



Current Path

Thematic Futures

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In this theme, we present the context that informs Africa's likely current development trajectory—the Current Path—to set the scene for the ambitious improvements that could be possible across various sectors to 2043, modelled and discussed in separate themes.

Summary

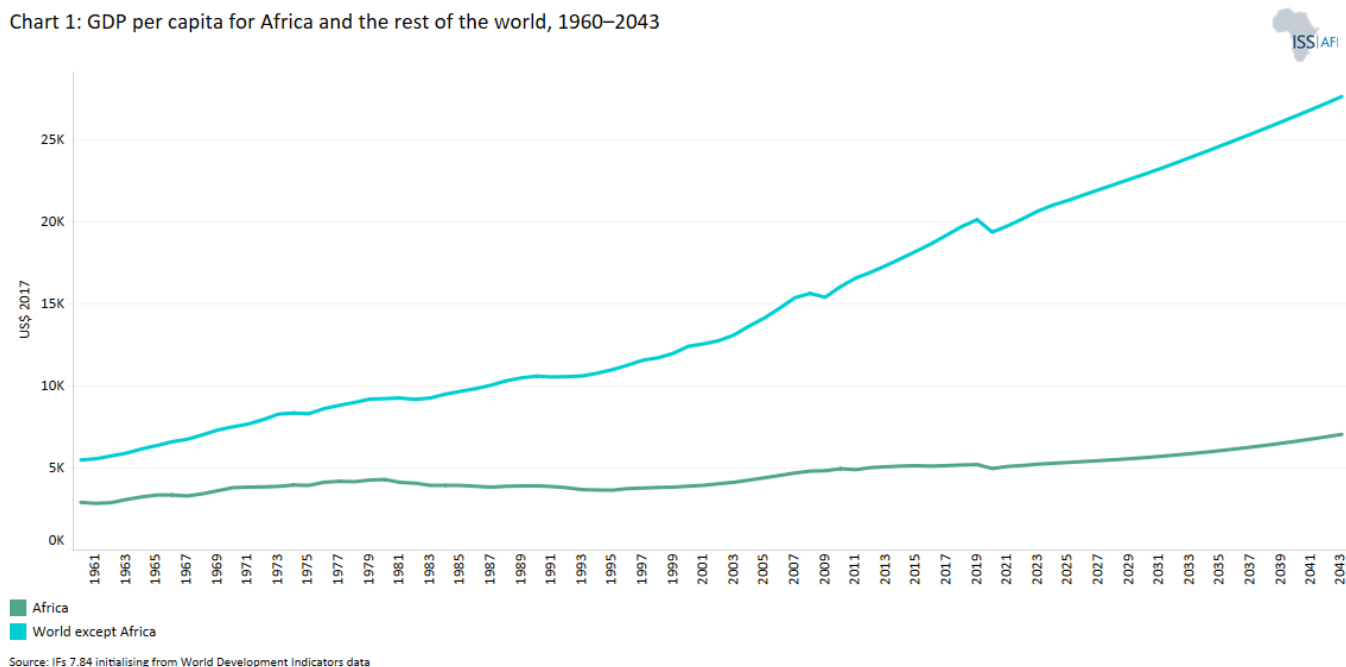
- Although some health indicators show that Africa is experiencing a broad-based improvement in human well-being, general development progress on the continent is **slower** than in other developing regions.
- **Global progress** has been rapid, particularly in China and more slowly, in India, but the absolute number of extremely poor people in Africa is still increasing

- The African economy needs more **rapid, inclusive growth**
- If Africa could have **talked** itself into a higher level of development, it would be doing very well. But only rarely do the many plans and visions translate into reality—these range from the 1980 **Lagos Plan of Action** to the **Sustainable Development Goals** and **Agenda 2063** .
- Africa remains dependent on **commodities** instead of restructuring its economies to more productive sectors. This erodes the continent’s resilience against the impact of unforeseen events such as **COVID-19** and fuels Africa’s recurring **debt challenge**.
- Africa will miss many targets of the **Sustainable Development Goals** by a large margin. Whereas the headline goal is to eliminate extreme poverty by 2030, the rate in Africa will be 24% in 2030 and 15% in 2043.
- Africa needs to **realign its economies to become more productive**, especially leveraging the benefit of a large and growing labour force.

Africa – progressing slower than the rest of the world

In 1960, generally considered the start of the post-colonial era, gross domestic product (GDP) per capita in Africa was about half of the average in the rest of the world. More than half a century later, in 2019, the year before the COVID-19 pandemic upended things, GDP per capita in Africa had declined to only 26% of the average in the rest of the world. It will likely remain at this mediocre level for the next two decades. The gap is forecast to increase towards 2043, as shown in Chart 1.

Chart 1: GDP per capita for Africa and the rest of the world, 1960–2043



GDP per capita is a blunt measure of development progress. It often comes in for criticism because it does not take the quality of life or the distribution of economic output among the population into account. But it remains popular given its simplicity and reliance upon readily available data. It also allows for easy comparisons between different countries and regions.

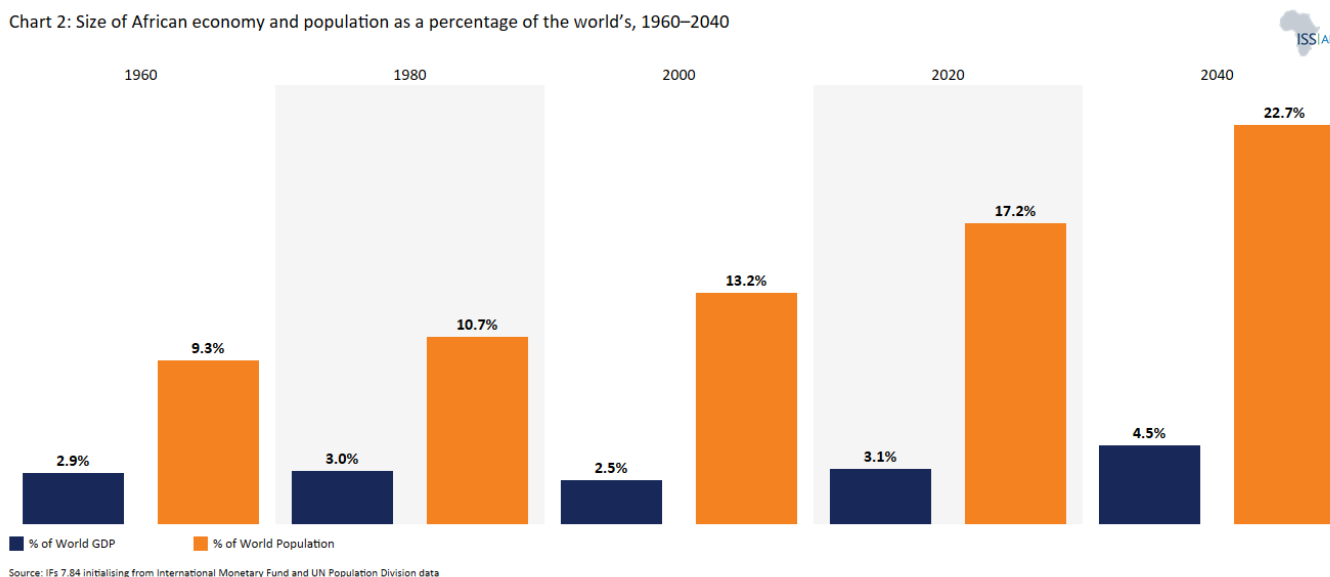
Africa's comparative performance has been dismal even for comparable regions around the world, such as South America and South Asia.[1] In 1960, the GDP per capita of Africa was more than double that of South Asia and 46% of South America's GDP. This gap has since widened. By 2019, Africa had lagged behind these developing regions of the world, putting its GDP per capita at only 73% of South Asia and 34% of South America's GDP.

There are, of course, significant country variations. Some countries, such as the Democratic Republic of the Congo (DR Congo) and Zimbabwe, have seen a generational loss of wealth and prosperity. In contrast, Botswana's current GDP per capita is 20 times larger than it was in 1960 and Equatorial Guinea has similarly seen an ostensibly large increase due to its oil wealth, much of it going to a single family. The impact of the COVID-19 pandemic means that GDP per capita for Africa only recovers to its 2019 average in 2022 meaning that, in 2024 when our forecasts start, GDP per capita will still be US\$74 lower than it would have been without the pandemic. And that shock has subsequently been amplified by the fallout from Russia's invasion of Ukraine.

The increasing divergence between the trend in GDP per capita in Africa versus the average for the rest of the world correlates with many other indices of human development or well-being, such as average levels of education and various health measures. Global events, such as the 2007/08 financial crisis, the 2020/21 COVID-19 pandemic and Russia's invasion of Ukraine, have had significant impacts, particularly in poor countries where people live precariously.

The challenge of the growing divergence between Africa and the rest of the world is reflected in Africa's marginal role in the global economy (Chart 2). In 1960, Africa accounted for 3% of the global economy. Sixty years later, that share remains unchanged, even though Africa's share of the global population has almost doubled: from 283 million (9% of the world's population) to 1.34 billion (17%) in 2020. By 2047, Africa's population will likely account for almost a quarter of the world's (2.4 billion out of 9.7 billion) but represent just 8% of the global economy.

Chart 2: Size of African economy and population as a percentage of the world's, 1960–2040



Compare this to East Asia,[2] a region that increased its share of global economic output from about 9% in 1960 to more than 25% today and is set to increase that portion to 30% by 2043. However, East Asia's share of the global population has shrunk from 27% in 1960 to 22% in 2019. It will decline to below 18% by 2043, pointing to its much more productive economies.

We, therefore, find ourselves in a situation where things are improving in Africa. Still, the continent is progressing slower than other comparable developing regions such as South America[3] and South Asia.[4]

Something drastic is needed to change this rather dismal forecast. Doing more of the same will not lead to tangible progress. Some health indicators—such as declining rates of infant mortality, improvements in life expectancy and so on—show that Africa is experiencing a broad-based improvement in human well-being and is even catching up with global averages to some extent. However, this is largely because rapid improvements at lower levels of development are easier to achieve, while continued improvements in rich countries are more difficult at their much higher levels. On most other well-being indicators, the gap between Africa and the rest of the world is either static or widening.

This website models and presents Africa's likely development trajectory (the Current Path) and the potential for ambitious improvements across various sectors to 2043. Each sector is presented as a separate theme in the navigation structure of the website, namely better governance ; getting more rapidly to a demographic dividend ; better health and basic water/sanitation (WaSH) infrastructure; an agricultural revolution ; more and better education ; a low-end manufacturing growth path; leapfrogging and investments in bulk infrastructure ; implementation of the African Continental Free Trade Area (AfCFTA); and leveraging more inward financial flows . The Combined Agenda 2063 scenario combines these sectoral scenarios to provide a likely ceiling or upper limit of Africa's development potential. We also review the impact of each scenario on jobs , carbon emissions/climate change and the impact of global developments on Africa's development potential in separate themes.

We use 2019, the year before COVID-19 spread globally, to compare levels of development. We then model each scenario

from 2024 to 2033 and review the impact by 2043— i.e. the end of the third ten-year implementation plan of Agenda 2063.

We apply each of the scenarios to every African country[5] to Africa's various regions and Africa as a whole) and to the eight regional economic communities (RECs) recognised by the African Union, as well as to Africa's country income groups as defined by the World Bank.

More information on the modelling platform and the scenarios is available in the [About](#) section and in the scenario section in each theme.

Global trends tell a story of improved livelihoods

Over the last two centuries, the world has witnessed a transition to levels of peace and prosperity that are almost unimaginable by historical standards. We often do not realise exactly how recent this progress is.

The improvement in well-being that followed the Industrial Revolution came from a very low base. Still, it transformed the economies of Europe and North America to the extent that these nations overtook China to emerge economically and politically dominant globally. Eventually, inequality between and within countries also increased—a trend that decelerated somewhat between the two World Wars and only stabilised after 1950 when growth in Europe and the US slowed, coinciding with more rapid economic growth in Japan, East Asia and eventually China. Even in 1950, three-quarters of the world's population lived in what we today would term [extreme poverty](#).

During the first half of the previous century *rates* of poverty declined even as global populations continued to increase. Then, from around 1970, the decrease in poverty rates became so rapid that we saw the *absolute number* of people living in extreme poverty also starting to fall, despite the huge increase in global population. The decrease is largely a result of the growth of economic freedom and the expansion of trade—developments often considered synonymous with globalisation and a neoliberal phase of economic development.

Until the early 1990s, the number of extremely poor people hovered at just below two billion people (around a third of the global population). However, from around 1998, it declined precipitously, mostly because of rapid progress in China and, to a lesser extent, in India. The remarkable progress in China since 1978 transformed a rural, centrally planned economy into the most dynamic and second largest in the world, now generally referred to as a socialist market economy. China's success is such that it has come to challenge Western neoliberal orthodoxy.

By 2015, the number of Chinese living below US\$1.90 per day was less than 1% of its population. It was above 80% in the 1980s. The remarkable improvements in income growth on the back of rapid [economic growth](#) were possible because China's autocratic political system allowed its government to undertake social engineering that would be unthinkable in a more democratic Africa. It could also do so on the back of a cadre of dedicated and efficient civil servants, drawing upon the Confucian tradition that Imperial China built up over centuries. Inequality in China has, however, steadily increased as the country has grown more wealthy. China is, of course, one country, whereas Africa is a mosaic of huge diversity, each an independent, sovereign state. Finally, China's large internal market, like the US and India, offers it a huge advantage that Africa can only hope to replicate with full trade and market integration as done in the European Union.

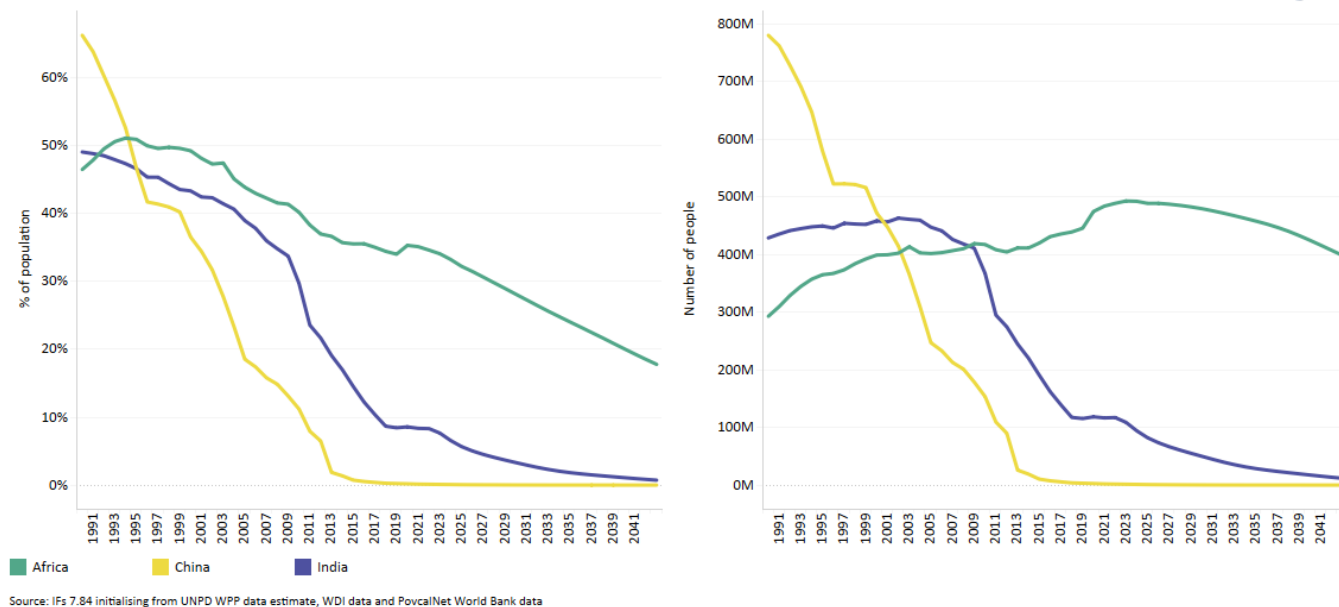
India, a diverse, fractious and loud democracy, also contributed to poverty reduction, though at a slower rate. Whereas roughly half of India's population was considered extremely poor in the 1980s, that number decreased to 8% by 2019.

The improvements have been so fast that in 2005 the international community was emboldened to adopt a target to halve extreme poverty by 2015 as part of the Millennium Development Goals (MDGs). When that was met, an even more

ambitious goal, to *end* extreme poverty by 2030, was adopted as Goal 1 of the Sustainable Development Goals (SDGs). Technically, this means that less than 3% of the population of every country in the world should be living in extreme poverty, using an average income of US\$1.90 per person per day as a benchmark. Whereas China met the SDG goal of eliminating extreme poverty in 2013, India will likely get there around 2031.[6]

The situation and prospects in Africa are less impressive.

Chart 3: Extreme poverty in Africa, India, China and the World, 1990–2043



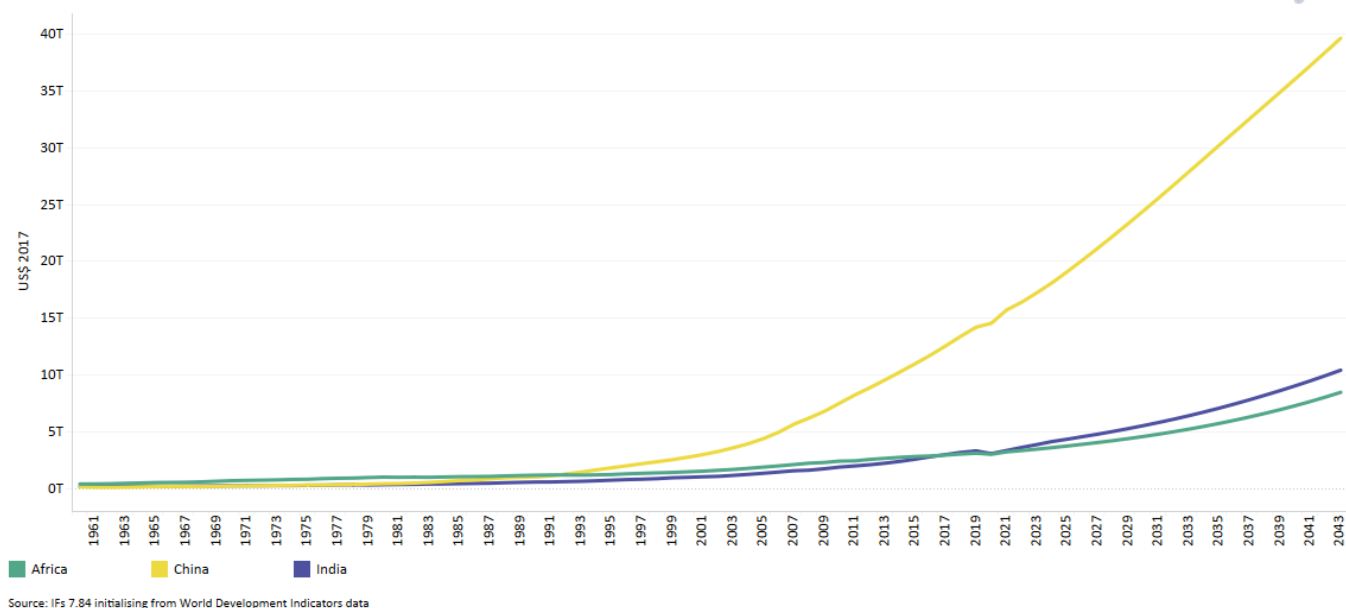
Because of Africa's rapid population growth, modest rates of economic growth and relatively high levels of inequality, the absolute number of extremely poor people in Africa has steadily increased since 1960 and is likely to continue to do so for several years before slowly starting to decline. However, since the early 1990s, the *percentage* of people living in extreme poverty in Africa has declined. The reason is that although economic growth on the continent slowed after the 2007/08 financial crisis and contracted sharply in 2020 owing to the COVID-19 pandemic, it has generally been robust enough to reduce the portion of Africans living in extreme poverty but not enough to reduce the absolute number.

Even before the recent war in Ukraine and the associated food supply and global growth implications detracted from current prospects, it was already clear that Africa will miss the SDG goal of eliminating extreme poverty by 2030 by a considerable margin. In this, the widening gap between Africa and the rest of the world again becomes painfully clear. Things are improving in Africa but much slower than elsewhere. Actually, by 2030, the Central African Republic, Liberia, Burundi, Madagascar, Mozambique, South Sudan, Somalia, the Democratic Republic of Congo (DR Congo), Guinea Bissau and Sierra Leone are all likely to still have more than 50% of their populations living in extreme poverty.

Globalisation and the sense of relative deprivation

From this high-level perspective, the world has generally become much more prosperous and slightly less unequal, reflected in Chart 4 that presents the size of the economies of India, China and the combined size of the African economy. With this comparison it is important to remember that the chart obscures the fact that Africa consists of 54 small economies. Nigeria is Africa's largest economy but accounts for less than 0.6% of the world GDP.

Chart 4: GDP (MER) in Africa, China and India, 1960–2043



The period of globalisation after the end of the Cold War appears to have seen a convergence among a group of wealthy states, slow growth in a group of middle-income countries (the so-called middle-income trap) and stagnation among poor countries. Also, wealth is shifting from West to East as middle-class Westerners have seen less income growth than their (comparatively poorer but more populous) Asian counterparts.

It is as if [hyper-globalisation](#) reached a tipping point with the 2007/08 global financial crisis, which temporarily turbocharged income inequality within and between countries. These trends have accelerated in the wake of the COVID-19 pandemic, as advanced economies (and a few emerging markets) recover faster than developing countries, partly because of better vaccine access. In 2020, the economic contraction associated with COVID-19 probably saw about 55 million additional people classified as extremely poor compared with no-COVID forecasts—with almost half being African. The youth, low-skilled individuals, and those active in the informal sector have been disproportionately affected by the pandemic. In the words of the head of the International Monetary Fund (IMF): 'The [convergence](#) between countries can no longer be taken for granted.'

The numbers and percentages tell one story. Still, our interconnected world and access to information have intensified a sense of relative deprivation among large swathes of the global populace, from India and China to the American Midwest and Afghanistan. It is particularly evident in Africa.

The 2007/08 financial crisis initially led to anti-establishment protests such as the 'Occupy Wall Street' movement, although with significant regional variations. Financial benefits seem to flow to small urban elites, financial institutions and a handful of large corporations with little change for the middle class. Income is increasingly concentrated among top earners in almost all countries with data on [income distribution](#)—the poor (and often the middle class) are not doing very well, while the rich are getting richer. The political impact of middle-income disenchantment has most prominently seen the rise of populist political parties and leaders in the West, perhaps best reflected by the election of Donald Trump as president of the US for a single term and, after losing to President Joe Biden, is running again the November 2024 elections.

The sense of absolute and relative deprivation—i.e. actual improvements in living standards being vastly out of kilter with expectations—is rising. Although people in high-income countries have never enjoyed a better living standard, they seem

to feel particularly insecure, scared that they will not be able to maintain their standard of living and that migrants from poor countries will somehow overwhelm them. The result is a rise in [developed world](#) identity politics (or nationalist populism). All reflect a view, for different reasons, that the neoliberal model of globalisation (and democracy generally) has not managed to hold the fort against special interests. The trend is most evident in the US. Populism is accelerated by social media echo chambers such as Facebook and X that undermine democracy by serving as a platform for dis-, misinformation and conspiracy theories. We use nationalist populism vs the extent of globalisation as one of the two dimensions to present global scenarios in the theme [Africa in the World](#). These

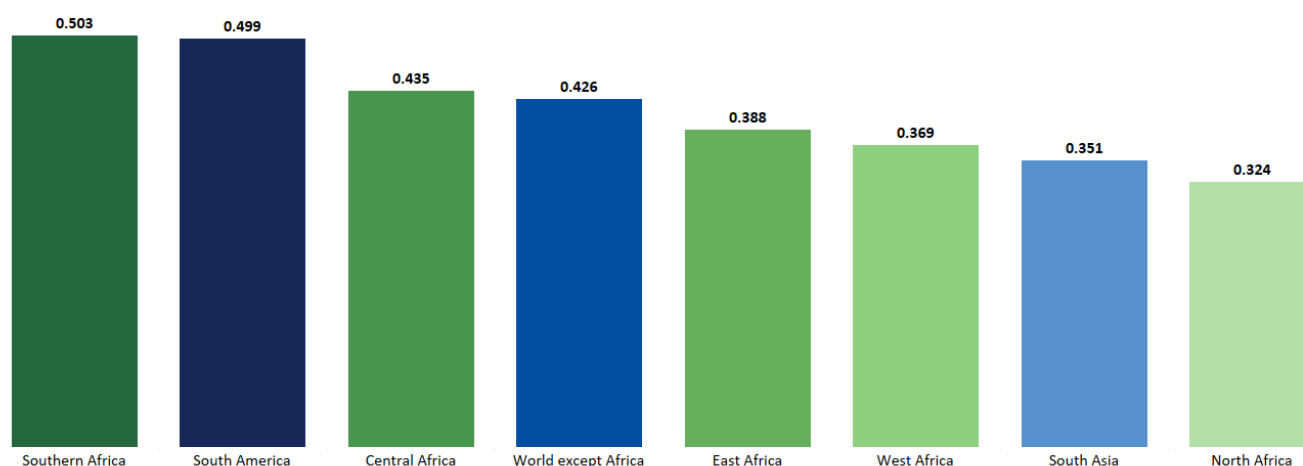
The interplay between inequality and growth

Economic growth and income distribution are the two key variables when forecasting poverty rates at a national level. In general, higher economic growth rates translate into higher rates of poverty reduction, but high levels of inequality limit the extent to which that can occur. If too large, wealth, income and consumption inequalities constrain economic growth. They hinder educational opportunities, human capital formation and intergenerational mobility. A growing economy must, in particular, increase the number of formal-sector jobs and the amount of money in circulation to provide more revenues to the government to invest in infrastructure, health and education (and hence improve the quality of its human capital), as well as for use in more direct measures of poverty alleviation such as social grant programmes.

The most widely used measure to express income distribution is the Gini index, which ranges from 0 to 1. A score of 0 corresponds to complete equality (i.e. everyone earns the same), whereas 1 represents complete inequality (i.e. all the income accrues to only one person in society). Being a summary measure of income distribution, the Gini index does not identify whether a change in inequality is triggered by shifts at the bottom, middle or top of the income distribution. In addition, it is based on survey data that is often unsuited to capturing very high or very low incomes. This challenge is particularly acute in many developing countries, which generally do not have much information on income distribution.

These limitations aside, when comparing regions according to the Gini index, North Africa is significantly more equal than any other African subregion (Chart 5)—largely a function of the central role that the state has played in providing all kinds of services and subsidies, often on the back of oil or gas income. Southern Africa is the most unequal region globally. Central, West and East Africa are somewhere between Southern and North Africa.[7]

Chart 5: Domestic Gini index by region, 2019



Source: IFS 7.84 initialising from World Development Indicators data

Inequality is a complex phenomenon, well illustrated by the Freedom and Dignity Revolution (the Tunisian name for the so-called Arab Spring or Jasmine Revolution) that occurred in North Africa, despite its relatively low levels of inequality.[8]

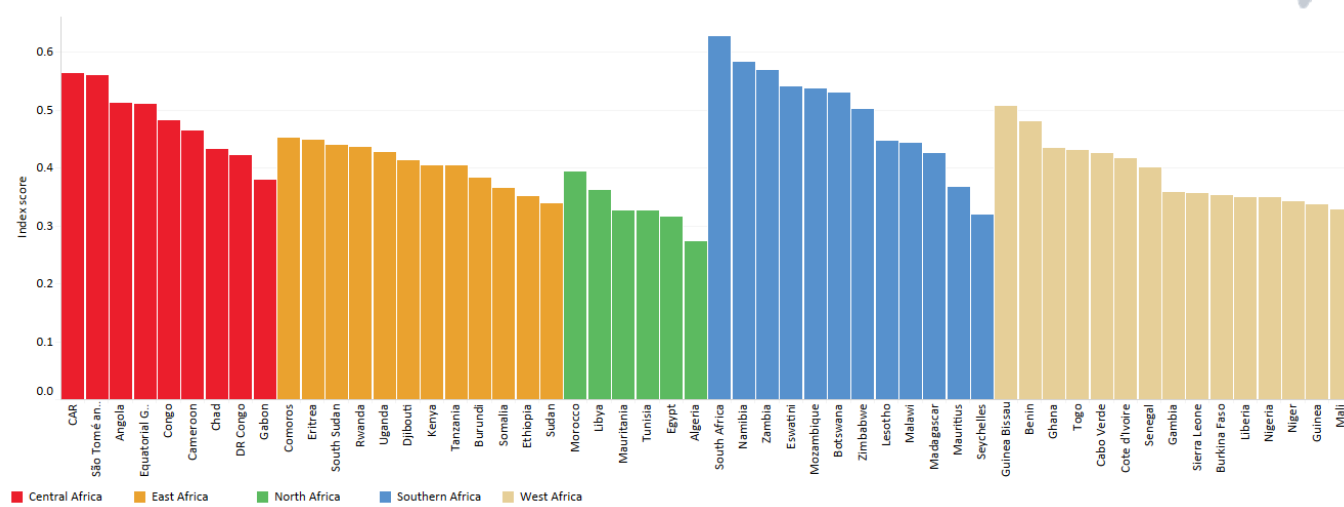
The promise of the Arab Spring has not alleviated the deep frustration among the citizenry. **Tunisia** is the only country in **North Africa** that has transitioned to democracy but is now increasingly fragile. The progress in education, women's rights and general positive macroeconomic indicators since independence several decades ago conceal deep frustration in a populace weaned on large state subsidies of petrol, water, food and a vast array of state-owned enterprises that consume large amounts of revenue, fuel corruption and limit opportunity. Special interest groups constrain political, social and economic opportunity. The impact is to confine the vast majority of the population to dependence. It is no surprise that frustration continues to simmer. With little economic growth expected, the potential for violent disruption is high.

These concerns and caveats aside, countries with low levels of inequality, such as Ethiopia, with a developed bureaucracy can generally grow rapidly and translate that growth into extraordinary reductions in **poverty**. This is until, of course, its ethnic divisions rise to the fore, as happened in Tigray in 2020. Much more is required than economic growth, of course.

For example, since the early 1960s, Botswana has consistently grown its economy more rapidly than Ghana and did so until very recently. The average growth rate for Botswana from 1961 to 1999 was 10.1%, whereas for Ghana it was only 2.5%. But because Botswana has higher levels of inequality (as shown in Chart 6), poverty reduction in the two countries does not differ as much as expected.[9] From 1970 to 1996, poverty in Botswana reduced by 25 percentage points but by 14 percentage points in Ghana (using the US\$1.90 poverty line).[10] Growth matters, but so do levels of inequality and considerations such as the effectiveness and quality of government. Whereas Botswana is generally an island of stability and good governance in its region, Ghana has suffered from a series of coups, significant political instability and high levels of corruption for much of its independent history.

Chart 6 presents the Gini index for each African country in 2019, arranged by region.

Chart 6: Domestic Gini index for individual African countries, 2019



Source: IFS 7.84 initialising from World Development Indicators data

Efforts to ignite development in Africa: 1980 to 2063

If Africa could have talked itself into a higher level of development, it would be doing very well. But only rarely do the many plans and visions translate into reality. These range from the 1980 Lagos Plan of Action for the Economic Development of Africa to Agenda 2063, the current long-term development vision of the African Union (AU). Today, these ambitions extend to the regional level. For example, the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS) have each embarked on a Vision 2050 process.

Although the decolonisation of most of Africa was largely complete by the 1960s, outside influence on African

development trajectories had not ended. By the 1970s, Africa had hosted numerous proxy wars sponsored by the opposing sides of the Cold War and former colonial overlords and had also suffered from the oil and debt crises in which it did not have representation. Southern Africa was particularly challenged: Portugal still retained its various colonies, such as Angola and Mozambique, and Namibia was under the control of apartheid South Africa, which, in alliance with Rhodesia under Ian Smith, violently resisted efforts at majority rule. In an effort to regain agency in the face of externally imposed constraints on economic and political development, African countries agreed in 1980 to implement the Lagos Plan of Action. By and large, the intention was to establish a self-reliant regional African economy, with greater independence from the global economy and ultimately to establish an [African Economic Community](#).

The Lagos Plan of Action was arguably a pan-Africanist response to the economic problems of Africa, with the underlying assumption that Africa's economic problems arose primarily from the structure of the international economic system. Independence from this system was thus the answer. The counter-argument is that Africa's economic problems arose primarily from the internal structures of their economies, as well as ineffective and corrupt governance structures. This would subsequently inform the Bretton Woods Institutions' conceptualisation of their [Structural Adjustment Programmes](#) (SAPs) in the wake of Africa's debt crises in the early 1980s. Accordingly, the World Bank and the IMF—the two global financial institutions mandated to respond to under-development—created loan packages for highly indebted poor countries that required them to reduce spending on health and education in favour of debt repayment and the liberalisation of the economy through privatisation and other means.

These measures were not new. The World Bank and the IMF had been attaching conditionalities to their loans since the early 1950s, and their policy prescriptions inevitably closely aligned with the free-market economics dominant in the US, where their secretariats are located and who is the largest contributor to both.

Chart 7: Strategies/frameworks to ignite development in Africa



In return for budget and balance of payments support, the Bank and the Fund required African governments to adhere to an agreed set of policy reforms to achieve macroeconomic stability. Perhaps the most significant impact of these SAPs was

the devaluation of many of Africa's overvalued currencies to more reasonable levels. But it also included other requirements, such as capital account liberalisation, which has subsequently facilitated illicit financial flows and easy entry for multinational companies with little or no requirements for local knowledge transfers.

The negative impact on the curbs on government expenditure in key sectors such as health and education, their impact on poverty and lack of focus on agriculture would resonate for many years and earn both institutions the enduring enmity of many Africans in what has been described as an effective 'race to the bottom'. The associated reforms painfully impacted large populations in the recipient countries and offered African leaders, activists and academics a ready target in externalising the reasons for slow development.

The conditionalities, generally known as the Washington Consensus, put an effective end to national industrial policies that countries as diverse as Ethiopia, Ghana, Kenya, Mauritius, Mozambique, Nigeria, Senegal and Tanzania had tried to implement, albeit with limited success. Consequently, industrialisation as a development option for Africa was replaced by trade liberalisation, deregulation, the free market and a small state. The Washington Consensus shifted the development framework away from the state as the main engine and instigator of growth to a reliance on markets and the private sector for resource allocation. The state's role subsequently became limited to policymaking and regulatory functions, based on many African states' inability, in the view of the Bank and the Fund, to effectively deliver public goods and to limit the abuse of funds.

Whereas development elsewhere had been facilitated through an active role for the state, including clear industrial policy, the corruption of and mismanagement by African governments now presented the continent with an impossible situation. It had to develop without the guiding hand of the government and depend on the benefits of trade liberalisation at an early stage of development. The inevitable results—lack of industrialisation, poor growth and unequal development—soon became clear.

Unable to rapidly improve productivity and with a fast-growing and youthful population, per capita average income levels in Africa peaked in 1980. They declined until 1994 as trade shocks and economic crises took their toll. The percentage of people living in poverty in Africa followed suit and steadily increased.

As these initiatives unfolded, the United Nations Secretary-General, Javier Pérez de Cuéllar, appointed the World Commission on Environment and Development in 1983, also known as the Brundtland Commission, named after its chairwoman, Gro Harlem Brundtland, the Prime Minister of Norway. The purpose was to chart and agree on a common sustainable development pathway at a time of deep pessimism about the environment and Africa's development prospects. Its report, titled 'Our Common Future' and released in October 1987, popularised the notion of 'sustainable development' by establishing a clear relationship between economic growth, the environment and social equality. It eventually led to the 1992 Earth Summit in Rio de Janeiro, Brazil.

The Brundtland Report, and the broader context within which the debates around poverty occurred, also had a wider impact. It led to deep introspection by the World Bank and the IMF about the effectiveness of their SAPs.

From 1989 onwards, the focus of development assistance from the West—which several African states had become addicted to—had shifted to the importance of democracy, good governance and anti-corruption as part of the efforts to correct some of the egregious misuses of public money and abuse of power by many African governments.

Africa's (Western) development partners subsequently invested in civil service reform and efforts to improve public financial management and helped to set up anti-corruption watchdogs and public audit bodies. Multiparty elections, decentralisation and other methods to encourage greater citizen participation were equally popular. In the process, democracy became associated with liberal economic policies that envisioned a small state and a dominant role for the

private sector, trade and open markets in development. The problem is that poor countries need an activist, developmental state if they are to engineer an escape from poverty.

By 1999, the IMF had replaced its SAPs with the Poverty Reduction and Growth Facility and placed poverty alleviation at the heart of its efforts. The following year, the [World Bank](#) admitted that the poor are better off without structural adjustment. Writing for the African Development Bank, John Page notes that 'structural adjustment had taken place without producing structural change'.

The Lagos Plan of Action

The Lagos Plan of Action similarly failed to produce results. The plan required a commitment to regional cooperation, the appetite for which disappeared shortly after it was adopted. At a 1991 meeting of African Ministers of Trade at the UN's Economic Commission for Africa (UNECA), the participants noted that African governments had largely failed to incorporate the plan into their national development frameworks and that it lacked effective monitoring and follow-up mechanisms for its implementation. Similarly, regional schemes aligned with the plan found little success, as the various RECs all lacked supranational authority to monitor or enforce compliance with the plan or related instruments. The meeting lamented the failure of African economies and trade systems to modernise and noted the need to remove intra-Africa [trade barriers](#).

Rolling economic crises in the 1980s and a reliance on tariffs for a good part of government revenue spurred intra-Africa trade protectionism. Furthermore, the SAPs provided African governments with easier access to finance than the more abstract and difficult-to-realise benefits of continental cooperation offered by the [plan](#) while undercutting its 'collective self-reliance' intentions.

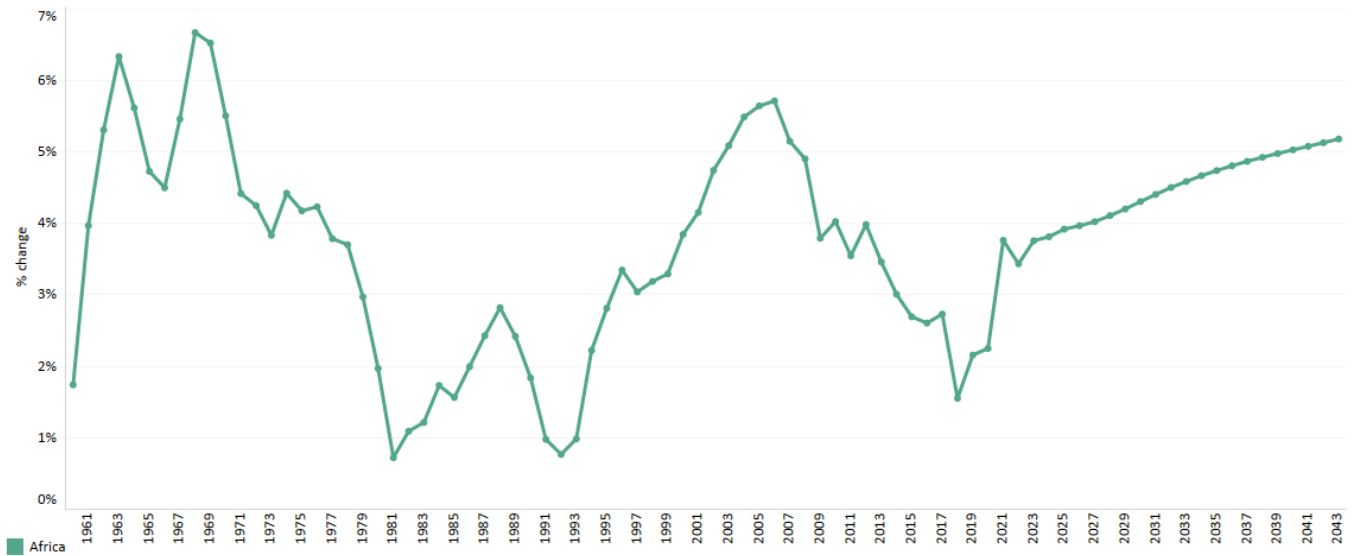
Between 1980 and 1990, Africa lost considerable ground—in development terms, it was actually moving backwards. The average income per person decreased by about 12% and declined by a further 2% in the early 1990s.

The Lagos Plan of Action was followed by the Abuja Treaty, which was signed in 1991. The Abuja Treaty aimed to reconcile pan-Africanist development ambitions with the liberalisation orthodoxy of the time, moving away from the focus on market integration in favour of collaboration, expansion and diversification of production across regions. Although Abuja inspired marginal reforms in some of the continent's RECs and led to the establishment of the African Economic Community, which seemed like an improvement on the [Lagos Plan](#), it faced similar challenges, including reluctant cooperation from member states and subsequently also failed in its ambitions.

Eventually, it was the commodities boom, and not a grand plan, that changed Africa's prospects. From 1994 until 2008 (when the financial crisis hit), Africa experienced its most sustained period of growth since independence in the 1960s—an average of 4.6% per annum. During this period, average per capita income increased by 35%. However, the share of Africans living in extreme poverty decreased by only about five percentage points, partly owing to the high levels of inequality on the continent and rapid population growth.

Chart 8 presents Africa's average GDP growth rate from 1960 to 2022 (an average of 3.5%) and includes a forecast of growth to 2043 (forecast at an average of 4.6%).

Chart 8: GDP growth rate for Africa, 1960–2043 (five-year moving average)



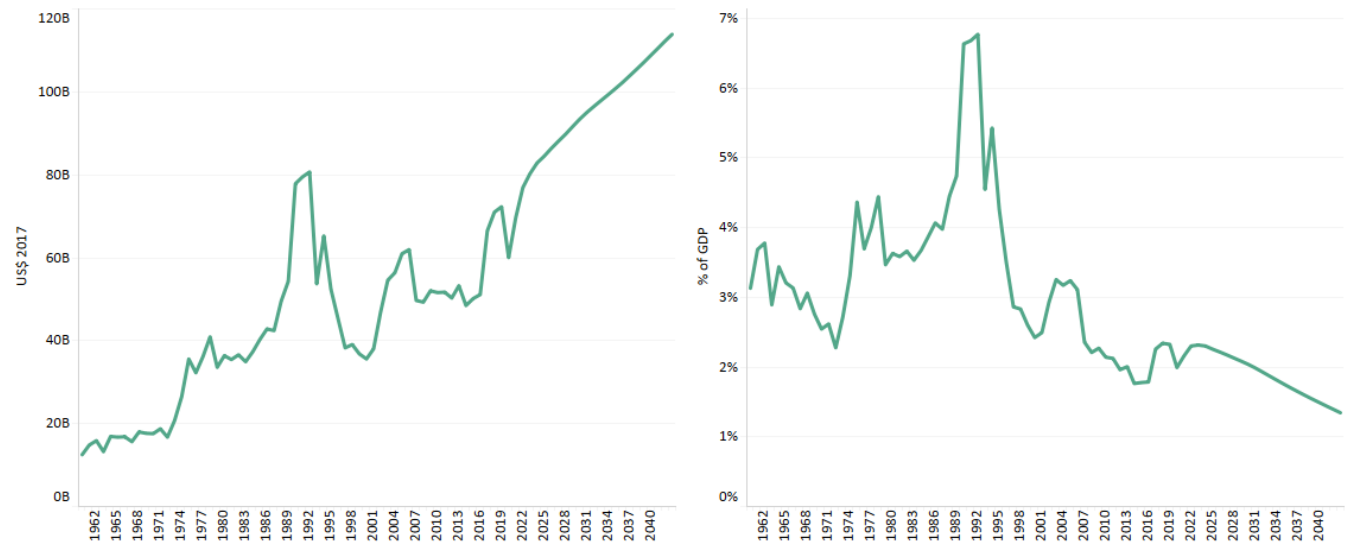
Source: IFS 7.84 initialising from WDI data

Sustainable development and Agenda 2063

The impact of the Brundtland Report and the Earth Summit continues to resonate several decades later, first with the eight MDGs, adopted at the UN Millennium Summit in 2000, and more recently with the SDG 2030, adopted by the UN General Assembly in 2015.

An important tool for assisting in achieving this vision of sustainable development was international cooperation and solidarity, including the provision of overseas development assistance (aid). However, instead of increasing (when measured in constant dollars), aid levels steadily declined from their peak in 1990 to the Millennium Summit in New York a decade later. Kenya, Somalia, Sudan and the former Zaïre (now the DR Congo) experienced some of the largest declines. These trends are reflected in Chart 9 that includes a forecast on aid to 2043.

Chart 9: Net foreign aid to Africa, in billion US\$ and per cent of GDP, 1960–2043



Source: IFS 7.84 initialising from WDI data

One of the reasons for the decline of aid from 1990 was a prolonged recession that began in Japan, a major aid provider, in 1991. A second reason was the resource pull exerted by transition economies in South Asia, steadily diverting attention away from Africa. But the most important reason was that the dissolution of the Soviet Union freed Western countries from the need to prop up African dictators as part of the efforts to confront the Soviet bloc in Africa during the Cold War. With the collapse of the Berlin Wall, Africa lost much of its previous geostrategic relevance and hence the external motivation to assist.

Aid only started to regain momentum with the 2000 UN Millennium Summit in New York. It was substantially bolstered by the support of international celebrities such as Bono and Bob Geldof, who campaigned for greater awareness about poverty and the acquired immunodeficiency syndrome (AIDS) crisis and helped to raise funds for relief programmes in Africa.

In addition, the post-2000 momentum was marked by various initiatives, such as the Report of the Commission for Africa, spearheaded by UK Prime Minister Tony Blair and the European Consensus on Development. The 2005 World Summit in New York called for increased aid transfers to assist in reaching the MDGs of halving poverty and hunger by 2015.

While progress was made on the MDGs, many goals were not achieved in Africa. There is a convincing argument that the MDGs were poorly tailored for the continent and set unrealistically ambitious goals. Even before the 2015 deadline for the MDGs, governments began to look at the post-MDG development framework and what would ultimately become the SDGs.

Meanwhile, the Lagos Plan of Action and the African Economic Community initiatives had largely fallen by the wayside and been eclipsed by the establishment of the New Partnership for Africa’s Development (NEPAD) in 2001. NEPAD departed from the Lagos Plan of Action with a greater focus on political reform as a core component of development. Efforts to improve the efficiency and accountability of member states were also strengthened by the institution of the African Peer Review Mechanism (APRM). While remaining Africa-centred and led, NEPAD eschewed regional isolationism. It embraced global partnerships and has since been integrated into the AU as its core development agency. It now serves as the implementing agency for Agenda 2063.

Cooperation for Africa's development is now largely framed by the SDGs and, since 2013, by Agenda 2063. However, it is clear that Africa will not meet most of the SDG aspirations and, in its planning for the second ten year implementation plan of Agenda 2063 (2024 to 2033), the AUDA-NEPAD agency is already setting different and achievable goals drawing on the same modelling platform used on this website.

Africa's growing dependence on commodities

Instead of the more productive (re)structuring of its economies, much of Africa's recent growth was enabled by the commodities supercycle that started in 1996 and peaked in 2011.

What made this cycle so powerful was that the prices for oil, base metals and agricultural produce all started to increase at roughly the same time. It was, therefore, generally a stronger and more uniform up and down than previous supercycles, lifting economic growth across all regions in the world, including in Africa, resulting in rapid growth before the 2007/08 financial crisis.

The demand behind the supercycle came from the higher primary export volumes required to feed Asia's manufacturing and construction boom, much of which was in China. In the process, China's commodity consumption grew from 10% and 15% of total world demand to more than 50% for most commodities. The subsequent decline in commodity prices largely results from economic restructuring and modestly lower growth in China.

The Arab Spring caused a brief spike in oil prices, but the ongoing shale oil and gas revolution in the US led to a subsequent downswing ahead of the COVID-19 pandemic. Eventually, growth in India could reignite deep and broad demand for commodities and there are some indications of a turnaround as liquid natural gas, iron ore, copper, rice and soybeans started to surge early in 2021 as the economies of high-income countries (and China) rebounded after the initial impact of the COVID-19 pandemic.

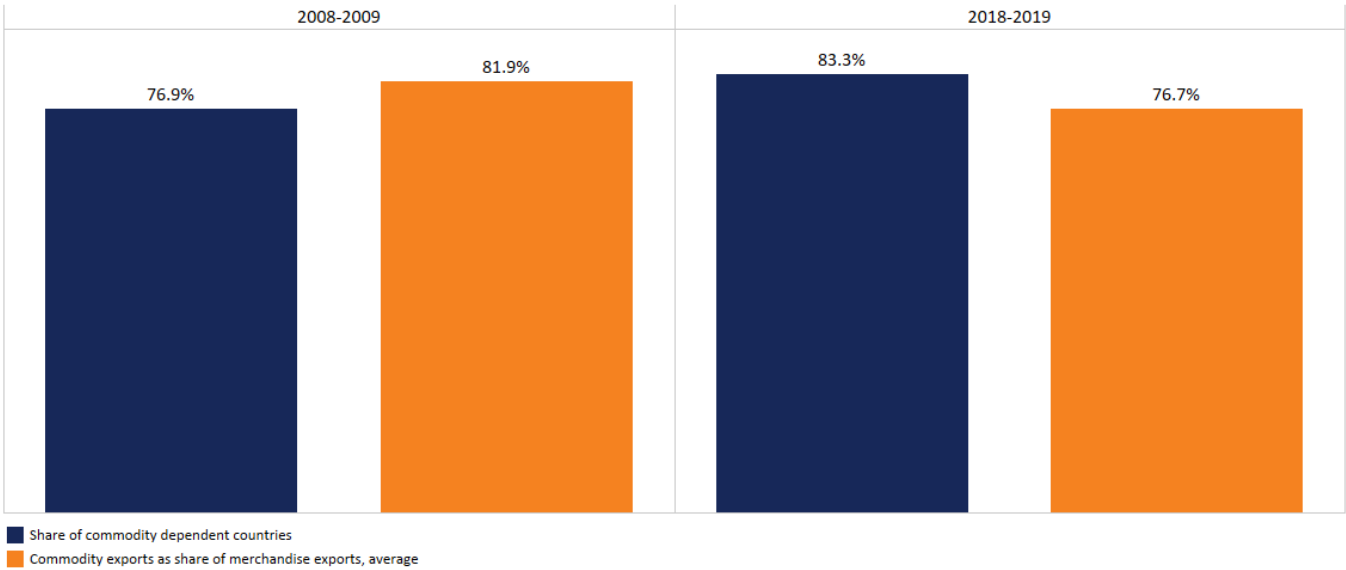
Russia's invasion of Ukraine in February 2022 saw oil and gas prices spike as Europe struggled to balance its desire to assist the government of President Zelensky against Russian aggression while simultaneously paying Russia almost a billion dollars a day for oil and gas.

The global energy transition will eventually play an important role in a next upward commodities cycle, as demand for copper, cobalt, platinum, nickel and lithium—all important for batteries, generating power from solar and wind and the manufacture of hydrogen fuel cells—accelerates as part of the fight against climate change and the shift to build renewable energy infrastructure. In addition to more aggressive environmental policies, commentators speculated that the upswing was being driven by stimulus spending, growth in China, rising inflation and a weaker US [dollar](#).

Supercycles are not smooth; consequently, ups and downs can vary greatly. It is too early to see a decades-long, above-trend movement in a wide range of base material prices (the definition of a supercycle). Typically, each commodity class has its pendulum so shifts in the price of base metals do not generally correspond with that of livestock, agricultural products or oil, which has evidenced the most volatility as the Organization of Petroleum Exporting Countries (OPEC) tries to govern oil prices. For example, commodity prices remained depressed for a year after 2007/08 before recovering, only to be hammered by the COVID-19 pandemic in 2020.

In its 2021 report 'The [State of Commodity Dependence](#)', the UN Conference on Trade and Development (UNCTAD) noted that 101 out of 189 countries depended on commodity exports; the number for Africa in 2018/19 was 45 out of 54 or 83.3%, up from 77% in 2008/09 (Chart 10).

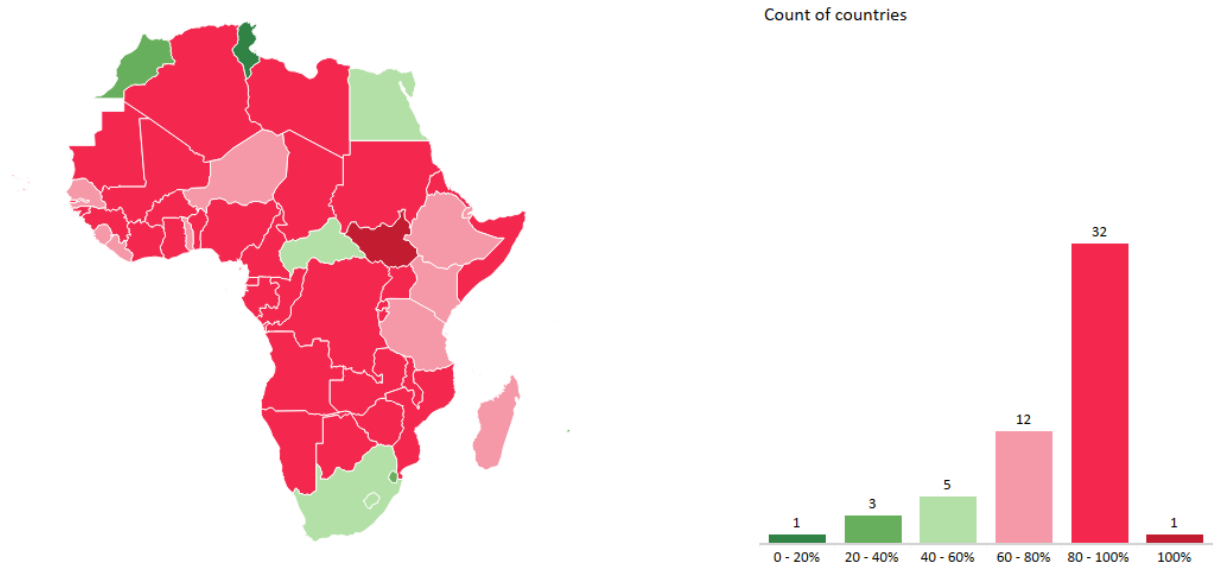
Chart 10: Africa's growing dependence on commodities, 2008–2009 and 2018–2019



Source: UNCTAD, The State of Commodity Dependence 2021

Although the number of commodity-dependent countries in Africa has increased markedly in recent years (Chart 10), it generally remained static in other global regions, contributing to the relative decline in Africa's competitiveness. The extent to which African countries depend on commodities when measured by the value of exports has increased, with most being exported to Europe and increasingly to China.

Chart 11: Distribution of Africa's dependence on commodities, 2021
% of merchandise exports by category



Source: UNCTAD, The State of Commodity Dependence 2021

In addition to the general decline in commodity prices that follows the restructuring of China's economy, three factors likely explain Africa's modest rates of growth after the 2007/08 global financial crisis:

- Outside Africa, the size of the working-age population relative to dependants had started to decline, meaning that labour was no longer contributing positively to improvements in productivity (as discussed in the themes on [demographics](#) and

health/WaSH).

- North African countries and the Sahel region have been caught up in the turmoil that followed the Arab Spring. A decade later, Libya is still trapped in a debilitating civil war, democracy in Tunisia is faltering and the region is awash with weapons that have spread across the Sahel to West Africa.
- Oil exporters have been affected by the sharp decline in oil prices that has accompanied the shale revolution in the US, which saw demand for oil decline, although prices again increased in 2022 with the war in Ukraine.

Based on the duration of previous cycles, it can take five to seventeen years before a general improvement in [commodity prices](#) occurs again. On average, full trough-to-trough supercycles take 32 years, but no two supercycles are the same. The length and intensity of each downturn and upswing vary considerably from cycle to cycle. That said, working on a 32-year average, we should reach the trough around 2027 and a peak is expected around 2043.

In addition to favourable demographics, the next commodities supercycle will lift African growth rates, although likely to a lesser extent than before the 2007/08 global financial crisis. It may also take several years before the demand for commodities recovers from the impact of the COVID-19 pandemic and the war in Ukraine. The world will still require commodities, but the resource intensity of economic growth is declining. Recently, China's demand for base commodities has shifted from iron ore, copper and coal to consumer-related commodities such as meat, dairy and apparel, as well as the rare earth metals used for batteries and computers.

Just how rapidly China is growing (despite moderating rates in recent months) is difficult to grasp. For example, between 2014 and 2018, China added the size of the entire economy of Africa to its GDP in market exchange rates. The Chinese economy is already larger than the US economy in purchasing power parity and likely to overtake the size of the US economy in market exchange rates around 2030.

In addition, the next supercycle (i.e. from around 2030 onward) would be driven by the expected demand for commodities from rising India, which is experiencing a steady improvement in growth rates. Steady global growth will continue to generate demand for commodities. Global GDP will expand by almost 30% by 2030 (from 2019) and 62% by 2043 (all calculations in market exchange rates).

However, ample evidence shows that commodity dependence leads to slow and poor-quality growth over long time horizons. Extreme commodity dependence is closely associated with poor governance. Supporters of the 'resource curse' hypothesis argue that heavy dependence on energy [resources](#) such as oil or gas impedes rather than accelerates economic growth and investment. It may also hinder the broadening of the economic base by impeding value added in agriculture and manufacturing, as well as the development of the various institutions of good government.

Some of the severe risks that single-commodity exporters face include:

- exposure to price volatility, as occurred, for example, in 2014 and again early in 2020 with the collapse of the oil price.
- a decline in the contribution from other economic sectors—the so-called Dutch disease.
- an increased likelihood of undemocratic government as governing elites essentially focus on competition for control over the income stream from a single commodity and not by diverse sectors such as agriculture, manufacturing and services.
- the prevalence of a rentier state, where the state is not accountable to citizens but to special interest groups aligned with the commodity income.

- pressures to spend within a short-term horizon to maintain support and also to align with the surge in commodity incomes.
- a greater likelihood of low-quality institutions—the sum impact of all of the above.

Larry Diamond and Jack Mosbacher summarise it as follows:

The surge of easy money [from oil or gas] fuels inflation, fans waste and massive corruption, distorts exchange rates, undermines the competitiveness of traditional export sectors such as agriculture, and preempts the growth of manufacturing. ... Rather than fostering an entrepreneurial middle class, **oil wealth**, when controlled by the government, stifles the emergence of an independent business class and swells the power of the state vis-à-vis civil society.

The result is an ‘observable correlation between resource abundance and political **corruption**.’

To date, Botswana is the only African country that has successfully and sustainably developed its resources sector (diamonds) to the general benefit of its population. Despite relying heavily on commodities, Botswana has had the lowest percentage share of **primary commodities** in exports in Africa, in part by stimulating domestic processing industries. Yet, it too struggles to spread its commodity-led growth beyond a small, privileged elite in a country that has the third highest level of inequality globally.

Resource-poor economies generally outperform resource-rich countries, with South Korea, Japan and Taiwan often cited as the best examples of the former and Nigeria, Angola and Equatorial Guinea as examples of the latter. South Korea has virtually no commodity reserves of significant value. In 1962, the country exported mostly raw materials such as fish, rice, iron ore and unprocessed silk. Today it boasts a well-diversified export portfolio that includes electronics, cars, ships and other high-end machinery.

Nigeria’s main exports in 1962 were crude petroleum and assorted agricultural products—mostly groundnuts, soybeans and cocoa beans. In 2019, crude petroleum and liquified petroleum gas accounted for almost 60% of Nigeria’s total exports by value. In 1962, GDP per capita in South Korea was about half that of Nigeria; in 2018, it was seven times more. Similarly, Africa’s two richest countries (in terms of GDP per capita), Mauritius and Seychelles, have almost no reliance on **commodities**, relying instead on their service sectors, and maintained robust growth rates between 1990 and 2014.

Commodities can play a powerful role in development. Norway famously makes excellent use of its oil and gas reserves for development, saving much of the proceeds in a sovereign wealth fund. Although politically difficult, managing spending and planning for the future are key to making the most of national commodity endowments.

In the 1970s, Cameroon sought to adopt a similar strategy as it began producing oil, increasing government savings while moderating spending and borrowing during the upcycle. Despite a decline in commodity prices in the early 1980s, Cameroon’s **growth rate** remained at about 7% per year while it maintained low inflation and borrowing rates. Its success was eventually short-lived, however.

At the same time, Kenya and Nigeria spent most of their revenues from coffee and oil price booms in the late 1970s and could not reel in expenditure in the 1980s when prices, and thus revenue, ultimately fell. **Growth rates** declined while inflation and borrowing increased.

Since then, several African countries have attempted to make better use of their resource booms by saving more of the associated revenue in sovereign welfare funds, including Angola, Mauritania, Botswana, Chad, Gabon and Equatorial

Guinea. After the 2008 financial crisis, Nigeria attempted something similar in the form of the excess crude account.

Although such savings have been associated with better macroeconomic management, they are also regularly undermined by subsequent over-withdrawals from the funds and political interference in their governance. Of all Africa's many resource-rich countries and the many sovereign wealth funds established, Botswana's Pula sovereign wealth fund arguably stands alone in attaining **sustained improvements** in macroeconomic management, thanks to excellent governance and management.

COVID-19

In late 2019, the SARS-CoV-2 virus spread to humans in China's Wuhan province. The subsequent COVID-19 pandemic brought the global economy to a shuddering halt.

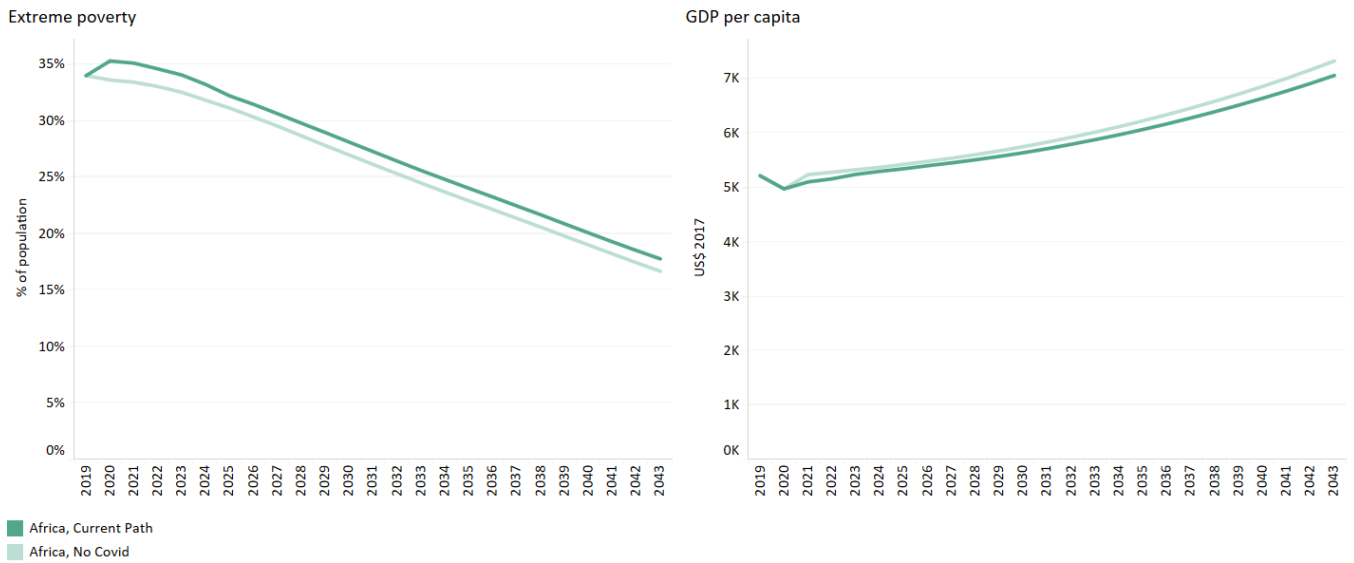
Initially, the fear was that mortality from COVID-19 would hit Africa harder than other regions due to higher poverty levels, lower-quality health services, and the higher prevalence of HIV/AIDS and other comorbidities. Eventually, the reverse transpired, generally attributed to the continent's youthful population. More than 80% of Africans who were infected with the **virus** were asymptomatic, meaning they showed no symptoms and could carry on with their normal activities, almost double the average for the rest of the world. However, Africa has not been spared the dire economic impacts associated with the virus, such as declining tourism and the knock-on efforts to contain the spread of the pandemic globally.

Before the COVID-19 pandemic, the IMF expected that Africa would register close to 3.3% average growth in 2020. Eventually, the health crisis caused a collapse of six percentage points in growth compared with the pre-COVID forecast, equivalent to a difference of US\$197 billion in the size of the African economy. With a population increasing at 2.7% annually, Africa's average GDP per capita fell by almost US\$300 in 2020 compared with a no-COVID forecast.

Although wealthier African countries have more resources to face the pandemic, they also tend to have a larger decrease in GDP. The South African economy shrunk by US\$42 billion in 2020 compared to a no-COVID scenario, followed by Nigeria with a US\$24 billion decline.

The **impact of the COVID-19** pandemic is that 21 million more Africans were likely to have been classified as extremely poor in 2020 than would have been the case in a no-COVID scenario. Government revenues in Africa were estimated to decline by US\$73 billion in 2020 and by US\$17 billion in 2021 compared with a no-COVID forecast. The effects will linger. By 2030, more Africans are likely to have succumbed to the secondary impact of the associated reductions in government revenues—reductions in health expenditure in particular—than from the direct effect of the virus.

Chart 12: Extreme poverty and GDP per capita in Africa with/without COVID, 2019–2043

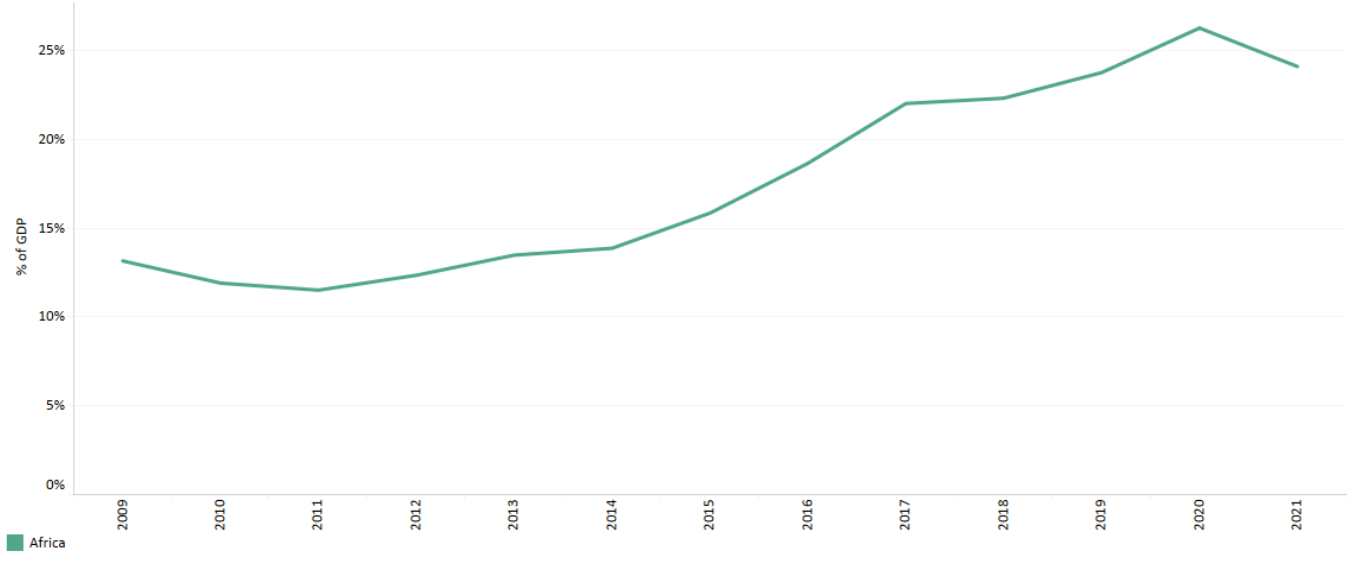


Source: IFS 7.84 initialising from WDI, UNPD WPP and PovcalNet World Bank data

The response by African governments to the threat of COVID-19 differed sharply between countries, with most adopting variations of lockdown measures and instituting harsh travel restrictions. Necessary spending on health interventions, social grants and general fiscal stimulus to drive recovery, together with reduced government revenues, have also increased debt dependence and reduced debt sustainability, even in Africa’s wealthier countries. African countries estimated (in 2020) that they would need annual support of US\$100 billion for the next three years plus the extension of a moratorium on debt repayments announced by the G20. Eventually the moratorium expired at the end of December 2021 having suspended only US\$12.9 billion in **debt-service** payments owed by 48 participating countries to their creditors. It has not been **extended**.

Africa’s recurring debt challenge

Chart 13: Debt as a percentage of GDP, 2009-2021



Source: S Harcourt and F Robertson, One.org, <https://tinyurl.com/3h44t7x7>. Originally from the International Debt Statistics database.

In 1995, **public debt** for Africa's lower-middle-income countries peaked at 97% of GDP. The following year, public debt for low-income Africa was at 174% of GDP. In response, the IMF, the World Bank and other creditors began the Heavily Indebted Poor Country (HIPC) Initiative in 1996. The HIPC was reviewed and comprehensively expanded in 1999 and complemented by the **Multilateral Debt Relief Initiative**, a debt relief proposal initially advanced by the Group of Eight (G8) countries in 2005.

As the **HIPC programme** matured, the international community focused on strengthening the links between debt relief and progress in implementing poverty reduction strategies and macroeconomic and structural reform programmes. As a result, public debt among low-income African countries declined to 15% of GDP in 2013 and 11% among lower-middle-income countries the following year.

The problem with this approach is that the medicine was killing the patient. Structural reform required that governments constrain their expenditure, meaning that they had to cut back on services and that the measures inevitably reduced economic growth. Lower economic growth translated into sustained high debt/GDP ratios as African countries could not grow out of their high debt levels.

With the decline in commodity prices after 2011, levels of debt again started to increase, which hit Angola, Chad, the Republic of the Congo, Niger, Nigeria and Zambia particularly hard. Other factors also contributed, such as internal conflict (Burundi), the impact of epidemics such as Ebola (in Liberia and Sierra Leone) and corruption (Mozambique and The Gambia). Finally, a larger liquidity crunch, delays in the start of natural resource production and weaknesses in revenue administration negatively affected **debt levels** in Benin, Cameroon, Djibouti, Ethiopia, Ghana, Kenya, Senegal, São Tomé and Príncipe, Rwanda, Togo, Uganda and Zimbabwe.

By 2016, according to the **IMF**, public debt rose above 50% of GDP in 22 countries, up from ten countries in 2013.

In a wide-ranging study on the relationship between **debt and growth**, Carmen Reinhart and Kenneth Rogoff concluded that 'when external debt reaches 60% of GDP, annual growth declines by about 2%'. For almost two decades since the mid-1980s, Africa's low- and lower-middle-income countries consistently had average debt levels above 60% of GDP (Chart 13). Yet, this period coincided with Africa's most rapid period of economic growth since independence, pointing to the challenge of using a fixed debt levels such as 60% of GDP as a reliable guide to debt sustainability.

Against this background, the announcements of large additional loans from China (such as on the margins of the Forum on China–Africa Cooperation meeting held in September 2018 in Beijing) elicited concern. Exact information is complex to decipher as Chinese and Western national banks do not release comprehensive data. However, it seems that interest-bearing loans from the Chinese government, banks, and contractors went from almost nothing in 2000 to US\$143 billion in 2017, representing about a third of Africa's overall debt of around US\$365 billion. The trend is ongoing. **Chinese lending** now dwarfs World Bank **loans** to Africa. To some analysts, it appeared that Africans had to borrow money from the IMF to repay China. In response, successive US administrations sought to characterise Chinese loans as 'debt-trap diplomacy'—arguing that China is seeking to use debt for strategic leverage to eventually gain control over strategic resources such as rail and harbours. The reality is more complex. Most African debt is to private bondholders in the West with much higher interest rates than the World Bank and other multilateral development banks and requires shorter repayment periods.

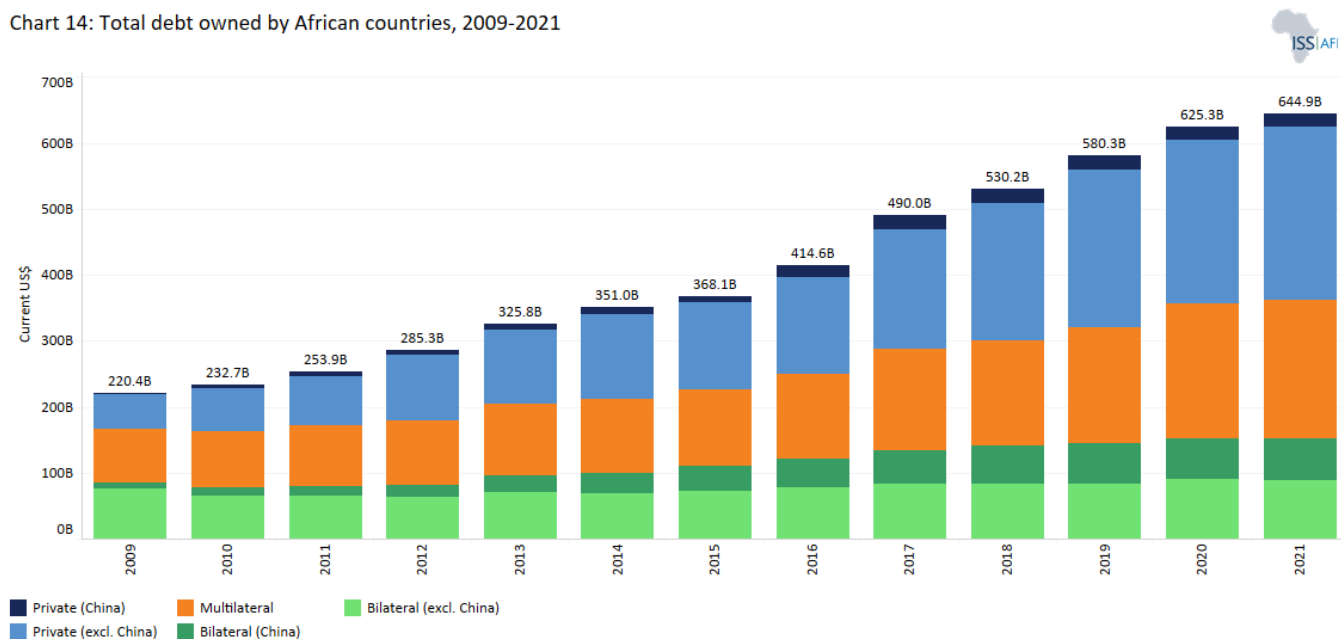
Yet Chinese lending appears to have resulted in an increase of nearly 4% in the debt-to-GDP ratio of low-income countries in recent years. At the same time, multilateral institutions such as the World Bank have seen an equal decline. **Chinese lending** to developing countries is generally offered less concessional than multilateral development banks, although it is

more favourable than what the market would offer. The shift in debt away from the concessional rates provided by the World Bank and IMF (and other multilateral development banks such as the African Development Bank) towards China has also seen other effects, such as shorter maturities and [grace periods](#).

In 2019, Beijing announced that it would establish an analysis framework on debt sustainability for [Belt and Road Initiative](#) projects and improve transparency. At that point, the IMF assessed that about 17 low-income African countries were either in or at risk of debt distress, which has subsequently increased.

Chart 14 presents the total debt owned by African countries annually from 2009 to 2021, divided into private (Chinese and non-Chinese), multilateral, and bilateral (Chinese and non-Chinese).

Chart 14: Total debt owned by African countries, 2009-2021



To cushion the economic and social impacts of the subsequent COVID-19 pandemic, several African governments announced fiscal stimulus packages that averaged about 3% of GDP, financed partly by debt. The average debt-to-GDP ratio, which had somewhat stabilised at around 60% of GDP at the end of 2019, was increasing rapidly when, in April 2020, the G20 countries, the IMF and the World Bank announced the Debt Service Suspension Initiative referred to previously, potentially available for 73 eligible countries, including 40 in sub-Saharan Africa. The IMF also approved six months of [debt service relief](#) for 25 low-income countries, including 19 in Africa, and approved additional funding support for several as well. China's participation was a big step forward but without the involvement of a private creditor, which holds the majority of African debt, the [DSSI](#) proved too little too late as, in November 2020, [Zambia](#) became the first African country to default on its debt.

Almost simultaneously, in neighbouring [Angola](#), the country opened the door to China to extend its oilfield holding as its previous system of using oil to pay for debt came under pressure with falling oil prices. Oil-backed loans then already accounted for two-fifths of Angola's external debt, most of it to China, which agreed to provide deferment over and above that promised under the G20 DSSI. In Kenya, China agreed to a six-month [debt repayment holiday](#) worth US\$245 million in January 2021, shortly before a critical deadline when a US\$1.4 billion loan from the China Exim Bank to build the Nairobi-to-Naivasha standard gauge railway would have come due.

China has probably taken more aggressive assistance measures to assist Africa during COVID-19 than much of the West, providing restructuring and [postponing debt repayments](#) to Angola, Zambia and Ethiopia in rapid succession in 2020.

However, it has not offered substantive debt cancellation.

In this context, the administration of US President Joe Biden agreed, in April 2021, to the allocation of US\$650 billion in Special Drawing Rights (or emergency credit) via the IMF. Given its large IMF shareholding, US support was crucial. However, only a limited amount (around US\$33 billion) will flow to Africa. Having stimulated their domestic economies with several trillion dollars, several G7 members agreed to donate their Special Drawing Rights to low-income countries.

China is now Africa's largest single official bilateral lender, owning at least 21% of the continent's outstanding debt. Africa's fortunes are increasingly tied to China, which is also its single largest trading partner. Looking to the future, it could be that China opts to be a majority shareholder in some key assets of countries with high debt levels as an alternative to the repayment of maturing debt.

China's spectacular growth rates are also set to steadily decline (forecast in IFs to decline to below 4% per annum by 2036) as its population ages, and it no longer runs a regular trade surplus. China will increasingly focus on its neighbourhood that, through its Belt and Road Initiative, has more closely tied it to Asia. The growth slowdown and the efforts for the restructuring of the Chinese economy towards a consumption-based economy, will decrease its demand for commodities such as iron ore, oil and gas from Africa.

Recent years have already seen a decline in Chinese official sector lending to African governments (so-called sovereign debt by the two 'policy banks', China Exim Bank and China Development Bank) in favour of a dramatic rise in so-called 'hidden debt' from state-owned Chinese commercial banks such as the Bank of China, the Industrial and Commercial Bank of China and the China Construction Bank. For example, whereas Zambia (before its September 2021 elections) admitted to a sovereign debt of US\$3.4 billion, research by AidData indicated that Zambia actually owed US\$6.6 billion to 18 different Chinese creditors once the hidden debt component was included.

Hidden debt does not appear on public balance sheets. The average annual underreporting of repayment liabilities to China, according to AidData, is equivalent to 5.8% of GDP. Hidden debt differs from sovereign debt, which central government institutions directly own, as it is a debt between a Chinese commercial bank and, often, a special-purpose vehicle specifically created to 'hold' the debt in the African country requiring the loan. Such debt is still guaranteed by the respective African government but indirectly.

What makes this trend alarming is not only the extent of the debt, including the lack of public reporting but the nature of collateral (such as profits from the port of Mombasa) and the steep terms. 'A typical loan from China has a 4.2% interest rate and a repayment period of less than 10 years. By comparison, a typical loan from an OECD-DAC lender like Germany, France or Japan carries a 1.1% interest rate and a repayment period of 28 years,' writes AidData. Accordingly, it seems that 'Beijing has used debt rather than aid to establish a dominant position in the international development finance market.'

By 2024 it is clear that Africa's debt has shifted from concessional financing to more expensive and short-term commercial debt, with Eurobonds accounting for 44% of Africa's total debt, up from 14-17% previously. In 2010 debt service payments amounted to US\$17 billion. In 2024 the continent will pay US\$74 billion.

Africa's post-COVID debt levels have now become victim to the rise in tensions between the US and China with each side using debt and its capital contribution to organisations such as the World Bank as a cudgel with which to beat the other, demanding haircuts and resisting first-mover concessions.[11] Africa's voice and interests are often quite peripheral in this emerging great power game. We examine the potential impact of different global scenarios in the theme on [Africa in the World](#).

The Sustainable Development Goals and measuring extreme poverty

Many of the goals and targets of the SDGs refer to the relationships between economic growth, inequality (using different indices and measures) and decent employment. These three factors largely determine poverty rates.[12]

The SDG goals and targets have led to a global effort to develop the data and associated tools with which the international community can more accurately measure progress. Measuring poverty has received significant attention as it is closely related to the imbalances in people's opportunities in education, health, level of empowerment and access to technology.

Poverty does not look the same everywhere:

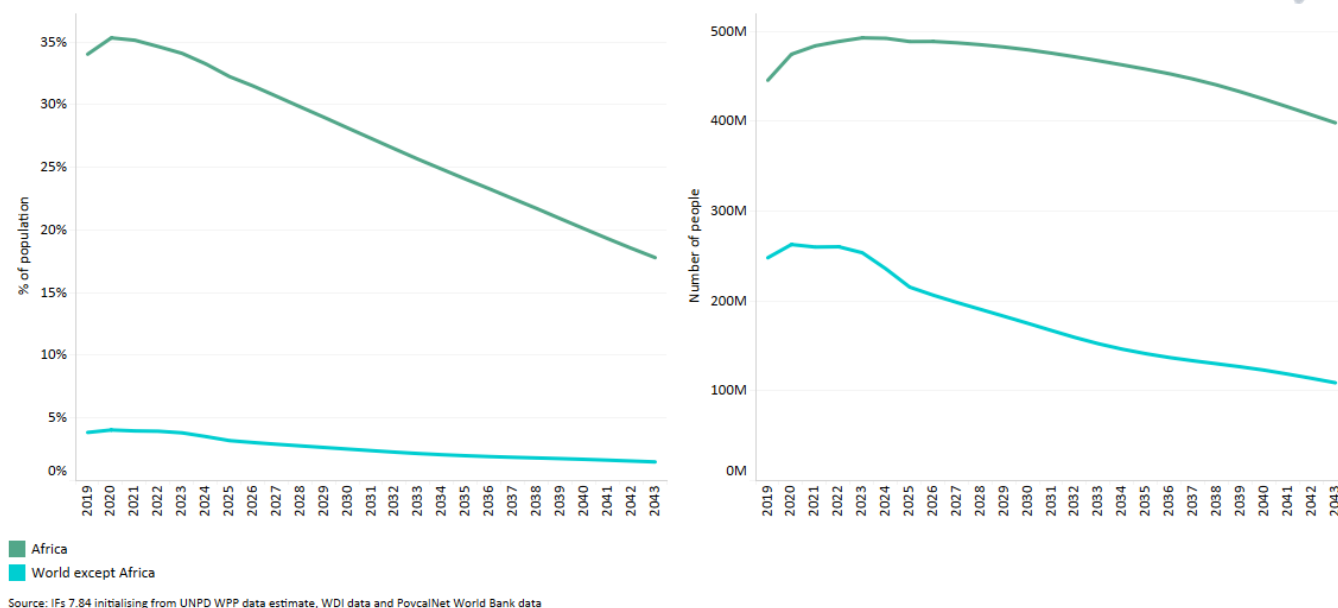
- It differs between and within countries. For example, in the eastern parts of the DR Congo poverty looks quite different from that experienced in Mali or South Africa.
- It differs according to location. Rural Uganda's poverty differs from that in the capital city of Kampala.
- It also differs according to demographics. Poverty is different between men and women, and poverty among adults differs from that experienced by children. For example, since women tend to be disproportionately responsible for household chores and caregiving, poverty restricts girls' time to stay in school. It also determines whether families can afford school fees, purchase supplies, or guarantee that their children can attend school when their help is needed at home, either to help generate income or to take care of household tasks.
- Different regions also use diverse measures to reflect poverty more accurately in their member states. For example, the European Union typically uses a relative poverty line set at 50% or 60% of the national median income.

As average income is quite a blunt instrument to view poverty, new approaches and definitions have been suggested. For example, the [Multidimensional Poverty Index \(MPI\)](#),[13] developed by the Oxford Poverty and Human Development Initiative and adopted by the United Nations Development Programme, is focused on tangible goods and services without which people might be defined as poor. The 2019 edition of the [Human Development Report](#) is entirely devoted to exploring the different dimensions of inequality and poverty and carries the subtitle 'Inequalities in human development in the 21st century'.

Using the US\$1.90 threshold, 34% of Africa's total population was considered extremely poor in 2019—a ratio that will decline to 28% by 2030 and to 18% by 2043. Owing to rapid population growth the absolute numbers only change modestly. By 2043, 406 million Africans will live in extreme poverty compared to 446 million in 2019. By contrast, in 2043, extreme poverty in the rest of the world will decline by more than half to 107 million people, down from 248 million in 2019.

Chart 15 presents extreme poverty in Africa from 2017, with a forecast to 2043. The user can toggle between absolute numbers and per cent of the population for different regions. With more than 442 million extremely poor people in 2019, sub-Saharan Africa is by far the region with the largest burden of extremely poor people globally.

Chart 15: Extreme poverty in Africa and the rest of the world using US\$1.90 threshold, 2019–2043



To compensate for extreme poverty in richer countries occurring at higher levels of income than in poor countries, the World Bank announced in 2017 that although the headline goal of eliminating extreme poverty would still be measured using US\$1.90 per person per day for low-income countries, three additional **poverty lines** would be used for lower-middle-income, upper-middle-income and high-income countries (US\$3.20, US\$5.50 and US\$22.70, respectively).

The **Bank** also moved away from the household measure in favour of an individual threshold owing to considerable evidence that poor women and children are living in non-poor households. So, while the main breadwinner in a household may technically not be classified as extremely poor, others in the same household may be living on much lower income levels.

In May 2022, the World Bank announced that the international **poverty line** would be updated from \$1.90 in 2011 prices to US\$2.15 in 2017 prices and explained that the real value of US\$2.15 in 2017 prices is the same as US\$1.90 in 2011 prices. This does not lead to a substantial change in global poverty although extreme poverty is reduced in sub-Saharan Africa and increased slightly in each of the other regions. The Bank has not yet announced the new poverty line for high-income countries, previously set at US\$22.70 in 2011 prices.

It will take some time for these new poverty lines to settle down in the associated analysis and the Bank intends to release the associated estimates in 2023. In the meanwhile, this site will continue to use the US\$1.90, US\$3.20, US\$6.20 and US\$22.70 poverty lines.

Conclusion: The lack of productive realignment of African economies

With Africa's large and growing labour force, the matter of labour's contribution to economic growth is of particular importance to the continent, which does not have deep pockets of capital and does not benefit from high levels of technology—the other two sources of productivity improvements.

Global labour productivity growth slowed from a peak of 2.8% in 2007, just before the global financial crisis, to a post-crisis trough of 1.4% in 2016, and it remained below 2% a year in 2017/18. By 2018, the output per hour of work had declined for

over a decade.

In theory, the potential for improvements in productivity as part of digitisation and automation is enormous. However, with a shrinking labour force as a portion of the total population in most middle- and high-income countries, artificial intelligence and automation first need to offset the reduction in production from that smaller labour force before these countries experience an increase in economic growth. With its growing working-age population, Africa is potentially in a favourable position. However, it comes off a shallow base. Many countries are still several decades away from achieving a favourable ratio of working-age persons to dependants (as discussed in the theme on [Demographics](#)).

In addition to getting more rapid economic growth from the contribution of a more significant and more productive labour force, Africa needs much more substantial capital inflows to fund its infrastructure requirements. It has the world's most rapidly growing population, requiring more schools, hospitals, roads, harbours, railway lines, and other infrastructure every year. The first port of call is, of course, that African countries need to improve their low domestic revenue mobilisation and improve wastage within government expenditure. In addition, Africa needs much higher rates of FDI, examined in the theme on [financial flows](#).

The continent must also be able to sustain higher debt levels and benefit from more concessional financing.

According to the [Organisation for Economic Co-operation and Development \(OECD\)](#), a 30% to 50% debt threshold range is a reasonable target for emerging economies, including Africa's 46 low-income and low-middle-income economies. The OECD further recommends that a prudent debt target should average 15 percentage points below the debt threshold since exogenous events, such as COVID-19 or Russia's invasion of Ukraine, could push up interest rates. Domestic developments such as unrest or a coup can cause countries to lose market confidence and increase their borrowing costs. Therefore, according to the OECD, most African countries can only sustain debt levels of 15% to 35% of GDP, which is significantly below requirements.

Five matters are crucial in considering the debt-to-GDP ratio. The first is how much the debt costs, i.e. the interest rate at which the debt is incurred. A 2023 report by [UNCTAD](#) reveals that Africa pays four times more for borrowing than the US and eight times more than the wealthiest European countries.

The second is the currency in which the debt is held. Currency depreciation regularly increases the public debt stock in many African countries because a significant portion of the debt is in [foreign currency](#). For instance, with the COVID-19 pandemic, on average, exchange rate depreciations increased public debt in Sub-Saharan Africa by ten percentage points of GDP by the end of 2022.

Third, what is the economic growth rate? An expanding economy offsets debt repayments by increasing in size, thus reducing the size of the debt as a portion of GDP. After Africa's debt peaked at 26% of GDP at the height of the COVID-19 pandemic in 2020, it declined to 24% two years later as modest economic growth resumed.

Fourth, how vulnerable is the borrower to exogenous effects? A single-commodity-based economy is, for example, very vulnerable to price swings. In contrast, a diversified economy where agriculture, manufactured goods and service exports contribute to earnings is much more resilient.

Finally, prudent financial management is essential. Is the money loaned put to productive use?

There is no silver bullet to this dilemma. It requires a host of responses, starting with the quality of domestic governance and extending to restructuring the voting rights of IFIs. Africans must be able to afford much higher debt levels (at least 50% to 60% of GDP), which is only possible at very low concessional rates. This means someone somewhere needs to

offset the additional risk premium as Africans work to improve stability and reduce risk through better governance.

Beyond the effects of labour's limited contribution to growth in Africa and the lack of capital, Africans need to embark on a productive economic transition. Instead of transitioning from agriculture to manufacturing to services, the growth trajectory that delivered the most rapid improvements in general well-being in other regions, the African transition is from subsistence agriculture to low-end services in informal urban areas. Africa has not benefited from a revolution in its agriculture sector, nor has it been able to industrialise. Currently, the service sector (i.e. lending, recreation, tourism, transport, food) constitutes the most significant economic sector by value and is significantly larger than any other sector, including agriculture and manufacturing. However, the impact of the COVID-19 pandemic accelerated growth in the low-end service sector due to lower investment, erosion of human capital because of unemployment, loss of schooling, and a retreat from global trade and supply chains. The COVID-19 pandemic has encouraged the digitisation and rapid adoption of new technologies. Still, the associated productivity gains may be unevenly distributed—in particular, bypassing those countries with widespread, stable Internet access, solid institutions and sound education systems and causing employment losses in some sectors.

Chart 16: Key constraints on Africa's development

1. Low productivity because of delayed demographic transition, poor education and health.
2. No agricultural revolution and increased food insecurity.
3. Labour moving from subsistence agriculture in rural areas to low-end services in informal urban areas.
4. Instead of a manufacturing growth path, premature de-industrialisation and growth in low-end services.
5. Little global and regional trade integration. Instead, a reliance on small domestic markets.
6. Increased commodity dependence.
7. High and diversified debt burden with onerous repayment requirements.

Unlike the manufacturing sector, the service sector was, before COVID-19, not fully disrupted by technology. As the service sector is more labour intensive, the shift to services reduced overall productivity. But that is now rapidly changing, although more slowly in Africa given the dominance of low- rather than high-end services, often provided in informal settings such as barber shops and vehicle repair along the side of the road.

The COVID-19 pandemic will eventually be seen to have helped drag the service sector into the modern world. According to the McKinsey Institute, productivity growth could reach 2% annually over the next decade, with 60% of this increase due to [digital opportunities](#).

Africa's already small manufacturing sector is declining, suggesting that Africa is experiencing so-called 'premature

deindustrialisation'. Whereas manufacturing is often called the automatic escalator that lifts countries to higher productivity levels, Africa appears to be embarking on a low-productivity, service and commodity escalator. Africa's service escalator goes upward, but only slowly while the manufacturing window is closing. This is mainly because the share of workers employed in higher-productivity sectors such as **manufacturing** is declining, resulting in a drop in the average growth output per **worker**. In addition, it has become much harder to establish export manufacturers. The entire sector is shrinking globally, and competition is fierce with some indications of the potential relocation of manufacturing, first to surrounding Asia, then India and eventually to Africa.

The general shift in Africa seems to be that labour is moving from subsistence agriculture in rural areas to informal jobs in the urban service sector. Investment and jobs are often limited to capital-intensive commodity enclaves, such as in northern Mozambique's gas fields, with little or no forward or backward linkages into the surrounding economy. The few jobs created through these megaprojects do little to provide employment or create local value chains. They provide jobs for a few expatriates and generate large revenue streams for governments. Generally, enclave economics does not benefit broad welfare improvements within the economy. Yet, commodity-based enclave development is often the norm in commodity-rich countries. In fact, Africa is becoming even more dependent on low-value commodity exports for its foreign exchange earnings. It is the only region globally where the number of **commodity-dependent** countries (in terms of the value of export earnings) increases every year.

Going forward, Africa needs to seize the opportunity offered by renewable energy and the promise of the Fourth Industrial Revolution to rapidly improve productivity growth and provide more jobs. But how can that be achieved in a global economic environment where Africa is becoming more, not less, dependent on the export of commodities and where the contribution of its small but growing labour force (as a portion of the total population) is likely to decline in value? And all of this while Southeast Asia constrains the growth of the manufacturing sector as its position as the world's factory on top of the challenge of climate change? Finally, to kick-start all of the above and recover from the impact of COVID-19, many poor African countries again require debt relief similar if not larger to that provided during the 2005 Multilateral Debt Relief Initiative.

Endnotes

1. See the About section for the composition of South America and South Asia.
2. See the About section for the composition of East Asia.
3. Consisting of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.
4. Consisting of Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan and Sri Lanka.
5. The IFs forecasting platform does not include separate data for Western Sahara, the 55th member of the African Union.
6. In May 2022, the World Bank adjusted the US\$1.90 measure from 2011 prices to US\$2.15 in 2017 prices (this is discussed in more depth later in this theme). However, the associated data is expected only in 2023.
7. The IFs forecast on poverty levels uses the average levels of income and a log-normal distribution as indicated by the Gini index. However, as the internal calculation using those variables will almost inevitably produce a rate of poverty at odds with those provided by national surveys, the system computes an adjustment in the first year for the subsequent forecast years.
8. North Africa has relatively high levels of education compared with the rest of Africa and scores higher on almost all indicators of human development than sub-Saharan Africa.
9. By about 19 percentage points.
10. In 1970, Botswana still had an average GDP per capita that was US\$1 246 below that of Ghana. Within four years, average income levels in Botswana surpassed Ghana's and, by 1999, GDP per capita in Botswana was four times higher (US\$7 167) than in Ghana.
11. World Bank loans are granted at concessional rates and longer periods but in return the Bank requires preferential treatment on repayment. The US, in particular, is also resisting efforts by China to increase its capital contributions to multilateral development banks such as the World Bank since that would increase China's voting rights from its current 6% in the latter.
12. For example, see [SDG Target 8.1](#), [Target 8.5](#) and [Target 10.1](#).
13. The MPI measures multiple deprivations in the same households in education, health and living standards across 10 indicators ranging from nutrition and child mortality to assets.

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