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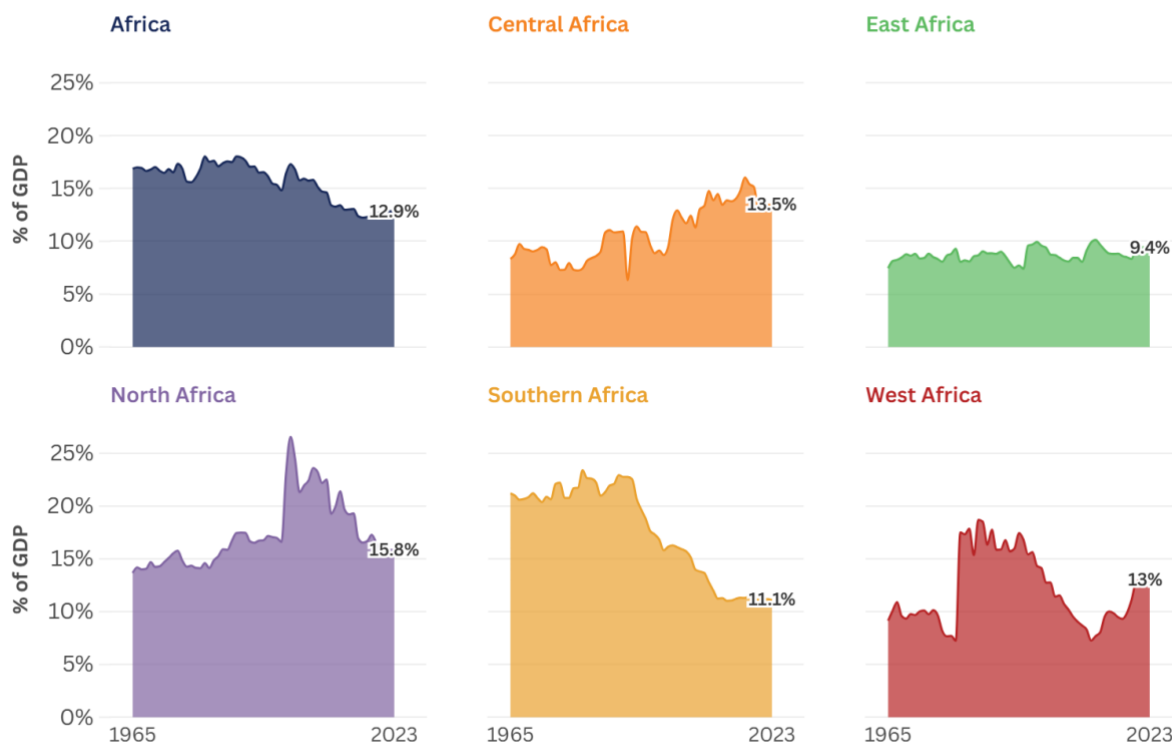
Unlocking Africa's manufacturing potential

Energy, transport and reforms are strategic priorities for Africa's industrialisation.

Africa's manufacturing sector has long been touted as a key driver of the continent's economic transformation. However, its actual contribution remains modest, accounting for less than 15% of GDP in most countries as of 2023, with many countries experiencing premature deindustrialisation since the 1990s. Africa also contributes less to world manufacturing. The continent's share of global manufacturing has declined from approximately 3% in the 1970s to less than 2% in 2023, placing Africa at the bottom of the global manufacturing value chain. This stagnation persists despite the continent's vast endowment of raw materials and large youthful labour force, factors that should ideally serve as competitive advantages.

Within Africa, North Africa accounts for the largest share of manufacturing value added (MVA), underpinned by relatively well-developed industrial bases in countries such as Egypt and Morocco, where manufacturing spans automotive assembly, textiles and agro-processing. Central and West Africa follow, with both regions recording notable progress over the past decade, driven partly by Nigeria's nascent agro-processing sector and Cameroon's growth in light manufacturing. In contrast, Southern Africa's share of MVA has declined steadily, largely reflecting South Africa's deindustrialisation trend amid energy constraints, global dynamics and industrial competitiveness challenges. East Africa continues to register the lowest manufacturing contribution on the continent, although countries like Ethiopia have made recent strides in textile and apparel manufacturing through targeted industrial park strategies. These divergent patterns underscore the need for region-specific industrial policies that address unique constraints and leverage existing comparative advantages.

Chart 1: Africa's manufacturing value added as % in GDP, 1960-2023

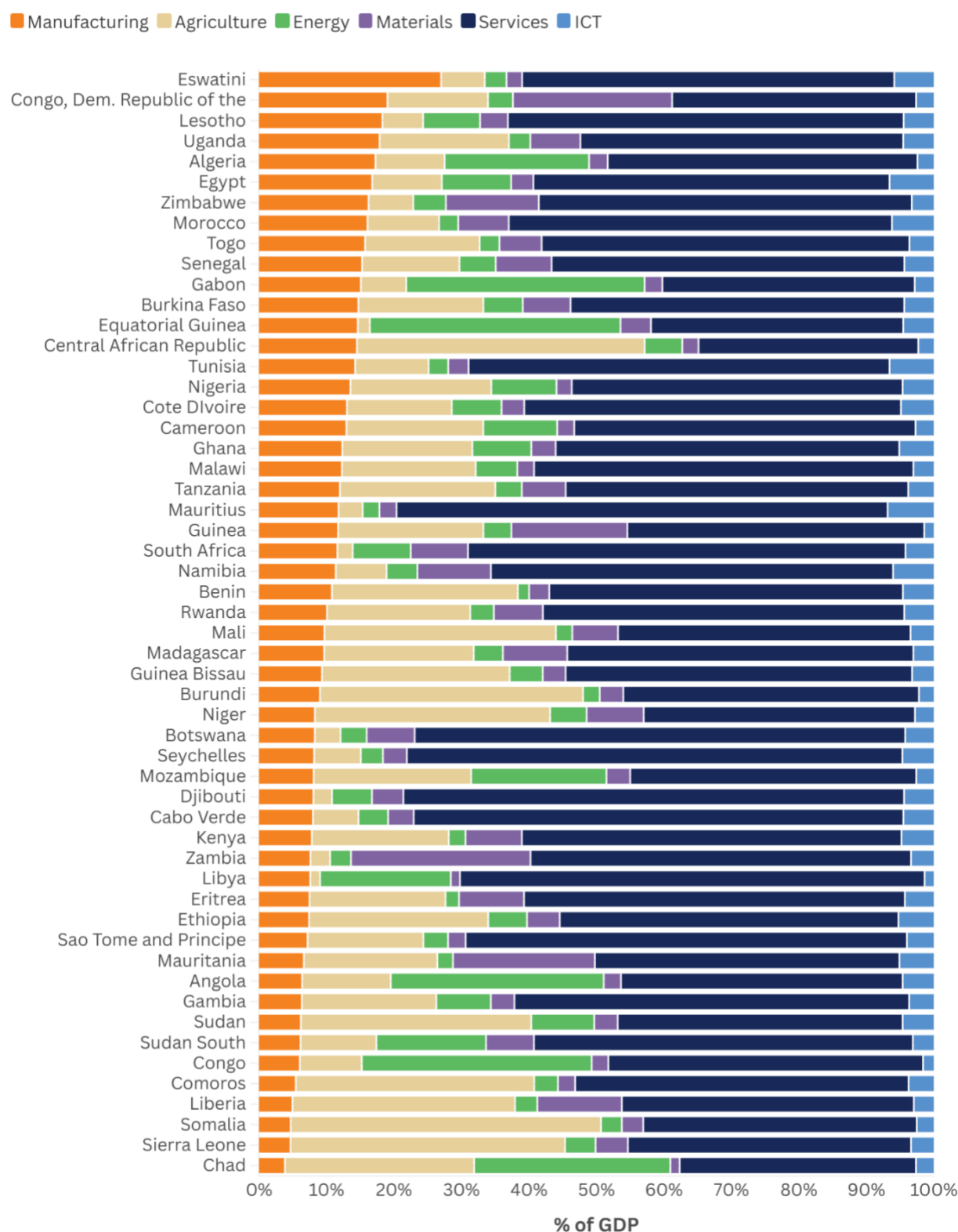


Source: International Futures

The United Nations Industrial Development Organisation (UNIDO)'s industrial development goals highlight that manufacturing must contribute at least 20% of GDP to drive structural transformation meaningfully. Achieving this threshold is crucial for sustaining industrial growth and advancing towards upper-middle-income status for Africa's 46 lower-middle-income countries. As of 2023, only Eswatini had surpassed this benchmark, with MVA accounting for 27% of its GDP, driven partly by thriving textiles and sugar processing industries, supported by preferential access to the US market under the African Growth and Opportunity Act (AGOA). In contrast, even Africa's largest economies remain below the target: South Africa, despite being the continent's most industrialised in absolute terms and an upper-middle-income country, registered just 12%, while Nigeria and Egypt reached approximately 14% and 17%, respectively.

Unlike successful industrialised economies in the Global North, the Asian Tigers and more recently China, Africa's structural transformation has largely bypassed the manufacturing sector, particularly among lower-middle-income countries. Instead, many countries have transitioned directly from agriculture into low-value services (Figure 2). This atypical trajectory constrains the continent's ability to harness the productivity gains and employment benefits typically associated with manufacturing-led industrialisation, thereby impeding progress toward upper-income status.

Chart 2: Sectoral composition of African countries ranked by manufacturing contribution, 2023



Source: International Futures

According to the recent AFI-ISS study on the state of industrialisation in Africa, the continent's increasing dependence on low-value, service-led growth and its continued trend of premature deindustrialisation stems largely from critical infrastructure deficits, particularly chronic power shortages and transport bottlenecks. These challenges are compounded by various structural impediments, including skills and technological gaps, inconsistent implementation of industrial policy, limited access to finance and complex business environments. Together, these factors undermine the continent's capacity to sustain manufacturing-led growth and meaningful structural economic transformation.

Persistent power and transport gaps are driving Africa's shift to low-value, service-led growth and accelerating premature deindustrialisation

The World Bank estimates suggest that sub-Saharan Africa's infrastructure deficit reduces annual economic growth by roughly two percentage points and that it lowers business productivity by up to 40% in some countries. Reliable power supply and efficient transport networks are not merely infrastructure issues; they are central to any viable industrialisation strategy. Yet, many African manufacturers continue to grapple with chronic electricity shortages and logistical bottlenecks, severely limiting their competitiveness and growth potential.

In Nigeria, for example, approximately 90% of manufacturers depend on diesel generators due to the chronic instability of the national power grid. The government estimates that its manufacturers lose approximately US\$27 billion annually due to power outages, an economic burden that significantly hampers industrial growth. Consequently, Nigeria's manufacturing sector has stagnated, contributing around 13% to GDP since 2020.

Similarly, in South Africa, load-shedding (rolling blackouts) by utility Eskom has forced regular plant shutdowns from late 2007 to early 2024, undercutting manufacturing output. Between 2007 and 2019, load-shedding cost the South African economy nearly R35 billion, with the manufacturing sector alone accounting for nearly 40% of this cost, by far the largest share among other sectors. The worst year on record was 2023, with 25 000 gigawatt hours (GWh) shed over 287 days.

This crippling energy deficit, whether Nigeria's chronic outages or South Africa's load-shedding, is an insurmountable barrier to scaling up manufacturing. It slashes output, dents investor confidence, erodes competitiveness as factories endure higher costs and lower productivity, resulting in steady deindustrialisation.

Inadequate transport infrastructure is another significant obstacle to industrial development in Africa, driving up logistics costs and causing long lead times. The continent's roads, railways and ports have failed to keep pace with growing economic demands, making the movement of goods both slow and expensive. In 2018, sub-Saharan Africa, despite comprising 17% of the world's land mass, accounted for just 6% of global road networks, starkly contrasting to South Asia's 17% share. According to the Africa Finance Corporation's 2024 report, Africa's total paved road network spans only about 680 000 kilometres, roughly one-sixth the size of India's, despite the two regions having roughly equal population sizes. Africa is, of course, more than nine times the size of India, meaning that its few roads have to service much larger geographic areas. This infrastructure gap leaves vast areas poorly connected, creating severe logistical challenges for manufacturers across the continent.

Policy priorities to unlock Africa's industrial potential

Rapidly industrialising countries like Vietnam overcame power deficits by investing heavily in energy infrastructure, implying that closing Africa's energy gap is non-negotiable for industrialisation. Governments must prioritise power generation, transmission and distribution projects to ensure reliable, affordable electricity for industry. This means upgrading grids, reducing losses and expanding generation through various sources, including renewables, nuclear, geothermal and natural gas. Crucially, African countries should leverage public-private partnerships and lean on independent power producers to inject capital and expertise into the energy sector. To do that requires robust regulatory frameworks, clear public-private partnership legislation and cost-reflective tariffs that make projects viable. At a regional level, expanding power pools for cross-border electricity trade, such as the Southern African Power Pool, can help stabilise supply in SADC and beyond.

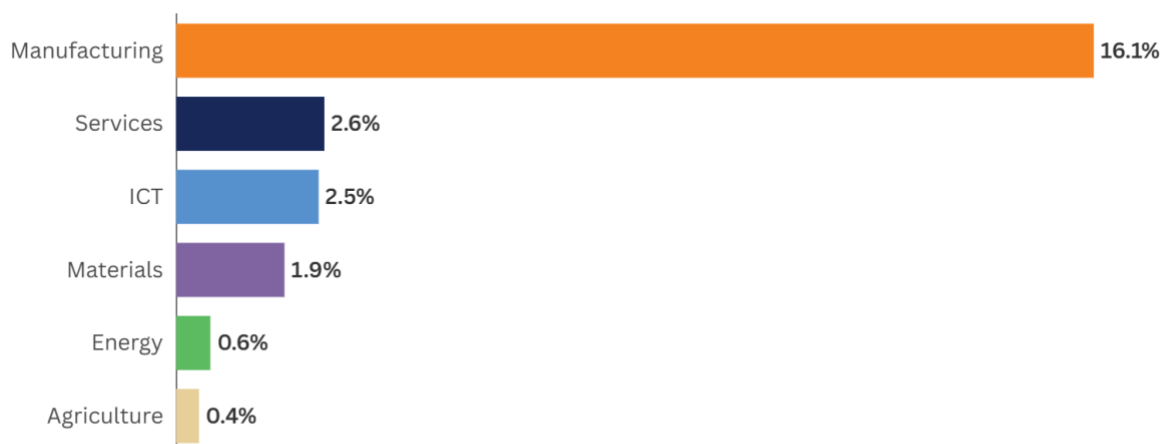
African governments and regional blocs (ECOWAS, EAC, SADC, COMESA, etc.) should double down on moving ahead with the strategic corridors planned as part of the Programme for Infrastructure Development in Africa (PIDA PAP 2), focusing on those linking industrial hubs to markets. This could involve new highway segments to connect missing links, for example, completing the Trans-West African Coastal Highway, rehabilitating rail lines for freight, and improving port efficiency with better management or concessions. Streamlining customs and border procedures under the African Continental Free Trade Area (AfCFTA) is vital. Studies show that transport and logistics pose a greater challenge to African trade than tariffs. Investment in inland logistics hubs, warehouses and cold chains will help manufacturers get inputs and deliver goods reliably.

Successful industrialisers overcame power shortages and transport bottlenecks first, hence closing Africa's energy and transport gaps is non-negotiable for industrialisation

While substantial investment in energy and transport infrastructure is essential, it must go hand in hand with reforms to the business environment and the adoption of coherent, manufacturing-oriented policies. Such policies should aim to build foundational industrial capabilities, encourage beneficiation, drive technological advancement and lay the groundwork for sustainable structural transformation. A transparent and predictable regulatory framework, supported by consistent and credible industrial strategies, will ease capital constraints. They are crucial requirements for attracting long-term foreign investment, unlocking multilateral development financing, stimulating the growth of domestic enterprises and mobilising domestic resources.

The AFI-ISS study demonstrates that significantly scaling up investment in manufacturing, complemented by business environment regulatory reforms, increased support for research and development (R&D) and higher labour force participation, can deliver transformative economic gains for Africa by 2043. Forecasted outcomes include an additional US\$167.2 billion in manufacturing output (Figure 3), 34.6 million new jobs, a US\$283.5 billion boost to overall economic output, US\$83.2 billion in additional government revenues, a US\$190 increase in per capita income and 20.1 million more people lifted out of poverty. Moreover, manufacturing functions as a catalytic sector, much like yeast in a cake, expanding the overall size of the economy by generating strong positive spillover effects across other sectors, particularly agriculture and services.

Chart 3: Percentage increase in sectoral output in Manufacturing scenario vs Current Path, 2043



Source: International Futures

In support of industrial growth, African governments need to invest in technical and vocational education and training (TVET) aligned with industry needs. Additionally, policies to promote technology adoption in manufacturing can help leapfrog constraints. This could include tax incentives or grants for firms to invest in modern equipment, supporting tech hubs and incubation centres for manufacturing startups and encouraging both South-South and North-South technology transfer. Partnerships with countries that are rapidly industrialising, such as China, India, Turkey, Vietnam and more, can facilitate knowledge exchange, such as through training programs or joint ventures that bring in new production techniques.

A transparent and predictable regulatory framework, supported by consistent and credible industrial strategies, can, in itself, ease capital constraints

African countries can eliminate the obstacles that have hindered their manufacturing sectors. While not every nation will become an industrial powerhouse, consistent implementation of the policies listed here will create an environment where factories can thrive. Encouragingly, some countries are already making progress in this direction. For instance, Ghana and Côte d'Ivoire have improved their power supply and cocoa processing, Senegal is streamlining business regulations while developing a new industrial park in Diamniadio, and Mauritius has utilised business environment reforms to expand its textile and apparel industry. These positive examples demonstrate that progress is possible with the right policy mix.

Written by Dr Marvellous Ngundu. Published in Africa Tomorrow on 15 July 2025.



Can Africa own its data future?

Weak data systems constrain decision-making, leaving development policies shaped by partial pictures and external estimates.

Africa contributed 3.25% of global scientific publications in 2019. This is a modest gain from 1.5% in 2002, yet far below the continent's potential when considering its share (approximately 18%) in the world population. The slow pace of progress in research output underscores the substantial ground Africa still has to cover if it is to establish knowledge systems that match its demographic weight and, more so, its development ambitions.

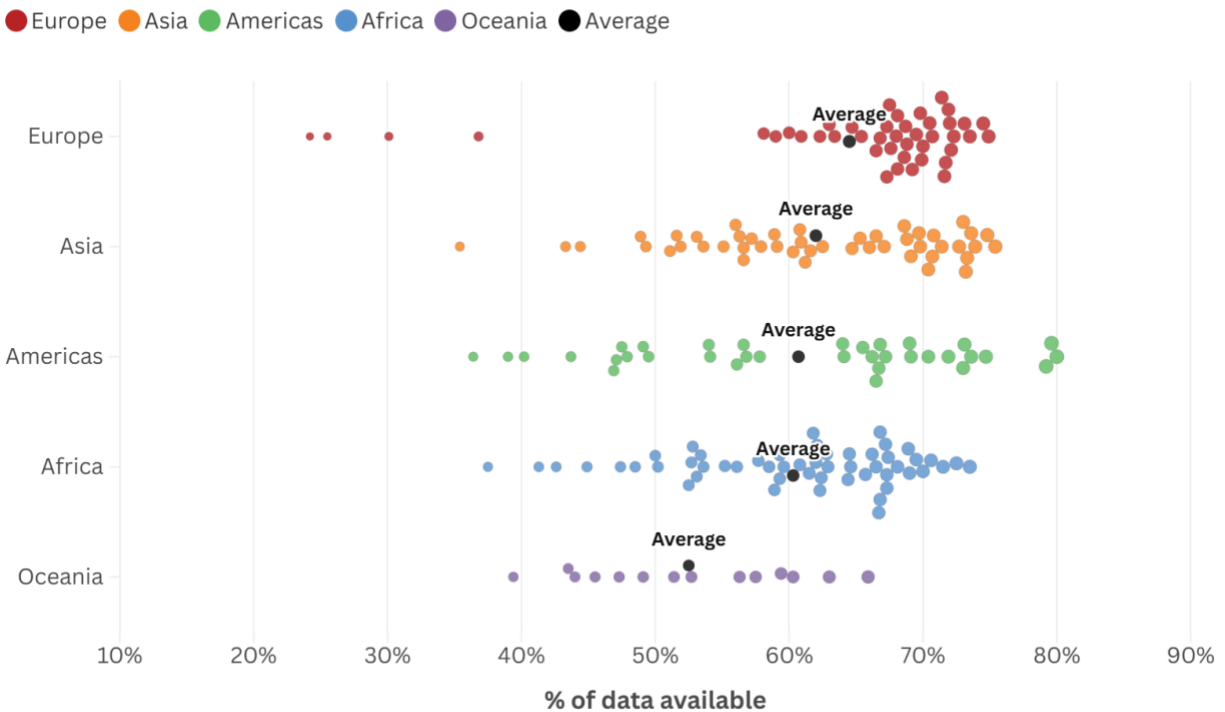
The lack of data in Africa on measuring progress towards the UN's Sustainable Development Goals (SDGs) highlights the continent's limited data generation capability. African countries had, on average, data available for only 61% of the indicators needed to track progress towards the 17 SDGs (Figure 1). The worst-performing goal was number 13, which focuses on climate action, with average data availability of 15%.

The Africa Growth Initiative's *Foresight Africa 2023* report highlights the need to scale up investment in quality research and development (R&D) and infrastructure. Yet, nearly two decades after African Union member states committed to spending 1% of GDP on R&D expenditure, the continent's average remains just 0.42%, compared to a global average of 1.7%. Not a single country has met the 1% target. Even South Africa, the region's largest investor, peaked at only 0.76% in 2017.

Persistent underinvestment has curbed Africa's contribution to global research and weakened its ability to generate the reliable, context-specific data that evidence-based policymaking and innovation-driven growth demand. The challenge extends beyond academic publishing into government systems where accurate information is equally scarce. Without timely and accessible data anchored in local realities, decisions on infrastructure, natural resources, climate adaptation, industry and education risk being based on partial pictures or external estimates.

Chart 1: SDG indicators data availability per UN region

The percentage of indicators which have at least one data point available since 2015.



Source: UNStats

In the health sector, for example, many African countries depend on donor-funded disease surveillance rather than national registries. Thus, governments often make choices based on third-party baseline data. Reliance on external funding or collaboration for data collection often risks priorities being set according to international rather than national agendas and standards. Recent USAID cuts further threaten these already fragile systems, as US funds underpin many of the surveys that are the primary source of information on health and demographic outcomes in multiple African countries.

The deficit in data is more than a knowledge gap: it is also a gap in agency, shaping who defines problems, and more critically, who drives the solutions

The deficit in data is more than a knowledge gap. It is also a gap in agency, shaping who defines problems, and more critically, who drives the solutions. The consequences of weak domestic data systems become clear when considering blind spots in key areas that underpin development. Across all economic sectors, information on population dynamics and demographics may be among the most crucial. Without these, governments cannot allocate resources fairly, plan schools and hospitals or operate electoral systems that reflect reality on the ground. For most African countries, this remains the case, where basic data on births and deaths are not captured. In Nigeria, for instance, the last national census was held in 2006. Multiple attempts since then have been postponed due to political and logistical hurdles and the country currently relies on projections estimating its population growth.

Agriculture, the backbone of many African economies and the primary livelihood for millions of Africans, is another sector where statistical systems are lagging. Crop yield estimates often rely on donor surveys or satellite proxies, which can be too coarse in their spatial resolution to be utilised for detailed assessments. This makes it difficult to design effective subsidy programs, monitor food security or anticipate the impact of climate variability. Efforts to harmonise subnational statistics through initiatives such as HarvestStat Africa remain recent and uneven. With the sector mainly driven by female workers, missing data further entrenches the already negative gender equality picture on the continent, leaving women in agriculture facing uncertain futures due to climate change, conflict and a lack of resources.

Africa's persistent data gaps in the financial sector have entrenched unfair creditworthiness ratings and fueled the costly "Africa premium." While the African Union's initiative to establish a continent-based credit rating agency is a promising corrective, it faces an uphill battle given the severe damage already done. To succeed, governments and partners must urgently invest in building transparent, high-quality financial data systems. Strengthening data capacity is essential to enhance the agency's credibility, lower borrowing costs and shift global perceptions toward Africa's true economic potential.

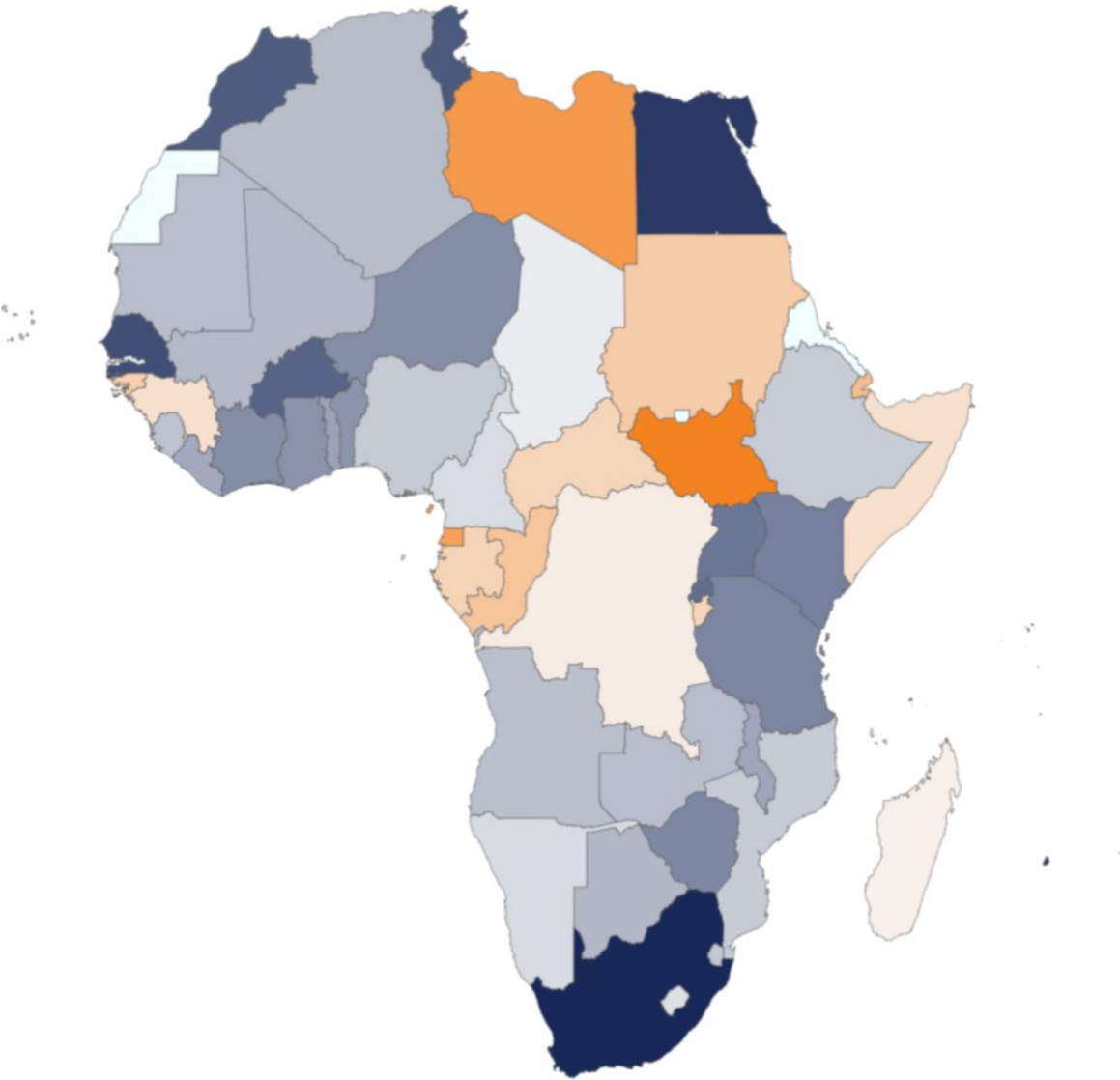
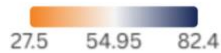
According to the United Nations Economic Commission for Africa (UNECA), informal cross-border trade (ICBT) may account for 7 to 16 % of formal intra-African trade flows, and for 30 to 72% of formal trade between neighbouring countries, depending on the corridor. Many official datasets omit such informal trade. This undercount undermines efforts to monitor and manage the African Continental Free Trade Area (AfCFTA), design gender-sensitive trade policies (since many informal traders are women), and shape infrastructure and regulatory frameworks that reflect real flows. The AU's official institute for statistics, STATAFRIC, released a manual in 2024 to better capture data on ICBT, encouraging member states to harmonise such data collection. The ultimate success of the manual, as well as other similar documents compiled by national and supranational statistics departments, depends on continued implementation backed by adequate funding.

Such sectoral blind spots are not simply technical shortcomings. Together, they demonstrate how the absence of reliable statistics directly translates into fragile planning and constrained policymaking. Nowhere else is this more apparent than in the production and use of gender-disaggregated data. In a study covering 15 African countries, it was determined that only 52% of gender-related indicators were measured in a gender-disaggregated way, with 36% not measured at all. This worsens policy outcomes for women, and, due to the cross-cutting nature of gender equality, also precludes governments from making decisions that can drive overall growth, climate resilience and health outcomes.

Encouraging signs show that Africa is not standing still. Both established and new initiatives are addressing the data gap and building local ownership. For instance, openAFRICA provides one of the largest open-data portals on the continent. At the national level, the Ghana Open Data Initiative has made hundreds of government datasets accessible to the public. Increased commitment and coordination are, however, needed to strengthen continent-wide systems of scale. The persistence of the data gap in many African countries and cross-border frameworks is not accidental, but rather lies in structural barriers.

Chart 2: Statistical Performance Indicators overall score, 2023

The overall score is computed as an average of five underlying pillars: data use, data services, data products, data sources, data infrastructure



Source: World Bank

In some countries, political prioritisation delays support for censuses, surveys and research. Long-term, more indirect initiatives to produce reliable statistics may not be seen as tools to win elections, and therefore, visible projects such as hard infrastructure development are favoured. This leaves statistical offices and research institutes without the sustained support they need to build credibility over time.

Another key barrier is regulatory fragmentation. Rules and frameworks on data access, use or sharing can vary widely among countries. For example, in highly regulated sectors such as healthcare, the collection of personal and patient data can be a serious concern. Enforcement may be weak, making cross-border collaboration difficult and slowing the implementation of continental systems.

Infrastructure challenges are equally limiting, as many institutions lack the servers, storage systems and digital tools to collect, clean and preserve large datasets. Weak data management standards hinder the integration and reuse of data across systems. There is a shortage of skilled statisticians, data scientists and archivists available to manage and analyse information at scale, and many trained professionals leave for opportunities abroad.

Trust and participation in data collection can be low. Communities and individuals often hesitate to share information when they are uncertain about how it will be used or whether it will benefit them, undermining the quality of surveys and registries.

Finally, there is the challenge of institutional continuity and dysfunctionality. National statistical offices and research centres are often overstretched and reliant on short-term project funding. This can lead to frequent staff turnover and a loss of institutional memory.

African governments have to recognise that data is not a technical afterthought but the foundation of effective governance

African governments have to recognise that data is not a technical afterthought but the foundation of effective governance. Closing the data gap and, consequently, the agency gap will take time; yet, pragmatic action must be implemented. Building functional data systems, creating credible datasets and enhancing data processing and analytical skills and capacities are crucial. Even more importantly, increasing data use and uptake in government decision-making circles, especially for gender data, remains a foundational challenge and requires concerted efforts by civil society, the private sector and academia to change perceptions and attitudes towards data-driven decision-making. Ultimately, having African-owned data at hand is crucial if the continent aims to set its own priorities, design solutions that reflect local realities and achieve its development ambitions.

Written by Dr Julia Baum, Dr Marvellous Ngundu and Du Toit McLachlan. Published in Africa Tomorrow on 30 September 2025.



Too dirty to fund and too poor to leap: Africa's decarbonisation dilemma

Africa is under pressure to grow cleanly, but can it industrialise without the resources others had?

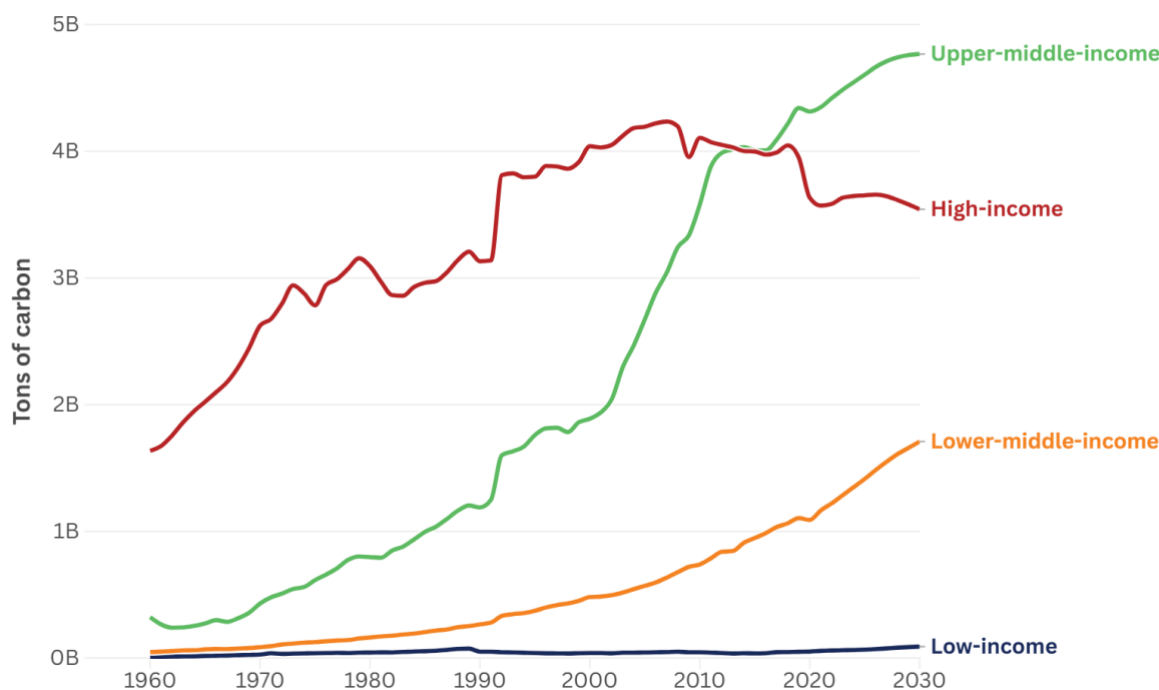
Since the onset of the Industrial Revolution in the late 18th century, economic growth has been coupled with a steady increase in carbon emissions. Developed countries like the UK, Germany and the US grew their economies by relying on coal and oil, and later by incorporating natural gas. As these countries transitioned to high-income economies, marked by rapid industrialisation, urbanisation and wealth accumulation, their energy demands and carbon footprints surged. This carbon-intensive growth trajectory is widely acknowledged today as the leading driver of the current climate crisis.

Now, Africa - despite contributing only 4-5% of global emissions - is expected to do something no other region has ever done before: lift half a billion people out of poverty, provide energy access to the 640 million citizens, and industrialise and develop rapidly and at a scale, all without relying on the very resources that powered the prosperity of today's wealthy nations. These expectations are embedded in conditional donor grants, climate agreements, and shifting 'green' investment mandates. The mountain to climb is enormous! Not because Africa is the biggest polluter, but because it is expected to grow cleanly from the onset, without the capital, infrastructure or emissions space that others once had.

This imbalance is starkly evident in historical emissions data (Figure 1). High-income countries were responsible for the bulk of global fossil fuel emissions throughout the 20th century, peaking at over 4 billion tons annually by the 2000s. Emissions from low-income countries (including most of Africa) have remained negligible. Today, emissions growth is being driven by upper-middle-income economies like China, which arguably is following the very example set by those who trod the path before them.

Chart 1: Carbon emissions by global income group, 1960-2030

Total carbon emissions from fossil fuel consumption and cement production



Source: International Futures

From 1980 to 2020, China saw its GDP grow 35-fold and emissions surge from 0.4 to 3 billion tons. This fossil-fuel-powered industrialisation lifted 800 million people out of poverty but also expanded the country's carbon footprint enormously (Figure 2). The UK, US, France and Germany followed the exact same path decades earlier, using the same fossil fuels to propel their economies to high-income status. Their economic growth ingrained the very carbon-heavy development model they are now working and funding to reform. Today, these high-income countries are flattening the curve and even decoupling their economies from carbon emissions using the financial and institutional capital accumulated over centuries to invest in clean energy transitions.

In contrast, Africa is expected to leapfrog over this trend and jump straight to low-carbon development without the infrastructure, capital or policy space enjoyed by those who created this mess. Africa and China have similar population sizes, yet China's economy and carbon footprint are roughly 6 times that of Africa, while Africa suffers from severe energy poverty. While transitioning directly to clean energy is desirable and necessary, it is made profoundly difficult by Africa's outdated power infrastructure and widespread deficits. In most countries, the basic building blocks of a modern energy system - from reliable grids to storage and transmission - are still missing or underdeveloped. Africa must grow and emissions will inevitably rise as a result.

Africa is being asked to do what no region has ever done before: grow and industrialise without carbon

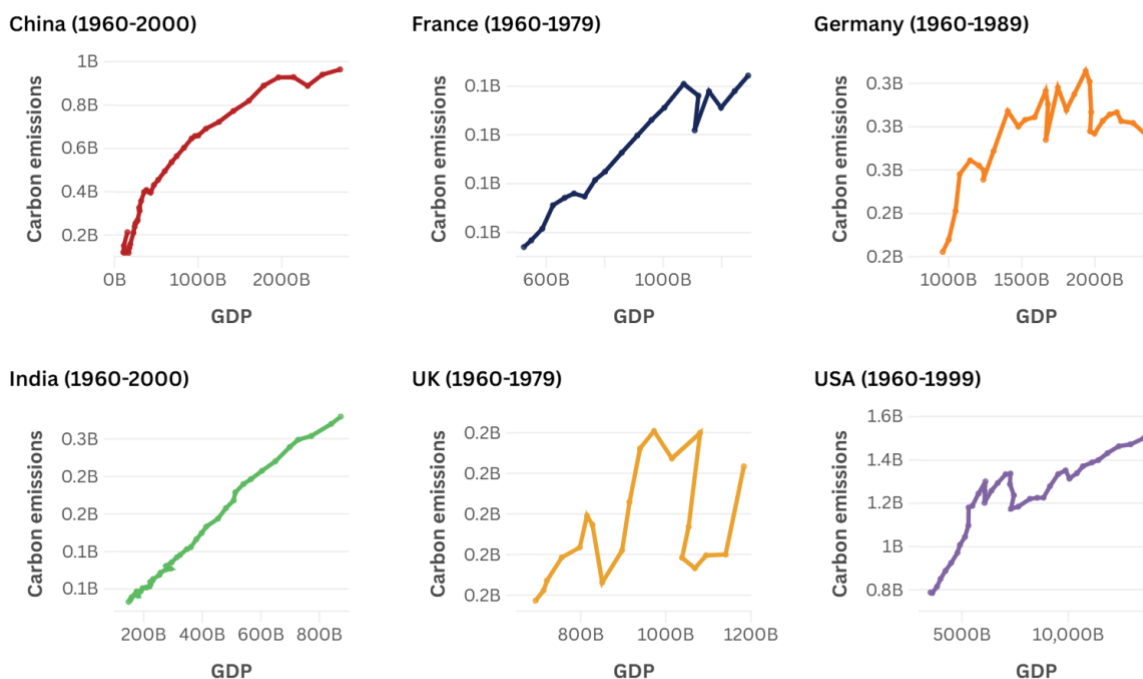
This is exactly why the African Common Position on Climate Change (ACP) was created and adopted by the African Union and the African Group of Negotiators in 2023. It is one of the few political instruments that Africa has negotiated collectively. It represents a unified stance across the continent to assert Africa's development rights in the global climate agenda. This position affirms Africa's right to development and energy access using a balanced energy mix, including the use of renewables and non-renewables. It calls for fairness in global mitigation expectations, increased grant-based climate finance and access to low-carbon technologies. It is not a plea for exemption, but a pragmatic demand for equity grounded in emission facts. The ACP can serve as a key bargaining

platform for global carbon finance reform and technology transfer, yet it requires greater political backing and visibility beyond COP summits.

Even under the most optimistic low-carbon scenarios, Africa's emissions are projected to double over the next two decades. This is not a sign of policy failure, but a reflection of economic necessity. To expect Africa to defy this pattern is neither fair nor realistic. This context must shape global expectations. The call for Africa to leapfrog is understandable and indeed desirable, and needed, but unprecedented. It demands technological and financial support on a scale never seen before, and current climate finance frameworks are not delivering.

Chart 2: GDP vs Carbon emissions showing coupled growth, 1960-2000

GDP measured in market exchange rates and carbon emissions measured in tons of carbon



Source: International Futures

While the ambition to decouple economic growth from emissions is justified, it is a challenge in early-stage, low-capacity economies. Most African states, unlike high-income countries, lack the capital reserves, robust institutions and technological infrastructure which was accessible to others in their transition. Deep structural transformation and external support will be required to replicate these outcomes.

The good news is that decoupling (where economies grow while emissions fall) is not a pipe dream. It has been proven possible, though largely through the wealth, infrastructure and policy space of high-income countries. Around 49 countries have demonstrated this, mostly in Europe and high-income economies.

The United Kingdom is a case in point (Figure 3). Since 1990, its economy has expanded by over 70%, while its emissions have dropped by 42%. This shift was not accidental. It came through sustained policies: phasing out coal, instituting a carbon price and investing heavily in offshore wind and other renewables. Clean growth became a cornerstone of the UK's industrial strategy.

Sweden has followed a similarly intentional path. It introduced one of the world's earliest and most robust carbon taxes in the 1990s and has steadily scaled up its renewable energy capacity. As a result, Sweden was able to reduce emissions by approximately 8% during the 2000s, all while continuing to grow its economy. Key drivers included fuel taxes, targeted public investments and dynamic private sector innovation.

France leveraged technology and strong policy frameworks to achieve decoupling. Its early and aggressive investments in nuclear energy (now responsible for roughly 70% of the country's electricity generation) have played a foundational role. Combined with ambitious energy efficiency measures, this strategy has enabled France to sustain economic growth while maintaining one of the lowest carbon economies in Europe.

Germany's energy transition is another example. During the 1990s and early 2000s, the country significantly reduced its greenhouse gas emissions while maintaining strong economic growth. This progress was driven by policies that promoted wind and solar power, phased out nuclear energy and improved energy efficiency. However, the intermittent nature of renewables created challenges for a consistent electricity supply. As a result, Germany has increasingly relied on cross-border electricity imports, particularly from France, whose stable nuclear-powered grid has helped meet German demand during periods of low renewable output. This highlights another key feature of the European energy transition: alongside significant funding, regional interdependence is key as countries leverage each other's strengths to maintain grid reliability while decarbonising.

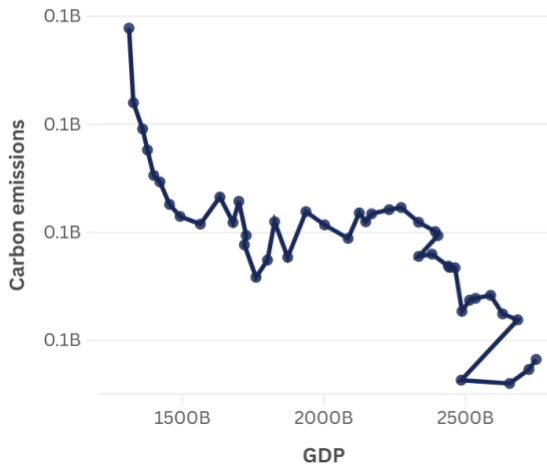
What the leading decoupled countries have in common (aside from wealthy economies and strong regional energy dependencies) is that they invested in context-specific technologies: France through its energy-dense nuclear investments, the UK through its offshore wind, and Sweden through its mix of hydropower and nuclear. These countries tailored their transitions to their available resources, all while utilising natural gas as the cornerstone of the transition. In each decoupled economy, policy played a decisive role. Strategic public investment, trained and skilled negotiators and strong institutions laid the groundwork for successful transitions. These countries all adopted a form of carbon pricing mechanisms, phased out coal by incentivising early adoption of clean technologies and made substantial upfront investments in grid infrastructure. Importantly, they backed these efforts with clear, long-term regulatory frameworks and investor guarantees, which proved essential to unlocking private capital and building trust in the transition.

On the African continent, South Africa and Morocco stand out as early examples of countries entering their decoupling phase. South Africa's Just Energy Transition Partnership (JETP), underpinned by US\$8.5 billion in concessional funding, marks one of the first national transitions backed by both international and domestic planning. Morocco similarly has demonstrated the power of early public investment combined with international diplomacy. It has developed one of the world's largest concentrated solar power (CSP) facilities (which have been operational for 9 years) and significantly expanded its wind, solar and hydro capacity over more than a decade already. This progress has been underpinned by sustained public finance, robust policy direction and strategic diplomatic engagement.

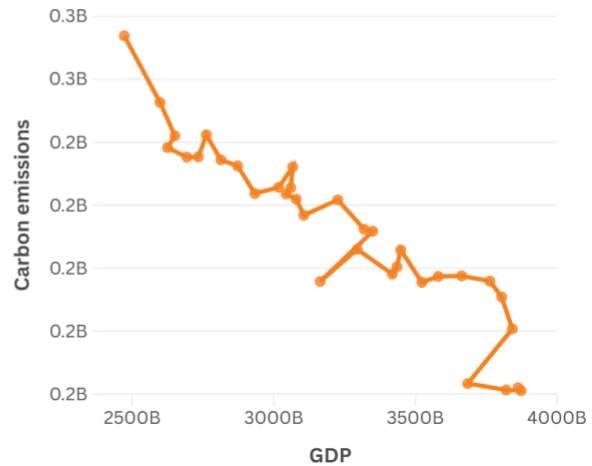
Chart 3: GDP vs Carbon emissions showing decoupled growth, 1976-2023

GDP measured in market exchange rates and carbon emissions measured in tons of carbon

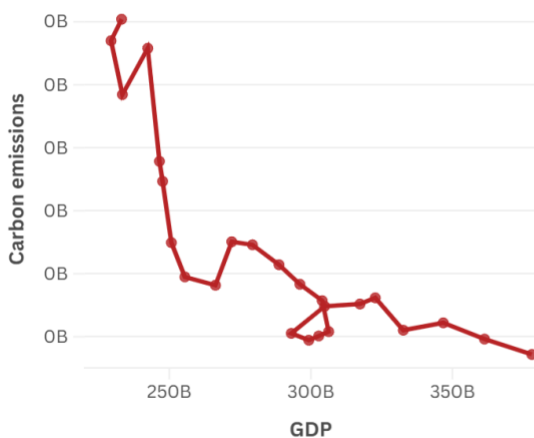
France (1980-2023)



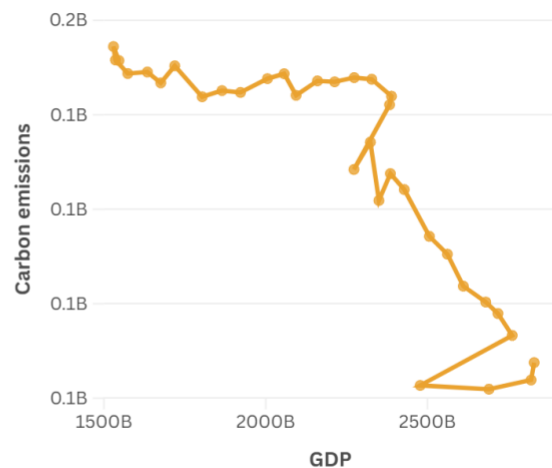
Germany (1990-2023)



Sweden (1976-2000)



UK (1990-2023)



Source: International Futures

Unlike early decouplers, Africa begins its journey with limited electrification, sparse grids, lacking infrastructure, weak industrial bases and constrained institutional capacity. While renewables are increasingly cost-effective and are being deployed across the continent at a record pace, they alone cannot meet Africa's baseload energy needs or power the large-scale industrialisation needed to lift half a billion people out of poverty. Higher-density energy sources, such as natural gas and, where feasible, nuclear, must form part of the energy mix if Africa is to close its energy poverty gap and enable inclusive economic growth.

Renewables alone cannot meet Africa's baseload energy needs or power the necessary large-scale industrialisation

Leapfrogging to a low-carbon future without adequate capital or enabling global policy frameworks is unrealistic. Foreign investment remains highly volatile, and nearly two-thirds of climate-related official development assistance (ODA) to Africa in 2022 came in the form of concessional loans, not grants, adding to the continent's rising debt burden. A global carbon tax has been proposed as a funding mechanism, but in the current geopolitical climate, a

binding global effort is unlikely. At minimum, the G20 should implement a carbon price floor targeted at the world's highest emitters, with a share directed to low-income, low-emission, energy-poor countries.

A pragmatic African decoupled pathway demands systemic reform of the global financial architecture. Climate finance must shift from debt-based loans to unconditional grants for low-income countries, as evidence shows that concessional financing accelerates implementation and reduces fiscal strain.

The idea of scaling up South Africa's JETP model across the continent has already been raised, highlighting the need for a continent-scale investment platform to coordinate and de-risk capital flows. But Africa must also lead from within. No investor will commit to fragile, unstable environments. Governance reform, regulatory clarity and political stability are non-negotiable for building an investable continent. None of this is possible without decoupling climate finance from debt. Africa did the least to cause the climate crisis. Yet, it is expected to pay the most for solving it. Without reforming global finance, structural external support and strategic continental leadership, the energy transition will weaken and Africa will face a stark choice: either remain locked in energy poverty for decades to come, or repeat the fossil-fuel-intensive path that created the climate crisis in the first place.

Written by Alize le Roux. Published in Africa Tomorrow on 27 May 2025.



Tackling working poverty and informality in Africa's labour future

Africa's jobs crisis is about quality, not quantity: curricula must reflect today's and tomorrow's job market needs, like digital and green skills.

Africa may have one of the highest labour participation rates in the world, but most of its workers remain trapped in informal, low-paying jobs that fail to provide a way out of extreme poverty.

With a working-age population of around 900 million (ages 15-64), abundant natural resources and a rapidly advancing digital landscape, Africa is facing significant shifts in its employment landscape. The labour market presents both critical challenges and vast opportunities, with ongoing transformation from agriculture to manufacturing, and from informal to formal work. Patterns vary significantly across regions: urban areas foster jobs in manufacturing and digital services, while rural areas continue to depend on agriculture and mining.

According to the International Labour Organisation (ILO), an employed person is anyone aged 15 or older who has worked at least one hour for pay within a given week or is temporarily absent from work due to reasons such as annual leave, illness or maternity, within a specified period. The definition covers all forms of employment, both formal and informal, regardless of whether the employment is declared or not.

In this context, the actual meaning of employment is having paid work. But it is seldom a living wage. Employment data, therefore, would include an executive of a company, who may be earning a million dollars a year, and a teacher in the Democratic Republic of the Congo (DR Congo), who earns US\$100 per month. It also includes a street vendor in Soweto, South Africa, who sells packets of peanuts and may be earning 80 cents or a dollar per day in the informal sector.

Because participation in the informal economy is considered part of employment, the informal sector dominates employment, accounting for more than 85% of jobs in Africa. While informal jobs provide livelihoods for millions, they often lack job security, social protections and income stability. This duality between informal and formal, subsistence and skilled labour continues to shape the African employment narrative.

The informal sector dominates employment, accounting for more than 85% of jobs in Africa

However, the reality is more complex, with many even in the formal sector classified as extremely poor, despite being employed. Minimum wages are often too low to cover basic living costs. The ILO refers to these people as the ‘working poor’ — this means their employment-related incomes are not sufficient to lift them and their families out of extreme poverty and ensure decent living conditions.

The phenomenon of the working poor is driven by several key factors, including low wages, a high cost of living, underemployment, and high dependency ratios. In 2024, Africa had an average dependency ratio of 1.3 working-age persons (15-64 years of age) to every dependant (children under 15 years and elderly over 64 years). When the ratio of working-age people to dependants reaches 1.7, countries generally enter the first demographic dividend.

To observers, Africa often presents the picture of a dual economy: a relatively small formal sector that includes government, certain services and a limited amount of industry, alongside a large informal sector where underemployment is prevalent and which is characterised by survival, poverty and low productivity. Underemployment is a key indicator of the poor quality of most jobs in Africa and is characterised by low work hours and low labour productivity.

The rate of the working poor in the informal sector is much higher than that in the formal sector. In the absence of a social net, employment in the informal sector is, of course, better than no employment or income. But by its nature, informal work does not offer benefits such as health insurance, unemployment insurance or paid leave. The majority of informal workers—many of them self-employed—must work daily to earn a living and cover basic household needs. Their livelihoods are often unstable, leaving them highly vulnerable and with limited capacity to withstand shocks, such as the lockdowns experienced during the COVID-19 pandemic.

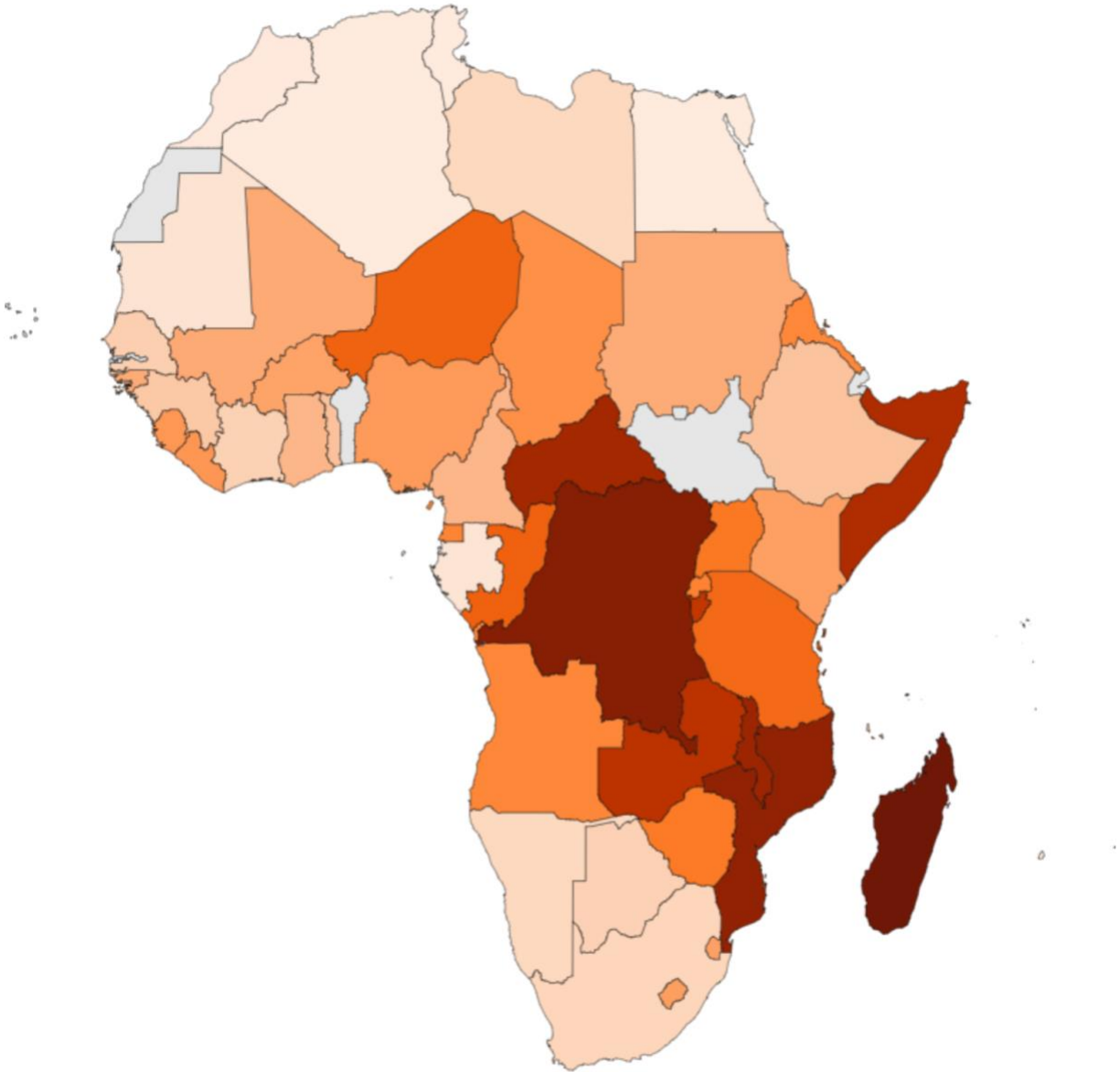
People living on less than US\$2.15 per day are considered extremely poor, while those living on US\$3.65 per day in lower-middle-income countries and below US\$6.85 in upper-middle-income countries are considered moderately poor. The percentage of working poor living below US\$2.15 per day in 2024 as a share of total employment in Africa was estimated at 29.3%, and the percentage was even higher in low-income countries. Figure 1 shows that the percentage of workers who are extremely poor in Madagascar and DR Congo is more than 70% of the employed labour force. This means that even where employment is high, the majority of people remain unable to meet basic needs—a clear signal that job quantity alone is not enough.

Because the ILO includes participation in the informal economy as part of employment, a larger portion of Africa’s labour force is classified as employed than one would expect. In 2024, Africa’s unemployment rate was estimated at only 6.7%, thus only slightly above the global average of 5%. Among young Africans aged 15 to 35, approximately one in 22 (4.5%) were unemployed, with a forecast indicating an increase to 5.2% by 2030.

Although many unskilled and undereducated individuals are employed in the informal sector, employment in this context cannot be classified as ‘decent work’, which the ILO defines as one that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all men and women.

Chart 1: Working poverty among African countries, 2024

Percentage of working poor living below US\$2.15 per day as a share of total employment

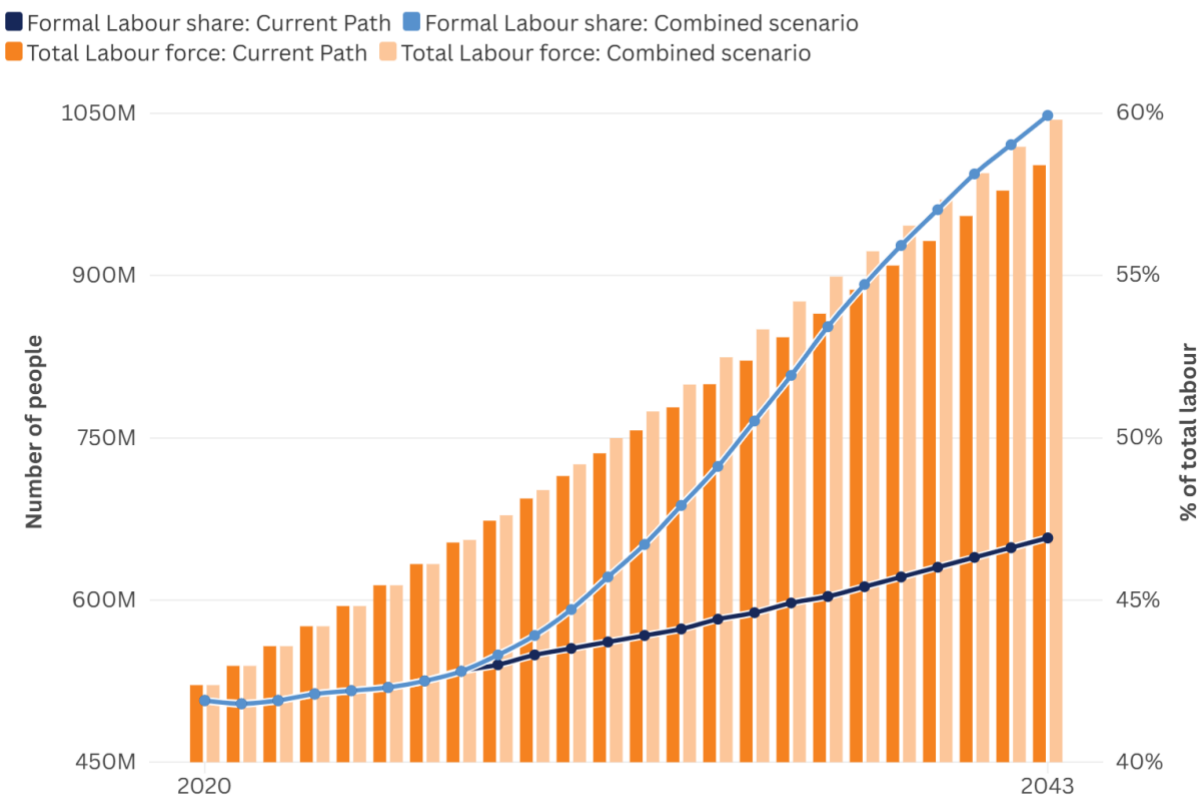


Source: International Labour Organization

Economic transformation enables an increase in labour earnings and drives employment transformation—a shift in the share of employment from informal to formal. A recent AFI-ISS [study](#) shows that under the Combined scenario—where all eight positive sector interventions are applied across Africa—the total labour force in 2043 would be 4.2% larger than in the Current Path scenario, driven by a growing working-age population. The share of informal workers would drop by 13 percentage points, raising formal employment to 60% of the total labour force by 2043, as

depicted in Figure 2. This projected shift toward formality under the Combined scenario shows that economic transformation can meaningfully improve job quality, but only if pursued deliberately.

Chart 2: Total labour force and formal labour share in Africa, Current Path vs Combined scenario: 2020-2043



Source: International Futures

As the continent progresses and shifts from an agrarian economy to industrial and service-based structures, new formal job opportunities are created in sectors such as manufacturing, finance and information technology (IT). Additionally, the Combined scenario will boost Africa's urbanisation by 0.7 percentage points above the Current Path, reaching approximately 53% as the labour force transitions from informal rural employment to formal jobs in urban areas.

The Manufacturing scenario has the most significant impact on reducing the informal labour force by about nine percentage points by 2043 (Figure 3), highlighting the transformative potential of industrial expansion in creating more formal job opportunities. The data underscores that industrialisation, especially through manufacturing, has the greatest potential to reduce informality and improve livelihoods.

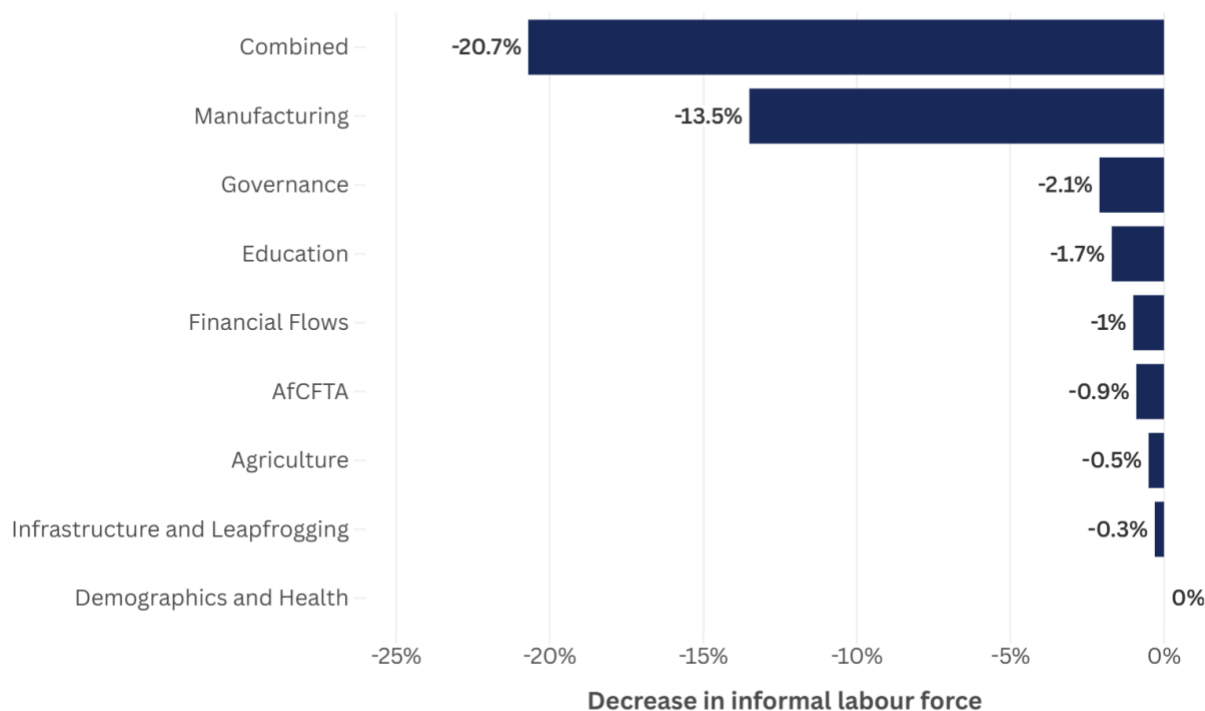
Industrialisation, especially through manufacturing, has the greatest potential to reduce informality and improve livelihoods

Expanding productive employment is essential for Africa to take advantage of its demographic dividend rather than face a demographic burden. Manufacturing can play a vital role in this effort because it has the potential to provide jobs for a large number of semi-skilled workers, particularly in areas like agro-processing, garment production and

assembly work. Additionally, manufacturing has multiplier effects on job creation in supporting sectors such as logistics, distribution and maintenance.

Africa's work and jobs landscape holds significant potential, but to unlock it, the continent requires good leadership, inclusive policies and sustainable long-term investment in education and skills development. As the continent advances toward a future shaped by its youthful population, it needs a shift in mindset and policy that would allow a speedier escape from poverty compared with the slow progress envisioned in the Current Path.

Chart 3: Decrease in informal labour force per scenario compared to Current Path: 2043



Source: International Futures

On the one hand, governments must go beyond job creation to raise job quality, ensuring fair wages, protections and resilience to future shocks. Without bold action, the promise of Africa's demographic dividend could give way to deeper economic fragility and inequality.

On the other hand, African governments must help to create a culture of entrepreneurship, so that Africa will be able to reduce unemployment. Attitudes need to change from 'getting an education to get a job' to 'getting an education to create jobs and opportunities'. Better skills lead to better work.

Even then, such entrepreneurship and self-employment will not suffice to solve the unemployment challenge. It therefore seems inevitable that additional interventions, such as social grants combined with public work programmes, will have to be implemented on a massive scale if Africa is to reduce extreme poverty and ensure the basic survival of a significant share of its population.

Written by Dr Blessing Chipanda. Published in Africa Tomorrow on 12 August 2025.



Africa has critical minerals but needs a unified strategy

As global powers race for Africa's minerals, the real challenge is not natural endowments but governance, value addition and speaking with one voice.

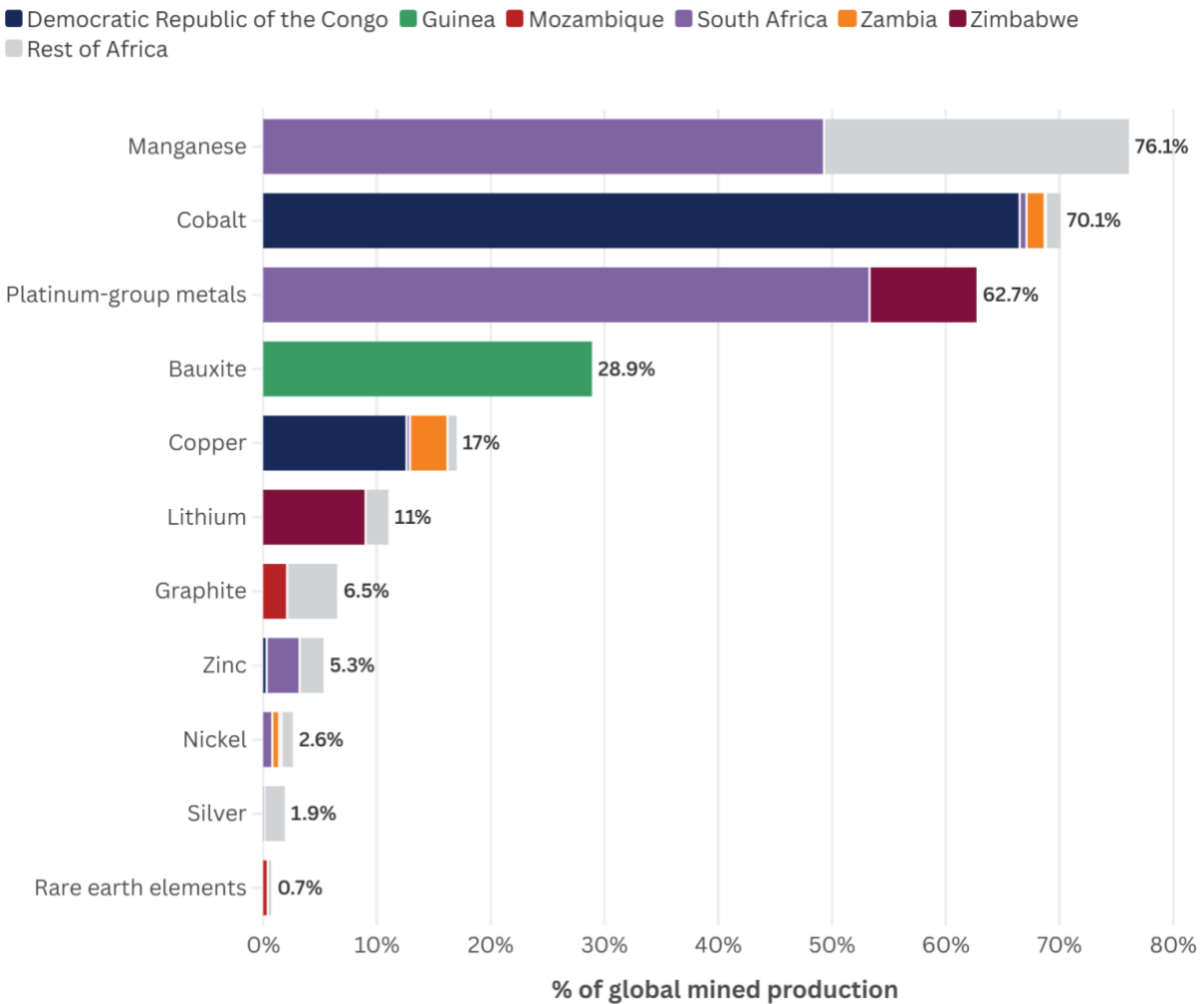
Africa holds approximately 30% of the world's critical mineral reserves. Among them are minerals essential to global defence, aerospace and green energy supply chains, such as titanium, graphite, lithium, beryllium and rare earth elements (REEs). Equally vital are gallium, germanium and silicon, which serve as key inputs for semiconductor manufacturing that underpin the Artificial Intelligence revolution and the rapid growth of global data infrastructure.

Africa's resource base is both diverse and widespread: cobalt in Central Africa, while lithium, nickel and rare earth elements (REEs) are abundant in Southern Africa. East Africa is also emerging as a significant hub for REEs. For instance, Guinea possesses roughly a quarter of the world's bauxite reserves; South Africa is the world's largest manganese producer; Zimbabwe ranks among the top five globally in lithium deposits; and the Democratic Republic of Congo (DR Congo) accounts for approximately 70% of the world's cobalt mining.

Africa holds approximately 30% of the world's critical mineral reserves

These proven reserves contrast with the recent high-profile US-Ukraine critical mineral deal, where the accuracy of underlying geological estimates is suspect. African governments need to leverage these verified assets by developing a robust governance framework to position the continent as a dependable supplier of global critical minerals.

Chart 1: Africa's share of global mined production of selected minerals, 2024



Source: IEA

Demand for critical minerals is likely to rise significantly over the next decades, particularly due to an accelerated pace in global energy transition, electrification, and digital technologies. According to climate-driven scenario modelling from the International Energy Agency, the global demand for copper could rise by 50% by 2040, while nickel, cobalt and REEs could see their demand double. Lithium demand could even grow eightfold.

Global powers are racing to secure access to these critical minerals. Geopolitical dynamics, such as the US-China trade war, are reshaping investment flows and strategic priorities. Today, the conversation is not only about possessing critical mineral reserves; it is about having a coherent strategy. For Africa, this means defining a long-term vision that integrates mineral value addition, regional integration and assertive policy frameworks to transform mineral endowments into levers of economic and geopolitical influence.

In a notable diplomatic development, the DR Congo has reportedly proposed a Ukraine-style deal to the US, offering access to its vast mineral wealth in return for support in resolving the long-standing conflict in eastern Congo. Such minerals-for-security arrangements may appear mutually beneficial, but come with serious governance risk. If not accompanied by transparency and accountability, they risk further entrenching corruption and triggering instability in fragile states. Overall, African countries have entered into approximately 100 bilateral and multilateral

agreements between 2019 and 2023, as assessed by the Africa Policy Research Institute. Many of these agreements, however, vary strongly in the criteria they define and lack transparency and public accessibility. This raises serious concerns from the perspectives of governance, benefit-sharing, human rights, and more.

African countries have entered into approximately 100 bilateral and multilateral agreements between 2019 and 2023, yet coordinated approaches are needed

Transactions of this scale and geopolitical significance must be approached through collective African engagement to enhance bargaining leverage and project a unified continental position. As a result, there is an urgent imperative for the African Union (AU) to formulate a coordinated framework for negotiating and governing investments in critical minerals. At the heart of such a strategy must be value addition, transparent governance, and robust public-private partnerships (PPPs) that secure sustainable benefits for the continent. The recently approved African Green Minerals Strategy (AGMS) by the AU seeks to advance this agenda. It establishes a continent-wide framework to promote mineral beneficiation, enforce responsible mining practices, and align Africa's vast mineral wealth with its broader ambitions for green industrialisation and sustainable economic transformation. The African Mining Vision (AMV), established in 2009, set out a continental blueprint to ensure mineral wealth contributes to broad-based sustainable development. Yet, the implementation of these frameworks and strategies has been very fragmented among African countries.

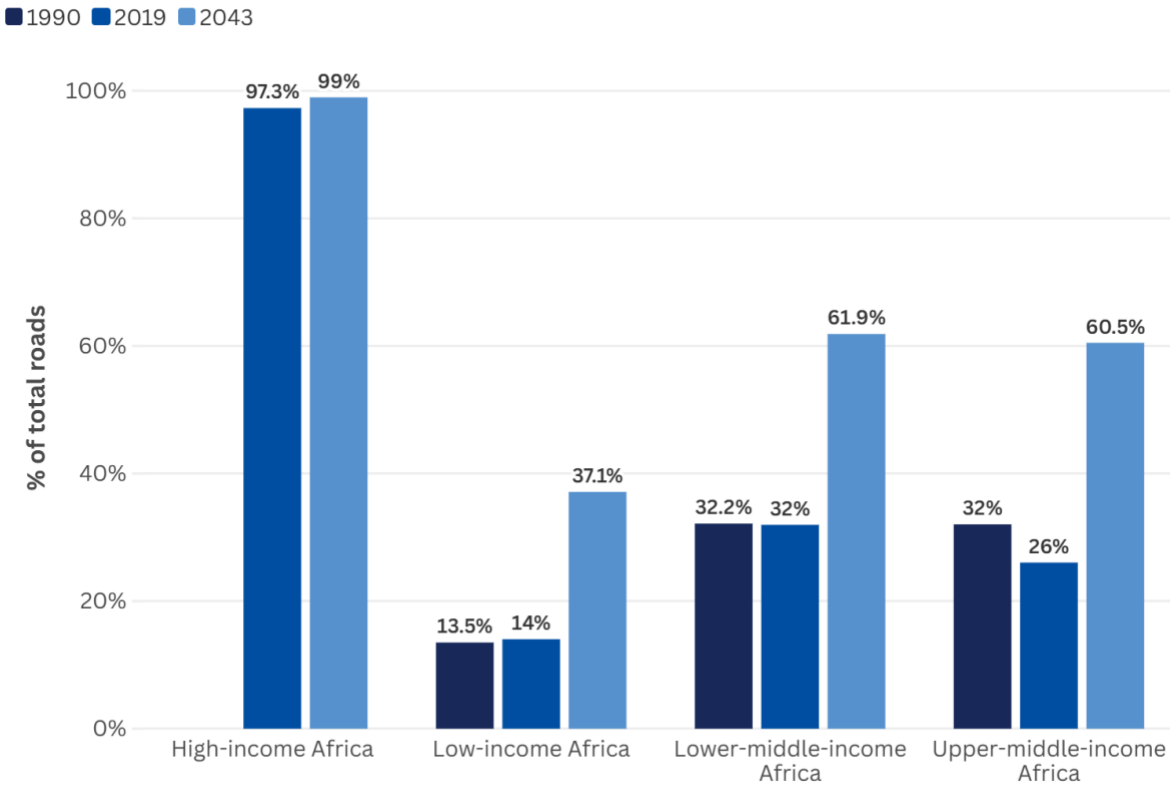
In parallel, while the US and China continue to compete for dominance in global critical mineral supply chains, other investors are also accelerating their engagement with Africa. The EU's Global Gateway Initiative and bilateral arrangements spearheaded by countries like Germany and France reflect this growing strategic interest. This intensifying global competition further underlines the imperative for Africa to speak and negotiate as one. Failing to do that might lead investors opting to partner with other richly endowed countries ramping up their critical minerals production.

Strengthening mineral value addition initiatives could place Africa in the midstream and downstream global supply chains for the green energy transition. However, achieving large-scale value addition requires Africa to overcome persistent hard infrastructure gaps (unreliable energy supply, poor transport and logistics, unstable water supply, and lack of Information and Communication Technology (ICT) infrastructure) and skills bottlenecks. For instance, only 5% of DR Congo's roads are paved, with the potential to increase to 24% over the next two decades, in an ambitious infrastructure development scenario. Further, DR Congo has one of the lowest rates of electrification globally, which was at 21% in 2022, far below the 36% average of low-income African countries. By 2043, electricity access in DR Congo will increase to 53% of the population, again under ambitious investment interventions.

Achieving large-scale value addition requires Africa to overcome persistent hard infrastructure gaps and skills bottlenecks

Critical mineral partnerships (PPPs), therefore, should be negotiated inclusive of investments in infrastructure, skills development and local research capacity to encourage processing and value-add beyond just extraction, and contribute to enhanced industrial policy. The recently approved South African Critical Minerals Strategy highlights specifically that. Further, African nations need to increase their own investments in infrastructure and build capacity in the mining and processing sectors.

Chart 2: Paved roads in Africa by income group for 1990, 2019 and 2043



Source: IFs 7.84, initialising from WDI data

Governance reforms are crucial if Africa is to attract investment from countries with a high sensitivity to corruption and transparency standards, notably across the Global North. Otherwise, the continent risks seeing dependable critical mineral investors shifting to more transparent or strategically aligned countries with greater policy clarity, consistency and industrial readiness.

Africa needs to position itself as a dependable and strategic supplier in global critical mineral value chains. This must go beyond simply diversifying foreign investors' portfolios. It calls for the development and enforcement of robust policy frameworks that prioritise value addition within the mining sector. Equally essential is the accelerated implementation of the African Continental Free Trade Area (AfCFTA), which can strengthen the continent's collective bargaining power in global investment negotiations and enhance the emergence of integrated regional value chains. Without a unified vision, regional thinking and a coordinated strategy, Africa risks remaining a mere exporter of natural resources, missing the transformative potential of its mineral wealth to drive sustainable industrial development.

Written by Dr Marvellous Ngundu and Dr Julia Baum. Published in Africa Tomorrow on 22 May 2025.



Africa's future demographic dividend matters to Europe today

Africa's demographic surge offers Europe a chance to rethink labour, migration and global partnerships through a lens of long-term interdependence.

Europe's population is shrinking, while Africa's is growing. By 2050, Africa will be home to one in four people globally.

At 1.5 births per woman in 2023, fertility rates in the Netherlands were significantly below replacement levels, although higher than the European average of 1.4. The population is expected to shrink from 2050 onwards.

In comparison, Somalia, Chad, Niger and the DR Congo all had a fertility rate of above six children per woman in 2023, with 45 other African countries exceeding the rate of 2.8.

Similarly, the EU's labour force is shrinking and ageing, while Africa's is growing rapidly and becoming younger. By 2050, more than 60% of Africa's people will be of working age. In Sub-Saharan Africa, the labour force will more than double. It will have increased from 505 million in 2023 to 1 058 million people, while Europe's labour force will have declined from 370 million to 342 million.

By 2050, more than 60% of Africa's people will be of working age

These striking insights are derived from a recently modelled Demographics and Health scenario authored by AFI-ISS, which are presented in a working paper published in collaboration with the Netherlands Scientific Council for Government Policy (WRR).

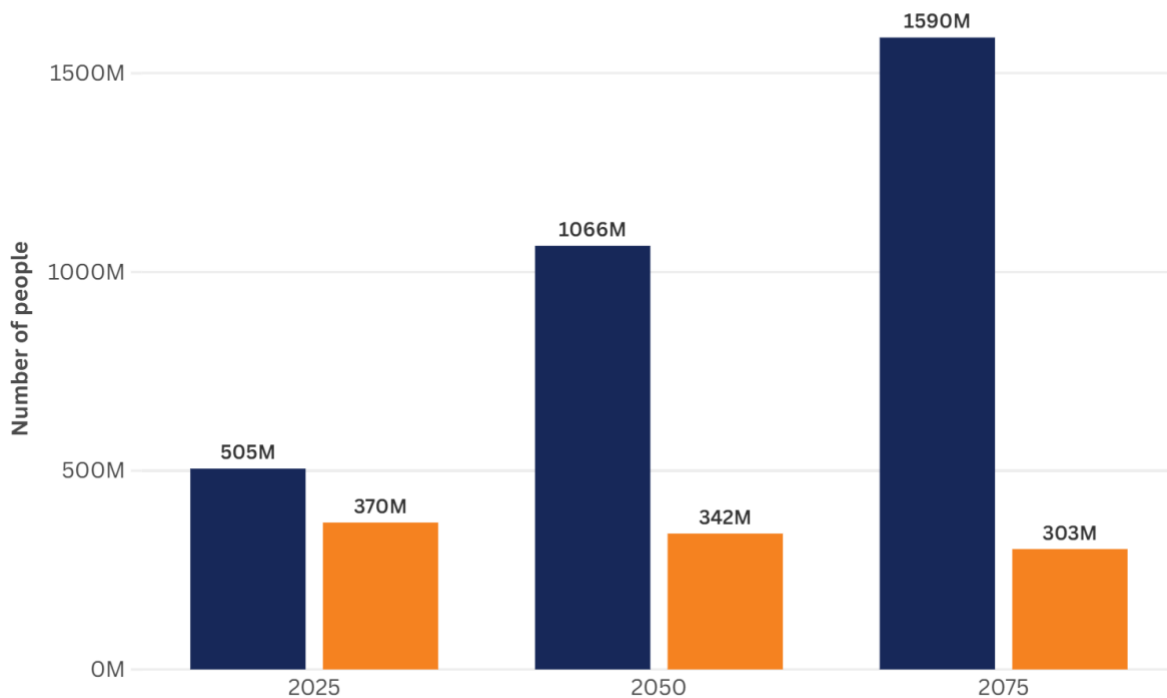
These demographic contrasts will have global ramifications. They will affect labour markets, trade, migration and geopolitical stability. Africa's demographic trends increasingly shape global economic and political developments, including for the EU and the Netherlands.

Thus, supporting Africa's demographic transition is strategic foresight, rather than charity. Africa's youth bulge could become a key driver of development with the right interventions and investments, but failure to do so could result in missed opportunities for both regions.

Labour force size in Sub-Saharan Africa and Europe, 2025-2075

Labour force includes those aged between 15 and 65 years

■ Sub-Saharan Africa ■ Europe



Source: International Futures

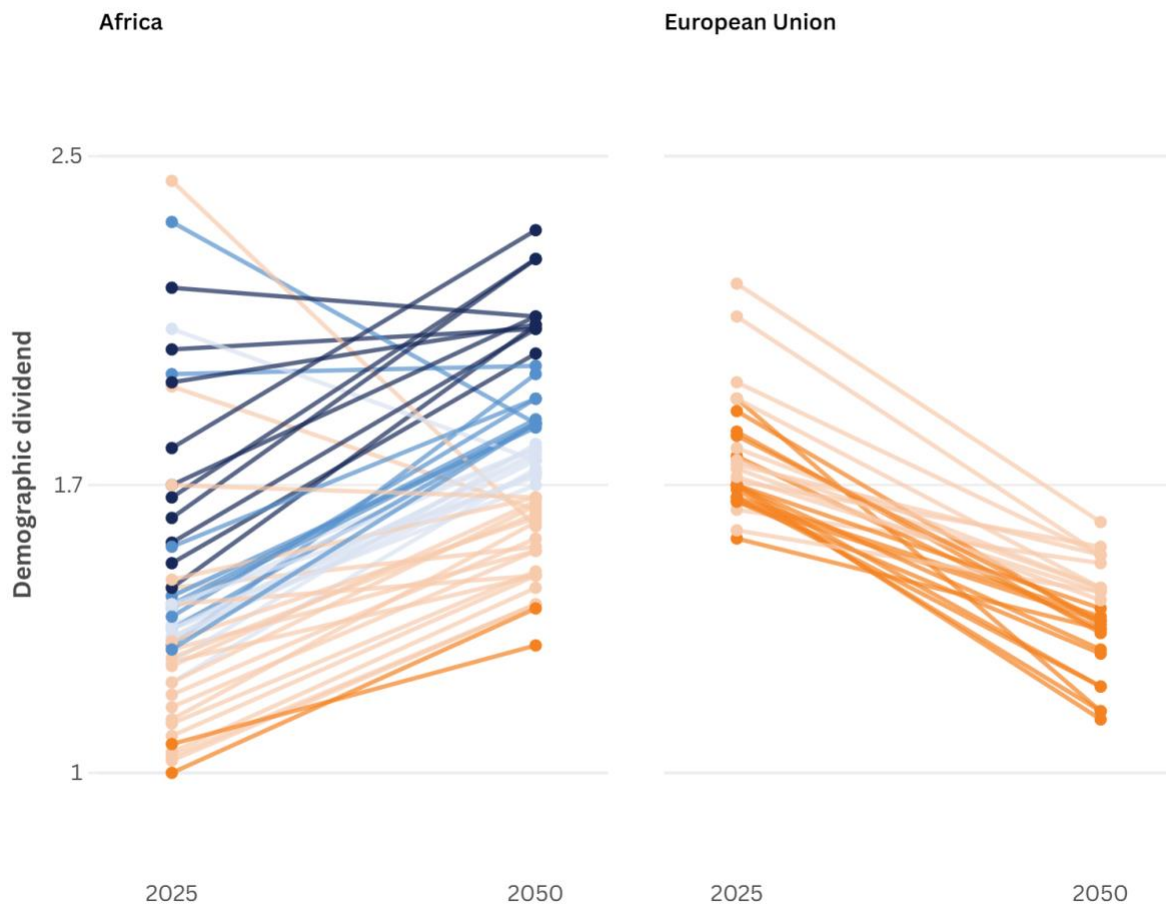
Realising the potential of Africa's population trends requires a closer look at the demographic transition process, and the conditions under which it can generate a meaningful demographic dividend.

The demographic transition is a historical process of change in a population's fertility and mortality rates, typically passing through five stages — from a phase of high birth and death rates with slow population growth, to one of low fertility and mortality where population growth stabilises or declines. As countries progress through these stages, the structure of the population shifts. A demographic dividend then arises in a country when the share of the working-age population (15-64) is large relative to the non-working-age share of the population (14 and younger, and 65 and older).

Africa is not homogeneous. Different countries are at different stages of their demographic transition and will thus experience the dividend at different times. Early-transition countries, like Niger, still have very high fertility rates, limited access to health and education and a large child-dependent population. Mid-transition countries, such as Ghana, are seeing fertility decline and a growing share of working-age youth, creating both opportunity and pressure on services and jobs. Late-transition countries, like Tunisia, have near-replacement fertility, smaller youth cohorts and are beginning to face the challenges of an ageing population. Nigeria, Africa's largest country in terms of population size, is expected to enter the demographic window only around 2060 and to peak around 2085. Only 10 out of 54 African countries were in the demographic window of opportunity in 2023. By 2050, 32 will be — but Algeria, Tunisia and Mauritius will have already exited it by then.

Demographic dividend in Africa and the European Union: 2025 vs 2050

A country reaches a demographic dividend when the ratio of working-age persons to dependents exceeds 1.7. Individual countries coloured by ratio in 2050: blue is greater than 1.7 and orange is lesser than 1.7.



Source: International Futures

Without accelerating the demographic transition, there is a strong risk that the continent will face a continued delay in reducing poverty and delivering services to its citizens. High fertility can overwhelm education, health and infrastructure systems. The absence of decent work opportunities for young people can fuel disillusionment, political unrest and irregular migration. Urbanisation is occurring rapidly, yet often without adequate planning, leading to overcrowded cities and slums. Without significant infrastructure investments, gaps will continue to limit Africa's ability to harness its demographic potential.

Countries must advance the transition before they can harness it. Advancing the demographic transition requires improvements in child and maternal health, access to modern contraceptives, education (especially for females) and basic infrastructure such as safely managed access to water and sanitation. For instance, Africa's average use of modern contraceptives remains low at 32%, compared to 73% in Europe. Increasing female education levels delay marriage and childbirth, which contributes to fertility decline and economic empowerment. Behavioural and cultural shifts regarding family size and gender roles are equally critical and require deliberate policy attention.

Once fertility declines and the working-age share rises, turning the demographic potential into prosperity depends on a cascade of key factors, including the country's ability to create enough jobs aligned with market needs, particularly in labour-intensive sectors, to absorb its growing workforce. This requires investment in skills training, including digital and vocational education, as well as better urban planning to manage rapid urbanisation. Young

people must be actively included in economic and political life. Good governance and political stability are crucial to attracting investment and fostering inclusive growth.

Harnessing the demographic dividend is thus not automatic. It requires coordinated action across sectors and a clear sequencing of reforms.

A shared agenda for the Netherlands and Europe

Supporting Africa's demographic transition is a clear strategic interest for Europe, because the continent's trajectory will shape Europe's own economic and social outcomes. In an increasingly multipolar world, shared prosperity and stability will depend on recognising and investing in this growing interdependence. A key example is that Europe already faces a structural labour shortage; Africa will have a labour surplus. Structured, legal migration frameworks can therefore both help meet skills gaps and labour shortages in Europe while providing economic opportunities for young Africans, particularly from countries where the pressures of youth unemployment are acute. In order to realise such opportunities, European policymakers must develop a better understanding of Africa's demographic trajectories and their implications.

European policymakers must develop a better understanding of Africa's demographic trajectories and their implications

Early investment in advancing and harnessing Africa's demographic dividend is an opportunity to build economic partnerships, address labour shortages and manage migration. It also aligns with the EU's Green Deal and Africa Strategy, which highlight the importance of inclusive growth, human development and sustainable investment.

International support must focus less on short-term development goals and more on helping countries build the systems needed for long-term demographic advancement. In this, African countries require differentiated support strategies based on their governance capacity and whether they are experiencing the early phase or a later phase of the demographic transition. Donors should align funding streams accordingly, and European partners should include demographic progress indicators (such as fertility rates, contraceptive prevalence and age structure) in their development and migration cooperation frameworks.

Africa's demographic arc is not predetermined. For the Netherlands and Europe, now is the time to act: not out of solidarity, but out of shared strategic interest. Africa can be a partner in managing global transitions, but this requires mutually beneficial cooperation.

Written by Jakkie Cilliers, Julia Baum and Gijsbert Werner. Published in Africa Tomorrow on 23 July 2025.



Why climate diplomacy needs more imagination

Powerful insights from our shared Futures Dialogue on Africa–Europe climate and energy diplomacy

What if climate diplomacy went beyond just targets, funding pledges and technology transfers, and began with rethinking the rules of engagement entirely? That was the spirit behind the recent bilateral Futures Dialogue between South Africa and the Netherlands, co-hosted by the African Futures Programme at the Institute for Security Studies (ISS), South African Institute of International Affairs (SAIIA) and Clingendael on 24 April 2025 at ISS's offices in Pretoria.

Far from a conventional roundtable, the Dialogue combined forecasting and foresight to reimagine shared futures for African–European climate and energy diplomacy. The workshop revealed the need for diplomacy to evolve from a model of instruction and compliance to one of honest exchange and co-creation. Below are four key insights from the Dialogue.

Diplomacy needs to evolve from a model of instruction and compliance to one of honest exchange and co-creation

Reclaiming “just” in just transitions

Much is said about the need for a “just transition”. However, one of the clearest lessons from the Dialogue was how rarely we interrogate what “just” really means and, more importantly, what it truly demands. Too often, it is treated as a moral ideal or policy afterthought when in reality, it is a fiercely contested, politically charged and context-dependent issue that shapes policy across the board. For some, justice means secure jobs and livelihoods. For others, it means energy sovereignty, historical redress, or not being left behind. A truly just transition, therefore, demands deeper listening, sharper foresight and a shift in how climate priorities are framed—and by whom. Until those questions are asked (and answered) explicitly, the promise of justice risks remaining aspirational, rather than actionable.

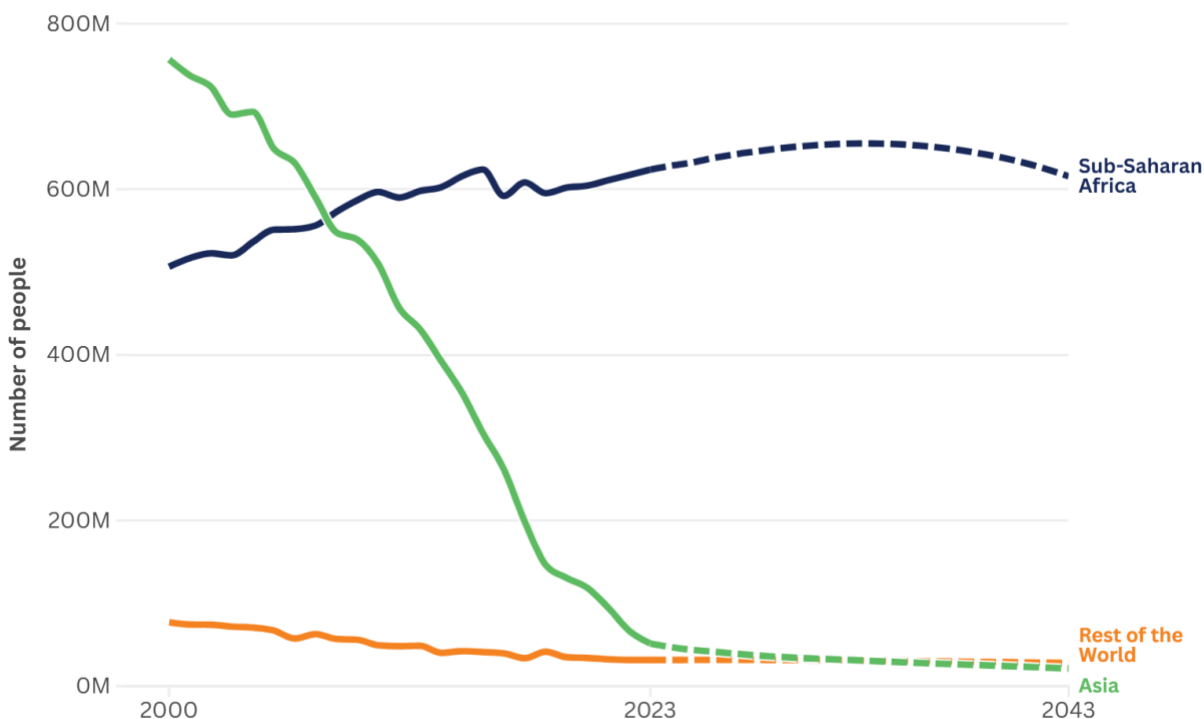
Collaboration must be honest and adaptive

The global imperative to decarbonise does not neatly align with Africa’s development trajectories. Pretending it does is neither strategic nor sustainable.

Africa's energy landscape is marked by a stark paradox of immense energy potential against a reality of stark energy poverty among its rapidly growing population. Without systemic and coordinated interventions, up to 615 million Africans could still be without electricity by 2043.

Over 90% of people without power will reside in Africa by 2043

Citizens who do not have access to electricity, both in urban and rural areas



Source: International Futures

Europe's push for rapid decarbonisation is equally uncompromising. However, its leadership in climate diplomacy is not without internal contradictions. Europe faces strategic dependencies on imported critical minerals, fragile energy supply chains and rising political pressure to shield its green industries. These pressures expose the limits of its climate leverage and complicate its efforts to lead globally while maintaining domestic consensus.

Africa's development needs are urgent and non-negotiable. Europe's net-zero ambitions are resolute but increasingly vulnerable. Bridging these imperatives requires a new era of climate diplomacy. Collaboration cannot mean that Africa adapts to Europe's pace; it must mean redefining engagement rules altogether toward equity. The Dialogue made clear that meaningful collaboration requires confronting these tensions head-on. Progress will not come from harmonised talking points but ongoing, sometimes uncomfortable, conversations.

Worldviews shape systems, and outcomes

Building on extensive forecasts and modelling, the workshop utilised participatory foresight methods to reveal the cultural narratives and underlying assumptions influencing policy decisions. It demonstrated how prevailing beliefs, such as "growth equals progress" and "technology will save us," can obscure systemic risks and perpetuate existing inequalities under new disguises. Unpacking these mental models is essential if we are serious about transforming, not just tweaking, our climate and energy systems.

Without imagination, diplomacy recycles the past

Climate diplomacy needs to be as creative as the challenges it confronts. Without space for imagination and honest exchange, diplomacy risks becoming performative, repeating the gestures of cooperation while sidestepping the deeper fractures that stall progress. Imagination here is not utopian. It is strategic. It expands the field of what is politically and economically possible, particularly for African states navigating the twin imperatives of development and decarbonisation. By shifting the question from “what must Africa do?” to “what have we learnt and what futures can we shape together?”, radically different futures surfaced. For example, participants reframed climate mitigation as elite enforcement to being a development catalyst, turning carbon levies and green funds into engines for green industrial hubs and skills incubators. They also imagined diverting a share of emissions-tax revenues into a ‘climate recovery fund’, providing rapid financing for communities hit by extreme weather and rebuilding resilient infrastructure.

In a world of competing crises, perhaps the most strategic act is to slow down, listen and engage with intent. Climate diplomacy is about more than energy and carbon—it is about narratives, partnerships and the courage to imagine and build better futures.

In a world of competing crises, perhaps the most strategic act is to slow down, listen and engage with intent

The Futures Dialogue did not solve the climate crisis. But it proved something more fundamental: that when you create a structured space for tension, creativity and honest exchange, diplomacy becomes a tool for transformation. You do not only talk about the future, you begin to build it.

As the African Union claims its seat at the G20 and the COP30 looms, there is a chance to redefine global engagement terms and align who defines success, who speaks first and who gets heard.

Written by Michelle van Rooyen. Published in Africa Tomorrow on 19 June 2025.



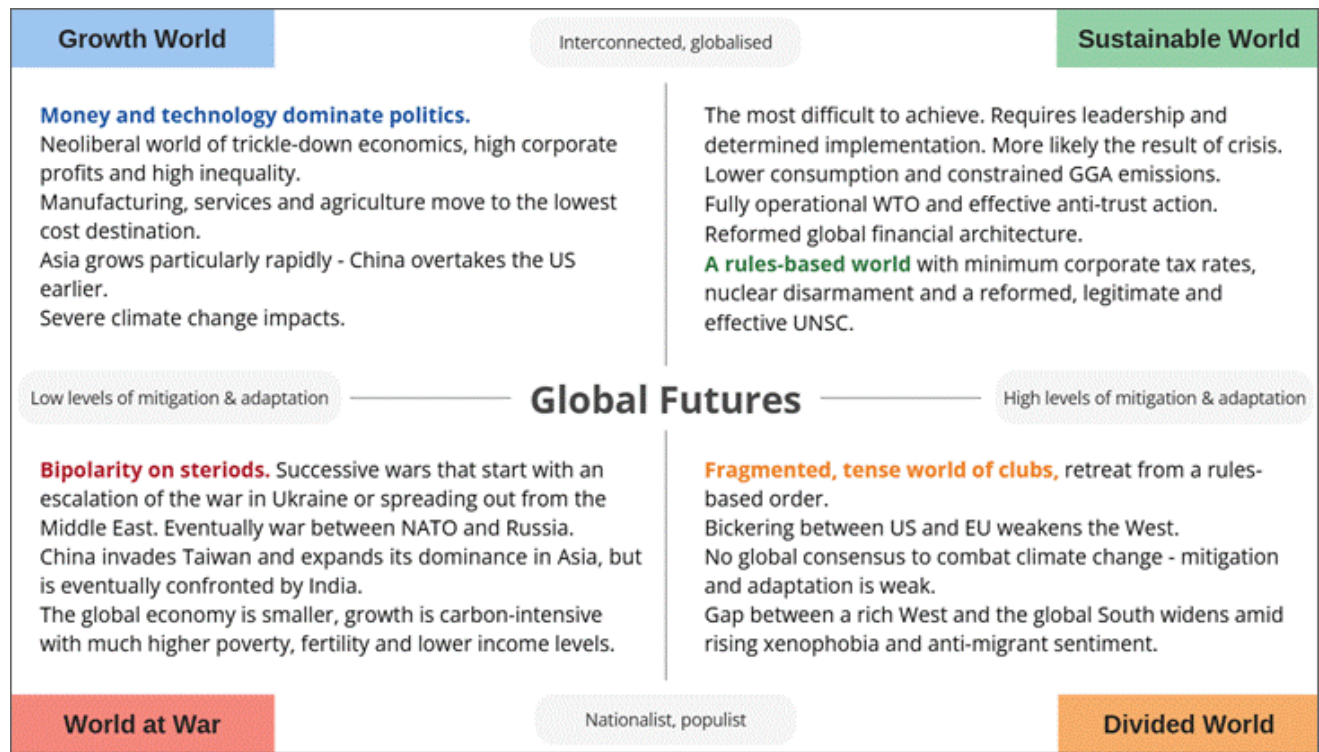
Under pressure: governance futures in the Global South

Foresight analysis maps four scenarios showing how global forces may reshape the role, capacity and legitimacy of the state.

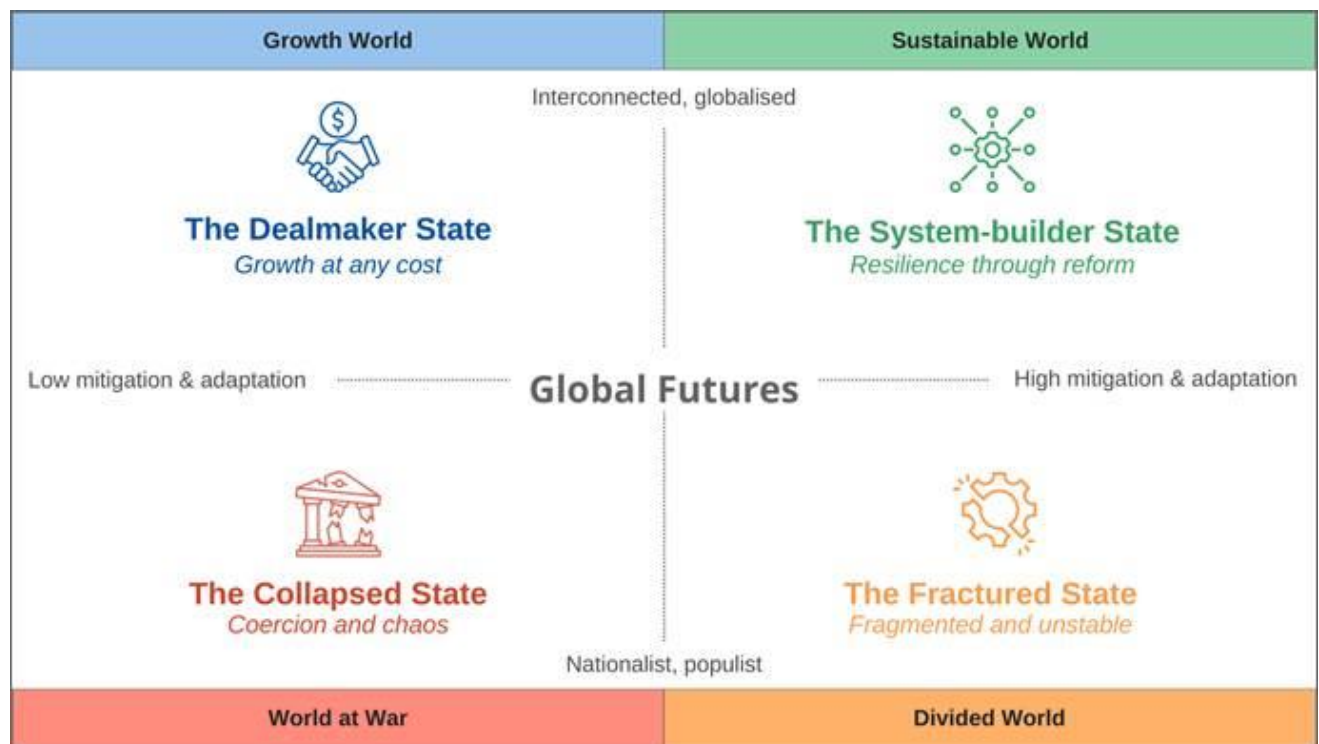
Global South states face mounting pressure as climate change, demographic shifts, technology and geopolitical tensions reshape their legitimacy, capacity and democracy. Governments must deliver more with fewer resources, while authority diffuses to non-state actors. This diffusion could strengthen resilience or deepen fragility.

To explore what this means, a new AFI-ISS study, funded by IDRC, *State Futures in the Global South*, applies strategic foresight to examine how governance could evolve. The study draws on a set of illustrative, long-term global scenarios developed initially for the Africa in the World theme (Figure 1).

In a region as diverse and complex as the Global South, reducing the future to a narrow set of trajectories would be misguided. This exploratory foresight approach instead seeks to engage systematically with the uncertainties and complexities shaping how states may evolve. It challenges assumptions, exposes the interconnections between drivers of change and uncovers patterns often overlooked. The goal is to open up space for more critical, futures-oriented thinking about what governance could become — and what it might take to shape it differently.



Taken together, the global forces point to why governance in the Global South cannot be assumed to follow a linear path. Different mixes of external shocks and domestic choices will push states in very different directions, and the foresight analysis distils these dynamics into four archetypes: the dealmaker, the system-builder, the fractured and the collapsed state. These capture four distinct pathways in which states could evolve in the decades ahead (Figure 2).



In the Growth World, governments shift from planners of development to dealmakers, brokering access to markets, labour, data and natural resources. External capital flows, US-China realignments and intensifying technological dependencies accelerate this shift.

On paper, regulatory quality and government effectiveness improve, yet these gains are deceptive and rest on technocratic delivery rather than democratic inclusion. Legitimacy rests on GDP growth and investor confidence, not improved social outcomes. States compete to appear ‘business-friendly’ by cutting taxes and easing labour and environmental standards — a short-term magnet for investment that weakens revenues and social protections over time. Spatial inequality deepens and governance becomes increasingly urban-centred, fuelling exclusion, resentment and long-term fragility.

What emerges is a governance model that looks efficient but is brittle. Stability is maintained at the macro level, but social unrest, environmental displacement and localised instability simmer beneath the surface.

Anchored in the Sustainable World, the system-builder state is the hardest trajectory to achieve and likely emerges from a crisis. Climate disasters, social unrest and economic shocks push governments to shift from dealmakers to stewards. Legitimacy is rebuilt through delivery and co-creation, redistribution and long-term planning.

The model balances structured authority with flexibility. States invest in rebuilding equitable systems, aligning with reformed global institutions and stronger regional blocs, while integrating local and Indigenous practices that ground legitimacy in context. Gains in rule of law, corruption control and participation come slowly: government effectiveness may falter during disruptive reforms, but later strengthens as institutions adapt.

Regional cooperation and fairer trade norms strengthen resilience to systemic shocks such as climate disasters and supply chain disruptions. Civil society and media scrutiny help curb elite capture, while expanded social protections build citizen trust. Yet the benefits are uneven and some South-South partnerships could reproduce hierarchies or extractive practices. States with weaker institutions, low technological readiness or limited inclusivity risk being sidelined, left dependent on stronger regional players or excluded from decision-making arenas.

This pathway demands hard political choices, axing elites, curbing carbon-intensive industries and enforcing sustainability standards: reforms that will inevitably face resistance. It also requires change from multilateral institutions to loosen rigid conditionalities and embed sustainability and equity into global rules and financing frameworks.

The fractured state emerges in a Divided World defined by fragmentation, resurgent nationalism, transactional partnerships and diverging development pathways. Multilateral systems erode as protectionist, populist and sovereignty-first movements take hold.

Authority becomes hybrid and contested, shared or fought over by governments, regional actors, private firms and informal networks. Decision-making is reactive and crisis-driven, focused on short-term stability rather than long-term resilience or inclusion. Formal participation weakens, replaced by symbolic or performative gestures that further alienate marginalised groups. Rising inequality, exclusion and corruption fuel unrest and distrust, while resource competition intensifies conflict and elite capture of policy.

Yet this is not a story of collapse everywhere. Some states reclaim policy space through selective trade barriers or industrial support, fostering pockets of resilience. Advanced economies develop competitive green industries and regional blocs experiment with localised adaptation, but progress is uneven. Lower-income states remain locked

into fossil-fuel dependency, and without coherent global coordination, overall progress falls short of what is needed for sustainability.

In the World at War, the most volatile future, the state is no longer a provider or planner: it becomes a fortress. Governance is reduced to coercion, focused on territorial control, elite protection and security at all costs.

The social contract is shattered. Participation and accountability vanish, replaced by fear and force. Resistance is violently suppressed or driven underground. Where the state disappears entirely, opportunistic actors — warlords, militias and criminal networks — fill the vacuum with fragmented and predatory forms of rule.

Globally, cooperation collapses. Power becomes transactional and opportunistic. Proxy wars, resource seizures and military blocs replace diplomacy. Resource-rich zones in the Global South become battlegrounds, while strategic corridors are militarised. States lacking geopolitical value are left behind — abandoned to chaos, displacement and humanitarian breakdown.

These four archetypes reveal divergent governance trajectories shaping plausible futures of state legitimacy and authority in the Global South. The dealmaker state delivers growth and short-term improvements in development indicators, but at the cost of long-term inclusivity. The system-builder state demands the greatest sacrifices up front, but offers the strongest foundation for sustainable, legitimate and equitable governance in the long run. The fractured state creates space for experimentation with alternatives to global dependence, but leaves the most vulnerable dangerously exposed. The collapsed state is the worst-case scenario: authority endures only through force, while governance, the ability to provide, protect and plan, disappears.

Across all four plausible futures, shared drivers and vulnerabilities become visible, pointing to underlying dynamics.

Firstly, governance is increasingly hybrid: shaped by states, non-state actors and informal networks. Yet hybrid systems are not inherently democratic or inclusive; they are contested spaces. Without coordination and meaningful inclusion, they risk reinforcing elite capture and mistrust. Where power is genuinely shared, they can foster resilience and renewal.

Secondly, inequality undermines all futures. It is not just a variable to be managed but the terrain on which governance succeeds or fails — the force that shapes legitimacy, distorts participation and amplifies fragility.

Inequality undermines all futures and is the terrain on which governance succeeds or fails

Thirdly, the participation-performance gap further unsettles long-held assumptions. Participation without delivery breeds disillusionment and populist backlash; in authoritarian contexts, it often becomes controlled dissent. Inclusion without impact is hollow; performance without trust is brittle.

The pivotal question, then, is whether delivery-based legitimacy can coexist with democratic renewal, or whether the drive for visible results will erode deeper accountability. The answer lies not in choosing one over the other, but in recognising their interdependence. The most resilient states will be those that align competence with connection — treating performance not as a substitute for democracy, but as the platform on which it is rebuilt.

The most resilient states will be those that align competence with connection — not treating performance as a substitute for democracy

Geopolitics adds another layer. South-South cooperation, once grounded in solidarity, is shifting toward strategic alignment. Regional blocs, infrastructure corridors and new financial institutions signal a move from rhetorical unity to institutional leverage — but whether this delivers equity or replicates old hierarchies remains uncertain.

In conclusion, the future of governance in the Global South will be shaped by how effectively states confront inequality, negotiate legitimacy and navigate strategic alliances in an increasingly complex world.

A long-term, systemic lens brings into focus the difficult trade-offs ahead: between efficiency and inclusion, control and adaptability, sovereignty and interdependence. It exposes the often-overlooked tension between immediate governance demands and long-term imperatives. Ultimately, state resilience will depend on visionary leadership that anticipates complexity, adapts with purpose and stays committed to sustainable, equitable progress. As change accelerates, the real test will be making deliberate, and often uncomfortable, choices about what to prioritise, what to reform and what to leave behind.

Written by Michelle van Rooyen. Published in Africa Tomorrow on 23 September 2025.



The promise of more investment

Africa's growth is constrained by limited capital and low domestic revenues, so what can more financial inflows bring to the continent?

In the early stages of development, economic growth is largely driven by the contribution of labour before capital, and eventually, technology increases in relative importance. That was also the case with the Asian tigers and China when they were poor, and reflects the progression in the drivers of growth as countries climb the ladder to prosperity.

For its 2025/26 financial year, the World Bank considers 22 African countries to be low-income, with a Gross National Income (GNI) per person equivalent to or below US\$1 145. This means that in these countries, economic growth essentially comes from their better-educated, healthier and employed labour force.

Then, as countries develop and enter middle-income status, the availability and role of adequate capital to boost manufacturing start to dominate, eventually becoming more important for economic growth compared to labour and/or technology contribution. That generally applies to the 23 African countries that the Bank considers lower-middle-income. Fast forward, and as countries settle into upper-middle-income status (Africa has eight) and try to achieve sufficient velocity to graduate to high-income status, the contribution of technology to enhance high-value service output starts to dominate.

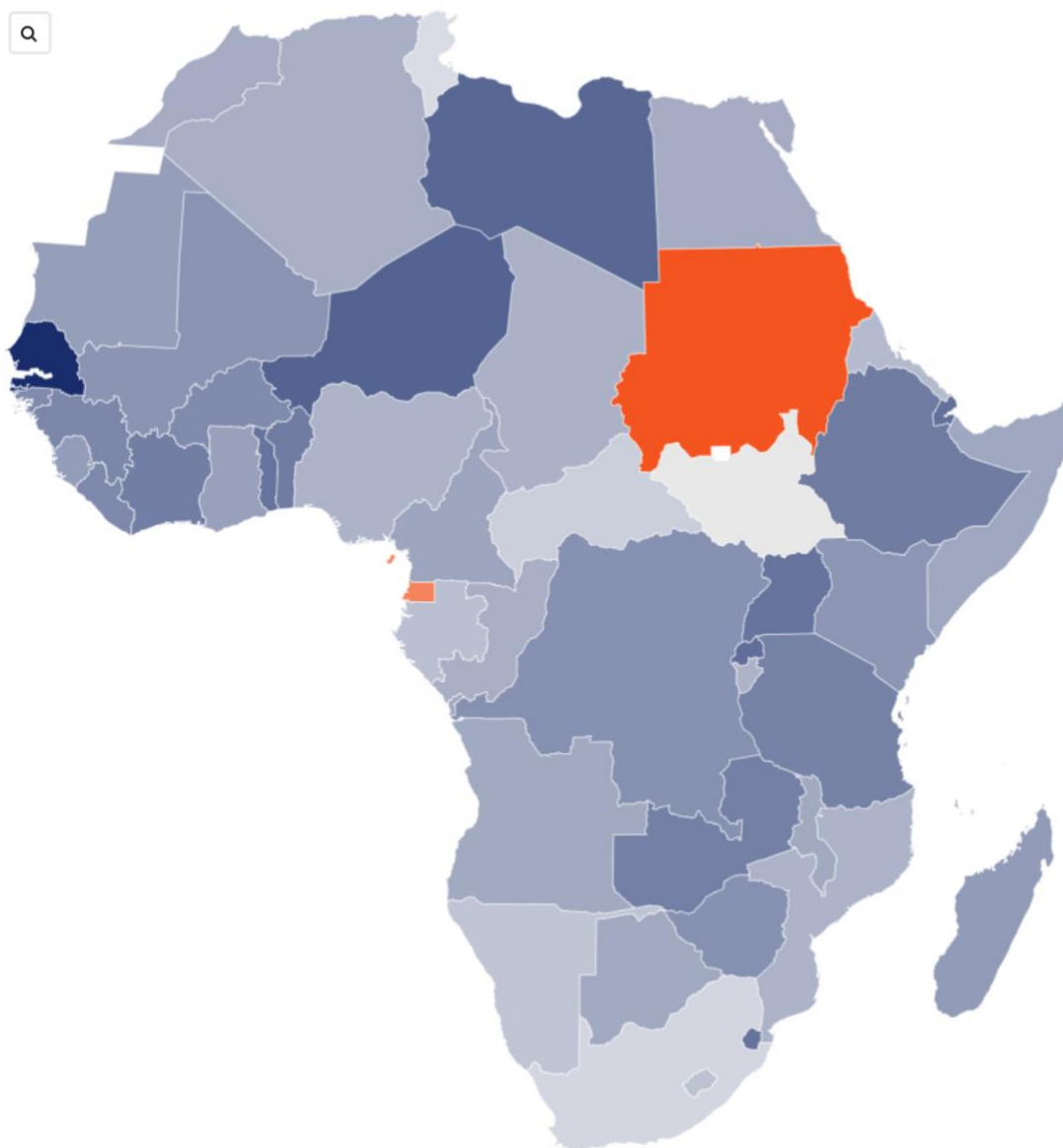
Only the island state of Seychelles has managed to escape Africa's notorious middle-income trap, and much of the inability of lower-middle- and upper-middle-income countries to do similarly relates to inadequate access to capital for manufacturing and technology advancement, respectively.

Most African middle-income countries struggle to escape the development trap due to limited access to capital for manufacturing and technological advancement

Access to capital is vital for development. It enables countries to invest in health, infrastructure and education, diversify from commodities, and pursue a manufacturing-led growth path for sustained and rapid growth.

Projected % GDP growth: 2025

-3.4% 10.5%



Source: African Development Bank

Hence, the ability of countries to attract foreign direct investment (FDI) at scale becomes crucial. To this end, governments compete with one another on tax incentives, Special Economic Zones, regulatory incentives, infrastructure development and governance reforms.

With above-average FDI, African countries such as Senegal, Uganda, Rwanda, Niger, Djibouti, Togo, Ethiopia, Benin and Côte d'Ivoire are projected to grow at rates exceeding 6%, well above global averages. In 2025, these are among

the fastest-growing economies in the world. Nigeria, the continent's largest economy, is, however, expected to grow at only 3.2% in 2025. With a population increase of 2.6% per year, its income per capita essentially remains stagnant. In addition to poor governance and insecurity, its notorious low levels of FDI (at around 0.5% of GDP) are an important driver of lacklustre growth.

Other African countries struggle, including Equatorial Guinea, South Africa, Tunisia, Lesotho, Gabon, Angola and the Central African Republic. All grow particularly slowly at the moment and have low or negative FDI inflows, except Gabon, which continues to attract modest investment to its oil and gas sector despite the August 2023 coup and subsequent instability.

Gabon reflects the history of most FDI to Africa, which has been in the oil and gas sector, such as recently in Mozambique, Tanzania, Uganda and Namibia, with limited forward and backwards linkages to other sectors such as agriculture and manufacturing.

Once investments in fossil fuels are excluded, it becomes clear that most FDI flows to upper-middle African countries, which is why development-oriented aid is so important for low- and lower-middle-income Africa. With the dissolution of USAID, which previously provided around 26% of aid to Africa, the significance of FDI and remittances has greatly increased, alongside enhanced domestic revenue mobilisation.

Much can be done to improve domestic revenue generation, particularly in utilising modern technology. Yet, Africa's average tax-to-GDP ratio is only 16% (with a large spread when comparing rates per country), compared to 19.1% in Asia-Pacific, 21.5% in Latin America and the Caribbean, and 34% across OECD nations.

Using the International Futures forecasting platform (University of Denver), the updated theme on Financial Flows examines the effect of increased FDI, remittances and a resumption of aid in a post-Trump world on Africa, compared to a business-as-usual forecast.

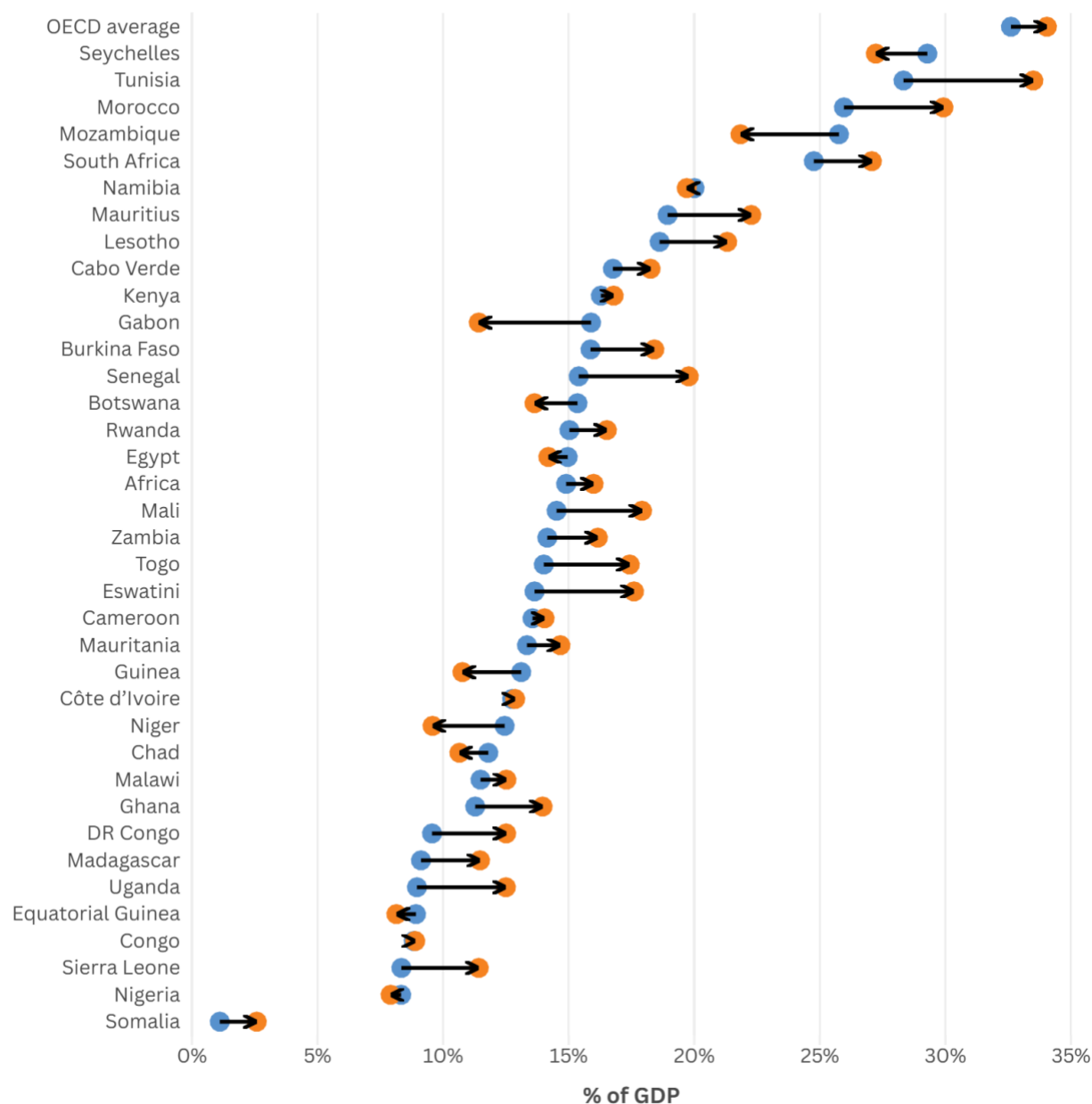
In 2023, FDI inflows into Africa represented 3% of GDP. On a business-as-usual forecast, this figure will increase but modestly to 3.6% of GDP by 2043 as the growth of the African population and market steadily attracts more investment. Under the Financial Flows scenario, inward FDI is modelled to increase more aggressively to 5.3% of GDP (US\$351 vs US\$230 bn).

To place that in context: although inflows in the Financial Flows scenario are much larger, Africa's stock of FDI in 2043 is still significantly below that of South America in absolute terms, and slightly less than half if expressed as a percentage of GDP.

In the scenario, Africa's GDP would be US\$243.5 billion larger in 2043 when compared with the business-as-usual forecast, and average GDP per capita will increase by US\$160, with Seychelles and several upper-middle- and lower-middle-income countries doing exceptionally well.

Total tax as a % of GDP: 2013 vs 2022

● 2013 ● 2022



Source: OECD

Among the types of inward financial flows that were modelled, FDI outperforms aid and remittances in improving productivity, especially in countries with skilled labour, strong institutions and deeper financial markets. Because FDI generally advantages skilled (as opposed to unskilled) labour, its impact on extreme poverty in the Financial Flows scenario is limited to a one percentage point decline below the business-as-usual forecast. Upper-middle-income countries simply gain more from FDI than poorer African countries. Furthermore, most FDI in Africa still goes to extractives such as minerals, gas and oil, although that is changing.

However, it is the full implementation of the African Continental Free Trade Area (AfCFTA) that generally does best when comparing the eight sectors that are modelled on the African Futures website, which, in addition to larger inward financial flows, also include better education and health, a manufacturing transition and more.

Except for aid, positive signs on larger inward financial flows abound. Intra-African investment is rising, especially from Kenya, Nigeria and South Africa, in areas such as IT, finance and manufacturing. This trend is likely to accelerate with the implementation of the AfCFTA, which the World Bank estimates has the potential to boost FDI by up to 120%, with intra-African investment also rising by about 85%.

Emerging economies, such as China, the Gulf states and India, are all growing their investments in Africa's energy, infrastructure and logistics, reshaping the continent's economic and geopolitical landscape.

As global competition intensifies, African countries have more opportunities to negotiate investment terms that serve their long-term goals. Investment in sectors like agro-processing, renewable energies, manufacturing and digital infrastructure tends to enable technology transfer, generate more jobs and build economic resilience.

As global competition intensifies, African countries have more opportunities to negotiate investment terms that serve their long-term goals

African governments must improve conditions to absorb and retain capital, most obviously by offering a favourable investment climate, policy stability and improving the ease of doing business. They must target investments that align with national priorities and structural transformation goals, following the East Asian example of leveraging FDI for technological upgrading and industrialisation. Some countries, such as Egypt, Senegal, Morocco, Ethiopia and Zambia, are doing well, but many still struggle.

FDI can be a powerful tool when managed strategically and in tandem with robust domestic reform.

Africa's development trajectory is both promising and precarious. With the contribution of labour to economic growth now steadily improving, Africans need to turn their attention to mobilising more inward financial flows, particularly FDI, also reducing the costs of remittances and agitating for aid to poor countries, which typically struggle to attract FDI.

Written by Dr Jakkie Cilliers. Published in Africa Tomorrow on 29 July 2025.

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