Overview of recent economic and social developments in Africa

I. Economic performance

A. Subdued growth in a sluggish global context

1. Despite significant monetary tightening and lingering policy uncertainties caused by multiple disruptions stemming from climate change, conflict and other sources, the global economy maintained its resilience in 2023 thanks to declining energy and food prices, an increase in consumption in China and the improvement in economic growth in the United States of America. High debt levels, rising borrowing costs, persistently low investment, weak global trade and mounting geopolitical risks are, however, expected to weigh on global growth in the short-to-medium term. As a result, global growth is anticipated to decelerate from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024, before improving moderately to 2.7 per cent in 2025 – rates that are all below the average level prior to the coronavirus disease (COVID-19) pandemic of 3.0 per cent, as shown in figure I.1

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1 The analysis in this section is based on *World Economic Situation and Prospects 2024* (United Nations publication, 2024).
2. African economic growth declined to an average of 2.8 per cent in 2023, underpinned by tightening monetary policies, constrained demand for African exports and the war in Ukraine, which has resulted in elevated food and fuel costs, impeded the flow of development funds across the continent, constricted fiscal space and obstructed the movement of commodities and services. Growth is projected to improve marginally in 2024, rising to 3.5 per cent and then reaching 4.1 per cent in 2025, signalling the bottoming out of the slowdown in 2023. Net exports underpinned African economic growth in 2023, followed by private consumption and gross fixed investment, and are expected to continue underpinning growth in the short-to-medium term, as shown in figure II, despite sluggish global growth and tight global financial conditions.

3. The persistently sluggish global economy, tight global financial conditions, high debt levels among African countries and relatively high inflation rates are expected to weigh on the growth prospects of the region in the short-to-medium term.
Figure II


B. East, North and West Africa continue to lead growth

4. At the subregional level, economic growth in Africa over the past year has mainly been driven by growth in East, West and North Africa, as shown in figure III. After a robust recovery from the COVID-19 pandemic in 2021, growth in East Africa declined marginally to 5.4 per cent and 5.0 per cent in 2022 and 2023, respectively. The reduction was mainly driven by less than expected mining activity in the Democratic Republic of the Congo and an adjustment from the period of high growth during the recovery from the COVID-19 pandemic in Rwanda. Growth has reflected the robust economic activity in Ethiopia that has been underpinned by increased levels of gross fixed investment since the conclusion of the peace deal by the Government and the Tigray People’s Liberation Front. Growth in the subregion is expected to reach 5.5 per cent and 5.9 per cent in 2024 and 2025, respectively.

5. Owing to security and governance challenges, growth in West Africa declined from 3.9 per cent in 2022 to 3.6 per cent in 2023, and it is expected to
rebound to 3.8 per cent and 4.1 per cent in 2024 and 2025, respectively. The military coups d’État in the subregion have exacerbated food insecurity, driven up the number of internally displaced persons and negatively affected such sectors as health and education.

6. The growth rate in Central Africa decreased from 3.0 per cent in 2022 to 2.5 per cent in 2023. The deceleration is indicative of a declining pattern in the prices of commodities since their peak in 2022 and uncertainty arising from post-electoral developments in some countries. Growth is, however, expected to accelerate to 3.1 per cent and 3.7 per cent in 2024 and 2025, respectively, driven by strong growth in Cameroon, the Congo and other countries.

7. As a result of the economic recoveries that were triggered by the resumption of production in oilfields in Libya and the revival of the primary sector in Morocco, growth in North Africa increased marginally between 2022 and 2023, rising from 1.6 per cent to 1.8 per cent. The conflict in the Sudan, which remains extremely precarious, fiscal pressures and continually soaring inflation rates diminish the subregional outlook, however.

Figure III
Real gross domestic product growth by subregion, 2020–2025
(Percentage)


Note: e, estimate; f, forecast.

8. Maintaining the economic rebound of 2021 has remained a challenge in Southern Africa, mainly owing to the withdrawal of fiscal support by donors, rising interest rates, poor agricultural production, the impact of climate change and high energy deficits. Economic growth in the subregion declined to 1.6 per cent in 2023 but is expected to rise to 2.3 per cent in 2024, led by the fast-growing economies of Botswana, Mauritius and Mozambique. High public debt levels, adverse weather conditions, energy and logistical constraints, elevated interest rates and constricted fiscal space in South Africa, the largest economy in the subregion, however, are expected to continue to take a toll on subregional economic activity.

C. Bleak fiscal performance

9. In 2023, the African fiscal deficit surpassed its 2019 level of 4.4 per cent of gross domestic product (GDP), reaching 4.5 per cent, and is projected to rise to 5.0 per cent in 2024. The continuation of restrictive global financial circumstances is making the servicing of debt costlier, and regular catastrophic

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weather events are causing substantial losses and damage, further exacerbating fiscal and other pressures. The situation is made worse by the average tax-to-GDP ratio remaining below its 2019 level of 15.8 per cent.\(^4\) The fiscal deficit is reflective of increased net capital outflows and subdued export revenues, mainly in resource-intensive economies.

10. In Southern Africa, the fiscal deficit increased to 5.2 per cent of GDP in 2023, as shown in figure IV, and is projected to decline in 2024 and 2025. The Government of South Africa, in its medium-term budget policy statement, announced that it estimates that the national fiscal deficit for 2024 will be 4.9 per cent,\(^5\) which is attributed to deficiencies in tax collection, as issues pertaining to power generation and freight rail have limited economic productivity, and a decline in windfall income from robust commodity prices.

11. At 5.1 per cent of GDP in 2023, the fiscal deficit in West Africa was structural in nature and resulted from sustained spending on public infrastructure and low domestic resource mobilization.

12. The North African fiscal deficit is projected to continue to grow through to 2024, owing to tax revenue deficits and rising debt payments, and will exceed those of Southern and West Africa in that year. Since 2022, Central Africa has stood out as the only subregion to record a budget surplus.

Figure IV
Fiscal balances in Africa by subregion, 2020–2025
(Percentage of gross domestic product)


13. African debt has grown by 183 per cent since 2010, reaching $1.8 trillion in 2022.\(^6\) By 2023, the debt-to-GDP ratio had risen to 65.2 per cent, owing to growing financing needs resulting from rising food and energy import bills, high debt service costs, exchange rate depreciation and rollover risks.\(^7\)

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\(^7\) ECA calculation.
Forecasts indicate that debt will remain above the level prior to the pandemic over the period 2023–2025, as illustrated in figure V.

14. Despite a general stabilization in debt levels, several low-income African countries remain either in debt distress or at a high risk of debt distress. According to the International Monetary Fund (IMF), as of November 2023, 8 African countries were in debt distress and 13 were at a high risk of debt distress. High borrowing costs and the appreciation of the United States dollar have increased the burden of servicing debt denominated in foreign currencies. Of significant concern is the difficulty which some countries may encounter in extending their short-term obligations, given that the cumulative repayment in Eurobonds scheduled for 2024 and 2025 has reached approximately $6 billion.

Figure V

Government gross debt in Africa by subregion, 2020–2025
(Percentage of gross domestic product)


15. The financing constraints will impede the capacity of Governments to allocate resources to investment in education, health, sustainable infrastructure and the energy transition, and to accelerate progress towards sustainable development.

D. Inflation remains relatively high in most countries

16. Inflation rates remain relatively high in Africa, mainly as a result of weakening domestic currencies, elevated commodity prices and supply disruptions. Consumer price inflation for Africa is estimated at 18.3 per cent in 2023, up from 13.1 per cent in 2022, as shown in figure VI. In some countries, inflation remains stubbornly high, despite the efforts of central banks to raise policy rates, which, among other factors, reflects the low credibility of monetary policy and low monetary policy transmission to the real economy.

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10 *World Economic Situation and Prospects 2024*. 
17. Compared with other subregions, West Africa and North Africa (excluding the Sudan) had the highest average inflation rates in 2023, at 21.5 per cent and 20.2 per cent, respectively. Those rates were largely driven by the high inflation rates in Ghana and Sierra Leone. Even though food prices have edged down, inflation remains high in most African countries but is expected to decelerate to 14.5 per cent and 10.6 per cent in 2024 and 2025, respectively.

18. With many African currencies losing ground against the dollar, inflationary pressures worsened on the continent. The rand depreciated by almost 11 per cent against the dollar in the past year, making it one of the poorest performing currencies among developing markets. The naira plunged 55 per cent in 2023, and the Kenyan shilling posted its largest drop in 30 years, depreciating by 21 percent against the dollar.

Figure VI
Average inflation in Africa and its subregions, 2020–2025
(Percentage)

Note: e, estimate; f, forecast.

II. Trade and investment

A. Investment trends and opportunities

19. Africa saw a notable surge in foreign direct investment (FDI) in 2021 with an inflow of $83 billion, which was mainly accounted for by a single intrafirm transaction in South Africa linked with a major corporate reconfiguration. That figure, therefore, is not indicative of a genuine recovery, as substantiated by the level of FDI in 2022, which dropped to $45 billion, as shown in figure VII.

20. Inflows of FDI reveal a steadfast trend in all subregions except Central Africa, which is notably lagging, recording a negative flow of $548 million in 2022. Traditionally, North Africa has been a magnet for FDI. Egypt emerged

13 Eric Ombok, “Kenyan shilling’s 21% tumble is biggest drop in 30 years”, Bloomberg, 29 December 2023.
15 Ibid.
16 Ibid.
as the top destination for capital investment in 2022, largely owing to large-scale projects in green hydrogen.\textsuperscript{17} European investors remain the largest holders of FDI stock in Africa, led by the United Kingdom of Great Britain and Northern Ireland, France and the Kingdom of the Netherlands, in descending order.\textsuperscript{18} China continues to be a substantial source of FDI, however, as, by October 2023, 36.1 per cent of its global outbound FDI that year had been sent to Africa.\textsuperscript{19}

**Figure VII**

**Annual inflows of foreign direct investment by African subregion, 2001–2022**

(Millions of United States dollars)

![Diagram showing annual inflows of FDI by African subregion]


*Note*: a, average.

21. The value of greenfield projects announced in Africa surged to $195 billion in 2022, and the number of projects rose to 766.\textsuperscript{20} Africa is home to 6 of the top 15 greenfield megaprojects (those worth more than $10 billion) announced in 2022.\textsuperscript{21} Resource-oriented industries continue to attract the largest share of greenfield announcements, but recent trends show an increasing diversification away from raw materials to manufacturing and services.\textsuperscript{22}

22. The outlook for FDI flows to Africa is marked by uncertainty, however, owing to rising capital costs, geopolitical tensions, the wars in Ukraine and the Gaza Strip and signs of a global economic slowdown.

23. The full implementation of the Agreement Establishing the African Continental Free Trade Area is, therefore, vital. The creation of a common market targeting 1.4 billion people is a more appealing prospect for investors compared with 54 individual countries. The protocol on investment to the Agreement provides for uniform standards across the continent for the facilitation and promotion of investment and the protection of investors, creating a consistent and predictable policy environment. Moreover, various mechanisms are introduced in the Agreement to enhance coherence, such as a pan-African investment agency and national focal points.


\textsuperscript{19} Seth O’Farrell, “Chinese outbound FDI boom signals ‘new phase’”, fDi Intelligence, 3 October 2023.

\textsuperscript{20} World Investment Report 2023.

\textsuperscript{21} Ibid.

B. African trade continues to face headwinds

24. As illustrated in figure VIII, African trade is estimated to decline in 2023, reflecting net capital outflows and subdued export revenues, mainly in resource-intensive economies.23 As shown in figures IX and X, although overall African exports are expected to amount to $600 billion in 2023, intra-African exports will reach only $110 billion.24 The need for the full implementation of the Agreement Establishing the African Continental Free Trade Area is, therefore, apparent.

Figure VIII

Total African trade and year-on-year growth, 2017–2023
(Millions of United States dollars and percentage, respectively)


Note: Total trade is the sum of imports and exports; 2023 values are estimated on the basis of data available up to August 2023.

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24 Ibid.
25. Imports to Africa have continued to grow and reached an all-time high of $698 billion in 2022 before falling slightly to an estimated $666 billion in 2023. African imports from within the continent, however, remain low, exposing Africa to external shocks.

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C. Intra-African trade continues to be the key to economic diversification

26. In 2022, 42 per cent of all African exports were in extractive commodities, specifically fuel products, as shown in figure XI. In addition, ores and metals and food products comprised 6 per cent and 11 per cent, respectively, of African exports. The high concentration in the export of raw commodities has kept Africa trapped at low points along critical value chains and leaves it dependent on the rest of the world for the import of manufactured and finished products.

27. Intra-African exports, however, are much more balanced and concentrated in goods that have a higher position in critical value chains, as shown in figure XI. In 2022, exports of manufactured goods accounted for 43 per cent of all intra-African exports, presenting an opportunity for Africa to develop and to reduce its dependence on third parties.

Figure XI
Composition of African exports, 2022
(Percentage)


Abbreviation: SITC, Standard International Trade Classification.

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26 The analysis in this section is based on data from UNCTAD, UNCTADstat. Available at https://unctadstat.unctad.org/EN/ (accessed on 12 December 2023).
III. Recent social trends and developments

28. The confluence of crises triggered by the COVID-19 pandemic, conflict and climate-related disasters have reversed social and economic developmental gains accrued over recent decades. Today, Africa leads in global poverty: in 2022, 54.8 per cent of all people living in poverty lived in Africa.\(^27\) In 2020, Africa recorded an increase of 16 per cent (2.5 million) in the number of its migrants, compared with 2015.\(^28\)

A. Increasing levels of poverty and vulnerability

29. The multiple crises that Africa is facing have continued to perpetuate and exacerbate levels of poverty, inequality and unemployment. The Economic Commission for Africa estimates that 476 million people will be in poverty in Africa in 2024, a 71 per cent increase on the equivalent number in 1990. The number of people who are vulnerable to poverty has risen between 2019 and 2023 by 28 per cent, as shown in figure XII.\(^29\)

30. That trend exacerbates gender inequality. Although some African countries have made some progress in relation to Sustainable Development Goal 5, most countries are still far from achieving gender equality by 2030.\(^30\)

Figure XII

Poverty and vulnerability trend in Africa, 2019–2024
(Percentage of population, left axis; hundreds of millions of people, right axis)


Note: Poverty is estimated using the international poverty line of $2.15, and vulnerability to falling into poverty is measured at 20 per cent above the international poverty line.

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\(^{27}\) ECA estimate based on data from the World Bank.


\(^{30}\) For more information, see Jeffrey D. Sachs and others, *Sustainable Development Report 2022: From Crisis to Sustainable Development – the SDGs as Roadmap to 2030 and Beyond* (Cambridge, United Kingdom, Cambridge University Press, 2022).
31. ECA estimates reveal that the capacity of African countries to tackle poverty and inequality effectively is severely constrained by the low effect of economic growth on poverty reduction. In Africa, the growth elasticity of poverty is low, confirming that countries with low levels of initial development (or high initial poverty rates) and high inequalities tend to have lower growth-poverty elasticities.

32. Climate change will be one of the main drivers of migration and poverty in Africa. Some 118 million people living in extreme poverty on the continent will be exposed to drought, floods and extreme heat by 2030, and sub-Saharan Africa may lose up to 3 per cent of its GDP by 2050. In the absence of investment in early warning systems, weather and climate services and climate adaptation, Africa will continue to witness a slowdown in the success of its efforts to alleviate poverty.

B. Population, urbanization, labour and education

33. By 2050, the global population is projected to be about 9.8 billion, with more than twice as many people living in urban areas (6.7 billion) than in rural areas (3.1 billion). The continent accounts for 1.4 billion people, and its population is projected to increase to 2.9 billion by 2050. The African population is growing faster than the capacity of the continent to create decent jobs, however. Owing to the demographic and urbanization trends in the region, as illustrated in figure XII, the size of the African labour force will continue to grow over the coming 25 years.

Figure XIII
Share of people living in urban areas in Africa, 1950–2020
(Number of countries)


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33 ECA calculation based on United Nations data.
34. Unemployment rates have been rising in Africa since 2020, and nearly 13 million young people are currently unemployed.\textsuperscript{34} African labour markets are characterized by widespread informality, working poverty, underemployment and the prevalence of low work productivity. The informal economy accounts for nearly 83 per cent of employment in Africa.\textsuperscript{35} In African urban areas, more than 80 per cent of jobs are in the informal economy.\textsuperscript{36} The rise of informality means that a growing share of economic activity is taking place without regulation or oversight.

35. Africa has structurally high unemployment rates, which are largely attributable to inefficient education policies that result in a deficit in skills among young people and a mismatch between skills and employment. The development of new social contracts in African countries, including through improvements to the affordability, accessibility and applicability of the education sector, can help to address that mismatch and tackle poverty, inequality and informal employment.

IV. Impact of the implementation of the Agreement Establishing the African Continental Free Trade Area

36. The full implementation of the Agreement Establishing the African Continental Free Trade Area is estimated to increase intra-African trade by around 35 per cent by 2045 and benefit all main economic sectors.\textsuperscript{37} Intra-African trade in agrifood, services and industry is expected to increase by around 54, 38 and 36 per cent, respectively, compared with 19 per cent for energy and mining, as shown in figure XIV.\textsuperscript{38} Thus, the Agreement is expected to help Africa to not only industrialize but also reduce its dependence on energy and mining.

\textsuperscript{34} International Labour Organization (ILO), “African youth face pressing challenges in the transition from school to work”, 10 August 2023.
\textsuperscript{35} ILO, Concept note for the policy dialogue “Informal economy in Africa: which way forward? Making policy responsive, inclusive and sustainable”, held in Victoria Falls, Zimbabwe, on 10 and 11 May 2022.
\textsuperscript{36} Melis Guven and Raphaela Karlen, “Supporting Africa’s urban informal sector: coordinated policies with social protection at the core”, World Bank blog, 3 December 2020.
\textsuperscript{37} ECA and Centre d’études prospectives et d’informations internationales, “Greening the Implementation of the African Continental Free Trade Area Agreement” (forthcoming).
\textsuperscript{38} ECA, “Country-level implications of the AfCFTA Agreement’s implementation on inequality and poverty” (forthcoming).
37. Intra-African trade is currently dominated by manufactured goods. The Agreement can help Africa to reduce its dependence on manufactured imports, given that agrifood and industry comprise the largest portion of potential African gains under the Agreement.

A. Poverty and inequality

38. Results of a study by ECA indicate that the implementation of the Agreement Establishing the African Continental Free Trade Area could lead to a reduction, to varying degrees, in poverty and inequality in all countries in the study sample. The results also indicate that the Agreement would benefit relatively more people living in urban areas, and that men would benefit relatively more than women. Specific measures should therefore be taken to favour the integration of women and young people into trade, starting with the ongoing negotiation of the protocol on women and youth in trade to the Agreement, the formalization of women traders and improvements in access to finance. The provision of quality education for young people and women would help them to gain access to the jobs that will be created as a result of the implementation of the Agreement.

B. Climate policies

39. Despite contributing only about 7 per cent of all global greenhouse gas emissions in 2020,39 Africa is grappling with some of the worst impacts of climate change. The ongoing warming has led to more frequent and extreme droughts and floods, resulting in decreased agricultural productivity and increased migration. African greenhouse gas emissions are predicted to escalate relatively faster in the coming decades. The implementation of the Agreement Establishing the African Continental Free Trade Area is an

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39 See ECA and Centre d’études prospectives et d’informations internationales, “Greening the Implementation of the African Continental Free Trade Area Agreement”.

unprecedented opportunity for Africa to industrialize, but it raises a concern that African greenhouse gas emissions could increase further as a result.

40. In a recent study, however, ECA has confirmed the trade-enhancing effects of the Agreement and highlighted the expansion in trade that could be achieved without a substantial intensification of climate change pressures.\(^{40,41}\)

V. Medium-term growth prospects amid risks and uncertainties

41. High debt levels, rising borrowing costs, persistently low investment, weak global trade and mounting geopolitical risks are expected to weigh on global growth in the short-to-medium term, with significant implications for Africa. The sluggish global economic recovery could undermine economic growth on the continent, owing to reduced global demand for African exports and lower inflows of FDI. Despite tightening monetary policies, inflationary pressures are rising, mainly as a result of volatile commodity prices and the effects of climate change that are associated with poor agricultural performance, drought, floods and other risks. The withdrawal of the Russian Federation from the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian Ports and recent attacks on grain facilities in Ukraine could create supply disruptions and increase grain prices. Higher commodity prices and supply disruptions would exacerbate the magnitude and severity of food crises in Africa even further, in particular in East Africa and the Sahel.

42. Political instability, exemplified, in particular, by recent coups and attempted coups, have increased the number of African countries classified as fragile. The intensification of geopolitical fragmentation would add to the political instability and, therefore, undermine regional integration and cooperation among African countries.

43. The extended tightening of global financial conditions could lead to the further depreciation of domestic currencies, increase debt service costs and constrain development spending. The consequent high borrowing costs could worsen funding constraints in Africa, given that more countries are at risk of, or are in, debt distress. The depreciation of domestic currencies could further increase inflationary pressures, requiring monetary authorities to tighten policy more aggressively, which increases the risk of an economic slowdown and undermines medium-term growth on the continent and the ability of the financial system to withstand the prevailing financial stress.

VI. Conclusion and policy recommendations

44. Policymakers are facing critical challenges in striking a balance between supporting growth and scaling up strategic public investments, on the one hand, and maintaining fiscal sustainability and rebuilding fiscal buffers, on the other. Without a substantial acceleration of economic growth and targeted measures to combat the prevailing inflationary pressures and the effects of climate change, to support livelihoods, to enhance social protection and to alleviate poverty, a sustainable transition will remain elusive in Africa.

\(^{40}\) ECA and Centre d’études prospectives et d’informations internationales, “Greening the Implementation of the African Continental Free Trade Area Agreement”.

\(^{41}\) For information on technology transfer and economic diversification in the context of climate change and the implementation of the Agreement, see World Trade Organization, “Climate change adaptation and Africa: the role of trade in building agricultural resilience”, Trade and Climate Change Information Brief No. 5 (Geneva, 2022); and United Nations Industrial Development Organization, “Trade, economic diversification and sustainable development: impact stories” (Vienna, 2019).
45. To achieve the Sustainable Development Goals and implement the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and Agenda 2063: The Africa We Want, of the African Union, more domestic resources must be mobilized to support public goods and services. Numerous countries have the capacity to enhance their tax-to-GDP ratios by up to 9 percentage points through improved tax structures and more robust public institutions, enabling them to offer essential government services. Countries must, therefore, enhance the mobilization of domestic resources through capacity-building, the strengthening of institutions and the promotion of reform in such areas as accountability, national procurement systems and debt management. The use of digital technology can help to reduce tax avoidance, tax evasion and corruption. Governments would also increase revenues with more progressive income and wealth taxes and would improve the efficiency of fiscal spending by enhancing the effectiveness of subsidies and by better targeting social protection programmes.

46. The introduction of environmental taxation could be transformative for Africa, given that it has the potential to broaden the tax base and spur technological innovation by promoting more environmentally friendly production and supporting traditionally underfunded development sectors, such as health, education and the environment. Climate change policies must be integrated into public spending through green budgets and broader fiscal policies, including carbon pricing and the removal of fossil fuel subsidies.

47. The capacity of African nations to manage future shocks or allocate resources for economic development is impeded by the rising cost of debt. To deal with the debt burden, innovative finance mechanisms must be implemented, such as debt swaps, to help Governments with limited access to traditional grants, or debt relief. Debt-for-climate and debt-for-nature swaps can help to free up fiscal resources so that Governments can improve resilience without triggering a fiscal crisis or sacrificing spending on other development priorities. With the increasing number of countries in or at risk of debt distress, however, debt relief and restructuring measures are needed to avoid devastating debt crises with long-lasting threats to development.

48. A just transition is the seamless replacement of the current state with a future state in which all employment opportunities are environmentally sustainable and of high quality, poverty is completely eliminated and communities are prosperous and resilient. Africa must capitalize on the current global trends, including the transition towards renewable energy and the revitalized significance of critical minerals, given that they present a window of opportunity to attract FDI and enhance job opportunities and incomes through the rich natural endowments and localized supply chains and processing and manufacturing capabilities of the continent.

49. Although the untapped potential of Africa is widely acknowledged, it is crucial to demonstrate the feasibility and profitability of specific projects, perhaps through detailed market analyses, risk assessments and realistic financial projections, to attract potential investors. The Agreement Establishing the African Continental Free Trade Area serves as a vital conduit for that purpose. Despite the immediate fiscal and political challenges that confront the region, the implementation of the Agreement should be strengthened and accelerated in order to unlock development.

50. Structural reform will help to revive growth and bolster resilience and is necessary to enhance the effectiveness of fiscal and monetary policies to contain inflation. African countries should remove structural rigidities and

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42 Vitor Gaspar, Mario Mansour and Charles Vellutini, “Countries can tap tax potential to finance development goals”, IMF blog, 19 September 2023.

43 For definitions of “just transition”, see the web page of 350 Africa: https://350africa.org/just-transition-a-position-paper/.
invest in productive sectors, infrastructure and human capital to contain inflationary pressures sustainably and reduce the effects of future external shocks. They should adopt measures aimed at lessening the impact of supply shocks, through increased diversification and the development of the financial sector, including the availability of financial instruments specifically geared towards climate finance.

51. It is imperative to prioritize productive capacity as the central focus of all development strategies. To strengthen productive capacity and accelerate the green energy transition, countries will need robust, well-designed and well-funded industrial policies that address climate change. Governments should increasingly promote domestic research and development and support manufacturing, value addition and investment in science and technology. In addition, they should support carbon-reducing innovation and public and private investment to advance the energy transition. Strengthening innovation systems and absorptive capacity will be crucial to generate new and sustainable sources of economic growth and employment, diversify export structures and accelerate the sustainable transition. African countries must redouble their efforts to build institutional capacity and implement well-targeted industrial and innovation policies.

52. Using innovative research methods, the root causes of the inefficiencies in economic policies with regard to delivering expected outcomes for job creation and poverty reduction must be identified. To achieve a just transition, policy reforms in social spending need to address the growing urban informal sector.

53. Governments should make good on their commitment to forge new social contracts to ensure equal rights and opportunities for all while integrating employment, sustainability and social protection into their development plans and goals. The education sector can be a smart entry point for tackling all Sustainable Development Goals. African countries should accelerate their efforts to fully attain Goal 4, on quality education, in order to achieve gender equality and women’s empowerment by 2030.