



Combined Scenario

Structural change of economies in the Combined Agenda 2063 scenario

Jakkie Cilliers

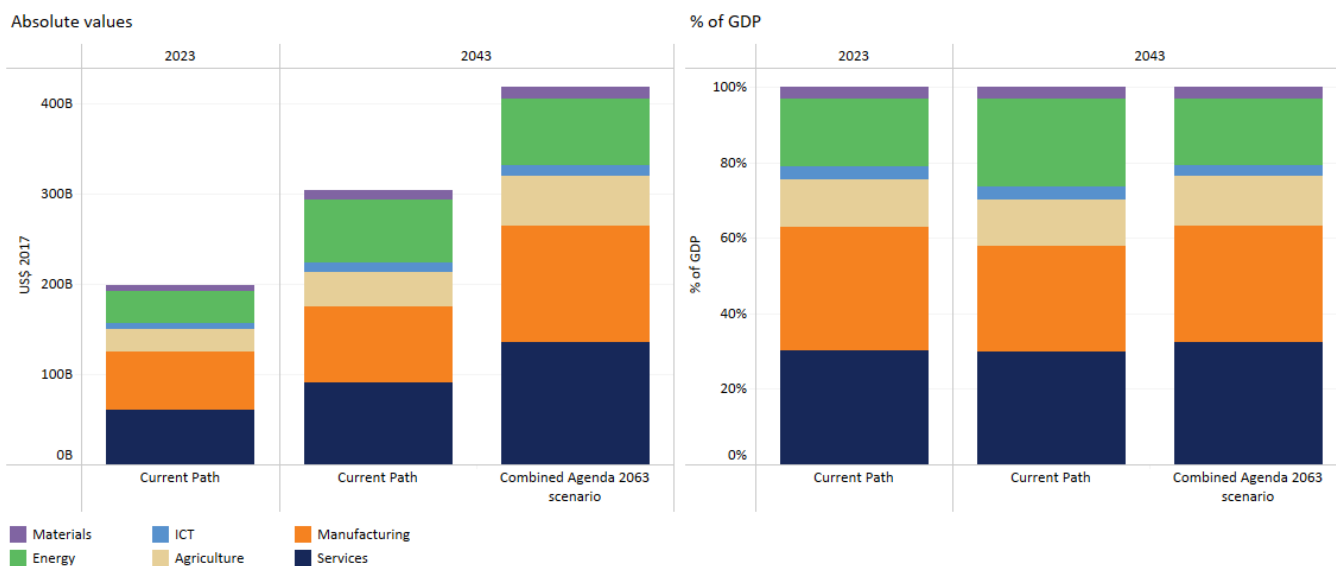
Last updated 14 January 2025 using IFs v8.13

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The transitions modelled on this website emulate a developmental path where Africa can reverse its growing commodities dependency and proceed to inclusive and rapid development by building human capital and economic diversification. In this vein, the African Growth Initiative at the Brookings Institution popularised the potential of “industries without smokestacks”, pointing to the potential of tourism, agro-processing and other tradeable services as having productivity improvement effects in a modernising economy comparable to traditional [industrialisation](#). Others are more sceptical and argue that services such as tourism are 'quick wins', but cannot serve as a pathway for long-term growth. Although it generates export earnings, growth and employment, specialisation in tourism tends to yield limited growth benefits. To generate growth through tourism, a country has to attract more tourists yearly, placing a higher strain on public services such as security and utilities. Also, tourism comprises low-productivity activities such as hotels and restaurants. Thus a study by the [IMF](#) shows that to reach growth of 6% per year, it would need to increase tourism receipts as a share of exports by more than 70%, which is unlikely to happen in most African countries.

To this end, Chart 8 presents the size and changes in the growth of the six economic sectors modelled in IFs: agriculture, energy, materials, manufacturing, services and ICT for African countries and groups.

Chart 8: Size of economic sectors and sectoral composition of African countries and groups in 2019 and 2043 in Current Path vs Combined Agenda 2063



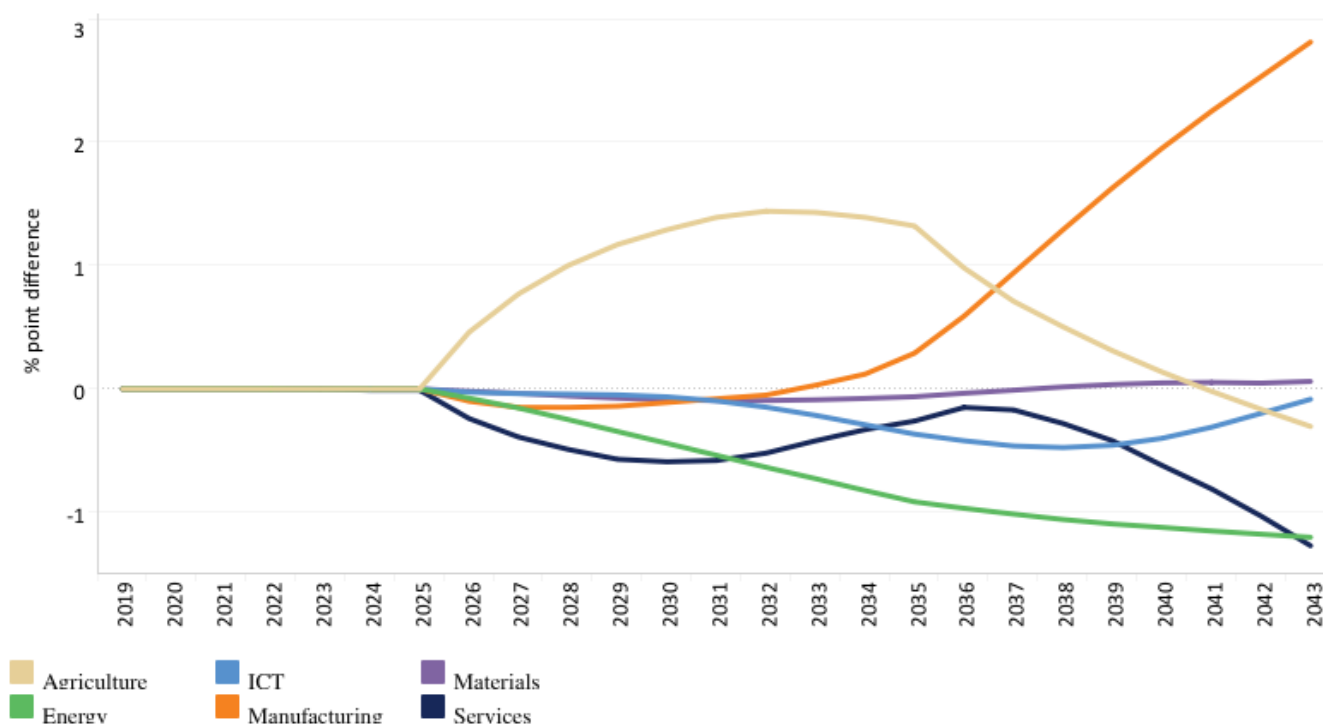
It is evident from Chart 8 that all sectors in Africa's 2043 economy will be bigger in the Combined Agenda 2063 scenario than in the Current Path forecast for that year.

The sectoral shift in economic composition from 2024 (the start of the interventions) to 2043 for each African country and group is in Chart 9. The scale on the y-axis indicates that the shifts are at a maximum amplitude of five percentage points in either direction. Still, the impact of compound interest is such that these changes have a significant impact over time, evident from the stacked column graph reflecting economic size on the right-hand panel in Chart 8.

Chart 9: Sectoral shift over time for African countries and groups: change in percentage point composition and size



Africa



Source: IFs 8.13 initialising from the World Economic Outlook 2017, International Monetary Fund

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Significant country-to-country differences exist, with some, such as Gabon and Equatorial Guinea, having very skewed economic structures, discussed in the geographic country forecasts for those countries. The results of these two out of seven upper-middle-income countries invariably skew the results for the group.

At a continental level (i.e. the average for Africa), the Combined Agenda 2063 scenario modestly constrains the growth of the service sector in favour of growth in the size of the manufacturing sector. If implemented, it would reflect an end to the premature deindustrialisation of Africa, with an increase in the manufacturing sector's contribution to Africa's GDP by more than three percentage points by 2043. However, even in the Combined scenario, Africa will have a growth trajectory dominated by services, which traditionally has lower transformative productivity potential than a manufacturing growth trajectory, although, as discussed, there is some potential for modern services such as transport and communication, financial intermediation and business services to exhibit the same labour productivity improvements as with manufacturing.

Whereas the service sector currently constitutes about half of the African economy, it will be 55% by 2043 in the Combined scenario, closer to the average forecast for the rest of the world (about 59%). The agriculture sector's contribution to GDP in the rest of the world slowly declines (from 4% to 3%). 2023, it was just below 16% in Africa, dropping to 7% on the Current Path and 6% in the Combined Agenda 2063 scenario.

The impact of the scenarios is that African economies become more productive, with considerable growth in the service sector, in line with global trends. But none of this will happen by itself. It requires appropriate policies that support local

industry or at least the transfer of knowledge to local industry, determined implementation and productive investment.

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Cite this research

Jakkie Cilliers (2025) Combined Scenario. Published online at futures.issafrica.org. Retrieved from <https://futures.issafrica.org/thematic/17-combined-agenda-2063/> [Online Resource] Updated 14 January 2025.

About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.