the continent's third largest economy with a GDP of $426bn (IMF: 2022), the most dominant in Southern Africa, and the continent's most advanced.

With a sophisticated financial system, developed infrastructure, and a stronger manufacturing base than other African countries, South Africa has long been the go-to for international companies looking to do business on the continent.

It sits at the top of the Africa Regional Integration Index, with particularly high scores in productive and infrastructural integration.

South Africa has significant political influence on the continent, and punches well above its weight on the global stage, through platforms like the G20 and BRICS country grouping.

All of this makes it a natural country to look to for regional leadership in the coming years, but it's not a given that it will rise to the occasion.

AN UNDERPERFORMING ECONOMY

Despite its regional dominance, South Africa's economy has been weighed down by a lack of structural reform since the end of Apartheid in 1994, and has seen governance slide in recent years, particularly under the presidency of Jacob Zuma, in office from 2009 – 2018.

Growth has averaged just 0.65% since 2015, and repeated pledges to kickstart the economy – including the current president, Cyril Ramaphosa – have failed to deliver.

This has contributed to soaring unemployment, which hit a record high of 35.3% in the fourth quarter of 2021. South Africa also has the dubious distinction of being the world's most unequal country, according to the World Bank.

The IMF expects growth to hover around the 2% mark in the medium term, citing policy uncertainty, high public debt and constraints on investment as key factors weighing down the economy.

"South Africa has long been the go-to for international companies looking to do business on the continent."

Political uncertainty should be added to this list of concerns. The ruling African National Congress, in power since 1994, is characterized by deep divisions and infighting as it heads into its elective conference in December of this year.

There is a risk that the struggle for control of the party, where president Cyril Ramaphosa faces powerful opposition, will slow down essential economic reforms.

That said, if the government sticks to its reform agenda, and growth and investment pick up in the coming years, South Africa could be well placed to help spur economic development in the region.

THE ENERGY TRANSITION

An important trend to watch in the coming years will be how the country tackles the energy transition challenge.

Under the country's 2019 Integrated Resource Plan (IRP), it plans to decommission 10,500MW of coal generating capacity by 2030, rising to 35,000MW by 2050. Much of this is to be replaced by renewable sources, with the IRP aiming for 42% of new generation by 2030.

The main driver of renewable investment is the Renewable Independent Power Producer Programme (REIPPPP). It has undergone 5 bidding rounds since launching in 2011, attracting over $20bn in investment into South Africa's energy infrastructure.

The first four rounds have procured a total of 6,422 MW of renewable energy, with 3,876 MW operational and made available to the grid. The preferred bidders for window 5 were announced in October 2021, with 25 companies expected to add another 2,583MW of capacity to the grid. This includes successful bids from Norway's Scatec, and Aker Horizons' majority owned Mainstream Renewable Power.

Bid window 6 was opened in April 2022, and is targeting a further 2,600MW of renewable energy capacity.

While there are obstacles that need to be overcome, notably reform of troubled state-utility Eskom, there are indications that South Africa's renewable energy investment opportunities will accelerate in the coming years.

- **Global Funding:** At last year's COP26 climate summit, the U.S., U.K., Germany, France, and European Union announced an agreement to provide South Africa with $8.5bn in funding, specifically aimed at supporting its transition away from coal.
- **Regulatory Reform:** The government has passed amendments to the Electricity Regulation Act (ERA) to promote private sector participation. Notably this includes raising the generation license exemption threshold for self- or distributed-generation power plants from 1MW to 100MW – a move expected to spur the growth of IPPs and renewable investment.
- **A Green Hydrogen boom?:** The government has also announced plans to develop a project pipeline for green hydrogen development worth $17.8bn in the next decade. This comes amid plans by the likes of Germany to speed up technology transfer to Africa.

SOUTHERN AFRICA – THINGS TO WATCH

Like most of the continent, debt management will be a challenge for the region in the coming years. Zimbabwe is already in debt distress according to the IMF, with Zambia at high risk.

The latter could turn into a bright spot, however, following the election of Hakainde Hichilema as president in August 2021. There are hopes that his government will turn around a legacy of poor fiscal management and unsustainable borrowing under predecessor Edgar Lungu.

Action will also be needed to improve regional integration. While the Southern African Development Community (SADC) has the continent's most integrated economy in South Africa, the bloc has the lowest score on the Africa Regional Integration Index, dragged down by a gap in infrastructure and productive integration.

The overriding theme through 2030 will likely be energy investment and the energy transition. Mozambique is developing a $20bn liquefied natural gas project led by TotalEnergies, with ExxonMobil expecting its first LNG exports from the country by the end of 2022.

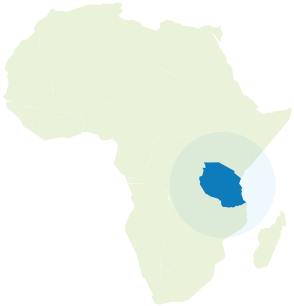
Namibia is also putting itself on the energy map, following recent significant offshore oil and gas discoveries by Shell and TotalEnergies. The country is also hoping to establish itself a a green hydrogen producer, and has signed a $9.5bn with Hyphen Hydrogen Energy to develop a project.

35.5 %

South Africa's unemployment rate in Q4 2021

– Statistics South Africa

"There are indications that South Africa's renewable energy investment opportunities will accelerate in the coming years."



Kenya – East Africa

East Africa is well placed to be the continent's most promising region over the next decade, with a dynamic regional leader in Kenya.

The country has averaged 4.35% growth since 2015, and as the global pioneer in mobile money, has established itself as a leading destination for technology investment and innovation.

Kenya sits at the heart of the East African Community (EAC) – Rwanda, Tanzania, Burundi, Uganda, South Sudan, Kenya, and Democratic Republic of Congo – which is the continent's best performer according to the Africa Regional Integration Index.

With 90% of the country's power generation coming from renewables in 2020, the country is also ahead of the curve in the energy transition.

Elsewhere, major investments are going into the development of fossil fuels. Shell and Norway's Equinor are closing in on an agreement to develop a liquefied natural gas (LNG) project in Tanzania that could attract up to $30bn of investment. In February TotalEnergies and the China National Offshore Oil Corporation reached a final investment decision on a $10bn project to develop oil production in Uganda, and a pipeline linking it with Tanzania.

There are some challenges that must be overcome to take advantage of this positioning.

One test is a general election scheduled for August 9, 2022. While Kenya has enjoyed political stability in recent years, voting in East Africa's biggest economy has carried heightened tension since the post-election violence of 2007. This year's polls come with the added dimension of a power struggle between outgoing president Uhuru Kenyatta and his former deputy William Ruto.

Assuming the election goes off without a hitch, the new government will have to reign in soaring debt – Kenya is among the list of countries rated to be at high risk of distress by the IMF – fuelled by big infrastructure loans under Kenyatta.

Kenya, and the East Africa region, are also grappling with the impact of inflation, with the government recently increasing the minimum wage by 12%.

THINGS TO WATCH

Ethiopia's ongoing conflict in Tigray, instability in Sudan, and the ongoing threat posed by militant groups like Al Shabaab in the horn of Africa are a potential risk to East Africa's generally favourable profile.

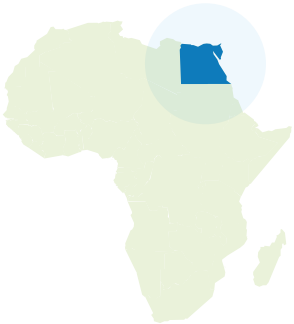
Food security is also quickly becoming a priority, with the World Food Programme warning that up to 20m people across the Horn of Africa are facing hunger due to severe drought. This is being compounded by soaring food prices due to the Russia-Ukraine war.

"Kenya sits at the heart of the East African Community (EAC) – Rwanda, Tanzania, Burundi, Uganda, South Sudan, Kenya, and Democratic Republic of Congo – which is the continent's best performer according to the Africa Regional Integration Index."

90 %

The share of Kenya's power generation from renewables

– Kenya Ministry of Energy



Egypt – North Africa

With an estimated GDP of $435bn (IMF: 2022) and a population of 102m, Egypt is Africa's second largest economy and third most populous country.

Under president Abdel Fattah el-Sisi, in power since June 2014 having seized power in a military coup in 2013, the country has seen a return to political stability following the upheaval of the Arab Spring.

This, coupled with an economic reform drive kicked off with a $12bn IMF loan in 2016 has supported solid macroeconomic performance, with growth averaging 4.37% since 2015.

Egypt has also been the leading foreign direct investment recipient on the continent since 2019 according to the World Investment Report, attracting $5.9bn in 2020.

It ranks 68th out of 136 countries on the Economic Complexity Index, and there are government efforts to diversify foreign investment away from natural resources (mainly oil and gas), including a $16bn Saudi-Egyptian investment, to promote sectors including tourism, education, pharmaceuticals, health, digital technologies, financial services, food, and infrastructure.

At first glance this puts Egypt in a strong position as a regional economic leader through 2030, but there are potential risks.

DEBT

President Sisi's reform programme has relied on heavy borrowing, with the country taking on $20bn from the IMF alone since 2016, with talks for more currently underway to help soften the impact of the Russia-Ukraine war.

By the end of the 2020/2021 fiscal year total debt hit $392bn, quadrupling since 2010. $137bn of this was external debt, which has soared from $46.5bn when Sisi came to power in 2014. In 2021 the debt-to-GDP ratio reached 89.84% in 2021.

Most external debt has come from bond sales in international markets and multilateral lenders like the IMF.

With plans to borrow an additional $73bn in 2022, and 54% of the 2022/23 budget projected to be dedicated to service payments, concerns about debt sustainability are rising.

INFLATION

As food and fuel prices soar due to the Russia-Ukraine war, Egypt – where year on year inflation rose to 13.1% in April, driven by the Russia-Ukraine war – could also face higher near- to medium-term risk of civil unrest.

A report by risk consultancy Verisk Maplecroft highlights Egypt, along with Tunisia, Senegal, and Kenya, as countries that are 'particularly worth watching' as pressure from rising food and fuel prices weighs on incomes.

A QUESTIONABLE REGIONAL ROLE

Aside from potential economic headwinds, it's debatable whether Egypt will play a regional leadership role on the continent.

While there has been some signalling about promoting investment and trade in Africa in recent years, Cairo has long had divided loyalties, with the geopolitics of the Middle East frequently taking precedence.

The country is also not a member of the Arab Maghreb Union (Morocco, Tunisia, Libya, Algeria, and Mauritania), instead belonging to the Common Market for Eastern and Southern Africa, where other important economic players like Kenya and South Africa already play more prominent roles.

That doesn't mean Egypt can't ramp up engagement, but this will require a conscious and committed push in the coming years.

Also, the absence of a deliberate Africa policy doesn't rule out more trade and investment with countries in East or North Africa. On the Africa Regional Integration Index Egypt ranks 6th out of 54 countries – making it a high performer, with good scores on infrastructure, trade, and productive integration.

NORTH AFRICA

Instability in Libya will continue to be a concern. A new standoff between rival governments in the east and west is currently threatening to derail plans to conduct long-delayed presidential elections. A continuation of the de facto civil war Libya has been in since the fall of Muammar Gaddafi in 2011 could disrupt oil supplies, and risk destabilizing the region.

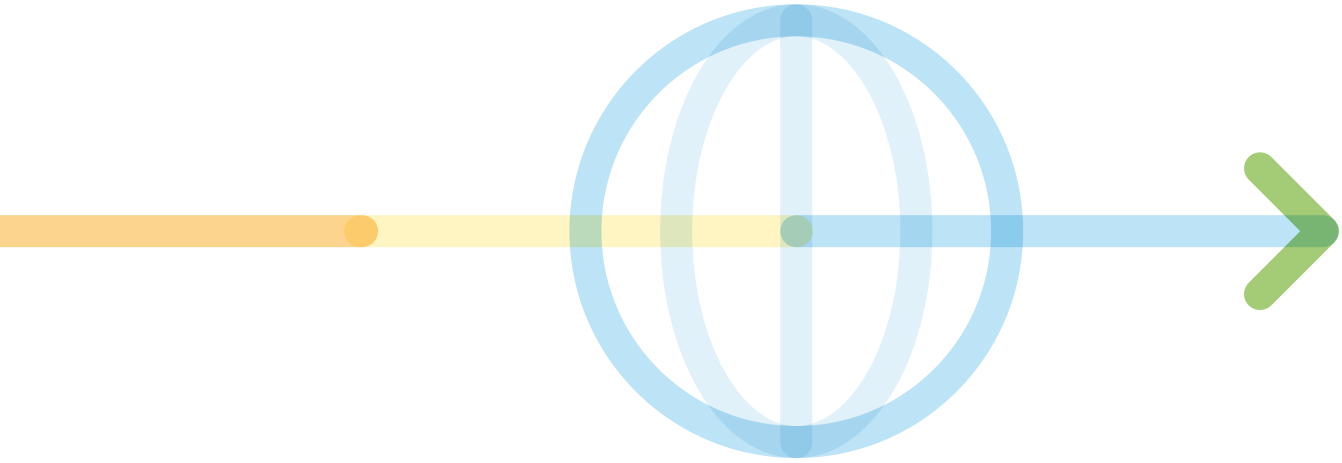
Tunisia is also confronting a political crisis, following the enacting of emergency powers by president Kais Saied in July 2021, citing it as a necessary step to end years of political gridlock. A promised revamp of the political system has so far failed to materialize, and there are growing concerns that the country is at risk of tilting towards autocracy.

Economically Tunisia is also under pressure to reign in debt and tackle the impact of soaring food and fuel prices – a challenge that the region as a whole needs to contend with in the coming years

$5.9 bn

FDI to Egypt in 2020, the highest in Africa

– UNCTAD World Investment Report



A Global perspective

A world of risk?

African economies must be prepared to face a challenging global environment through 2030. Some of the key risks include:

MONETARY TIGHTENING

In its April 2022 Global Financial Stability Report, the International Monetary Fund (IMF) says that central banks in developed markets face a challenging task of curbing soaring inflation amid the geopolitical turmoil of Russia-Ukraine. Emerging markets remain vulnerable to a disorderly tightening of global financial conditions, and it is crucial that central banks in advanced economies provide "clear guidance about the normalization process."

A disorderly tightening of global financial conditions would be "particularly challenging for countries with high financial vulnerabilities, unresolved pandemic-related challenges, and significant external financing needs." Such a description could be made of many African economies right now.

Of particular concern to the continent should be interest rate hikes in the U.S., of which the Fund warns that an abrupt increase could lead to "significant spillovers to some emerging and frontier markets, adversely affecting the recovery and further widening the gap with advanced economies."

Two weeks after the IMF report was released the Federal Reserve hiked rates by 0.5%, the biggest since 2000, following a 0.25% increase in March, part of a more aggressive monetary policy, which could see at least two more 0.5% increases this year. Given the uncertainty of the impact from the war in Ukraine, this may well change.

The effects of this range from potential capital flight to currency fluctuations, but the most pressing issue is that it will increase the cost of dollar denominated external debt in Africa, where many governments are struggling with debt sustainability.

"The IMF has warned that an abrupt increase in U.S. interest rates could lead to "significant spillovers to some emerging and frontier markets, adversely affecting the recovery and further widening the gap with advanced economies."

INCONSISTENT SUPPORT

Without significant global financial support African economies face an uphill battle to drive a post-covid recovery, and they cannot rely on such support being forthcoming against the backdrop of developed economies fighting inflation and cost of living crises at home, as well as the fallout from Russia-Ukraine.

Illustrative examples of the inconsistent character of global efforts to support an African recovery include the foot-dragging on vaccine supplies, which has thankfully now eased.

Debt relief is now arguably of more concern, with global efforts making little progress since the onset of the pandemic. The G20s Debt Service Suspension Initiative (DSSI), launched in 2020, only provided $10.3bn in relief, leaving a $35bn repayment bill in 2022 alone. In 2021 the continent's debt payment bill stood at $69bn, with another $185bn due between 2022 – 2024. In 2020, foreign debt payments accounted for 15.5% of Africa's total exports, more than tripling from 5.3% in 2011.

The G20 Common Framework, aimed at formulating a long-term response to Africa's debt problem through restructuring, has so far gained little traction, with just three countries – Chad, Zambia, and Ethiopia – applying for support.

Developed economies are also dragging their feet on a pledged $100bn in reallocated IMF Special Drawing Rights (SDR), from its August 2021 allocation of $640bn.

Elsewhere a long-standing pledge to provide developing economies with $100bn in climate financing is still falling short.

There are also concerns that development finance flows to Africa could drop due to shifting donor priorities, which are focusing on relief efforts in Ukraine.

LESS SUPPORT FROM CHINA?

Lending from China to African governments plummeted to a 16-year low in 2020 according to an April 2022 report by the Boston University Global Development Policy Center, registering a 78% drop to $1.9bn.

Loans from Beijing have been critical to financing on the continent – China accounted for 59.3% of official bilateral debt in 2019 – in the last two decades, particularly for infrastructure projects, and a prolonged decline in lending from China could further undermine already stretched budgets.

While the drop will certainly have been impacted by the pandemic – China – Africa trade hit an all time high of $254bn in 2021 according to China's customs agency – and does not necessarily reflect a long-term trend, this is nothing to be complacent about.

Beijing has signalled its intention to take a more cautious approach to lending on the continent, shifting away from the large infrastructure loans that have dominated the relationship since the turn of the century, towards a greater emphasis on SMEs, green financing, and private investment.

In short, going forward Africa can't rely on the de facto blank cheque policy that has underpinned borrowing from China for the last two decades.

"Beijing has signalled its intention to take a more cautious approach to lending on the continent, shifting away from the large infrastructure loans that have dominated the relationship since the turn of the century."

Or a world of opportunity?

While global uncertainty will likely persist through 2030, there is another important trend to watch – the world is increasingly looking to Africa for commercial and economic opportunity.

The trend of rising interest in the continent's commercial potential has been one of the defining themes since the turn of the century. Spearheaded by China's turn to Africa since 2000, this now covers a broad spectrum of partners across all geographies.

From India and Japan, Turkey and the Gulf states, to the European Union, United Kingdom, and the United States, investing in Africa has become a policy priority.

This trend has proven to be resilient through the 2014/15 commodities slump and the coronavirus pandemic. Despite these setbacks a number

"The trend of rising interest in the continent's commercial potential has been one of the defining themes since the turn of the century."

of major economies have launched new Africa strategies or made significant investment pledges in recent years. These include:

- A new Africa strategy from the U.S., *Prosper Africa*, launched under the Trump administration, and continued under president Joe Biden.
- In February 2022 the European Union announced a $160bn investment plan for Africa, as part of its Global Gateway strategy aimed at competing with China in key areas such as infrastructure.
- In June 2021 the G7 group of countries announced plans to invest $80b into the private sector across Africa over 5 years.
- The UK has set itself the target of becoming the largest G7 investor in Africa, and has launched a new UK – Africa investment summit platform to promote this.
- In 2019 Japan announced a goal of $20bn of private sector investment in Africa in three years, shifting away from a traditional focus on development aid.
- French president Emmanuel Macron has made engagement with Africa a policy priority, launching various investment initiatives in recent years.

The list goes on, with the likes of Turkey, India, Germany, the Gulf States, and others all ramping up their Africa focus in recent years.

This trend should be expected to persist despite the Russia-Ukraine war, and could actually intensify in important areas such as energy, with Europe scrambling to secure alternatives to Russian gas.

Italy for example has already signed gas supply agreements with Angola, Republic of Congo, and Algeria. During a visit to Senegal in May 2022 by German Chancellor Olaf Scholz, the two countries discussed the potential of gas supplies from the West African country.

We can expect many more initiatives like this in the coming months and years.

BEWARE OF THE GEOPOLITICAL TRAP

There have been some warnings that this surge in interest amounts to a 'new scramble for Africa', highlighting growing geopolitical competition between the U.S. and China on the continent, and more recently forays into Africa by Russia.

While there has been some rhetoric that has attempted to frame this as a struggle between Western democracies and authoritarian influences – most prominently by Washington – this is a miscasting of what is happening, that should be avoided by both African governments, and international partners looking to engage with the continent.

A more productive and accurate view is that the broad base of interest represents healthy competition that African governments can leverage to drive development.

The continent's are not faced with a Cold War-like choice between East and West, but a diverse set of potential partners that offer a diverse set of opportunities for investment and trade.

Take Senegal for example. While the supposed standoff between the U.S and China/Russia often makes the headlines, the country has been quietly forging stronger ties with Turkey, which has just constructed a new national stadium and international airport in the West African country.

The emphasis should be on taking advantage of diverse international interests from a neutral standpoint.

With the continent facing a decade of diminished fiscal space, leveraging global interest is unquestionably a compelling opportunity to drive investment and development – one that should not be missed.

"While there has been some rhetoric that has attempted to frame this as a struggle between Western democracies and authoritarian influences – most prominently by Washington – this is a miscasting of what is happening."

$160 bn

The amount the European Union plans to invest in Africa as part of its Global Gateway strategy

– European Commission

"Leveraging global interest is unquestionably a compelling opportunity to drive investment and development – one that should not be missed."

Conclusion and recommendations

There should be no illusions that Africa is facing a decade of uncertainty and economic headwinds. The true impact of Covid is still unfolding, and the Russia-Ukraine war has poured more proverbial fuel onto the fire.

Reigning in unsustainable debt and creating fiscal space, tackling food insecurity, supporting the energy transition, and driving regional integration are essential areas that need committed and consistent action from African governments and their international partners.

It's a hefty to-do risk, and with much of the continent facing difficult economic and financial conditions, it is tempting to despair at the scope of the challenge.

To meet the challenge Africa's governments and development finance institutions should use the current cascade of cries as a catalyst for action to significantly step up coordination and reform.

There are some signs that the need for action is being recognized.

In May 2022 the African Development Bank (AfDB) approved a $1.5bn African Emergency Food Production Facility aimed at supporting efforts to avoid a food crisis due to the Russia-Ukraine war.

The African Export-Import Bank (Afreximbank) has set up a $4bn Ukraine Crisis Adjustment Trade Financing Programme for Africa to help soften the blow from the conflict, while the Africa Finance Corporation (AFC) in May announced a $2bn fund to boost lending on the continent.

Such steps are a start, but must go beyond an emergency response to the war in Ukraine to develop meaningful long-term solutions to Africa's development challenges, underpinned by strong government commitment and consistent implementation.

Beyond Africa more must be done to mobilize funding to help provide the fiscal space governments need to respond to the dual crisis of the covid pandemic and the Russia-Ukraine war.

Critical areas include:

- Debt relief and restructuring through the G20 Common Framework
- Increased climate finance
- The reallocation of IMF Special Drawing Rights

The view from Norway

Norway is well placed to position itself as a partner for Africa as the continent seeks to navigate a decade of uncertainty. It enjoys strong goodwill across the continent, and through its influence on the world stage, can leverage its soft power to champion Africa's needs and priorities globally.

Norway is also well placed to be an important investor in strategically significant sectors such as agriculture, technology, and especially energy.

"To meet the challenge Africa's governments and development finance institutions should use the current cascade of cries as a catalyst for action to significantly step up coordination and reform."

"Norway is well placed to position itself as a partner for Africa as the continent seeks to navigate a decade of uncertainty. It enjoys strong goodwill across the continent, and through its influence on the world stage, can leverage its soft power to champion Africa's needs and priorities."

Specific focus areas could include:

- **Be a global champion for Africa:**
  - Support international efforts to provide debt relief for African countries, and to mobilize financial resources through vehicles like the IMF's Special Drawing Rights
- **Drive the energy transition** through investments into renewable energy, including:
  - Large scale renewable energy projects
  - Off-grid solutions and rural electrification
  - Technical assistance on regulation and enabling environments

Some Norwegian companies such as Scatec and Aker Energy are already playing a leading role in this

- **Promote energy security in Africa** and internationally through strategic investments into natural gas and oil, such as Tanzania's prospective $30bn LNG project, in which Equinor is a partner.
- **Support regional integration efforts**, particularly implementation of the AfCFTA
- **Focuse on private sector development and investment**, which can act as a catalyst for job creation and wider economic development. By prioritizing large regional economies and strong performers, this can have a meaningful impact across the continent.
- **Supporte climate action** through, for example, mobilizing international finance

A CHALLENGE FOR NORWAY – WHAT IS THE AFRICA STRATEGY?

While Norway is undoubtedly an important partner for Africa, the country would be hard pressed to answer a fairly simple question – **what is Norway's Africa strategy?**

While many other countries have launched dedicated strategies for the continent – a few like Japan, the U.S., UK, European Union, Turkey and France are listed above – or set themselves concrete targets in terms of trade or investment, Norway's engagement with the continent can at times feel too discreet and subtle. There is no obvious go-to for information, data or guidance on how the country is promoting investment and partnership with Africa.

Having a more clearly defined strategy for the continent could help to support Norwegian companies looking to invest in Africa, and raise awareness of what Norway has to offer as a partner in driving economic development, and action in key areas like the energy transition, food security, and climate change. This would also help the country to stand out among the ever growing list of suitors eyeing opportunities on the continent.

Such efforts could benefit from setting a specific target for investment from Norway through 2030, a thematic focus, or a platform along the lines of Japan's Tokyo International Conference on African Development (TICAD), The UK's Africa Summit, China's Forum on China–Africa Cooperation, or the European Union's EU – AU Summit.

In Naba's annual Nordic-African Business Summit there already exists an ideal platform to promote a more defined Africa strategy, and it could be leveraged to that effect.

With Africa set to play a critical role in world affairs through 2030 and beyond, be it in terms of energy, food security, immigration, or climate change, it is a challenge worth considering.

"While Norway is undoubtedly an important partner for Africa, the country would be hard pressed to answer a fairly simple question – what is Norway's Africa strategy?"

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