

EXECUTIVE SUMMARY

Investing in a **Just and Sustainable Transition** in Africa



ECONOMIC REPORT ON AFRICA



United Nations
Economic Commission for Africa

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FOREWORD

Africa faces persistent hurdles to its inclusive and sustainable development. Despite several pockets of excellence in the continent's progress towards the Sustainable Development Goals (SDGs) and the African Union's Agenda 2063, the number of SDG targets that require acceleration or reversal exceeds those that are on course. To reverse this trajectory, Africa requires financing of about \$1.6 trillion through 2030. In a multipolar, geopolitically unstable world mired in polycrisis, Africa cannot continue with business-as-usual and be fit for purpose.

The confluence of crises triggered by the Covid-19 pandemic, conflict, and climate-related disasters has reversed social and economic development gains of the past decades. Africa's average real GDP growth in recent years, even when accounting for an acceleration anticipated in the medium term, has been below its potential and the rate needed to achieve its socioeconomic goals. Poverty, inequality, food insecurity, and unemployment continue to be aggravated with 476 million people, or about one third of the continent's population and 50 million more than in 2019, estimated to be in poverty in 2024. Moreover, the number of people vulnerable to poverty rose by 28% from 2019 to 2023. The continent needs to enhance its climate resilience and embark on a greener growth path to generate quality jobs and contribute to global efforts to combat climate change and preserve the biosphere.

Africa is well positioned to successfully pursue a JST that best serves its people and strategic interests. This year ECA's Economic Report for Africa lays the foundation for catalysing the required policy and institutional frameworks for doing so.

A just and sustainable transition (JST) promoting accelerated, inclusive, and sustainable growth, as well as diversification and green industrialization will help Africa reach its potential. In this context, the *Economic Report on Africa 2024* analyses the opportunities and policies for Africa to build a just and sustainable economic system. For this to materialize, however, African countries need holistic development plans and strategies that fundamentally redirect their production, consumption, governance, technology, human capital, and financial systems. The private sector will play a key role in both the design and implementation stages.

Fostering investment in a JST on the continent will require African countries to mobilize the required financing both domestically and externally. Leveraging Africa's potential for a JST would also hinge on transformational leadership guided by an African narrative, supported by multistakeholder coalitions at the national and regional levels. Finally, presenting united and amplified African voice at key global institutions will be critical. The AU's gaining a seat at the G20 provides an opportunity to articulate Africa's views on key issues for the continent.

Africa is well positioned to successfully pursue a JST that best serves its people and strategic interests. The 2024 edition of the Economic Report on Africa lays the foundation for catalysing the required policy and institutional frameworks for doing so.

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EXECUTIVE SUMMARY

Amid the fragmented and conflict-prone world, Africa faces many economic, social, and environmental challenges. They are unprecedented in scale, complexity, and interconnectedness, and they impede Africa's attaining the 2030 Agenda for Sustainable Development and the African Union's Agenda 2063. These global challenges render business-as-usual strategies unsustainable. A new approach is required to accelerate wealth creation, reduce inequality, and achieve more equitable and sustainable development.

The increased demand for renewable energy encourages African countries to transition to inclusive, low-carbon, and resource-efficient economies, while closing the energy gap. Transitioning to full energy access and sustainability will require changes in interdependent societal systems across multiple levels—from more strategic participation in global supply chains to the behaviour of individual citizens. Industrializing Africa on fossil fuels only is not feasible given the planetary crisis. In the medium term, the continent will use renewables and non-renewables to close its energy gap. Progress will depend on how the African policymakers will approach the critical transition elements and drivers in the coming decades.

The Economic Report on Africa (ERA) 2024 presents the case for investing in a just and sustainable transition (JST) while achieving energy access for all. Using country case studies, macro, sectoral and firm evidence, and the findings and recommendations of previous ERA editions, the 2024 report assesses the necessary conditions for a JST in Africa and how to catalyse the needed investment.

The 2024 ERA proposes defining the JST from an African perspective and highlights the opportunities and policy imperatives for African countries to achieve it. The report aims to:

- Contextualize and conceptualize the imperative for JSTs for Africa to achieve its economic, social, and environmental priorities.
- Highlight opportunities and assessing the state of JSTs in Africa in terms of the three pillars of sustainability: environmental, social, and economic.
- Evaluate the opportunities for financing the JSTs in Africa based on country case studies.
- Recommend policies and frameworks for Africa to successfully undertake the JSTs.

The report underlines the leapfrogging opportunities stemming from Africa's early stage of development and generous endowment in natural resources. The latter is key for sustainability transition. The report underscores Africa's other strengths such as arable land and youthful populations. Making the most of them will require not only a fundamental shift in countries' policy and planning processes, but also much greater and more effective involvement of the private sector and development partners. This report also highlights the policy and institutional mindset shifts required to catalyse JSTs in Africa.

To reach its objectives, the JST needs to reflect Africa's specificities. An interpretation of a JST that serves Africa's needs well defines it as an economic system encompassing environmental sustainability, social mitigation, and green industrialization. The desired result is not only sustainable energy generation, environmental protection, and social mitigation, but also a wider green industrial transformation. The foundation for JSTs is the emerging business models and best practices that generate substantial resource savings through circular economies and leapfrogging technologies while driving development.

However, for Africa to rapidly exit from fossil fuels is not an option, given a rapidly growing population with about 600 million Africans lacking electricity. The shift to renewables thus needs to be gradual, while other sources will still play a key role over the medium term.

KEY MESSAGES

African countries can achieve their development objectives by promoting low-carbon development paths driven by the region's abundant and diverse renewable energy resources, but the transition away from fossils needs to be gradual, as stated in the African Common Position on Energy Access and Just Energy Transition, led by the African Union.

Africa has window of opportunity to undertake impactful, just and sustainable transitions (JSTs) guided by African-informed narratives and needs. Factors such as its youthful population, arable land, renewable resource endowments, huge deposits of strategic minerals, and latecomer advantages from emerging technologies position Africa to shape the sustainability transition at the global level while closing its own gaps in energy availability.

Despite Africa's huge potential, investment in its sustainability transition, and in renewable energy sources especially, remains negligible. The five country case studies of Gabon, Kenya, Morocco, Senegal, and South Africa in this report show that attracting investment into renewables is possible, but success so far has been limited to specific sectors in a handful of countries. Morocco has achieved notable progress in mobilizing resources for the transition.

For the transition in Africa to be just, it needs to be embedded in African narratives, pursuing Africa's best interests and relying on key enablers. Those enablers include renewable energy development, low-carbon industrialization, resource-efficient technologies, collaborative governance, adequate public and private investment flow, closing energy gaps, enhancing well-being, and creating jobs. To succeed, the transition needs to be Africa-led.

Achieving JSTs in Africa requires fundamental shifts in the economic, governance, and technology systems. These shifts need to be driven by efficient natural resource use, sustainable infrastructure development, low-carbon industrialization, and resilient agroecological systems. Repositioning Africa in global value chains and creating green jobs for its young people will require transitioning from an extractive-economy to a value-adding, productive economy increasingly powered by clean energy.

While pursuing JSTs, African policymakers should be guided by forward-looking visions and strategies that maximize the continent's benefits from emerging economic and technological opportunities and use continental mechanisms such as the African Continental Free Trade Area for implementation.

Financing JSTs in Africa is crucial to ensure inclusive development of low-carbon resilient economies without compromising prosperity. Transitioning will require heavy resources to fund capital investment, financial innovation, and social protection systems, and the continent will need to catalyse innovative approaches. To close the Africa's financing gap fairly and attain JSTs, the international financial architecture requires a paradigm shift and major reform.

African countries are well positioned to expand their fiscal space by strategically leveraging their natural resources. This can be done by developing strategic minerals, integrating natural capital into national resource accounting and planning processes, curbing illicit financial flows, and leveraging the continent's strategic role in the evolving geopolitical landscape.

KEY POLICY RECOMMENDATIONS

The overarching goal of a JST framework for Africa is to improve human well-being today without jeopardizing the well-being of future generations. This is to be achieved by fulfilling basic needs, creating productive jobs and sustainable livelihoods, and establishing a healthy ecosystem. Such a framework recognizes—as the driving forces for a JST—low-carbon industrialization that is inclusive, creates decent jobs, is environmentally sustainable while pursuing sustainable agroecosystems. Against this background, the main policy recommendations of the 2024 ERA are:

- ***Strengthen strategies and policies for JSTs in Africa with national development plans that integrate national priorities with the SDGs and Agenda 2063 and associated financing mechanisms.*** Development policies and strategies, championed by transformative leadership, should help African countries seize the leapfrogging opportunities given Africa’s early stage of development, natural resources and human endowments, emerging technologies, and African Continental Free Trade Area.
- ***Facilitate the key role of the private sector, but JSTs should be prudently managed rather than solely relying on market mechanisms.*** This approach aims to reduce economic and social upheaval and support job creation, social inclusion, and poverty eradication.
- ***Balance growth and strategic public investment while maintaining fiscal sustainability.*** African governments need to mobilize more domestic financial resources and improve tax-to-GDP ratios by strengthening tax structures (including environmental taxes), capacity-building, institutions, procurement systems, and digital technology use. Streamlining subsidies and targeting social protection can raise the efficiency of fiscal spending.
- ***Mobilize new financing and make smarter use of available financial resources to invest in Africa’s untapped opportunities for JSTs.*** The case studies reveal the steps that some African countries are taking to support investment in JSTs. Policy commitments and clear strategies supported by adaptable institutional mechanisms are key for achieving investment sustainability. They are also key for mobilizing capital through sustainable budgeting, private capital markets, green and blue bonds, and carbon credits.
- ***Establish a dedicated national mechanism for financing JSTs, backed by the national bank or treasury, to facilitate more efficient use of available funding.*** African countries can leverage the global boom in “green” minerals and other natural resources to export premium carbon credits, generating additional financing for sustainable investment.
- ***Develop strategies for sustainably managing natural capital to foster investment in JSTs.*** Incorporating natural capital in national development plans can expand fiscal space, providing a foundation for green fiscal policy instruments and for rebasing GDP. This effort should be underpinned by strategies for sustainable industrialization. This shifts the development policy focus to “strategic minerals” and Africa’s enhanced role in processing, value addition, and global value chains.
- ***Support multilevel collaborative governance, human capital, and leapfrogging technologies essential for JSTs.*** Given the cross-border and cross-jurisdiction nature of climate change and ecological degradation, collaborative governance by all government levels, including international organizations, and other key stakeholders (firms, NGOs, citizens) is a precondition for successful JST implementation.
- ***Build effective multistakeholder partnerships and coalitions at national, regional and global levels.*** This includes multicountry frameworks such as the Climate Commission of African Island States to create synergies and improve coordination. The AU recent membership in the G-20 provides a platform for assertively voicing Africa’s perspectives and influencing global decisions on the priority issues.

African countries have great opportunities to make the transition to inclusive, low-carbon, and resource-efficient economies. Tapping into these opportunities and transitioning to sustainability require changes in interdependent societal systems across multiple levels, from the operation of global supply chains to the behaviour and values of individual citizens. These transitions, without precedent, represent immensely complex and uncertain processes. Progress will depend on how well African policymakers understand the key dynamics and handle the critical transition elements and drivers in coming decades. They can start by reflecting on their country's development narrative and the types of infrastructure they will need.

The *Economic Report on Africa 2024* lays out the case for investing in a just and sustainable transition to meet the aspirations of the 2030 Agenda and Agenda 2063 for building a prosperous Africa. Building on country case studies and the findings and recommendations of previous Reports touching on structural transformations and sustainability transitions, the 2024 Report assesses the conditions for pursuing that transition in Africa.

African countries can leverage the global boom in “green” minerals and their large renewable-energy resources, tropical forests, and marine ecosystems to export premium carbon credits, generating finance for sustainable investments. Fostering such investment in a just and sustainable transition in Africa will depend on the ability of African countries to mobilize the required financing from domestic and external sources, including climate finance. This year's Report identifies the required policy and institutional frameworks for doing so.